

JOHN WATSON'S TRUST
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

Charity No. SC014004

Whitelaw Wells
Chartered Accountants and Statutory Auditors
9 Ainslie Place
Edinburgh
EH3 6AT

JOHN WATSON'S TRUST
REPORT AND FINANCIAL STATEMENTS
For the year ended 31 December 2020

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JOHN WATSON'S TRUST

REFERENCE AND ADMINISTRATION

For the year ended 31 December 2020

Principal Office:	The Signet Library Parliament Square Edinburgh EH1 1RF
Charity No:	SC014004
Governors:	The Keepers and Commissioners of the Signet
Trustees:	<i>Six nominated by the Society to Writers to Her Majesty's Signet</i> Amanda Laurie DKS WS (Chair of Trustees) Robin Garrett WS (Chair of Finance Committee) John Harding-Edgar WS Richard Murray WS Karen Phillips WS Kenneth Mackay WS (Chair of Grants Committee) <i>Two nominated by the City of Edinburgh Council</i> Councillor Alison Dickie Andrew Cochrane <i>One nominated by the Lothian Association of Youth Clubs</i> David Hill <i>One nominated by the Merchant Company Education Board</i> Gordon Wyllie WS <i>Co-opted Trustees</i> Janet Morton Susie Jamieson
Clerk & Treasurer:	Anna Bennett WS The WS Society The Signet Library Parliament Square Edinburgh EH1 1RF
Auditor:	Whitelaw Wells Chartered Accountants and Statutory Auditors 9 Ainslie Place Edinburgh EH3 6AT
Investment Managers:	Brewin Dolphin Sixth Floor, Atria One 144 Morrison Street Edinburgh EH3 8EX

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES

For the year ended 31 December 2020

The Trustees submit their report and financial statements for the year ended 31 December 2020.

The financial statements have been prepared in accordance with the accounting policies set out in Note 1 to the financial statements and comply with the charity's Trust Deed, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and Accounting and Reporting by Charities: Statement of Recommended Practice (October 2019) applicable to charities preparing their financial statements in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) published on 16 July 2015.

OBJECTIVES AND ACTIVITIES

Purposes and Aims

John Watson's Trust's (JWT) primary purpose is to assist the education of young people, under the age of 21, who have additional support needs and/or are underprivileged. Those resident in the Lothians are given preferential treatment. Up to one third of JWT's income can be used to help pay boarding school fees, where this is seen to be the best option for the young person. This provision is restricted to residents in Scotland. The demand for boarding grants has dropped considerably over the past few years.

Activities

The Trustees approved grants of £109,188 for distribution during the period.

Grant Making Policy

JWT invites applications from institutions and individuals by advertising in the press, by maintaining an online presence, by writing to institutions and by maintaining regular contact with institutions who may know of individuals eligible to apply. Applicants must submit applications in a specified format for consideration and approval at a Grant's Committee meeting. The Grants Committee normally meets six times each year. Details of how to apply for grants and forms to download are available from JWT's website.

ACHIEVEMENTS AND PERFORMANCE

The Grants Committee met on five occasions during 2020 and disbursed a net total after refunded grants of £109,188 (2019: £156,843). There are three groups of grants in accordance with the charitable constitution:

- (a) Grants to children and young people under 21 who have additional support needs or are socially disadvantaged and to organisations representing them;

Individuals: 113 (2019: 95) individual grants were paid to help education and advancement in life. The main categories were similar to the previous year, including equipment for children and young people under 21 with additional support needs, in-school special expenses, tutoring for dyslexic children, post-school education for disadvantaged students and there were other grants to encourage sporting, cultural and social opportunities.

Individual grants ranged from £50 to £2,484.

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES (cont)

For the year ended 31 December 2020

ACHIEVEMENTS AND PERFORMANCE (cont)

Organisations: 21 (2019: 69) grants were paid to organisations, including mainstream schools serving the socially deprived and pupils with additional support needs. There was a wide range of specific projects.

Grants ranged from £360 to £2,500 for youth activities or equipment.

- (b) Boarding Education. Grants were paid for 6 young people during the year ranging from £800 to £7,210.
- (c) Weir Bursaries and Gordon Prizes. These are monetary prizes (total £385) made to school pupils to acknowledge academic merit. These are administered via schools in Edinburgh but were not awarded in the current year.

Future commitments: Including grants for boarding education, grants to individuals and organisations of £6,166 were committed for 2021.

FINANCIAL REVIEW

Investment income decreased to £145,017 (2019: £183,466). The benefits of a more diversified asset class across the investment portfolio continue to provide substantial income resources. The Finance Committee met regularly with JWT's investment managers during the period to review investment performance during the phase of high volatility in the markets globally. For a number of years the Trustees have adopted a strategy of a series of small withdrawals from free reserves to maintain grant making at a consistent level when the income earned from investments has dropped."

