

CHARITY NO: SC008900

THE MERCHANTS HOUSE OF GLASGOW
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019



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, three recent Ex-Deans and up to 36 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 objectives are to pay benefits to beneficiaries and to provide assistance in the form of grants to charitable institutions within and around Glasgow. These matters are dealt with by three committees of Directors, the Grants Committee, the Benefits Committee and the Social Impact Partnership Committee. In addition to committee meetings, there are quarterly meetings of Directors when the business of the House is fully reviewed, together with such other meetings as are necessary.

The Directors are also responsible for the administration of the various trust funds mentioned in the report. The House continues to receive trust funds for it to administer legacies and bequests.

www.merchantshouse.org.uk

THE MERCHANTS HOUSE OF GLASGOW

**REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**THE MERCHANTS HOUSE OF GLASGOW
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 (Audit) Limited Chartered Accountants 168 Bath Street Glasgow G2 4TP
Bankers	Bank of Scotland Corporate Banking, Level 6 110 St Vincent Street Glasgow G2 5ER
Insurance Brokers	Jelf Insurance Brokers Ltd G1 Building 5 George Square Glasgow G2 1AR
Investment Managers	Rathbone Investment Management 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 2019

The Directors of the Merchants House of Glasgow present their Annual Report for the year ended 31 December 2019 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).

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 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 amended most recently in February 2020.

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 £129,413 were paid to 112 beneficiaries and grants totalling £239,187 were paid to 55 charitable bodies.

The House manages substantial endowment funds, many of which have specific terms on the distribution of grants.

The House aims to distribute all its available income taking one year with another. For the year ended 31 December 2019, the unrestricted funds disclose a surplus of £116,329 (before revaluation gains) and the restricted funds disclose a deficit of £6,601. The unrestricted funds surplus has occurred due to a fall in the grants paid out of the unrestricted funds in the year. The House has undertaken promotion through social media in order to reach more charities that can be helped. The restricted funds deficit occurs as a result of increased grants paid from the M B Campbell and Underwood funds in order to meet the fund conditions for disbursement.

Grant Making Strategy

There are three main strands in the House's grant making strategy.

We receive and encourage applications for grant funding for a wide range of charitable activity across the social, educational, health and cultural sectors which has impact in Glasgow and the West of Scotland; and

We make grants from a number of designated and restricted funds for specific purposes; and

Through our Social Impact Partnership Initiative, we proactively target areas of critical social need in Glasgow and the West of Scotland.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2019

Achievements and Performance

A key aim for the House has been to continue increasing the letting activity in its Grand Hall, Directors' Room, Lord Dean's Room and Committee Room. During 2019, the events and hall hire income has increased to £213,539 (2018 £160,067). The rental income of £336,239 generated from let units in the subsidiary company, Ship Venture Limited, is very similar to the prior year (2018 - £337,969).

The investments of the House are held with the primary purpose of producing an income stream to support the grant making activities. The dividends and interest received during the year of £379,029 compares favourably with £344,485 received in the previous year.

Since the end of 2019 the value of the investment portfolios has reduced considerably following the outbreak of the virus known as COVID-19. It is likely there will be a period of reduction in the dividends receivable from companies and collective investments within the portfolios. The House is able to adjust its level of giving to handle these challenges and those of its subsidiary company as noted below. The House could also choose to realise assets in the event income is temporarily suppressed to sustain its charitable objectives given the highly liquid nature of the assets.

Financial Review

The financial position at 31 December 2019 remained strong with investments totalling £10,331,471 and cash balances of £655,088. The commercial premises let through Ship Venture Ltd were fully occupied at 31 December 2019.

The financial results for the year record a surplus of £109,728 before disposal gains/losses and revaluation of the investments. The unrestricted funds achieved a surplus of £116,329 before taking into account the gain on revaluation of the investments at 31 December 2019.

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 Manager's performance is measured against appropriate bespoke benchmarks. During the period the performance of the investments has been generally ahead of the benchmarks.

Fund	Actual	Benchmark
Trustee Pool	17.1%	16.8%
General Pool	18.0%	16.8%
Underwood	9.1%	13.1%

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Report of the Directors for the year ended 31 December 2019

Financial Review (continued)

The composition of the investment portfolio of the Underwood fund reflects the expected timescale within which this fund 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 are 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.

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 up to 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 up to 36 elected Directors who are appointed for a maximum of three terms of three years.

Directors who are ex officio with effect from the annual meeting in May 2019 are:

Alasdair R J Ronald	Lord Dean of Guild
May Storrie CBE	Vice Dean
Ian Dickson BEM DL	Immediate Past Dean
John F MacLeod DL	Ex Dean
Raymond M Williamson FRSAMD	Ex Dean

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

2020	2021	2022
J Douglas Anderson	Stuart Biggart	Campbell Armour *
Ruth Anderson	Robert Cunningham	Colin Botfield *
David A R Ballantine	David Dickson	Prof David Harrison *
Alistair S Burrow	Norman Hamilton	Ronald Inglis *
Lindsay Colville	Elizabeth Kennedy	Mariella MacLeod *
Zoe Gillespie	Eleanor Kerr	Frances McMenamin *
A Angus Kerr	Douglas Lapsley	Michael Samuel *
Allan C C Lapsley	Kerr Luscombe	Bill Scott *
Stewart MacKay	Andrew McFarlane	John Taylor *
Duncan Tannahill	M Ann O'Connell	Ruth Walker *
Katy Wedderburn	John Papworth	Karen Waugh *
Poonam Gupta **	Gordon Young	Bob Winter *

* Appointed 14 May 2019

** Appointed 19 March 2019

The following Directors served during the period 1 January to 14 May 2019:

John Balding	Roy Henderson	Alexander G Taggart
Paul Carnan	Elizabeth A Simpson	Douglas T Boyd

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Report of the Directors for the year ended 31 December 2019

Structure, Governance and Management (continued)

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.

