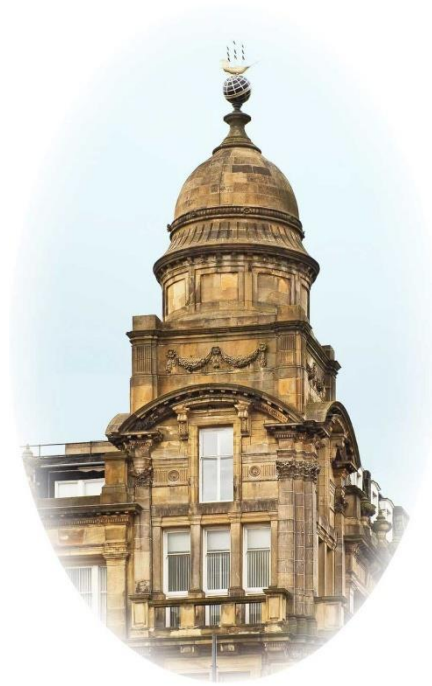


CHARITY NO: SC008900

**THE MERCHANTS HOUSE OF GLASGOW
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**



THE MERCHANTS DOME AND SHIP THE MERCHANTS HOUSE

The Merchants House of Glasgow, although more ancient in origin, obtained its first recorded constitution in a Letter of Guildry in 1605, later ratified by an Act of the Scots Parliament in 1672. It is an Elective Incorporation, and one of the most important charitable institutions connected with the social, commercial and other interests of the City of Glasgow. Its regulations are amended from time to time in general meeting as necessary.

The Merchants House of Glasgow is a charity, registered in Scotland under the Charities and Trustee Investment (Scotland) Act 2005.

The business of the House is managed by the Lord Dean of Guild, the Vice Dean, the three recent ex-Deans, and thirty-six Directors elected in terms of the regulations of the House. It has substantial assets in the form of property and investments, the latter being reviewed regularly.

The principal charitable objectives of the House are the relief of poverty by payment of benefits to individuals and providing grants to charitable bodies chiefly in Glasgow and the West of Scotland. These matters are controlled by two committees of Directors, the Grants Committee and the Benefits Committee. In addition to committee meetings, there are also four quarterly meetings of Directors when the business of the House is fully reviewed.

The Directors are also responsible for the administration of the various trusts mentioned in the report. The House continues to receive Trusts transferred to its administration, and legacies and bequests.

THE MERCHANTS HOUSE OF GLASGOW

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016**

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**THE MERCHANTS HOUSE OF GLASGOW
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2016**

LEGAL AND ADMINISTRATIVE INFORMATION

Office Address	7 West George Street Glasgow G2 1BA
Telephone Number	0141- 221 8272
Website	www.merchantshouse.org.uk
Registered Charity Number	SC008900
Auditors	Wylie & Bisset LLP 168 Bath Street Glasgow G2 4TP
Bankers	Bank of Scotland Corporate Banking, Level 6 110 St Vincent Street Glasgow G2 5ER
Insurance Brokers	Bluefin Insurance Services Ltd 5 Old Broad Street London EC2N 1AD
Investment Advisers	Speirs & Jeffrey Ltd 50 George Square Glasgow G2 1EH
Solicitors	Mitchells Robertson Ltd George House 36 North Hanover Street Glasgow G1 2AD

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2016

The Directors of the Merchants House of Glasgow present their Annual Report for the year ended 31st December 2016 under the Charities and Trustee Investment (Scotland) Act 2005 ("the Act"), together with the audited financial statements for the year then ended. They confirm that this report and the accounts comply with the requirements of the Act, the Charity Accounts (Scotland) Regulations 2006 (as amended) and the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014.

The Merchants House of Glasgow, although more ancient in origin, obtained its first recorded constitution in a Letter of Guildry in 1605, later ratified by an Act of the Scots Parliament in 1671. It is an Elective Incorporation, and one of the most important charitable institutions connected with civic, social, commercial and other interests of the City of Glasgow. Its Regulations are amended from time to time in general meeting as necessary. The Regulations were updated most recently in 2014.

Objectives and Activities

The principal charitable objectives of the House are the relief of poverty by payment of benefits to individuals and providing grants to charitable bodies chiefly in Glasgow and the West of Scotland. During the year benefits amounting to £153,281 were paid to 114 beneficiaries and grants totalling £251,308 were paid to 117 charitable bodies.

The House manages substantial endowment funds, many of which have specific terms on the distribution of grants. For general funds, it is the preference to award grants to different charities each year and it is usual that a charity would not be eligible to apply for another award for two years.

The House aims to distribute all its available income taking one year with another. The unrestricted funds of the House disclose a surplus of £33,527 for the year ended 31 December 2016 (before revaluation gains) while the restricted funds disclose a deficit of £70,028 (before revaluation gains) for the year as this includes expenditure relating to the Underwood and M B Campbell funds, the capital of which requires to be spent over a specific period.

The grant making policy of the House is to make grants to worthy causes based on assessed need and available resources.

Achievements and Performance

A key aim for Merchants House has been to increase the letting activity in its Grand Hall, Directors Room, Lord Dean's Room and Committee Room. During 2016 the House carried out a full redecoration of the Grand Hall.

The investments of the House are held with the primary purpose of producing an income stream to support the grant making activities. After adjusting for capital outflow, the dividends received during the year remained at a similar level to the amounts received in the previous year. The rental income of £346,512 generated in the subsidiary company, Ship Venture Limited, recorded a modest increase in the year (2015 - £323,925).

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2016

Financial Review

The financial position at 31st December 2016 remained strong with investments totalling £9,386,082 and cash balances of £300,597. The commercial premises let through Ship Venture Limited were almost fully occupied at 31st December 2016, with one vacant unit.

The financial results for the year record a deficit of £36,501 before revaluation of the investments. The unrestricted funds achieved a surplus of £33,527 before taking into account the gain on revaluation of the investments at 31st December 2016.

The investments of the House are held in accordance with the powers granted to the Directors. The Investment Policy is to seek to maximise the income of the House while preserving the real value of the funds invested. The Policy is subject to periodic review with a detailed review being carried out each year.

The Directors delegate the management of the investment portfolios to Investment Managers, on a discretionary basis. The Investment Managers performance is measured against appropriate bespoke total return benchmarks and during the period since discretionary management commenced at the start of the year the performance has been slightly behind the benchmarks:

Fund	Actual	Benchmark
Trustee Pool	19.8%	22.2%
General Pool	19.0%	22.2%
M B Campbell	12.2%	13.9%
Underwood	15.6%	17.7%

The composition of the investment portfolios of the M B Campbell and Underwood funds reflect the expected timescale within which these funds will be expended in accordance with the original wishes of the donors.

