

CHARITY NO: SC008900

THE MERCHANTS HOUSE OF GLASGOW

REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



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 two committees of Directors, the Grants Committee and the Benefits 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 2020**

| | PAGE |
|--|-------------|
| Legal and Administrative information | 3 |
| Report of the Directors | 4 to 9 |
| Independent Auditor's Report | 10 to 13 |
| Consolidated Statement of Financial Activities | 14 |
| Charity Statement of Financial Activities | 15 |
| Balance Sheet | 16 |
| Statement of Cash Flows and Consolidated Statement of Cash Flows | 17 |
| Notes to the Financial Statements | 18 to 35 |

**THE MERCHANTS HOUSE OF GLASGOW
REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 | Marsh Commercial 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 2020

The Directors of the Merchants House of Glasgow present their Annual Report for the year ended 31 December 2020 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 £125,829 were paid to 128 beneficiaries and grants totalling £171,236 were paid to 38 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 2020, the unrestricted funds disclose a surplus of £99,728 (before investment losses) and the restricted funds disclose a deficit of £81,567. 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.

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 2020, the events and hall hire income decreased to £51,333 (2019 £213,539). The downturn is a direct effect of the COVID-19 restrictions placed on venue hire, conferences, weddings and other social events. The rental income of £315,397 generated from let units in the subsidiary company, Ship Venture Limited, has also decreased as a result of COVID-19 restrictions, with a few tenants terminating their leases (2019 £336,239).

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 £276,432 has decreased from £379,029 received in the previous year. The decrease in dividends has been another effect of COVID-19.

The value of the investment portfolios reduced considerably following the outbreak of COVID-19. Since mid-2020 the investments have started to recover. As the pandemic continues, there is still uncertainty 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. The House could also choose to realise assets in the event income is remaining suppressed to sustain its charitable objectives given the highly liquid nature of the assets.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2020

Grant Making Strategy

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

(1) 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

(2) we make grants from a number of designated and restricted funds for specific purposes.

Some of the bodies and charitable sectors traditionally supported by the House have been impacted by COVID-19 and have been unable to carry out the full remit of their charitable activities. This has reduced the number of applications received by the House to some extent during 2020. The reduced level of grant expenditure has contributed to the surplus in the Unrestricted funds during the year, contrary to normal practice of expending all of the income after expenses in the year.

Financial Review

The financial position at 31 December 2020 remained strong with investments totalling £9,627,173 and cash balances of £826,866. The commercial premises let through Ship Venture Ltd had 77% occupancy at 31 December 2020.

The financial results for the year record a surplus of £18,161 before disposal and revaluation losses of the investments. The unrestricted funds achieved a surplus of £99,728 before taking into account the investment losses at 31 December 2020.

The investments of the House are held in accordance with the powers granted to the Directors. The Investment Policy during 2020 was 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 benchmarks. During the period the performance of the investments has been ahead of the benchmarks.

| Fund | Actual | Benchmark |
|--------------|---------------|------------------|
| Trustee Pool | -3.3% | -5.6% |
| General Pool | -4.0% | -5.6% |
| Underwood | 1.0% | -0.3% |

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.

It is intended to move appropriate investment pools towards a total return benchmark during 2021.

The heritable property owned by the House together with the investment in Ship Venture Limited is a designated fund. The Directors have noted the reduction in rental income due to COVID-19.

The financial performance and position in future periods are particularly sensitive to vacant accommodation and a reduction in hall lets 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.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2020

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 2020 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 during the year were:

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

* Appointed 26/5/20

** Retired 26/5/20

*** Resigned 21/8/20

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 are given access to 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

There were 5 new members (due to restrictions only 1 new member has signed the Matriculation Roll) and the resignations and deaths of 117 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 841.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2020

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 nine main committees of Directors:

| | |
|---------------------------|--|
| Audit Committee | Membership and Marketing Committee |
| Benefits Committee | Nominations and Appointments Committee |
| Finance Committee | Property Committee |
| Investments Sub-committee | Social Impact Partnership Committee |
| Grants Committee | |

The Committees meet according to their Terms of Reference. Each committee makes recommendations for approval at the Directors' 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 |
| Facilities Officers | Ian Campbell and Raymond McShane |
| Admin and Social Media Officer | vacant |

Their remuneration is set by the Lord Dean in conjunction with the Vice-Dean and the Chair of the Finance Committee. The key management personnel during the year are considered to be the General Manager and Collector, the Finance Assistant and the Events Manager.

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 Directors may take a longer-term view into account when considering the expected costs and benefits of capital projects.

The balance held in unrestricted funds at 31 December 2020 was £2,260,888 of which £1,371,905 is regarded as free reserves, after allowing for funds of £888,983 tied up in tangible fixed assets including the premises of the House.

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.

A 5-year strategic plan is being developed. This plan will communicate our vision and objectives, and how we will achieve those objectives. The plan will focus on what works well, investing in our assets, ensuring our grant-giving reaches maximum impact and refreshing our membership offer to provide a long- term future for our Charity.

THE MERCHANTS HOUSE OF GLASGOW

Report of the Directors for the year ended 31 December 2020

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 2020 the company has undertaken to make a payment of £213,940 (2019 £236,744).