Net income available for grants was £99,887 (2019: £137,820). The grants committee had a budget of £150,000 for 2020 and subsequently awarded a total of £109,188 for payment in 2020. This amount was reduced due to Covid-19 causing events and school trips to be cancelled for which grants were awarded.

The Trustees are satisfied that the JWT's assets are available and adequate to fulfil its obligations on each fund.

Investment Policy and Performance

Brewin Dolphin acted as investment managers throughout the year. The Trust holds investments in a diverse range of holdings including bonds, equities and investment trusts.

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets, primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investments is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The significance of financial instruments to the ongoing financial sustainability of the Trust is considered in the financial review and investment policy and performance sections of the Report of the Trustees.

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES (cont)

For the year ended 31 December 2020

FINANCIAL REVIEW (cont)

Market Overview

Markets reached record highs at the end of 2019 and started 2020 in positive fashion only to change direction dramatically as the scale and the economic impact of the coronavirus pandemic became clear. The fastest 30% fall in global stock markets on record was witnessed during February and March. Governments around the world moved to support and help calm markets and the rest of the year saw a meaningful recovery from the lows experienced in March.

At a stock level, there were clear winners and losers over the year, with the performance of 'new economy' stocks leading the way. The portfolio's top performers over the year included Croda International (+30.8%), Admiral Group (+25.9%) and Intertek (+17.6%). More traditional sectors such as Oil and Banking, have lagged substantially. This was reflected in the annual performance of BP (-46.0%) and Royal Dutch Shell (-43.8%).

Over the year to 31 December 2020, the value of the portfolio decreased, in total return terms, by 4.8% compared to a rise in the composite benchmark of 3.2%. The Benchmark is a composite of indices which is associated with the Risk Level 7 mandate that the Trustees have chosen to follow.

Alongside the capital volatility, there has been a significant impact to dividend income, with large swathes of the market facing cashflow difficulties and therefore cancelling, cutting, or postponing dividend payments. This has seen many of the traditional income paying sectors lagging the market. Given the need for the investment portfolio to generate income, there has been a style bias within the portfolio, which has counted against relative performance on this occasion. It will be some time before dividends recover to 2019 levels and this will also be reflected in the level of income which is generated by the investments. The Trust received £151,374 in income payments over the year, equivalent to a yield of 3.3%.

The vaccine news and its subsequent rollout has brought hope of more settled markets and economic recovery. We are unlikely to know the full extent of the impact that the pandemic and the extreme measures that have been taken to curb the spread of the virus have had on the economy for some time. The appointment of a Democratic President in the US should bring continued fiscal stimulus and a boost to climate change ambitions, but broader reforms may prove more difficult. Although past performance is not a guide to future performance, we continue to believe that a diversified portfolio of high-quality investments will produce the best total return in the long term.

Risk Management

The Trustees have identified the major strategic, business and operational risks which JWT faces, as follows:-

- Operational risks – employment issues, health and safety issues and fraud;
- Financial risks – investment management;
- Protection of trust data – computer data, personal records and sensitive data.

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES (cont)

For the year ended 31 December 2020

FINANCIAL REVIEW (cont)

The Trustees consider they have established systems to mitigate these risks by a variety of means viz: setting up fidelity insurance to cover loss through fraud; investment in a portfolio of equities and bonds managed by Brewin Dolphin and regular reporting by the manager and review of their performance by the Finance Committee; and protection of computer records by means of back up data. The Trustees have also adopted an Anti-Bribery policy.

In March 2018 the Trustees adopted a Privacy and Data Protection Policy in line with the General Data Protection Regulation, which then came into force in May 2018. The Trustees also approved an Interim Safeguarding Policy in November 2018, recognising JTS's support for vulnerable beneficiaries. An amendment was made to the application process asking organisational applicants to exhibit their own Safeguarding and Child Protection Policies when applying for funding. During the period the Trustees also reviewed the existing Conflict of Interest Policy and Risk Register. Declarations of interest were collected for new appointed Trustees.

Reserves Policy

The free reserves of JWT are the Revenue Fund which stands at £138,955 (2019: £150,681) at the end of the year. The Trustees' policy is to disburse the whole of the net income in grants and to utilise these free reserves to provide John Watson's Trust grants in any years of deficit. None of the free reserves relate to the John Watson's Foundationers' Trust.

PLANS FOR FUTURE PERIODS

Since the year end, COVID-19, commonly known as the coronavirus, has continued to affect all countries around the world and as a result, various measures are still in place to restrict interaction and movement of people. These measures have caused significant social and economic disruption. The Trust has been working closely with grant holders to allow flexibility with grants made where the purpose of the grants cannot be immediately fulfilled as a result of the grant holder being subject to restricted movement/social distancing measures.