The heritable property owned by the House together with the investment in Ship Venture Limited is a designated fund. The Directors are pleased with the level of rental income generated each year.

The financial performance and position in future periods is particularly sensitive to vacant accommodation within the commercial property, fluctuations in the value of investments which are traded on the Stock Exchange and the dividends declared by the companies in which the House has invested.

Reserves Policy

The Directors are committed to distributing as much of the net incoming unrestricted resources as possible subject to ensuring that the real value of the capital funds is maintained. The unrestricted funds held by the House at 31st December 2016 amounted to £1,799,619, of which £866,200 relates to investment in the property and £4,077 is held in designated funds. This leaves free reserves of £929,342 which are necessary to fund one year's unrestricted charitable giving and related administration costs in case of any significant reduction in funds arising from the uncertainties in the stock market and the property market.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2016

Future Plans

The Directors intend to continue the work of the House over the coming years in a way which will allow charitable giving to remain at its current level in real terms, There remains the intention to offer to other charities the ability to merge their funds with those of the House with a view to improving the management and efficiency of these funds in achieving their own objectives.

Structure Governance and Management

The Directors of the Merchants House of Glasgow are the Trustees for the purposes of charity legislation in Scotland.

There are 41 directors of the House comprising The Lord Dean of Guild, the Vice Dean, the Immediate Past Dean and the two immediate predecessors (all ex officio) together with 36 elected Directors who are appointed in rotation for three years.

Directors who are ex officio with effect from the annual meeting in May 2016 are:

John F Macleod	Lord Dean of Guild
Ian Dickson BEM DL	Vice Dean
Raymond M Williamson FRSAMD	Immediate Past Dean
Douglas T Boyd OBE FRSAMD	Ex Dean
Graeme A Kidd	Ex Dean

The elected Directors are noted in the years in which their current term of office expires.

2017	2018	2019
Alastair S Burrow	Stuart Biggart	Paul Carnan
Lindsay Colville	Robert Cunningham	Guy W N H Clark LL
David O Dickson	Robin M Downie	Elizabeth A Simpson
John Fingland	Kerr Luscombe	May Storrie CBE
Thomas Gilchrist	Ewen Mackie**	Campbell Armour*
Norman Hamilton	Andrew MacFarlane	John Balding*
A Angus Kerr	Karen McKenna-Shand	Prof David Harrison*
Allan C C Lapsley	M Ann O'Connell	Roy Henderson*
John M W Papworth	P Michael Samuel	Ronald Inglis*
Alan Thomson	Margaret R Seymour	Frances McMenamin*
Robert A G Weir	G Norman Walker DL	Alexander G Taggart*
Gordon Young	Robert L Winter	Karen Waugh*

*Appointed 31st May 2016

** Resigned 2nd February 2017

The following Directors served during the period 1st January to 31st May 2016:

J Douglas Anderson	Stewart MacKay
Bishop Idris Jones	Patricia Ritchie OBE
Robert Crawford	Graham Paterson
Alasdair Ronald	Duncan Tannahill

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2016

Structure Governance and Management (cont'd)

Where the number of Directors proposed at an Annual General Meeting exceeds the number of vacancies, a vote of the members is held to determine who is appointed. Directors may serve for two terms of three years after which they are required to step down for a year. After that year they are eligible for re-appointment for one final term of three years.

All new Directors receive a “pack” being guidance as to Trustees’ duties and to statements of good practice in terms of conforming to the requirements of the Charities and Trustee Investment (Scotland) Act 2005. A copy of Governance and Regulations of the Merchants House of Glasgow is also provided.

The Merchants House of Glasgow holds Directors’ Liability Insurance for all Directors. The Directors are not employees of and receive no remuneration from the House.

Membership

29 new members have signed the Roll and the deaths of 7 members have been reported. It should be noted that a person does not rank as a member of the House until he or she has signed the Matriculation Roll. The active roll now stands at 1,027.

Organisational Structure

The Directors meet quarterly to review the affairs of the House and additionally, as required.

For effective conduct of business of the Charity there are six main committees of Directors:

- Audit Committee
- Benefits Committee
- Finance and Investment Committee
- Grants Committee
- Membership and Marketing Committee
- Property Committee

With the exception of the Audit Committee which meets twice per year, each committee meets at least four times per year. Committee decisions and recommendations are reviewed by the full Board at quarterly meetings.

The day to day running of The Merchants House is delegated to the Collector and his staff.

Collector/General Manager	Paul Martin
Events Manager	Nancy Braid
Visitor	Anne Gemmell
Finance Assistant	Patricia Cook
Caretaker	Robert King
House Officer	Ted Norman

Their remuneration is set by the Lord Dean in conjunction with the Vice-Dean and the Chairman of the Finance and Investment Committee. The Key Management Personnel are considered to be the Collector/General Manager, the Finance Assistant, the Events Manager and the Visitor.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2016

Risk Management

A Risk Register is maintained which is reviewed annually by the Audit Committee and approved by the Board. The Register identifies mitigating factors, further planned actions and allocates who is responsible for each risk.

The major risks include:

- The risk that the building is not properly maintained and available accommodation is not let to suitable tenants. This is mitigated by the appointment of professional property agents to manage and market the building.
- The risk of making inappropriate investments which either do not produce sufficient income or are subject to excessive reductions in value. This is mitigated by the appointment of professional investment managers who manage the portfolios on a discretionary basis thus allowing them to respond promptly to any changes in market sentiment.
- The risk that funds are disbursed to inappropriate recipients. This is mitigated by the Visitor visiting individuals in receipt of benefit. Grants are only awarded after the standard application form has been completed and a copy of the recipient's most recent accounts have been provided to the House.
- The risk of disbursing restricted funds to ineligible charities. This is mitigated by ensuring that the Grants Committee has received details of the purposes of each restricted fund and awards are only made in accordance with the relevant conditions.
- The risk that there is inadequate control over the finances leading to an unsustainable position. This is mitigated by budgets being prepared in advance of each year, regular Management Accounts being reviewed by the Finance and Investment Committee and review of the Annual Accounts by the Auditors.

In the opinion of the Directors, sufficient controls and monitoring procedures have been established to ensure that all relevant risks have been sufficiently mitigated.