All new Directors receive a "pack", being guidance as to Trustees' duties and to statements of good practice in terms 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

4 new members have signed the Roll and the resignations and deaths of 19 members have been reported. It should be noted that a person does not rank as a voting member of the House until he or she has signed the Matriculation Roll. The active roll now stands at 942.

Organisational Structure

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

For effective conduct of business of the House there are eight main committees of Directors:

- Audit Committee
- Benefits Committee
- Finance and Investment Committee
- Grants Committee
- Membership and Marketing Committee
- Nominations and Appointments Committee
- Property Committee
- Social Impact Partnership Committee

With the exception of the Audit Committee, which normally meets twice per year, each committee meets at least four times per year. Each committee makes recommendations for approval at the Quarterly Meeting except the Grants Committee who has the authority, without such approval, to award grants up to £10,000.

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

General Manager and Collector	Paul Martin
Events Manager	Nancy Braid
Finance Assistant	Patricia Walker
Caretaker	Robert King (retired February 2020)
Facilities Officer	Ian Campbell
Admin and Social Media Officer	Ewan Wilson

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 during the year are considered to be the General Manager and Collector, the Finance Assistant and the Events Manager.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2019

Reserves Policy

The reserves policy of the House is to ensure there are sufficient levels of cash and immediately realisable funds to meet the expected financial commitments of the House for the next twelve months. This includes the amounts expected to be disbursed by way of grants and payments to beneficiaries. The Directors are committed to distributing as much of the net incoming unrestricted resources as possible subject to ensuring the real value of the capital funds is maintained.

The balance held in unrestricted funds at 31 December 2019 was £2,163,990, of which £1,245,114 is regarded as free reserves, after allowing for funds of £918,876 tied up in tangible fixed assets including the premises of the House. The amounts earmarked for future commitments are £618,482. The House normally expects these amounts to be funded from income but is able to draw down investment assets at short notice to meet the House's commitments each year if it is required to do so.

Future Plans

Despite the current uncertainties associated with the outbreak of COVID-19, the Directors intend to continue the work of the House over the coming years in a way which will enable it to maintain or increase its charitable giving in real terms and to enhance the impact of its giving. They continue to offer to other charities the ability to merge or manage other funds with those of the House with a view to improving the management and efficiency of these funds in achieving their own objectives.

Subsidiary Company

The commercial letting of available space in the building is carried out within the wholly owned subsidiary Ship Venture Limited. The sole purpose of letting the available accommodation is to generate income for the House. 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. Ship Venture Limited makes a gift aid payment each year to the House in an amount equal to its taxable profits or, if lower, distributable profits, in accordance with established practice. For the year ended 31 December 2019 the company has undertaken to make a payment of £236,744 (2018 - £294,996).

Since the end of 2019 the operating environment of the subsidiary has changed significantly following the outbreak of the virus known as COVID-19. This has the potential to challenge the levels of rental income being received by the subsidiary as tenants themselves adapt to changing circumstances. Social distancing measures are also expected to reduce temporarily the ability of the subsidiary to let space for functions and meetings within the group property. These challenges have the potential to reduce the amounts payable under gift aid next year.

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 meeting if they have any conflicts of interest, and these conflicts of interest are noted in the minutes of the Board or of the committee to which they relate. Directors are also required to complete a Declaration of Interest Form which they are asked to review each year.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2019

Risk Management

A Risk Register is maintained which is reviewed annually by the Audit Committee and is approved by the Directors. 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. 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. For beneficiaries, payments are only made by direct transfer to confirmed bank accounts.

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 have been established to ensure that all relevant risks have been sufficiently mitigated.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2019

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 (Audit) Limited be reappointed as auditors to the House for the ensuing year.

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 21 April 2020 and signed on their behalf by:

Alasdair R J Ronald
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 2019

Opinion

We have audited the financial statements of The Merchants House of Glasgow (the 'charity') and its subsidiary (the 'group') for the year ended 31 December 2019 which comprise the Group and Parent Charity's Statement of Financial Activities, the Group and Parent Charity's Balance Sheets, the Group and Parent Charity's Cash Flow Statements and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice). In our opinion the financial statements:

- give a true and fair view of the state of the Group's and parent Charity's affairs as at 31 December 2019, and of the Group and the parent Charity's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

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 Group's or the parent 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.

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2019

Other information

The other information comprises the information included in the report and consolidated financial statements, 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, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the Trustees' Report; or
- proper accounting records have not been kept; or
- the parent charity's 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 7, the Trustees are responsible for the preparation of 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 Group's and parent 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 Group or the parent Charity or to cease operations, or have no realistic alternative but to do so.

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2019

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.

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. 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.