The financial impact on the Trust is a small reduction in income earned from the investment portfolio as the fall in value of assets and performance of stock markets around the world followed by a subsequent recovery as a result of the impact of the virus on the global economy. The Trust has a large operational reserve available for grants and is expected to maintain the annual budget for grant making.

JWT's main objective is to provide income to meet the charitable purposes. The Trustees have approved a budgeted figure of £150,000 to be allocated for grants for 2021 although this will be subject to review in the course of the year.

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES (cont)

For the year ended 31 December 2020

STRUCTURE, GOVERNANCE AND MANAGEMENT

JWT is governed by its Trust Deed and is registered as a charity in Scotland with the Office of the Scottish Charity Regulator (OSCR) and HMRC.

John Watson's School, Edinburgh was closed in 1975. The building and grounds were sold in 1977 and the proceeds were invested for charitable purposes. JWT was set up by Statutory Instrument 1984 No 1480 (s120) entitled "*The John Watson Trust Scheme 1984*" which came into force on 13 September 1984. The Trustees began regular distribution of funds in 1986.

The names and appointments of the Trustees are listed on page 1. All Trustees served throughout the period except as noted. Although the trust deed requires six Trustees to be Writers to the Signet, at present, seven Trustees are Writers to the Signet as the Trustee nominated by the Merchant Company Education Board is also a Writer to the Signet. The Trustees appoint a Finance Committee and a Grants Committee to carry out the business of JWT. All new Trustees participate in an orientation and training meeting and are provided copies of the trust deed, minutes of recent meetings and previous financial statements. JWT has appointed the WS Society to deal with all necessary grant giving, administrative and compliance matters. JWT has appointed a firm of investment managers to manage its investments on a fully discretionary basis.

STATEMENT AS TO DISCLOSURE TO AUDITORS

So far as the Trustees are aware, there is no relevant audit information of which the charity's auditors are unaware, and each Trustee has taken all the steps they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information.

Trustees' responsibilities

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

The law applicable to charities in Scotland, England and Wales requires the Trustees' to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust at the end of the year and of the profit or loss for the year then ended. In preparing those financial statements, the Trustees are required to:

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

JOHN WATSON'S TRUST

REPORT OF THE TRUSTEES (cont)

For the year ended 31 December 2020

STATEMENT AS TO DISCLOSURE TO AUDITORS (cont)

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

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

The Trustees confirm that the accounts comply with the above requirements.

Approved by the Trustees on 23 March 2021 and signed on their behalf:

A handwritten signature in cursive script that reads "M. Laurie".

Amanda Laurie WS
Trustee

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF

JOHN WATSON'S TRUST

For the year ended 31 December 2020

Opinion

We have audited the financial statements of John Watson's Trust for the year ended 31 December 2020, which comprise the Statement of Financial Activities (incorporating the Income and Expenditure Account), the Balance Sheet, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2019) and 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 (FRS102) (effective 1 January 2019).

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2020 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis 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 Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information in the annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF

JOHN WATSONS'S TRUST (CONT)

For the year ended 31 December 2020

identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities Act 2011, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) 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 Trustees' annual report;
- 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 Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 6, the Trustees are responsible for the preparation of the financial statements which give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the charity 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 design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error.

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF

JOHN WATSON'S TRUST (CONT)

For the year ended 31 December 2020

From enquiries of those charged with governance, it was determined that the risk of material misstatement from fraud was low with little scope for fraud to occur. Our audit testing is designed to detect material misstatements from fraud where there is not high level collusion.

Our audit testing was designed to detect material misstatements from other irregularities that result from error where there is not high level concealment of the error. In this regard the following audit work was undertaken: applicable laws and regulations were reviewed and discussed with management; senior management meeting minutes were reviewed; internal controls were reviewed; and journals were reviewed. From this audit testing it was determined that the risk of material misstatement in this regard was low.

We carried income testing and grants payable testing which was designed to identify any irregularities as a result of simple mistakes or human error. From this audit testing it was determined that the risk of material misstatement in this regard was low.

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

Use of our report

This report is made solely to the charity's Trustees, as a body, in accordance with section 44 (1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Whitelaw Wells
Statutory Auditor
9 Ainslie Place
Edinburgh
Midlothian
EH3 6AT