Subsidiary Company

The commercial letting of available space in the building is carried out within the wholly owned subsidiary, Ship Venture Limited. The company makes a gift aid payment each year to the charity of an amount equal to its taxable profits in accordance with established practice. During the year ended 31st December 2016 the company has undertaken to make a payment of £168,413 (2015 - £274,747). As the sole purpose of letting the available accommodation is to generate income for the charity, the Directors do not wish to incur undue expense in obtaining a current valuation of the property as there is no present intention to dispose of it and the commercial property is integral to the building from which the House operates and which contains details of significant historical and architectural interest.

THE MERCHANTS HOUSE OF GLASGOW

Report of Directors for the year ended 31 December 2016

Related Parties

Details of Directors expenses and any related party transactions are disclosed in Note 3 to the accounts. Directors are required to disclose at each Board and Committee meeting if they have any conflicts of interest, and these conflicts of interest are noted in the minutes of the meeting to which they relate. Directors are also required to complete a Declaration of Interest Form which they are asked to review each year.

Statement of Directors Responsibilities

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

The law applicable in Scotland requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles 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 charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities and Trustee Investment (Scotland) Act 2005, the Charity 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.

Auditors

A resolution will be proposed at the Annual General Meeting that Wylie & Bisset LLP be reappointed as auditors to the charity for the ensuing year.

THE MERCHANTS HOUSE OF GLASGOW

Report of Directors for the year ended 31 December 2016

Statement of Disclosure to the Auditor

So far as the Directors are aware, there is no relevant audit information of which the Charity's Auditors are unaware. Additionally, the Directors have taken all necessary steps that they ought to have taken as Directors, in order to make themselves aware of all the relevant audit information and to establish that the Charity's Auditors are aware of that information.

Approved by the Directors on 14 March 2017 and signed on their behalf by:

John F MacLeod
Lord Dean of Guild

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of The Merchants House of Glasgow for the year ended 31 December 2016 which comprise the Group and Charity's Statement of Financial Activities, the Group and Charity's Balance Sheets, the Group and Charity's Cash Flow Statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Directors Responsibilities set out on page 7, the trustees are responsible for the preparation of financial statements which give a true and fair view.

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 responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charity's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 December 2016, and of the group's and the parent charity's incoming resources and application of resources, including their income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2016

- 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).

Matters on which we are required to report by exception

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

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

Wylie & Bisset LLP
Statutory Auditor

168 Bath Street
Glasgow
G2 4TP

14 March 2017

Wylie & Bisset LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

THE MERCHANTS HOUSE OF GLASGOW
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Endowment Funds 2016 £	Total Funds 2016 £	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Endowment Funds 2015 £	Total Funds 2015 £
Income and endowments from:									
Donations and legacies	4	13,557	25,969	-	39,526	31,263	104,267	-	135,530
Other trading activities	5	510,376	-	-	510,376	638,325	-	-	638,325
Investments	6	135,223	170,614	-	305,837	133,957	192,420	-	326,377
Total Income		659,156	196,583	-	855,739	803,545	296,687	-	1,100,232
Expenditure on:									
Raising funds									
Other trading activities	7	333,966	-	-	333,966	470,910	-	-	470,910
Investment & management	8	12,168	15,851	-	28,019	14,789	14,473	-	29,262
Charitable activities	10	279,495	250,760	-	530,255	275,410	405,749	-	681,159
Total Expenditure		625,629	266,611	-	892,240	761,109	420,222	-	1,181,331
Net income/(expenditure) and net movement in funds before gains and losses on investments									
		33,527	(70,028)	-	(36,501)	42,436	(123,535)	-	(81,099)
Net gains/(losses) on investments									
		95,339	131,767	1,003,346	1,230,452	(41,983)	(33,765)	(482,358)	(558,106)
Net movement in funds		128,866	61,739	1,003,346	1,193,951	453	(157,300)	(482,358)	(639,205)
Funds reconciliation									
Total Funds brought forward		1,670,753	1,236,084	6,313,488	9,220,325	1,577,412	1,401,784	6,795,846	9,775,042
Prior year adjustment		-	-	-	-	92,888	(8,400)	-	84,488
Total Funds brought forward – restated	19	1,670,753	1,236,084	6,313,488	9,220,325	1,670,300	1,393,384	6,795,846	9,859,530
Total Funds carried forward	19	1,799,619	1,297,823	7,316,834	10,414,276	1,670,753	1,236,084	6,313,488	9,220,325

THE MERCHANTS HOUSE OF GLASGOW
CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Endowment Funds 2016 £	Total Funds 2016 £	Unrestricted Funds 2015 £	Restricted Funds 2015 £	Endowment Funds 2015 £	Total Funds 2015 £
Income and endowments from:									
Donations and legacies	4	13,557	25,969	-	39,526	31,263	104,267	-	135,530
Investments	6	303,513	170,614	-	474,127	286,890	192,420	-	479,310
Total Income		317,070	196,583	-	513,653	318,153	296,687	-	614,840
Expenditure on:									
Raising funds									
Other trading activities		23,515	-	-	23,515	33,490	-	-	33,490
Investment & management	8	12,168	15,851	-	28,019	14,789	14,473	-	29,262
Charitable activities		289,495	250,760	-	540,255	275,410	405,749	-	681,159
Total Expenditure		325,178	266,611	-	591,789	323,689	420,222	-	743,911
Net income/(expenditure) and net movement in funds before gains and losses on investments		(8,108)	(70,028)	-	(78,136)	(5,536)	(123,535)	-	(129,071)
Net gains/(losses) on investments		95,339	131,767	1,003,346	1,230,452	(41,983)	(33,765)	(482,358)	(558,106)
Net movement in funds		87,231	61,739	1,003,346	1,152,316	(47,519)	(157,300)	(482,358)	(687,177)
Funds reconciliation									
Total Funds brought forward		1,651,637	1,236,084	6,313,488	9,201,209	1,699,156	1,401,784	6,795,846	9,896,786
Prior year adjustment		-	-	-	-	-	(8,400)	-	(8,400)
Total Funds brought forward – restated		1,651,637	1,236,084	6,313,488	9,201,209	1,699,156	1,393,384	6,795,846	9,888,386
Total Funds carried forward		1,738,868	1,297,823	7,316,834	10,353,525	1,651,637	1,236,084	6,313,488	9,201,209