Wylie & Bisset (Audit) Limited, Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

21 April 2020

Wylie & Bisset (Audit) Limited 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 2019

	Note	Unrestricted Funds 2019 £	Restricted Funds 2019 £	Endowment Funds 2019 £	Total Funds 2019 £
Income and endowments from:					
Donations and legacies	4	33,233	21,634	-	54,867
Other trading activities	5	824,314	-	-	824,314
Investments	6	174,145	204,884	-	379,029
Total Income		1,031,692	226,518	-	1,258,210
Expenditure on:					
Raising funds					
Other trading activities	7	651,700	-	-	651,700
Investment & management	8	14,142	19,709	-	33,851
Charitable activities	10	249,521	213,410	-	462,931
Total Expenditure		915,363	233,119	-	1,148,482
Net income/(expenditure) and net movement in funds before gains and losses on investments					
		116,329	(6,601)	-	109,728
Net gains on investments		132,738	59,982	1,025,836	1,218,556
Net movement in funds		249,067	53,381	1,025,836	1,328,284
Funds reconciliation					
Total Funds brought forward		1,914,923	1,134,257	7,474,896	10,524,076
Total Funds carried forward	19	2,163,990	1,187,638	8,500,732	11,852,360
		2018	2018	2018	2018
		£	£	£	£
Income and endowments from:					
Donations and legacies	4	129,411	19,435	-	148,846
Other trading activities	5	767,456	-	-	767,456
Investments	6	157,801	186,684	-	344,485
Total Income		1,054,668	206,119	-	1,260,787
Expenditure on:					
Raising funds					
Other trading activities	7	586,375	-	-	586,375
Investment & management	8	13,509	16,116	-	29,625
Charitable activities	10	364,278	248,293	-	612,571
Total Expenditure		964,162	264,409	-	1,228,571
Net income/(expenditure) and net movement in funds before gains and losses on investments					
		90,506	(58,290)	-	32,216
Net losses on investments		(81,009)	(47,790)	(730,608)	(859,407)
Net movement in funds		9,497	(106,080)	(730,608)	(827,191)
Funds reconciliation					
Total Funds brought forward		1,905,426	1,240,337	8,205,504	11,351,267
Total Funds carried forward	19	1,914,923	1,134,257	7,474,896	10,524,076

THE MERCHANTS HOUSE OF GLASGOW

CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Unrestricted Funds 2019 £	Restricted Funds 2019 £	Endowment Funds 2019 £	Total Funds 2019 £
Income and endowments from:					
Donations and legacies	4	33,233	21,634	-	54,867
Other trading activities		14,667	-	-	14,667
Investments	6	410,691	204,884	-	615,575
Total Income		458,591	226,518	-	685,109
Expenditure on:					
Raising funds					
Other trading activities		102,605	-	-	102,605
Investment & management	8	14,142	19,709	-	33,851
Charitable activities	10	249,521	213,410	-	462,931
Total Expenditure		366,268	233,119	-	599,387
Net (expenditure)/income and net movement in funds before gains and losses on investments					
		92,323	(6,601)	-	85,722
Net gains on investments		132,738	59,982	1,025,836	1,218,556
		225,061	53,381	1,025,836	1,304,278
Funds reconciliation					
Total Funds brought forward		1,788,268	1,134,257	7,474,896	10,397,421
Total Funds carried forward		2,013,329	1,187,638	8,500,732	11,701,699
		2018	2018	2018	2018
		£	£	£	£
Income and endowments from:					
Donations and legacies	4	129,411	19,435	-	148,846
Investments	6	452,685	186,684	-	639,369
Total Income		582,096	206,119	-	788,215
Expenditure on:					
Raising funds					
Other trading activities		85,585	-	-	85,585
Investment & management	8	13,509	16,116	-	29,625
Charitable activities	10	364,278	248,293	-	612,571
Total Expenditure		463,372	264,409	-	727,781
Net income / (expenditure) and net movement in funds before gains and losses on investments					
		118,724	(58,290)	-	60,434
Net losses on investments		(81,009)	(47,790)	(730,608)	(859,407)
		37,715	(106,080)	(730,608)	(798,973)
Funds reconciliation					
Total Funds brought forward		1,750,553	1,240,337	8,205,504	11,196,394
Total Funds carried forward		1,788,268	1,134,257	7,474,896	10,397,421

THE MERCHANTS HOUSE OF GLASGOW

CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2019

	Note	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Fixed assets					
Tangible assets	14 & 15	918,876	880,662	666,200	666,200
Investments	16	10,331,471	9,277,988	10,531,471	9,477,988
Total Fixed Assets		<u>11,250,347</u>	<u>10,158,650</u>	<u>11,197,671</u>	<u>10,144,188</u>
Current assets					
Debtors	17	319,120	314,780	303,332	306,416
Cash at bank and in hand	22	655,088	366,901	351,347	240,247
Total Current Assets		<u>974,208</u>	<u>681,681</u>	<u>654,679</u>	<u>546,663</u>
Liabilities					
Creditors falling due within one year	18	372,195	316,255	150,651	293,430
Net Current assets		<u>602,013</u>	<u>365,426</u>	<u>504,028</u>	<u>253,233</u>
Net Assets		<u>11,852,360</u>	<u>10,524,076</u>	<u>11,701,699</u>	<u>10,397,421</u>
The Funds of the Charity					
Unrestricted funds	19	2,163,990	1,914,923	2,013,329	1,788,268
Restricted income funds	19	1,187,638	1,134,257	1,187,638	1,134,257
Endowment funds	19	8,500,732	7,474,896	8,500,732	7,474,896
Total Charity Funds		<u>11,852,360</u>	<u>10,524,076</u>	<u>11,701,699</u>	<u>10,397,421</u>

Approved by the Directors on 21 April 2020 and signed on their behalf by:

Alasdair R J Ronald
Lord Dean of Guild

Ian Dickson
Immediate Past Dean

THE MERCHANTS HOUSE OF GLASGOW

STATEMENT OF CASH FLOWS AND CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 £	Group 2018 £	Charity 2019 £	Charity 2018 £
Cash flows from operating activities					
Cash (used in) operating activities	21	(164,317)	(488,430)	(727,798)	(546,575)
Tax paid		-	-	-	-
Net cash (used in) operating activities		(164,317)	(488,430)	(727,798)	(546,575)
Cash flows from investing activities					
Dividends, interest and rents from investments		379,029	344,484	673,827	489,081
Purchase of property, plant and equipment		(91,596)	(12,983)	-	-
(Increase) / decrease in cash investments		(37,741)	161,725	(37,741)	161,725
Proceeds from sale of investments		901,868	856,403	901,868	856,403
Purchase of investments		(699,056)	(903,741)	(699,056)	(903,741)
Net cash provided by investing activities		452,504	445,888	838,898	603,468
Change in cash and cash equivalents in the year		288,187	(42,542)	111,100	56,893
Cash and cash equivalent brought forward	22	366,901	409,443	240,247	183,354
Cash and cash equivalents carried forward	22	655,088	366,901	351,347	240,247

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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) and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

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

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

At the time of approving the financial statements, the trustees have a reasonable expectation that the House has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

Since the end of 2019 the operating environment of the House has changed significantly following the outbreak of the virus known as COVID-19. This has the potential to challenge the levels of rental income being received by the subsidiary and the level of income from the investment portfolio for a period of time. In spite of these challenges the trustees are confident the House remains a going concern and can continue to trade.

The House's presentation currency is sterling and amounts in the financial statements are rounded to the nearest £.

(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.

(c) Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the House is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting Policies (continued)

(d) Income recognition

Income is recognised once the House 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 House 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 House 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 House 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 House.

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the House; 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 receipt of the dividend into 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.

(e) Expenditure recognition

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the House 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 (g) below.

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 House and their associated support costs.

Grants payable are payments made to third parties in the furtherance of the charitable objects of the House. 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 House.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting Policies (continued)

(e) Expenditure recognition (continued)

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 House that would permit the House 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 House.

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

(f) Donated services and facilities

Donated professional services and donated facilities are recognised as income when the House 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 House 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 House 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.

(g) 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 House and its compliance with regulation and good practice. These costs include costs related to statutory audit and relevant legal fees together with an apportionment of overhead and support costs.

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.

(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 House does not acquire put options, derivatives or other complex financial instruments.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(h) Fixed asset investments (continued)

The main form of financial risk faced by the House 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) Tangible fixed assets and depreciation

Heritable property is accounted for at historic cost and not at valuation as the property is let out to a wholly owned subsidiary.

No depreciation is provided on heritable property as it is the policy of the House to maintain the property in such condition that their value taken as a whole is not impaired with the passage of time. Consequently, 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 on additions prior to 1/1/19, 20% on additions thereafter
Equipment	10% and 33.33% per annum on additions prior to 1/1/19, 20% on additions thereafter

(j) 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.

(k) 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.

(l) 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.

(m) Creditors and provisions

Creditors and provisions are recognised where the House 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.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

(n) 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.

(o) 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.

(p) Financial instruments

The House 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 House

The House is a charity 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 (2018: £nil). Expenses paid to the trustees in the year totalled £nil (2018: £nil).

During the year the following related party transactions took place:

- the House paid Directors Liability Insurance premiums of £521 (2018: £521).
- donations of £5,920 were received from directors during the year (2018 - £11,770).
- Ronald Inglis is a director of Mitchells Robertson Ltd who provided legal services during the year costing £5,928 (2018 - £6,086).
- Katy Wedderburn is a partner of MacRoberts who provided legal services during the year costing £2,390 (2018 - £6,431).
- Angus Kerr is a director of Rathbones who provided investment services during the year. Investment management fees of £30,827 were paid during the year (2018 - £29,625).

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

4. Income from donations and legacies

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Grants and donations	54,867	148,846	54,867	148,846
Legacies	-	-	-	-
	<u>54,867</u>	<u>148,846</u>	<u>54,867</u>	<u>148,846</u>

5. Income from other trading activities

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Rental income serviced units	336,239	337,969	-	-
hall and room hire and events	213,539	160,067	-	-
Service charge income	259,869	269,420	-	-
Administrative income	14,667	-	14,667	-
	<u>824,314</u>	<u>767,456</u>	<u>14,667</u>	<u>-</u>

The wholly owned trading subsidiary Ship Venture Limited is incorporated in the United Kingdom (company number SC166242) and pays all its taxable profits to the House 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:

	2019	2018
	£	£
Rental income and service charges	809,647	767,456
Cost of sales and administration costs	(549,095)	(500,792)
Interest receivable	197	112
Net profit	<u>260,749</u>	<u>266,776</u>
Amount gift aided to the House	(236,744)	(294,996)
Retained in subsidiary	<u>24,005</u>	<u>(28,220)</u>

The assets and liabilities of the subsidiary were:

Fixed Assets	252,673	214,460
Current assets	717,529	625,748
Current liabilities	(619,544)	(513,555)
Total net assets	<u>350,658</u>	<u>326,653</u>
Aggregate share capital and reserves	<u>350,658</u>	<u>326,653</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

6. Investment income

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Dividends and interest – equities and bonds	378,702	344,296	378,702	344,296
Interest on cash deposits	327	189	129	77
Gift aid from subsidiary	-	-	236,744	294,996
	<u>379,029</u>	<u>344,485</u>	<u>615,575</u>	<u>639,369</u>