23 March 2021

Whitelaw Wells is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

JOHN WATSON'S TRUST

STATEMENT OF FINANCIAL ACTIVITIES

For the year ended 31 December 2020

	Note	Revenue Fund Un- Restricted £	Capital Fund Restricted £	JWFT Fund Restricted £	Total Funds 2020 £	Total Funds 2019 £
Income and endowments from:						
<i>Investments</i>	2	138,397	-	6,676	145,073	183,466
<i>Donations</i>		55	-	-	55	-
Total		<u>138,452</u>	<u>-</u>	<u>6,676</u>	<u>145,128</u>	<u>183,466</u>
Expenditure on:						
<i>Raising funds</i>						
Investment management costs	3	-	31,378	1,513	32,891	28,268
<i>Charitable activities</i>						
General grants	5	85,164	-	4,106	89,270	153,126
Boarding grants		19,918	-	-	19,918	3,717
Support costs		42,091	-	-	42,091	42,164
Governance costs		3,005	-	145	3,150	3,482
Total		<u>150,178</u>	<u>31,378</u>	<u>5,764</u>	<u>187,320</u>	<u>230,757</u>
Net expenditure before gains/ (losses) on investments		(11,726)	(31,378)	912	(42,192)	(47,291)
Net gains/(losses) on investments	8	-	(378,097)	(18,231)	(396,328)	600,938
Net (expenditure)/income And net movement in funds		<u>(11,726)</u>	<u>(409,475)</u>	<u>(17,319)</u>	<u>(438,520)</u>	<u>553,647</u>
Reconciliation of funds						
Total funds brought forward		150,681	4,553,135	207,331	4,911,147	4,357,500
Total funds carried forward	11	<u>138,955</u>	<u>4,143,660</u>	<u>190,012</u>	<u>4,472,627</u>	<u>4,911,147</u>
Summary of net income available for grants						
Income		138,452	-	6,676	145,128	183,466
Expenditure before grants		(45,096)	-	(145)	(45,241)	(45,646)
Net income available for grants		<u>93,356</u>	<u>-</u>	<u>6,531</u>	<u>99,887</u>	<u>137,820</u>
Grants awarded		(105,082)	-	(4,106)	(109,188)	(156,843)
Capital fund expenditure		-	(31,378)	(1,513)	(32,891)	(28,268)
Deficit for year		<u>(11,726)</u>	<u>(31,378)</u>	<u>912</u>	<u>(42,192)</u>	<u>(47,291)</u>

The charity has no recognised gains or losses other than the results for the year set out above.

The notes on pages 14 to 26 are an integral part of these financial statements.

JOHN WATSON'S TRUST

BALANCE SHEET

As at 31 December 2020

	Note	Revenue Fund Unrestricted £	Capital Fund Restricted £	JWFT Fund Restricted £	2020 £	2019 £
Fixed assets						
Investments	8	101,618	4,143,660	188,212	4,433,490	4,856,193
Current assets						
Debtors		9,921	-	478	10,399	19,485
Cash at bank and in hand	9	42,168	-	2,033	44,201	46,714
		52,089	-	2,511	54,600	66,199
Liabilities						
Creditors falling due within one year	10	(14,752)	-	(711)	(15,463)	(11,245)
Net current assets		37,337	-	1,800	39,137	54,954
Net assets		138,955	4,143,660	190,012	4,472,627	4,911,147
Represented by:						
Restricted capital funds		-	4,143,660	-	4,143,660	4,553,135
Restricted funds		-	-	190,012	190,012	207,331
Unrestricted income funds		138,955	-	-	138,955	150,681
Total Funds	11	138,955	4,143,660	190,012	4,472,627	4,911,147

The financial statements were approved by the Trustees on 23 March 2021 and are signed on their behalf by:



Amanda Laurie WS
Trustees

The notes on pages 14 to 26 are an integral part of these financial statements.

JOHN WATSON'S TRUST

STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Note	2020 £	2019 £
Net cash used in operating activities	13	(173,966)	(237,117)
Cash flows from investing activities:			
Interest and dividends		145,073	183,466
Purchase of investments		(873,937)	(370,220)
Proceeds from sale of investments		919,575	404,288
		-----	-----
Net cash provided by investing activities		190,711	217,534
		-----	-----
Change in cash and cash equivalents in the year		16,745	(19,583)
Cash and cash equivalent brought forward		59,507	79,090
		-----	-----
Cash and cash equivalents carried forward		76,252	59,507
		=====	=====
Cash held for reinvestment		32,051	12,793
Cash at bank and in hand		44,201	46,714
		-----	-----
Cash and cash equivalents carried forward	15	76,252	59,507
		=====	=====

The notes on pages 14 to 26 are an integral part of these financial statements.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2020

1. Accounting policies

Basis of Accounting

The financial statements have been prepared on the historical cost basis of accounting, with the exception of investments which are carried at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) issued October 2019 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The Trust constitutes a public benefit entity as defined by FRS 102.

The financial statements have been prepared on a going concern basis. The Trustees consider that there are no material uncertainties about the Trust's ability to continue as a going concern. The most significant areas of adjustment and key assumptions that affect items in the financial statements are to do with estimating the liability from future grant commitments (see Note 10 for more information). With respect to the next reporting period, 2021, the most significant areas of uncertainty that affect the carrying value of assets held by the Trust are the level of investment return and the performance of investment markets (see the investment policy and performance and risk management sections of the Report of the Trustees for more information). The accounts have been prepared on a going concern basis. The Trustees' going concern assessment includes the expected impact of COVID-19 to the Trust for a period of at least 12 months from the date of these financial statements.