**THE MERCHANTS HOUSE OF GLASGOW
CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2016**

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets:					
Tangible assets	13, 14	792,507	744,221	666,200	666,200
Investments	16	9,386,082	7,965,323	9,586,082	8,165,323
Total Fixed Assets		<u>10,178,589</u>	<u>8,709,544</u>	<u>10,252,282</u>	<u>8,831,523</u>
Current assets:					
Debtors	17	97,651	186,320	5,262	296,907
Cash at bank and in hand	22	300,597	546,556	127,503	226,684
Total Current Assets		<u>398,248</u>	<u>732,876</u>	<u>132,765</u>	<u>523,591</u>
Liabilities:					
Creditors falling due within one year	18	162,561	222,095	31,522	153,905
Net Current assets		<u>235,687</u>	<u>510,781</u>	<u>101,243</u>	<u>369,686</u>
Net assets		<u>10,414,276</u>	<u>9,220,325</u>	<u>10,353,525</u>	<u>9,201,209</u>
The funds of the charity:					
Unrestricted funds	19	1,799,619	1,670,753	1,738,868	1,651,637
Restricted income funds	19	1,297,823	1,236,084	1,297,823	1,236,084
Endowment funds	19	7,316,834	6,313,488	7,316,834	6,313,488
Total charity funds		<u>10,414,276</u>	<u>9,220,325</u>	<u>10,353,525</u>	<u>9,201,209</u>

Approved by the Directors on 14 March 2017 and signed on their behalf by:

Name: John F MacLeod
Lord Dean of Guild

Name: Raymond M Williamson
Immediate Past Dean

THE MERCHANTS HOUSE OF GLASGOW

STATEMENT OF CASH FLOWS AND CONSOLIDATED STATEMENT OF CASHFLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
<i>Cash flows from operating activities:</i>					
Cash (used in) operating activities	21	(294,057)	(351,368)	(467,591)	(647,727)
Tax paid		-	-	-	-
Net cash (used in) operating activities		<u>(294,057)</u>	<u>(351,368)</u>	<u>(467,591)</u>	<u>(647,727)</u>
<i>Cash flows from investing activities:</i>					
Dividends, interest and rents from investments		305,837	326,377	558,717	565,381
Purchase of property, plant and equipment		(67,432)	(26,151)	-	-
Increase in cash investments		(220,396)	-	(220,396)	-
Proceeds from sale of investments		1,040,423	1,365,522	1,040,423	1,365,522
Purchase of investments		<u>(1,010,334)</u>	<u>(1,276,653)</u>	<u>(1,010,334)</u>	<u>(1,276,653)</u>
Net cash provided by investing activities		<u>48,098</u>	<u>389,095</u>	<u>368,410</u>	<u>654,250</u>
Change in cash and cash equivalents in the year		(245,959)	37,727	(99,181)	6,523
Cash and cash equivalent brought forward	22	546,556	508,829	226,684	220,161
Cash and cash equivalents carried forward	22	<u><u>300,597</u></u>	<u><u>546,556</u></u>	<u><u>127,503</u></u>	<u><u>226,684</u></u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting Policies

(a) Basis of preparation and assessment of going concern

The accounts (financial statements) have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant notes to these accounts.

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (issued August 2014), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

The financial statements consolidate the results of the charity and its wholly owned subsidiary, Ship Venture Limited, on a line by line basis.

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

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

(b) Funds structure

Unrestricted income funds comprise those funds which the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include designated funds where the trustees, at their discretion, have created funds for specific purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by the donor or trust deed, or through the terms of an appeal.

Endowment funds are permanent or expendable capital funds.

Further details of each fund are disclosed in note 19.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting Policies (continued)

(c) Income recognition

Income is recognised once the charity has entitlement to the income, it is probable that the income will be received and the amount of income receivable can be measured reliably.

Donations, are recognised when the charity has been notified in writing of both the amount and settlement date. In the event that a donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the control of the charity and it is probable that those conditions will be fulfilled in the reporting period.

Legacy gifts are recognised on a case by case basis following the granting of confirmation when the administrator/executor for the estate has communicated in writing both the amount and settlement date. In the event that the gift is in the form of an asset other than cash or a financial asset traded on a recognised stock exchange, recognition is subject to the value of the gift being reliably measurable with a degree of reasonable accuracy and the title to the asset having been transferred to the charity.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the charity; this is normally 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. This is normally upon notification by our investment advisor of the dividend yield of the investment portfolio.

Income from government and other grants, whether 'capital' or 'revenue' grants, is recognised when the charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

(d) Expenditure recognition

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

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. For more information on this attribution refer to note (f) below.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. Accounting Policies (continued)

(d) Expenditure recognition (continued)

- Costs of raising funds comprise the costs of commercial trading including investment management costs and certain legal fees and their associated support costs;
- Expenditure on charitable activities includes Grants and Benefits Payable and other activities undertaken to further the purposes of the charity and their associated support costs;
- Grants payable are payments made to third parties in the furtherance of the charitable objects of the Charity. 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 one-year or multi-year grant. Grants 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 Charity.

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.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Charity that would permit the Charity to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the average rate of investment yield in the year in which the grant award is made. This discount rate is regarded by the trustees as providing the best current available estimate of the opportunity cost of money reflecting the time value of money to the Charity.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure is incurred.

(e) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the charity has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the charity of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), general volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the charity which is the amount the charity would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

(f) Allocation of support and governance costs

Support costs have been allocated between governance costs and other support costs. Governance costs comprise all costs involving the public accountability of the charity and its compliance with regulation and good practice. These costs include costs related to statutory audit and legal fees together with an apportionment of overhead and support costs.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

(f) (cont'd)

Governance costs and support costs relating to charitable activities have been apportioned based on the number of individual grant awards made in recognition that the administrative costs of awarding, monitoring and assessing grants and benefits are broadly equivalent. The allocation of support and governance costs is analysed in note 9.

(g) **Tangible fixed assets and depreciation**

No depreciation is provided on heritable properties as it is the policy of the Merchants House to maintain properties in such condition that their value taken as a whole is not impaired with the passage of time. As a consequence, any element of depreciation would, in the opinion of the Lord Dean and Directors, be immaterial.

The cost of furniture and fittings and expenditure on repairs and renewals is charged in the year in which it is incurred.

All assets costing more than £1,000 are capitalised and valued at historical cost. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life:

	Basis
Building Improvements	10% per annum
Office equipment	33.33% per annum

(h) **Fixed asset 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 Charity does not acquire put options, derivatives or other complex financial instruments.

The main form of financial risk faced by the charity 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.