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

	Direct	Support	Total	Total
	Costs	Costs	2019	2018
	£	£	£	£
Ship Venture direct costs	549,095	-	549,095	500,790
House support costs	-	102,605	102,605	85,585
	<u>549,095</u>	<u>102,605</u>	<u>651,700</u>	<u>586,375</u>

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

	Direct	Support	Total	Total
	Costs	Costs	2019	2018
	£	£	£	£
Investment management fees	30,827	-	30,827	29,625
Professional fees directly related to a fund	3,024	-	3,024	-
	<u>33,851</u>	<u>-</u>	<u>33,851</u>	<u>29,625</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	Governance	Other support	Basis of
	allocated	related	costs	apportionment
	£	£	£	
Staff costs	126,259	9,503	116,756	Staff time
Office costs	46,804	2,809	43,995	Staff time
Total	<u>173,063</u>	<u>12,312</u>	<u>160,751</u>	

Governance costs:

	2019	2018
	£	£
Auditor's remuneration	5,424	4,680
Support costs (see above)	<u>12,312</u>	<u>10,508</u>
	<u>17,736</u>	<u>15,188</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

9. Allocation of governance and support costs (continued)

Allocation of governance and other support costs:	2019	2018
	£	£
Grants payable	60,363	50,664
Benefits payable	15,518	13,023
Raising funds	102,606	85,585
Total allocated	<u><u>178,487</u></u>	<u><u>149,272</u></u>

10. Analysis of expenditure on charitable activities

	Grants Payable	Benefits Payable	2019 Total	2018 Total
	£	£	£	£
Grants payable	239,187	-	239,187	352,288
Benefits payable to individuals	-	129,413	129,413	161,514
Staff costs	16,400	2,050	18,450	35,082
Governance costs (note 9)	14,189	3,547	17,736	15,188
Support costs	46,174	11,971	58,145	48,499
Group and Charity total	<u><u>315,950</u></u>	<u><u>146,981</u></u>	<u><u>462,931</u></u>	<u><u>612,571</u></u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

11. Analysis of grants

Grants to institutions	Unrestricted	Restricted	Total	
	£	£	£	
RSNO - distribution of residual organ fund	-	17,622	17,622	
Scottish Nautical Welfare Association	-	15,000	15,000	
Beatson Cancer Care	-	15,000	15,000	
Ocean Youth Trust	5,000	10,000	15,000	
Finding Your Feet	4,000	11,000	15,000	
Mission to Seamen	-	11,850	11,850	
Lodging House Mission	10,000	1,500	11,500	
Royal Liverpool Seaman's Orphan Institute	-	8,000	8,000	
National Youth Choir	5,000	2,000	7,000	
Deafblind	4,000	2,000	6,000	
7 Awards of £5,000	15,000	20,000	35,000	
5 Awards between £3,001 and £5,000	4,500	16,465	20,965	
9 Awards between £2,001 and £3,000	19,500	5,000	24,500	
7 Awards of £2,000	6,000	8,000	14,000	
13 Awards between £1,001 and £1,999	5,750	14,250	20,000	
2 Awards of £1,000	1,000	1,000	2,000	
2 Awards less than £1,000	750	-	750	
	80,500	158,687	239,187	
Governance, staff and support costs	60,363	16,400	76,763	
Total	140,863	175,087	315,950	
Grants by category:				
Care for -	Disabled & Ailing	8,000	25,500	33,500
	Cancer Sufferers	-	15,000	15,000
	Elderly	5,750	51,565	57,315
	Youth	14,500	22,500	37,000
	Homeless	10,000	4,000	14,000
	Bereaved	5,000	-	5,000
Relief for -	Carers	-	5,000	5,000
	Deprived	11,000	-	11,000
	Children	4,500	1,500	6,000
Promotion of -	Music	9,500	21,622	31,122
	Theatre	-	2,000	2,000
	Sport	1,500	-	1,500
Education -	Primary / Secondary	2,000	-	2,000
	Youth Organisations	2,500	-	2,500
	Others	1,000	-	1,000
Rehabilitation		-	5,000	5,000
Miscellaneous		5,250	5,000	10,250
		80,500	158,687	239,187
Governance, staff and support costs		60,363	16,400	76,763
Total		140,863	175,087	315,950

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

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Salaries and wages	130,541	133,087	130,541	133,087
Social security costs	8,042	7,550	8,042	7,550
Pension contributions	6,126	4,830	6,126	4,830
Total staff costs and employee benefits	144,709	145,467	144,709	145,467

	2019	2018
	£	£
Key management personnel remuneration	100,180	112,429

No employees had employee benefits in excess of £60,000 (2018: £nil).