Fund accounting

Unrestricted funds are funds that can be used in accordance with the objectives of the charity at the discretion of the Trustees.

Restricted funds are funds that can only be used for particular restricted purposes within the objectives of the Trust. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes. The Capital Fund and JWFT Fund are restricted funds.

Further details of each fund are disclosed in Note 11.

Income Recognition

All income is included in the Statement of Financial Activities when the Trust is entitled to the income. It is probable that the income will be received and the amount can be measured reliably. The following specific policy is applied to investment income.

Investment income, including all associated income tax recoveries, is recognised when receivable and the amount can be measured reliably by the Trust. Dividends are recognised once the dividend has been declared and notification received of the amount due.

Expenditure Recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the Trust to that expenditure, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

1. Accounting policies (cont)

Expenditure Recognition (cont)

All expenditure is accounted for on an accruals basis. All expenses including support costs and governance costs are allocated or apportioned to the applicable expenditure headings.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the Trust. In the case of an unconditional grant offer this is accrued once the recipient has been notified of the grant award. The notification gives the recipient a reasonable expectation that they will receive the grant. Grant awards that are subject to the recipient fulfilling performance conditions are only accrued when the recipient has been notified of the grant and any remaining unfulfilled condition attaching to that grant is outside of the control of the Trust.

Provisions for grants are made when the intention to make a grant has been communicated to the recipient but there is uncertainty as to the timing of the grant or the amount of grant payable.

Irrecoverable VAT

The Trust is not registered for VAT, and accordingly irrecoverable VAT is charged against the category of resources expended to which it relates.

Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Governance costs include those costs incurred in the governance of the Trust and its assets and are primarily associated with constitutional and statutory requirements.

Governance costs and support costs relating to charitable activities have been apportioned based on the number of grant awards made in recognition that the administrative costs of awarding, monitoring and assessing all grants are broadly equivalent. The allocation of support and governance costs is analysed in Note 4.

Costs of raising funds

The costs of raising funds consist of investment management costs.

Charitable activities

Costs of charitable activities include grants made, governance costs and an apportionment of support costs as shown in Note 5.

Investments

Investments are a form of basic financial instrument 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 Trust does not acquire put options, derivatives or other complex financial instruments.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

Investments (cont)

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.

Realised/Unrealised gains and losses

All gains and losses are taken to the Statement of Financial Activities as they arise. Realised gains and losses on investments are calculated as the difference between sales proceeds and opening market value (purchase date if later). Unrealised gains and losses are calculated as the difference between the market value at the year end and opening market value (or purchase date if later). Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

2. Investment income

	2020	2019
	£	£
Dividends - equities	136,251	164,368
Interest – fixed interest securities	8,766	19,060
Interest on cash deposits	56	38
	<hr/>	<hr/>
	145,073	183,466
	<hr/> <hr/>	<hr/> <hr/>

In 2020 of the investment income, £6,676 (2019: £8,439) was attributable to restricted funds with the balance of £138,397 (2019: £175,027) relating to unrestricted income funds.

3. Investment management costs

	2020	2019
	£	£
Investment management fees	32,891	28,268
	<hr/>	<hr/>

In 2020, £31,378 (2019: £26,968) of investment management costs were attributable to the restricted capital fund and £1,513 (2019: £1,300) was attributable to the restricted JWFT fund.

4. Allocation of government and support costs

The breakdown of support costs and how these were allocated between governance and other support costs is shown in the table over:-

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

4. Allocation of governance and support costs (cont)

Cost type	Total allocated £	Governance related £	Other support costs £
Management fees – case assessment	21,525	-	21,525
Management fees – support	20,475	-	20,475
Computer & sundry expenses	90	-	90
	<hr/>	<hr/>	<hr/>
	42,090	-	42,090
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Due to the nature of the Trust's activities and its management structure, the Trustees do not believe it is appropriate to allocate any of the support costs against the governance costs of the Trust.

Governance costs

	2020 £	2019 £
Auditor's remuneration		
Audit fees	2,940	2,533
Accountancy fees	210	949
	<hr/>	<hr/>
	3,150	3,482
	<hr/> <hr/>	<hr/> <hr/>

The total governance and support cost attributable to charitable activities is then apportioned pro rata to the number of grants awarded as shown in the table below. An allocation of 4.6% of governance and support costs is charged to the restricted JWFT fund based upon the split of the value of funds at the date of receipt of this restricted fund.