(i) **Heritage assets**

The House has a collection of heritage assets which includes antique furniture, fine artwork, 20th century decorative furniture, statues, sculptures and silver. Due to the lack of comparable market values for the collection and the expense of obtaining reliable valuations, the assets are not recognised in the Balance Sheet.

(j) **Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

(k) **Cash at bank and in hand**

Cash at bank and cash in hand includes 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.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

(l) Creditors and provisions

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

(m) Realised 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 their opening carrying value or their purchase value if acquired subsequent to the first day of the financial year. Unrealised gains and losses are calculated as the difference between the fair value at the year end and their carrying value. Realised and unrealised investment gains and losses are combined in the Statement of Financial Activities.

(n) Contingent liabilities

A contingent liability is identified and disclosed for those grants resulting from:

- a possible obligation which will only be confirmed by the occurrence of one or more uncertain future events not wholly within the trustees' control; or
- a present obligation following a grant offer where settlement is either not considered probable; or
- the amount has not been communicated in the grant offer and that amount cannot be estimated reliably.

(o) Financial instruments

The Charity 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 fair value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2. Legal status of the Charity

The charity is registered in Scotland under the Charities and Trustee Investment (Scotland) Act 2005.

3. Related party transactions and trustees' expenses and remuneration

The trustees all give freely of their time and expertise without any form of remuneration or other benefit in cash or kind (2015: £nil). Expenses paid to the trustees in the year totalled £nil (2015: £nil).

During the year the charity paid Directors Liability Insurance premiums of £598 (2015: £598).

Trustees had no personal interest in any contract or transaction during the year (2015: none).

No donations were received for the Organ Fund during 2016. During 2015 ten trustees donated £14,175 to the Organ Fund.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

4. Income from donations and legacies

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Legacies	738	16,599	738	16,599
Other grants and donations	38,788	118,931	38,788	118,931
	<u>39,526</u>	<u>135,530</u>	<u>39,526</u>	<u>135,530</u>

5. Income from other trading activities

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Rental income	346,512	323,925	-	-
Service charge income	163,864	314,400	-	-
	<u>510,376</u>	<u>638,325</u>	<u>-</u>	<u>-</u>

The wholly owned trading subsidiary Ship Venture Limited is incorporated in the United Kingdom (company number SC166242) and pays all of its profits to the charity under the gift aid scheme. Ship Venture Limited's core business is that of management and rental of property and all commercial trading operations carried on at its Glasgow premises. A summary of the trading results is shown below.

The summary financial performance of the subsidiary alone is:

	2016 £	2015 £
Rental income and service charges	510,376	638,325
Cost of sales and administration costs	(310,451)	(437,420)
Other income	10,000	-
Interest receivable	123	70
Net profit	<u>210,048</u>	<u>200,975</u>
Amount gift aided to the charity	(168,413)	(274,747)
Repayment of gift aid from previous years	-	121,744
Retained in subsidiary	<u>41,635</u>	<u>47,972</u>

The assets and liabilities of the subsidiary were:

	2016	2015
Fixed Assets	126,307	78,021
Current assets	266,250	616,776
Current liabilities	(131,806)	(475,681)
Total net assets	<u>260,751</u>	<u>219,116</u>

Aggregate share capital and reserves	<u>260,751</u>	<u>219,116</u>
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THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

6. Investment income

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Dividends – equities	305,697	326,284	305,697	326,284
Interest on cash deposits	140	93	17	23
Gift aid from subsidiary	-	-	168,413	274,747
Repayment of unlawful distribution	-	-	-	(121,744)
	<u>305,837</u>	<u>326,377</u>	<u>474,127</u>	<u>479,310</u>

7. Raising funds – expenditure on other trading activities – Group

	Direct Costs £	Support Costs £	Total 2016 £	Total 2015 £
	Ship Venture direct costs	310,451	-	310,451
House support costs	-	23,515	23,515	33,490
	<u>310,451</u>	<u>23,515</u>	<u>333,966</u>	<u>470,910</u>

8. Raising funds - Investment management costs – Group and Charity

	Direct Costs £	Support Costs £	Total 2016 £	Total 2015 £
	Investment management fees	28,019	-	28,019
Rent collection, property repairs and maintenance charges	-	-	-	2,981
	<u>28,019</u>	<u>-</u>	<u>28,019</u>	<u>29,262</u>

9. Allocation of governance and support costs

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

Cost type	Total allocated £	Governance related £	Other support costs £	Basis of apportionment
Staff costs	62,399	28,034	34,365	Staff time
Office costs	39,963	2,897	37,066	Staff time
Total	<u>102,362</u>	<u>30,931</u>	<u>71,431</u>	

Governance costs:

	2016 £	2015 £
Auditor's remuneration	7,416	8,432
Support costs (see above)	30,931	33,490
	<u>38,347</u>	<u>41,922</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

9. Allocation of governance and support costs (continued)

Allocation of governance and other support costs:	2016	2015
	£	£
Grants payable	56,942	61,678
Benefits payable	29,321	21,692
Raising funds – Ship Venture	23,515	33,490
Total allocated	109,778	116,860

10a. Analysis of expenditure on charitable activities - Group

	Grants Payable	Benefits Payable	Other Events	2016 Total	2015 Total
	£	£	£	£	£
Grants payable	251,308	-	-	251,308	381,806
Benefits payable to individuals	-	153,281	-	153,281	184,922
Staff costs	17,750	20,100	-	37,850	25,655
Property costs	-	-	1,553	1,553	5,406
Governance costs	23,391	14,956	-	38,347	41,922
Support costs	33,551	14,365	-	47,916	41,448
	326,000	202,702	1,553	530,255	681,159

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

10b. Analysis of grants

Grants to institutions	Unrestricted £	Restricted £	Total £
Erskine Hospital	-	28,000	28,000
Scottish Nautical Welfare Association	-	20,000	20,000
Jubilee Sailing Trust	-	11,930	11,930
Presbytery of Glasgow	-	7,500	7,500
6 Awards of £5,000	15,000	15,000	30,000
5 Awards between £3,001 and £5,000	4,000	11,223	15,223
13 Awards between £2,001 and £3,000	13,759	20,000	33,759
27 Awards of £2,000	16,000	38,000	54,000
11 Awards between £1,000 and £2,000	5,683	10,820	16,503
20 Awards of £1,000	7,000	13,000	20,000
31 Awards less than £1,000	4,000	10,393	14,393
	65,442	185,866	251,308
Governance, staff and support costs	56,942	17,750	74,692
Total	122,384	203,616	326,000