	2019	2018
	No.	No.
The average weekly number of persons, by headcount, employed by the House during the year was:	7	6

13. Net income for the year

This is stated after charging:

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Depreciation	53,382	36,953	-	-
Auditor's remuneration:				
Audit fees	8,740	8,130	5,116	4,680
Non-audit fees	906	906	906	906

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

14. Tangible Fixed Assets - Group

	Heritable Property £	Equipment £	Total £
Cost or valuation			
At 1 January 2019	1,062,428	55,409	1,117,837
Additions	41,223	50,373	91,596
Disposals	(38,168)	-	(38,168)
At 31 December 2019	<u>1,065,483</u>	<u>105,782</u>	<u>1,171,265</u>
Depreciation			
At 1 January 2019	220,550	16,625	237,175
Charge for the year	36,417	16,965	53,382
Disposals	(38,168)	-	(38,168)
At 31 December 2019	<u>218,799</u>	<u>33,590</u>	<u>252,389</u>
Net book value			
At 31 December 2019	<u>846,684</u>	<u>72,192</u>	<u>918,876</u>
At 31 December 2018	<u>841,878</u>	<u>38,784</u>	<u>880,662</u>
At 31 December 2019 fixed assets were held for: Mixed use			<u>918,876</u>

14. Tangible Fixed Assets - Charity

	Heritable Property £
Cost or valuation	
At 1 January 2019 and At 31 December 2019	<u>666,200</u>
Depreciation	
At 1 January 2019 and At 31 December 2019	<u>-</u>
Net book value	
At 31 December 2019 and 31 December 2018	<u>666,200</u>
At 31 December 2019 fixed assets were held for: Mixed use	<u>666,200</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

15. Heritage Assets

The House 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 March 2019 the collection was valued for insurance purposes at £272,300.

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 several people of importance to the House along with paintings of local landmarks. The artwork is on display in the Merchants Hall, the Directors' Room, the Ante 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	
	2019	2018	2019	2018
	£	£	£	£
Investments	10,331,471	9,277,988	10,331,471	9,277,988
Subsidiary Undertaking	-	-	200,000	200,000
	<u>10,331,471</u>	<u>9,277,988</u>	<u>10,531,471</u>	<u>9,477,988</u>

	2019	2018
	£	£
Movement in fixed asset listed investments		
Market value brought forward	9,277,988	10,169,015
Additions to investments at cost	699,056	986,508
(Decrease) / increase in cash investments	37,741	(161,725)
Disposals at carrying value	(841,375)	(849,986)
Net (loss) / gain on revaluation	<u>1,158,061</u>	<u>(865,824)</u>
Market value carried forward	<u>10,331,471</u>	<u>9,277,988</u>

Realised gains on investments were £60,493 (2018 realised losses of £35,959).

	2019	2018
	£	£
Investments at fair value comprised:		
Equities	10,288,153	9,272,411
Cash	<u>43,318</u>	<u>5,577</u>
Total	<u>10,331,471</u>	<u>9,277,988</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

The House 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 House 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 House 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. The activities and results of this company are summarised in note 5.

17. Debtors

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Trade debtors	83,011	48,848	-	-
Other debtors	236,109	265,932	5,332	4,686
Due from group undertaking	-	-	298,000	301,730
	<u>319,120</u>	<u>314,780</u>	<u>303,332</u>	<u>306,416</u>

18. Creditors: amounts falling due within one year

	Group		Charity	
	2019	2018	2019	2018
	£	£	£	£
Trade creditors	26,106	34,791	1,622	56
Accrual for grants payable	30,823	94,500	30,823	94,500
Other creditors and accruals	288,525	165,551	14,839	6,848
Taxation and social security costs	26,741	21,413	3,367	3,026
Due to group undertaking	-	-	100,000	189,000
	<u>372,195</u>	<u>316,255</u>	<u>150,651</u>	<u>293,430</u>

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Analysis of charitable funds – Group

Analysis of Fund movements

	2018 Balance b/fwd £	Income £	Expenditure £	Transfers £	Gains / (Losses) £	2019 Balance c/fwd £
Unrestricted funds						
Property	866,200	-	-	-	-	866,200
Carol Richmond Charitable Trust	1,462	2,836	(1,728)	-	-	2,570
Total designated funds	867,662	2,836	(1,728)	-	-	868,770
General funds	1,047,261	1,028,856	(913,635)	-	132,738	1,295,220
Total unrestricted funds	1,914,923	1,031,692	(915,363)	-	132,738	2,163,990
Endowment funds						
Historical Endowments	3,120,349	-	-	-	423,453	3,543,802
George Craig Trust	384,362	-	-	-	52,324	436,686
Inverclyde Bequest	1,618,336	-	-	-	221,336	1,839,672
Bogles of Gilmorehill Bursaries	103,278	-	-	-	18,569	121,847
Morgan Mortification	457,214	-	-	-	61,729	518,943
Buchanan & Ewing Bequests	165,831	-	-	-	22,255	188,086
MacPherson Charitable Trust	99,038	-	-	-	13,366	112,404
Stephen Bicentenary Trust	50,520	-	-	-	7,608	58,128
Carol Richmond Charitable Trust	65,981	-	-	-	9,102	75,083
Glasgow Nursing & Medical Relief	586,217	-	-	-	79,349	665,566
Commercial Travellers of Scotland	156,359	-	-	-	22,471	178,830
RNVR Club (Scot) Memorial Trust	194,846	-	-	-	28,151	222,997
Benjamin MacKay Trust	240,909	-	-	-	34,086	274,995
The Ure Elder Trust	231,656	-	-	-	32,037	263,693
Total endowment funds	7,474,896	-	-	-	1,025,836	8,500,732
Restricted funds						
Matthew B Campbell Trust	131,254	957	(12,595)	(25,000)	2,316	96,932
George Craig Trust	3,383	16,299	(13,677)	-	-	6,005
Inverclyde Bequest	21,869	68,945	(73,202)	-	-	17,612
Bogles of Gilmorehill Bursaries	34,326	5,785	(2,463)	-	-	37,648
Morgan Mortification	224	19,228	(7,288)	-	-	12,164
Buchanan & Ewing Bequest	(916)	6,933	(1,054)	-	-	4,963
Stephen Bicentenary Trust	5,846	2,369	(440)	-	-	7,775
Glasgow Nursing & Medical Relief	1,796	24,717	(23,377)	-	-	3,136
Commercial Travellers of Scotland	10,157	7,000	(7,360)	-	-	9,797
Dr James Black's Trust	24,397	1,025	(333)	-	3,292	28,381
RNVR Club (Scot) Memorial Trust	13,766	8,836	(11,452)	-	-	11,150
Keir Trust	110,646	4,651	(3,373)	-	14,931	126,855
Benjamin MacKay Trust	11,689	10,617	(5,598)	-	-	16,708
Underwood Trust	726,262	16,929	(47,633)	(50,000)	37,259	682,817
Organ Fund	17,622	-	(17,622)	-	-	-
The Ure Elder Trust	5,756	9,980	(5,598)	-	-	10,138
Social Impact Partnership	16,180	22,247	(54)	75,000	2,184	115,557
Total restricted funds	1,134,257	226,518	(233,119)	-	59,982	1,187,638
TOTAL FUNDS	10,524,076	1,258,210	(1,148,482)	-	1,218,556	11,852,360