Allocation of governance and support costs

	2020 £	2019 £
General grants	43,214	42,654
Boarding grants	2,026	2,989
	<hr/>	<hr/>
	45,240	45,643
	<hr/> <hr/>	<hr/> <hr/>

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

5. Analysis of charitable expenditure

The Trust undertakes its charitable activities through grant making and awarded grants to a number of individuals and institutions in furtherance of its charitable activities.

	Grants to Institutions £	Grants to Individuals £	Support Costs £	Governance Costs £	Total 2020 £	Total 2019 £
Funded from:						
General grants	32,252	57,018	40,206	3,009	132,485	198,771
Boarding grants		19,918	1,885	141	21,944	3,717
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	32,252	76,936	42,091	3,150	154,429	202,488
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

In 2020 the expenditure on charitable activities was £154,429 (2019: £202,488) of which £150,178 (2019: £195,285) was expenditure from unrestricted funds and £4,251 (2019: £7,203) was expenditure from restricted funds.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

5. Analysis of charitable expenditure (cont)

The following grants of £1,000 or more were made to organisations in 2020:-

Name	Amount	Purpose
	£	
Edinburgh City Youth Café	1,500	Training and development scheme
Edinburgh Headway Group	1,000	Young people's social club
Spartans Academy	1,000	Laptop and arts materials
Forthview Primary School	2,000	Benmore trip
St Marks RC Primary School	1,000	Benmore trip
Dalry Primary School	1,120	Bonaly trip
Ferryhill Primary School	1,000	Benmore trip
Royal High Primary School	1,200	Lagganlia trip
School Court Mock Project	2,500	Online delivery tool
Epilepsy Scotland	1,500	Residential trip
Criaglockhart After School Club	1,050	Local visit transport costs
Kinship Care Midlothian	1,000	Food costs for vulnerable families
Venture Trust	2,000	Inspiring Young Futures Programme
Lyra Artspace	2,100	Cultural survival packs
Move On	1,000	Volunteer training
Deaf Action	2,400	Tutor for online lessons
Read for Good	1,000	Books for hospitals
Orcadia	1,000	Running costs
Guide Dogs for the Blind	1,000	Custom books
Imaginate	1,800	BSL captioning
Leith School of Art	1,056	Travel costs
Dean and Cauvin Young People's Trust	1,556	Literacy project for young parents
Edinburgh Young Carers	1,000	Happy Heids Project
	<hr/>	
Grants less than £1,000	470	
	<hr/>	
	32,252	
	<hr/> <hr/>	

The following grants of £1,000 or more were made to organisations in 2019:-

Name	Amount	Purpose
	£	
Pilton Retreat	2,700	Outdoor sessions
Balerno High School	2,570	Kingussie, Ardentinnny trip
Friends of Prospect Bank School	2,000	Yoga sessions
Leith Primary School	2,000	Benmore trip
	<hr/>	
Carried forward	9,270	

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

5. Analysis of charitable expenditure (cont)

Name	Amount	Purpose
	£	
Brought forward	9,270	
Roses Charitable Trust	2,000	Dunedin School trip
Scouts Scotland	2,000	Accessible zipware
Deaf Action	1,958	Residential trip
St Augustine's RC High	1,920	DOE Silver Expedition
Dunedin Canmore Youth	1,800	Lagganlia trip
Hermitage Park Primary	1,800	Lagganlia Trip
Portobello Sailing and Kayaking Club	1,631	Abernethy Trip
Broomhouse Primary School	1,500	Lagganlia trip
Home Link Family Support	1,500	Pilton Stay and Play Session
Royal High Primary School	1,500	Lagganlia
Tall Ships Youth Trust	1,500	Voyage for Edin and Lothian Youth
Edin & L Out of School Club	1,498	Club access for one child
Street League	1,380	Sport and employability
St Josephs Primary School	1,350	Howtown & Ulswater trip
Bridge 8 HUB CIC	1,200	Glenmore canoe trip
Bright Sparks Play Group	1,200	Buy-in of expertise
East Craigs Primary School	1,200	Lagganlia trip
Liberton High School	1,200	Loch Eil Trip
Victoria Primary School	1,200	Lagganlia Trip
Workingrite	1,100	Training & accreditation cost
Craigmillar Literacy Trust	1,000	Materials and transport costs
Disability Snowsport	1,000	Mountain man sit ski
Edinburgh Young Carers	1,000	Travel costs and refreshments
EPIC Assist	1,000	Craighill Project
Forthview Primary School	1,000	Belmont trip
Imagine	1,000	Transport costs
Leith Academy	1,000	F1 in schools
Murrayburn Primary	1,000	Benmore Trip
Read for Good	1,000	Royal Sick Kids Reading
Sciennes Primary School	1,000	iPad Pro
Strange Town	1,000	Drama Bursaries
Grants less than £1,000	18,454	
	69,161	

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

6. Salary costs

There were no employees during the year (2019: Nil).