Grants by category:

The Arts	5,500	10,178	15,678
Cancer	5,600	5,000	10,600
Children	7,000	3,250	10,250
Deprived	8,700	18,670	27,370
Disabled	7,259	4,000	11,259
Education	5,500	-	5,500
Elderly	3,000	49,490	52,490
Heritage	6,500	-	6,500
Medical	3,200	1,000	4,200
Miscellaneous	8,500	7,000	15,500
Nautical	-	53,848	53,848
Religion	4,683	8,500	13,183
Sailing	-	11,930	11,930
Sports and outdoor activities	-	8,000	8,000
Youth Organisations	-	5,000	5,000
	65,442	185,866	251,308
Governance, staff and support costs	56,942	17,750	74,692
Total	122,384	203,616	326,000

A full list of grants payable is available on the website.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

11. Analysis of staff costs and remuneration of key management personnel

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Salaries and wages	96,481	79,806	96,481	79,806
Social security costs	2,784	7,348	2,784	7,348
Pension contributions	632	-	632	-
Collector fees	3,725	14,750	3,725	14,750
Total staff costs and employee benefits	103,622	101,904	103,622	101,904
			2016	2015
			£	£
Key management personnel remuneration			74,581	49,912

No employees had employee benefits in excess of £60,000 (2015: £nil).

	2016	2015
	No.	No.
The average weekly number of persons, by headcount, employed by the charity during the year was:	5	4

12. Net income/(expenditure) for the year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
This is stated after charging:				
Depreciation	19,146	8,681	-	-
Auditor's remuneration:				
Audit fees	3,900	4,600	3,900	4,600
Prior year under accrual	-	314	-	314
Audit of subsidiary	3,080	3,366	-	-
Non-audit fees	6,415	7,743	3,516	3,518

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

13. Tangible Fixed Assets - Group

	Heritable Property £	Office Equipment £	Total £
Cost or valuation			
At 1 January 2016	891,487	-	891,487
Additions	61,760	5,672	67,432
At 31 December 2016	<u>953,247</u>	<u>5,672</u>	<u>958,919</u>
Depreciation			
At 1 January 2016	147,266	-	147,266
Charge for the year	17,255	1,891	19,146
At 31 December 2016	<u>164,521</u>	<u>1,891</u>	<u>166,412</u>
Net book value			
At 31 December 2016	<u>788,726</u>	<u>3,781</u>	<u>792,507</u>
At 31 December 2015	<u>744,221</u>	<u>-</u>	<u>744,221</u>
At 31 December 2016 fixed assets were held for:			
Mixed use			<u>792,507</u>

14. Tangible Fixed Assets - Charity

	Heritable Property £
Cost or valuation	
At 1 January 2016	666,200
At 31 December 2016	<u>666,200</u>
Depreciation	
At 1 January 2016	-
Charge for the year	-
At 31 December 2016	<u>-</u>
Net book value	
At 31 December 2016	<u>666,200</u>
At 31 December 2015	<u>666,200</u>
At 31 December 2016 fixed assets were held for:	
Mixed use	<u>£ 666,200</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

15. Heritage Assets

The charity holds a collection of antique furniture, fine artwork, 20th century decorative furniture, statues & sculptures and silver. The collection is not capitalised in the balance sheet as the Trustees consider that the benefit of valuing the collection does not justify the costs that would be incurred. In 2012 the collection was valued for insurance purposes at £274,600.

Antique Furniture/20th Century decorative furniture

The collection includes various furniture items which are situated throughout the House in the Merchants Hall, the Directors Room, the Ante Room, the Vestibule and the Committee Room. The items include Edwardian hat stands, Victorian chairs, benches and a fender, 19th Century chandeliers, mahogany chairs, side tables, mahogany and panel boards, a model tobacco ship, a Steinway grand piano and the door of the old Merchants House in the Bridgegate.

Fine Artwork

The art collection contains portraits of past Deans of Guild as well as a number of people of importance to the House along with paintings of local landmarks. The artwork is on display in the Grand Hall, the Directors Room, the Lord Dean's Room and the Committee Room.

Statues & Sculptures

The House has a carved white marble bust of both James Ewing of Strathleven and James Buchanan, together with a marble statue of Kirkman Findlay.

Silver

The Silver consists of three items - a Sheffield plated decorated tea tray, a pair of Sheffield plated Candelabra and a William IV decorated waiter.

16. Investments

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Investments	9,386,082	7,965,323	9,386,082	7,965,323
Subsidiary Undertaking	-	-	200,000	200,000
	<u>9,386,082</u>	<u>7,965,323</u>	<u>9,586,082</u>	<u>8,165,323</u>

Movement in fixed asset listed investments

	2016	2015
	£	£
Market value brought forward	7,965,323	8,612,298
Additions to investments at cost	1,010,334	1,276,653
Increase in cash investments	220,396	-
Disposals at carrying value	(976,254)	(1,343,186)
Net gain / (loss) on revaluation	1,166,283	(580,442)
Market value carried forward	<u>9,386,082</u>	<u>7,965,323</u>

Realised gains on investments were £64,169 (2015: realised gains of £22,336).

Investments at fair value

Comprised:

	2016	2015
	£	£
Equities	9,165,686	7,965,323
Cash	220,396	-
Total	<u>9,386,082</u>	<u>7,965,323</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

16. Investments (continued)

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 Charity is considered in the financial review and investment policy and performance sections of the Report of the Directors.

The Charity manages its 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 Charity 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.

Subsidiary

The charity holds 50,000 shares of £1 each in its wholly owned trading subsidiary company Ship Venture Limited which is incorporated in the United Kingdom. These are the only shares allotted, called up and fully paid. During the year, the share capital of Ship Venture Limited was reduced from 200,000 shares of £1 to 50,000 shares of £1. The reduction of £150,000 has been credited to a reserve capable of distribution. The activities and results of this company are summarised in note 5.