£100,000 has been earmarked for the Corra Foundation. £75,000 has been transferred from 2 restricted funds to the Social Impact Partnership fund to set aside this money.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

19. Analysis of charitable funds (continued)

Analysis of Fund movements - prior year

	2017 Balance b/fwd £	Income £	Expenditure £	Transfers £	Gains / (Losses) £	2018 Balance c/fwd £
Unrestricted funds						
Property	866,200	-	-	-	-	866,200
MacPherson Charitable Trust	1,357	3,783	(570)	(4,570)	-	-
Carol Richmond Charitable Trust	2,355	2,575	(3,468)	-	-	1,462
Total designated funds	869,912	6,358	(4,038)	(4,570)	-	867,662
General funds	1,035,514	1,048,310	(960,124)	4,570	(81,009)	1,047,261
Total unrestricted funds	1,905,426	1,054,668	(964,162)	-	(81,009)	1,914,923
Endowment funds						
Historical Endowments	3,426,076	-	-	-	(305,727)	3,120,349
George Craig Trust	421,965	-	-	-	(37,603)	384,362
Inverclyde Bequest	1,778,823	-	-	-	(160,487)	1,618,336
Bogles of Gilmorehill Bursaries	116,281	-	-	-	(13,003)	103,278
Morgan Mortification	501,747	-	-	-	(44,533)	457,214
Buchanan & Ewing Bequests	181,920	-	-	-	(16,089)	165,831
MacPherson Charitable Trust	108,816	-	-	-	(9,778)	99,038
Stephen Bicentenary Trust	55,881	-	-	-	(5,361)	50,520
Carol Richmond Charitable Trust	72,637	-	-	-	(6,656)	65,981
Glasgow Nursing & Medical Relief	642,762	-	-	-	(56,545)	586,217
Commercial Travellers of Scotland	172,931	-	-	-	(16,572)	156,359
RNVR Club (Scot) Memorial Trust	215,464	-	-	-	(20,618)	194,846
Benjamin MacKay Trust	265,516	-	-	-	(24,607)	240,909
The Ure Elder Trust	244,685	-	-	-	(13,029)	231,656
Total endowment funds	8,205,504	-	-	-	(730,608)	7,474,896
Restricted funds						
Matthew B Campbell Trust	155,057	2,281	(23,211)	-	(2,873)	131,254
George Craig Trust	1,707	14,546	(22,882)	10,012	-	3,383
Inverclyde Bequest	29,352	62,132	(69,615)	-	-	21,869
Bogles of Gilmorehill Bursaries	30,222	5,030	(926)	-	-	34,326
Morgan Mortification	-	17,227	(6,991)	(10,012)	-	224
Buchanan & Ewing Bequest	(650)	6,224	(6,490)	-	-	(916)
Stephen Bicentenary Trust	4,518	2,074	(746)	-	-	5,846
Glasgow Nursing & Medical Relief	(5,686)	21,874	(14,392)	-	-	1,796
Commercial Travellers of Scotland	13,789	6,411	(10,043)	-	-	10,157
Dr James Black's Trust	26,145	898	(326)	-	(2,320)	24,397
RNVR Club (Scot) Memorial Trust	16,848	8,043	(11,125)	-	-	13,766
Keir Trust	123,475	4,239	(6,109)	-	(10,959)	110,646
Benjamin MacKay Trust	11,726	9,519	(9,556)	-	-	11,689
Underwood Trust	815,332	18,474	(75,906)	-	(31,638)	726,262
Organ Fund	18,502	-	(880)	-	-	17,622
The Ure Elder Trust	-	10,967	(5,211)	-	-	5,756
Social Impact Partnership	-	16,180	-	-	-	16,180
Total restricted funds	1,240,337	206,119	(264,409)	-	(47,790)	1,134,257
TOTAL FUNDS	11,351,267	1,260,787	(1,228,571)	-	(859,407)	10,524,076

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

The Trustees have created the following designated funds:

Heritable Property

The property is held to generate rental income which the House 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.

Carol Richmond Charitable Trust

The income is applied for the benefit of Giffnock South Parish Church. £1,250 was paid out in the year.

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 House can 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 (Restricted fund):

This trust was received by the House in April 2011. The House'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. £7,500 was disbursed to charities during the year.