No remuneration was paid to the Trustees (2019: £Nil).

No Trustees received any reimbursements of expenses during the year (2019: £Nil).

The Trust considers its key management personnel comprise the Trustees and the Clerk and Treasurer.

No remuneration was payable to the key management personnel. However, as disclosed in Note 13, the Clerk and Treasurer of JWT is an employee of the WS Society and six of the Trustees are members of the WS Society, as required by JWT's trust deed. During the year JWT paid management fees, on a commercial basis, totalling £35,000 plus VAT (2019: £35,000 plus VAT) to the WS Society.

7. Auditor's remuneration

The Auditor's remuneration constituted an audit fee of £2,040 (2019: £2,533) and additional accountancy support fees of £900 (2019: £949). £210 relates to the previous auditor's fees.

8. Investments

	2020 £	2019 £
Market value at 1 January	4,843,405	4,276,535
Additions at cost	873,937	370,220
Disposal proceeds	(919,575)	(404,288)
	<hr/>	<hr/>
Net gain/(loss) on revaluation at 31 December	4,797,767 (396,328)	4,242,462 600,938
	<hr/>	<hr/>
Cash held for reinvestment	4,401,439 32,051	4,843,405 12,788
	<hr/>	<hr/>
Market value at 31 December	4,433,490	4,856,193
	<hr/> <hr/>	<hr/> <hr/>
Historical cost (including cash) at 31 December	3,739,009	3,839,939
	<hr/> <hr/>	<hr/> <hr/>

Included within the net gain on revaluation for the year ended 31 December 2020 were realised losses of £226,435 (2019: realised gains of £14,192).

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

8. Investments (cont)

Investments at fair value comprised:

	2020	2019
	£	£
Equities	4,151,396	4,576,127
Fixed interest securities	250,043	267,273
Cash held within the investment portfolio	32,051	12,793
	<hr/>	<hr/>
	4,433,490	4,856,193
	<hr/> <hr/>	<hr/> <hr/>

The investments are held in accordance with the Trustees' powers. The following investments exceeded 5% of the total portfolio value as at 31 December 2020:

J P Morgan US Equity Inc 7.53%
North American Income TST plc 5.42%
BNY Mellon FD MNGR Asian Inc 6.32%

All investments are carried at their fair value. Investment in equities and fixed interest securities are all traded in quoted public markets primarily the London Stock Exchange. Holdings in common investment funds, unit trusts and open-ended investment companies are at the bid price. The basis of fair value for quoted investment is equivalent to the market value, using the bid price. Asset sales and purchases are recognised at the date of trade at cost (that is their transaction value).

The significance of financial instruments to the ongoing financial sustainability of the Trust is considered in the financial review and investment policy and performance sections of the Report of the Trustees.

The main risk to the Trust from financial instruments lies in the combination of uncertain investment markets and volatility in yield. Due to 'quantitative easing' and market sentiment favouring lower risk investments, the yield on bonds has been abnormally low giving rise to a significant downside risk of a fall in capital values when interest rates return to normal levels. Although rising interest rates resulting from a stronger economy and improved economic activity should be indicative of improving dividend yields and equity values, there is concern that the abnormal availability of 'cheap money' to the banking sector has led to over-valuation of traded assets (an 'asset bubble') that may depress equity values once economic conditions cease. The Trust is reliant on dividend yield in part to finance its work and this leads to a greater exposure to international companies, the values of which, together with their yield are exposed to exchange rate risk when converting the holdings into sterling. The outlook for the sterling exchange rate is that it is anticipated to weaken as European, US and Asian economies strengthen. A weakening in the exchange rate will improve sterling returns from foreign currency denominated holdings.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

8. Investments (cont)

The default rate on fixed interest securities due to corporate failures is expected to improve with a strengthening economy. The high current demand for high quality corporate bond and government stock continues to depress the yield.

Liquidity risk is anticipated to be low as all assets are traded and the commitment to intervention by central banks and market regulators has continued to provide for orderly trading in the markets and so their ability to buy and sell quoted equities and stock is anticipated to continue. The Trust's investments are mainly traded in markets with good liquidity and high trading volumes. The Trust has no material investment holdings in markets subject to exchange controls or trading restrictions.

The Trust manages these investment risks by retaining expert advisors and operating an investment policy that provides for a high degree of diversification of holdings within investment asset classes that are quoted on recognised stock exchanges. The Trust does not make use of derivatives and similar complex financial instruments as it takes the view that investments are held for their longer term yield total return and historic studies of quoted financial instruments have shown that volatility in any particular 5-year period will normally be corrected.