17. Debtors

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors - rents	12,677	44,781	-	-
Other debtors	82,126	141,539	5,082	11,160
VAT debtor	2,848	-	-	-
Due from group undertaking	-	-	180	285,747
	<u>97,651</u>	<u>186,320</u>	<u>5,262</u>	<u>296,907</u>

18. Creditors: amounts falling due within one year

	Group		Charity	
	2016	2015	2016	2015
	£	£	£	£
Property creditors	6,560	136,034	-	-
Accrual for grants payable	14,978	8,400	14,978	8,400
Other creditors and accruals	140,904	66,256	15,838	21,771
Taxation and social security costs	119	11,405	119	1,990
Due to group undertaking	-	-	587	121,744
	<u>162,561</u>	<u>222,095</u>	<u>31,522</u>	<u>153,905</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Analysis of charitable funds – Group

Analysis of Fund movements	Balance b/fwd £	Income £	Expenditure £	Transfers £	Gains/ (Losses) £	Balance c/fwd £
Unrestricted funds						
Property	866,200	-	-	-	-	866,200
MacPherson Charitable Trust	3,345	3,432	4,543	-	-	2,234
Carol Richmond Charitable Trust	2,183	2,288	2,628	-	-	1,843
Total designated funds	871,728	5,720	7,171	-	-	870,277
General funds	799,025	653,436	618,458	-	95,339	929,342
Total unrestricted funds	1,670,753	659,156	625,629	-	95,339	1,799,619
Endowment funds						
Historical endowments	2,725,045	-	-	-	427,086	3,152,131
George Craig	335,992	-	-	-	52,275	388,267
Inverclyde Bequest	1,410,761	-	-	-	223,611	1,634,372
Bogles of Gilmorehill	87,514	-	-	-	17,421	104,935
Morgan Mortification	398,408	-	-	-	63,416	461,824
Buchanan Bequest	65,042	-	-	-	10,380	75,422
Macpherson Charitable Trust	86,072	-	-	-	13,912	99,984
Stephen Bicentenary	43,984	-	-	-	7,191	51,175
Carol Richmond Charitable Trust	57,437	-	-	-	9,276	66,713
Glasgow Nursing & Medical Relief	511,492	-	-	-	79,995	591,487
Commercial Travellers of Scotland	134,459	-	-	-	23,466	157,925
Ewing Fund	79,618	-	-	-	12,387	92,005
RNVR Club (Scotland)	166,768	-	-	-	29,960	196,728
Benjamin MacKay	210,896	-	-	-	32,970	243,866
Total endowment funds	6,313,488	-	-	-	1,003,346	7,316,834

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

19. Analysis of charitable funds (continued)

Restricted funds	Balance b/fwd	Income	Expenditure	Transfers	Gains/ (Losses)	Balance c/fwd
	£	£	£	£	£	£
M B Campbell	185,647	5,497	30,239	-	18,347	179,252
George Craig	-	12,895	26,151	15,000	-	1,744
Inverclyde Bequest	26,471	71,128	60,109	-	-	37,490
Bogles of Gilmorehill	24,459	4,297	2,367	-	-	26,389
Morgan Mortification	9,191	15,643	9,586	(15,000)	-	248
Buchanan & Ewing Bequest	1,678	5,617	6,980	-	-	315
Stephen Bicentenary	2,239	1,774	722	-	-	3,291
Glasgow Nursing & Medical Relief	2,665	19,732	20,425	-	-	1,972
Commercial Travellers of Scotland	16,364	5,788	6,394	-	-	15,758
RNVR	25,797	7,390	13,061	-	-	20,126
The Keir Trust	97,913	3,758	571	-	15,234	116,334
Dr James Black's Trust	20,014	768	316	-	3,114	23,580
Benjamin MacKay	1,020	8,133	2,445	-	-	6,708
The Underwood Trust donation	802,624	24,163	75,745	-	95,072	846,114
Dean of Guild's Trust	-	10,000	10,000	-	-	-
Organ Fund	20,002	-	1,500	-	-	18,502
Total restricted funds	1,236,084	196,583	266,611	-	131,767	1,297,823
TOTAL FUNDS	9,220,325	855,739	892,240	-	1,230,452	10,414,276

a) The unrestricted funds are available to be spent for any of the purposes of the charity.

The Trustees have created the following designated funds:

Heritable Property:

This property is held to generate rental income which the Charity can then use in line with its charitable objectives and activities. The fund covers both the property and the related investment in Ship Venture Limited.

Macpherson Charitable Trust (Endowment Fund and Designated Fund):

These monies are available and applied for the charitable purposes of the House.

Carol Richmond Charitable Trust (Endowment Fund and Designated Fund):

These monies are paid to Giffnock South Parish Church.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

b) Endowment funds and Restricted funds comprise;

Historical Endowments (Endowment Fund):

These endowment funds comprise individual endowment funds where the original purpose of the fund has been extinguished or there are no remaining beneficiaries. Under the terms of the endowments the Merchants House is able to use the income as the Trustees see fit. The funds included within the balance are as follows: Ridge Beedle, Simon Dallas, Daniel Duncan, Rebecca Edgar, John Farquhar, Gardiner, Lawrence Glen, James Grant, Dr James McCallum, Sir George Mitchell, Marjory Shanks Schaw, Johnstone Smith, Templeton, Waugh's Bequest, Glasgow Corn Trade funds and Scottish Retail Credit Trust.

The Matthew B Campbell Trust (Expendable Endowment and Restricted Fund):

This trust was received by the House in April 2011. The Charity's guidance is to distribute the Fund within a 10 year period, 1/3rd of the fund going to charities in Paisley and District area, with 2/3rd being distributed within the West of Scotland area. £24,500 was disbursed to charities during 2016.

George Craig Trust Fund (Endowment Fund and Restricted Fund):

Grants awarded by the George Craig Trust Committee amounted in all to £25,000, ranging from £1,000 to £2,500. These grants were given to assist in the education and training of 10 school pupils and 5 tertiary students. The Trustees benefited from the receipt of two-thirds of the free annual revenue of The Morgan Mortification.

Inverclyde Bequest Fund (Endowment Fund and Restricted Fund):

The Inverclyde Bequest Fund has now been in operation for over one hundred years. During the past year the sum of £50,848 has been distributed in accordance with the terms of the bequest for the relief of seamen belonging to the Mercantile Marine of the Commonwealth and the United States, their wives, widows, children and family dependents. The funds are distributed directly to charities in Scotland and to Missions in the New York and Boston District. Distributions have been made through Sub Committees set up in England (Liverpool and Manchester District) and Ireland (Belfast District). These sub-committees are being wound up and consideration is now being given as to the optimum way of carrying out their work.

The Bogles of Gilmorehill Bursaries (Endowment Fund and Restricted Fund):

The Bogles of Gilmorehill Bursaries were established in 1992 by a gift of £50,000 from Ellen Bogle and Robert Bogle, descendants of the family which owned the Gilmorehill land on which the University of Glasgow is built to be used for students matriculated in the Arts based Faculties at the University of Glasgow whose financial needs are not met from public sources and whose circumstances otherwise merit payment out of the Fund, with a general inclination in favour of the Divinity and Social Sciences Faculties. Awarded annually on the recommendation of the University. During 2016, awards of £1,500 were made.