George Craig Trust (Endowment fund and Restricted fund):

Grants awarded by the George Craig Trust Committee amounted in all to £11,623, ranging from £1,326 to £3,000. These grants were given to assist in the education and training of 6 students.

Inverclyde Bequest (Endowment fund and Restricted fund):

The Inverclyde Bequest Fund was founded in 1906. During the past year the sum of £62,665 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, England and to Missions in the New York and Boston Districts.

Social Impact Partnership (Restricted fund):

The House has set up this fund to support areas of critical social need. The restricted fund comprises donations specifically received for this fund. No payments were made from the fund during the year although £100,000 has been earmarked.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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. Awarded annually to home based graduate students undertaking a Masters Degree course in the Faculties of Divinity or Social Sciences and recommended to us by the University, the Bursaries are intended to benefit students whose financial needs are not met from public funds. Awards of £1,500 were made during the year.

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 £5,000 was disbursed in the year.

The Buchanan and Ewing Bequest (Endowment fund and Restricted fund):

These grants are made specifically to Education Institutions to aid study. No grants were made during the year.

MacPherson Charitable Trust (Endowment fund):

Funds of £58,065 were transferred to the House in February 2005. Income generated from this fund is treated as unrestricted.

Stephen Bicentenary Trust (Endowment fund and Restricted fund):

These monies are paid out to pension beneficiaries. No pensions were paid in the year.

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

Funds were transferred to the House in July 2006.

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 House in 2006, on the understanding, incorporated into a formal undertaking, that the 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 The Glasgow Nursing and Medical Relief Association Committee. In accordance with its brief, awards of £20,400 have been made to certain medical and nursing related charitable organisations, in Glasgow and two 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 House on the understanding that the House would thereafter administer the funds in accordance with the objects of the House. There were five beneficiaries and payments of £6,300 were made during the year.

Dr James Black's Trust (Restricted fund):

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

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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

The whole funds of RNVR Club (Scotland) Memorial Trust were transferred to The House in 2006, on the understanding that The House would thereafter administer the funds in accordance with the objects of the Trust. During the year, young people between the ages of 12 and 18 were financed to take part in 2 voyages organised through the Ocean Youth 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 for this year's voyages was £10,000.

The Keir Trust (Restricted fund):

This Trust was originally set up by 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. Awards of £2,500 were made in the year.

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. £4,000 was distributed during the year.

The Underwood Trust (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 will be made in accordance with The House's own guidelines: -

- 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 the year awards totalling £41,000 were distributed to 9 charities.

Organ Fund (Restricted fund):

Donations received as a result of an appeal by one of the Past Deans to raise funds to enable the installation of a top quality digital organ into the Glasgow Royal Concert Hall. The funds received during 2015 were remitted to Glasgow Life which was responsible for the installation of the organ. The fund balance of £17,622 has been paid out for ongoing costs.

The Ure Elder Trust (Endowment fund and Restricted fund):

The Ure Elder Trust was transferred to the House in 2018. This fund is to be applied for the prevention or relief of poverty, the advancement of health, the advancement of education, the advancement of heritage and culture (including maintaining and keeping in good order and condition the burial ground in the Glasgow Necropolis forming Compartment Epsilon No. 278 and the Monument erected thereon), the relief of those in need or for any other charitable purpose. Focus is placed on the Greater Glasgow and Govan areas. Beneficiary payments of £2,800 were made in the year.

Management Fee

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

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

20. Allocation of net group assets over funds

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2019 £
Fixed assets	918,876	-	-	918,876
Investments	1,057,774	772,965	8,500,732	10,331,471
Current assets	548,712	425,496	-	974,208
Current liabilities	(361,372)	(10,823)	-	(372,195)
	<u>2,163,990</u>	<u>1,187,638</u>	<u>8,500,732</u>	<u>11,852,360</u>

	Unrestricted Funds £	Restricted Funds £	Endowment Funds £	Total 2018 £
Fixed assets	880,662	-	-	880,662
Investments	924,999	878,093	7,474,896	9,277,988
Current assets	411,017	270,664	-	681,681
Current liabilities	(301,755)	(14,500)	-	(316,255)
	<u>1,914,923</u>	<u>1,134,257</u>	<u>7,474,896</u>	<u>10,524,076</u>

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

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Net income / (expenditure) for the year (as per the Statement of Financial Activities)	1,328,284	(827,191)	1,304,278	(798,973)
Adjustments for:				
Donation of investments	-	(82,767)	-	(82,767)
Depreciation charges	53,382	36,953	-	-
Dividends and interest	(379,029)	(344,485)	(615,575)	(639,369)
(Gains) / losses on investments	(1,218,556)	859,407	(1,218,556)	859,407
(Increase) / decrease in debtors	(4,338)	(204,463)	(55,166)	17,741
Increase / (decrease) in creditors	55,940	74,116	(142,779)	97,386
Net cash (used in) operating activities	<u>(164,317)</u>	<u>(488,430)</u>	<u>(727,798)</u>	<u>(546,575)</u>

22. Analysis of cash and cash equivalents

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Cash in hand	655,088	366,901	351,347	240,247
Total cash and cash equivalents	<u>655,088</u>	<u>366,901</u>	<u>351,347</u>	<u>240,247</u>

23. Post balance sheet event

Since the end of the year the value of the investment portfolios of the House have declined significantly given the reduction in stock markets and other assets since that time. The value of the portfolios has fallen from an aggregate value of £10,331,471 at 31 December 2019 to £8,820,729 after close of business on 20 April 2020, a reduction of 14.6%.