9. Debtors

	2020	2019
	£	£
Other debtors	-	2,100
Dividends receivable	10,399	17,385
	<hr/>	<hr/>
	10,399	19,485
	<hr/> <hr/>	<hr/> <hr/>

10. Creditors falling due within one year

	2020	2019
	£	£
Grants committed	6,166	7,765
Accruals	9,297	3,480
	<hr/>	<hr/>
	15,463	11,245
	<hr/> <hr/>	<hr/> <hr/>

Grants committed represent grant applications approved but not paid by the year end.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

11. Movement in Funds

	As at 1 January 2020 £	Income £	Expenditure £	Gains/ (Losses) £	As at December 2020 £
Unrestricted Revenue Fund	150,681	138,452	(150,178)	-	138,955
Restricted Capital Fund	4,553,135	-	(31,378)	(378,097)	4,143,660
Restricted JWFT Fund	207,331	6,676	(5,764)	(18,231)	190,012
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,911,147	145,128	(187,320)	(396,328)	4,472,627
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	As at 1 January 2019 £	Income £	Expenditure £	Gains/ (Losses) £	As at December 2019 £
Unrestricted Revenue Fund	170,939	175,027	(195,285)	-	150,681
Restricted Capital Fund	4,006,811	-	(26,968)	573,292	4,553,135
Restricted JWFT Fund	179,750	8,439	(8,504)	27,646	207,331
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	4,357,500	183,466	(230,754)	600,938	4,911,147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Unrestricted funds

The Revenue Fund represents income donated or earned by John Watson's Trust to be used at the discretion of the Trustees to fund any activity which is in furtherance of the Trust's objectives.

Restricted funds

The Capital Fund represents the initial original proceeds from the sale of the ground and buildings of John Watson's School in 1977, net realised and unrealised gains on investments arising since then and capital donations. The Capital Fund is represented by investments.

The JWFT Fund represents the proceeds from the winding up of the John Watson's Foundationers Trust in 2010 and net realised and unrealised gains on investments arising since then and any surplus of deficit from activities. The purpose of the JWFT Fund is to provide grants for the education of day pupils (non-boarding) at schools in Scotland, who would otherwise not be able to continue in their education due to financial hardship.

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

11. Movement in Funds (cont)

When the Trust first started to distribute funds in 1986, the balance of the Revenue Fund representing accumulated net revenue since 1977 stood at £134,968. In years of deficit, it is the policy of the Trustees to utilise the Revenue Fund to augment current income available. In years of surplus, the surplus is added to the Revenue Fund.

12. Analysis of assets between funds

	Unrestricted Funds	Restricted Funds	Total Funds 2020
	£	£	£
Fixed assets	101,618	4,331,872	4,433,490
Current assets	52,089	2,511	54,600
Current liabilities	(14,752)	(711)	(15,463)
	<hr/>	<hr/>	<hr/>
	138,955	4,333,672	4,472,627
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Unrestricted Funds	Restricted Funds	Total Funds 2019
	£	£	£
Fixed assets	303,058	4,553,135	4,856,193
Current assets	63,154	3,045	66,199
Current liabilities	(11,131)	(114)	(11,245)
	<hr/>	<hr/>	<hr/>
	150,681	4,760,466	4,911,147
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

13. Reconciliation of net movement in funds to net cash flow from operating activities

	2020	2019
	£	£
Net movement in funds	(438,520)	553,647
Deduct investment income shown in investing activities	(145,073)	(183,466)
Add losses (deduct gains) on investments	396,328	(600,938)
(Increase)/decrease in debtors	9,086	(2,606)
Increase/(decrease) in creditors	4,213	(3,754)
	<hr/>	<hr/>
Net cash used in operating activities	(173,966)	(237,117)
	<hr/> <hr/>	<hr/> <hr/>

JOHN WATSON'S TRUST

NOTES TO THE FINANCIAL STATEMENTS (cont)

for the year ended 31 December 2020

14. Related party transactions

Anna Bennett WS, Clerk and Treasurer of JWT is an employee of the WS Society. Seven of the Trustees are members of the WS Society; six are required by JWT's trust deed. During the year JWT paid management fees, on a commercial basis, totalling £35,000 plus VAT (2019: £35,000 plus VAT) to the WS Society. In 2020 the Trustees agreed to renew the contract with the WS Society at the same price for a further 3 years to 31 December 2022.

15. Analysis of changes in net debt

	2019 £	Cash Flows £	2020 £
Cash and cash equivalents	46,717	(2,516)	44,201
Cash held for reinvestment	12,793	19,259	32,052
	<hr/>	<hr/>	<hr/>
Cash at bank and in hand	59,510	16,743	76,253
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

16. Commitments

Minimum payments committed to under the management agreement were:

	2020 £	2019 £
Within one year	42,000	42,000
Between one and five years	42,000	84,000
	<hr/>	<hr/>
	84,000	126,000
	<hr/> <hr/>	<hr/> <hr/>