The Morgan Mortification (Endowment Fund and Restricted Fund):

1/3 of the income generated from this fund is paid as a grant to the Presbytery of Glasgow and £7,500 was disbursed in 2016. The remaining two thirds is paid out through the George Craig Fund.

The Buchanan and Ewing Bequest Order (Endowment Funds and Restricted Fund):

These grants are made specifically to Educational Institutions to aid study. Grants to Educational Institutions of £6,000 were made during the year. This is subject to quinquennial review, the next one scheduled for 31 August 2021.

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MacPherson Charitable Trust (Endowment Fund and Designated Fund):

Funds of £58,065 were transferred to the House in February 2005 with the income to be applied to the charitable purposes of the House.

Stephen Bicentenary Trust (Endowment Fund and Restricted Fund):

These monies are paid out to individual beneficiaries. Benefits amounting to £320 were paid out to three Stephen Bicentenary beneficiaries.

The Glasgow Nursing and Medical Relief Association (Endowment Fund and Restricted Fund):

The whole funds of The Glasgow Nursing and Medical Relief Association were transferred to The Merchants House of Glasgow in 2006, on the understanding, incorporated into a formal undertaking, that The Merchants House would thereafter administer the funds in accordance with the wishes of the directors as expressed by them, prior to the dissolution and winding up of the Association. The funds are now managed by a committee known as The Glasgow Nursing and Medical Relief Association Committee. In accordance with its brief, awards of £23,240 have been made to certain medical and nursing related charitable organisations, in Glasgow and three retired members.

Commercial Travellers of Scotland Benevolent Fund for Widows and Orphans (Endowment Fund and Restricted Fund):

On 30th September 2009, the whole funds of the Commercial Travellers of Scotland Benevolent Fund for Widows and Orphans were transferred to The Merchants House on the understanding that The Merchants House would thereafter administer the funds in accordance with the objects of the Charity. There are presently 6 beneficiaries and in 2016 payments of £5,400 have been made to these beneficiaries.

RNVR Club (Scotland) Memorial Trust (Endowment Fund and Restricted Fund):

The whole funds of RNVR Club (Scotland) Memorial Trust were transferred to The Merchants House of Glasgow in 2006, on the understanding that The Merchants House would thereafter administer the funds in accordance with the objects of the Trust. During the year 9 young people between the ages of 16 and 25 were financed to take part in a voyage on the "Lord Nelson" organised through the Jubilee Sailing Trust. Referrals are sought from a large number of schools and organisations in March and a small Committee then holds interviews to decide on the successful applicants for the year. The cost of 9 places for the 2016 voyage was £11,930.

The Keir Trust (Restricted Fund):

This Trust was originally set up by a Mrs Helen Pottage, who had a lifelong interest in the arts. The Trust was transferred to the House in March 2012, with the Investment value of £92,808 at the time, together with a residual cash balance of £3,298. This Trust must be used to benefit the greater good, rather than pensioners. No awards were made in 2016.

Dr James Black's Trust (Restricted Fund):

This small Trust was transferred to the House in August 2012. The value at 30th August 2012 was £17,981. It is principally for the benefit of retired domestic servants, but we can also use it to disburse for other purposes. No disbursements were made in 2016.

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

The Benjamin MacKay Trust (Endowment Fund and Restricted Fund):

This trust was received by the House in July 2013. The House has undertaken to distribute at least one/seventh of the income generated each year to charitable organisations within the Lenzie/Kirkintilloch area. In 2016, £1,000 was distributed.

The Underwood Trust donation (Expendable Endowment and Restricted Fund):

A substantial donation was received by the House from the Underwood Trust in June 2013. The purpose of the Fund is to assist financially the deprived people of Glasgow and its surrounding environs (50%) and Paisley and its environs (50%). The disbursement is capital and interest over a period between 10 to 15 years. Disbursements are made in accordance with the Merchants House's own guidelines to: -

- Organisations providing care and assistance to groups of or concerned with disabled, elderly or terminally ill, and socially deprived
- Organisations providing care, advancement and rehabilitation of youth
- Universities, colleges of further education and schools.

During 2016 awards of £67,670 were distributed to 19 charities.

Organ Fund (Restricted Fund):

Donations received as a result of an appeal by the Immediate Past Dean to raise funds to enable the installation of a top quality digital organ into the Glasgow Royal Concert Hall. The funds received during 2015 have been remitted to Glasgow Life, which was responsible for the installation of the organ. During the year, £1,500 was paid for an upgrade to the organ and £18,502 has been retained to be used for ongoing costs.

Dean of Guild's Trust (Restricted Fund):

A donation was received from the Dean of Guild's Trust towards the costs of redecorating the Grand Hall.

Management Fee

The expenditure shown against each fund above includes the management fees paid to the House.

20. Allocation of net group assets over funds

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2016 £
Fixed assets	792,507	-	-	792,507
Investments	1,100,518	968,730	7,316,834	9,386,082
Current assets	54,177	344,071	-	398,248
Current liabilities	(147,583)	(14,978)	-	(162,561)
	<u>1,799,619</u>	<u>1,297,823</u>	<u>7,316,834</u>	<u>10,414,276</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2016

21. Reconciliation of net income/(expenditure) to net cash flow from operating activities

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Net income/(expenditure) for the year (as per the Statement of Financial Activities)	1,193,951	(639,205)	1,152,316	(687,177)
Adjustments for:				
Depreciation charges	19,146	8,681	-	-
Dividends and interest	(305,837)	(326,377)	(474,127)	(479,310)
(Gains)/losses on investments	(1,230,452)	558,106	(1,230,452)	558,106
Decrease/(increase) in debtors	88,669	140,009	138,642	(28,115)
(Decrease) in creditors	(59,534)	(92,582)	(53,970)	(11,231)
Net cash (used in) operating activities	<u>(294,057)</u>	<u>(351,368)</u>	<u>(467,591)</u>	<u>(647,727)</u>

22. Analysis of cash and cash equivalents

	Group		Charity	
	2016 £	2015 £	2016 £	2015 £
Cash in hand and at bank	300,597	546,556	127,503	226,684
Total cash and cash equivalents	<u>300,597</u>	<u>546,556</u>	<u>127,503</u>	<u>226,684</u>