In March 2020 the operating environment of the company changed following the outbreak of the virus known as COVID-19. This had the potential to challenge the levels of rental income being received by the company as tenants themselves adapted to changing circumstances. Whilst this did reduce the levels of rental income to some extent the position was less detrimental than initial concerns had suggested. However social distancing measures largely suspended the ability of the company to let space for functions and meetings within the group property. This pattern has continued in early 2021 and whilst the outlook remains uncertain, particularly in respect of functions, the directors are confident the company remains a going concern and can continue to trade.

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 Committee and Directors.

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

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 2020

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 the 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 the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and the group and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charity Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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 27 April 2021 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 2020

Opinion

We have audited the financial statements of The Merchants House of Glasgow (the 'parent charity') and its subsidiary (the 'group') for the year ended 31 December 2020 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 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 2020, 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect of going concern are described in the relevant sections of this report.

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2020

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 course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are 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 requires us to report to you if, in our opinion:

- the information given in the Trustees' report is inconsistent in any material respect with the financial statements; 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 9, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1) (c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2020

Explanation as to what extent the audit was considered capable of detecting irregularities including fraud

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures response to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In identifying and assessing the risks or material misstatements in respect of irregularities, including fraud and non-compliance with laws and regulations we considered the following;

- The nature of the group and parent charity, the environment in which they operate and the control procedures implemented by management and the trustees; and
- Our enquiries of management and trustees about their identification and assessment of the risks of irregularities.

Based on our understanding of the group and the sector we identified that the principal risks of non-compliance with laws and regulations related to, but were not limited to;

- Regulations and legislation pertinent to the charity's operations; and
- UK tax legislation

We considered the extent to which non-compliance might have a material impact on the financial statements. We also considered those laws and regulations which have a direct impact on the preparation of the financial statements, such as the Charities and Trustee Investment (Scotland) Act 2005, and the Charities Accounts (Scotland) Regulations 2006. We evaluated management and trustees' incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of management override of controls), and determined that the principal risks of the group were related to;

- Posting inappropriate journal entries;
- Management bias in accounting estimates; and
- Non-compliance with Coronavirus Job Retention Scheme rules

Audit response to the risks identified

Our procedures to respond to the risks identified included the following;

- Gaining an understanding of the legal and regulatory framework applicable to the charity and the sector in which it operates;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- Enquiring of management, trustees and legal advisors concerning actual and potential litigation and claims;
- Reading minutes of meetings of those charged with governance and reviewing correspondence with HMRC;
- In addressing the risk of fraud as a result of management override of controls, testing the appropriateness of journal entries and other adjustments; evaluating rationale of any significant transactions that are unusual or outside the normal course of business;
- Substantive testing of CJRS claims to ensure compliance with the rules.

THE MERCHANTS HOUSE OF GLASGOW

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE MERCHANTS HOUSE OF GLASGOW FOR THE YEAR ENDED 31 DECEMBER 2020

Audit response to the risks identified (continued)

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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

A further description of our responsibilities 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 Charitable Trustees, as a body, in accordance with section 44(1) (c) of the Charities and Trustees 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.

Jenny Simpson (Senior Statutory Auditor)

For and on behalf of Wylie & Bisset (Audit) Limited, Statutory Auditor
168 Bath Street
Glasgow
G2 4TP

27 April 2021

THE MERCHANTS HOUSE OF GLASGOW

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | Unrestricted Funds 2020 £ | Restricted Funds 2020 £ | Endowment Funds 2020 £ | Total Funds 2020 £ |
|--|-----------|------------------------------------|----------------------------------|---------------------------------|--------------------------|
| Income and endowments from: | | | | | |
| Donations and legacies | 4 | 27,691 | - | - | 27,691 |
| Other trading activities | 5 | 702,555 | - | - | 702,555 |
| Investments | 6 | 126,628 | 149,804 | - | 276,432 |
| Total income | | 856,874 | 149,804 | - | 1,006,678 |
| Expenditure on: | | | | | |
| Raising funds | | | | | |
| Other trading activities | 7 | 575,026 | - | - | 575,026 |
| Investment & management | 8 | 14,251 | 16,920 | - | 31,171 |
| Charitable activities | 10 | 167,869 | 214,451 | - | 382,320 |
| Total expenditure | | 757,146 | 231,371 | - | 988,517 |
| Net income / (expenditure) and net movement in funds before losses on investments | | | | | |
| | | 99,728 | (81,567) | - | 18,161 |
| Net losses on investments | | (68,387) | (21,844) | (500,706) | (590,937) |
| Net movement in funds | | 31,341 | (103,411) | (500,706) | (572,776) |
| Funds reconciliation | | | | | |
| Total funds brought forward | | 2,163,990 | 1,187,638 | 8,500,732 | 11,852,360 |
| Transfer between funds | 19 | 65,557 | (65,557) | - | - |
| Total funds carried forward | 19 | 2,260,888 | 1,018,670 | 8,000,026 | 11,279,584 |
| 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 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 |

THE MERCHANTS HOUSE OF GLASGOW

CHARITY STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 DECEMBER 2020

| | Note | Unrestricted Funds 2020 £ | Restricted Funds 2020 £ | Endowment Funds 2020 £ | Total Funds 2020 £ |
|--|------|------------------------------------|----------------------------------|---------------------------------|--------------------------|
| Income and endowments from: | | | | | |
| Donations and legacies | 4 | 27,691 | - | - | 27,691 |
| Other trading activities | 5 | 35,502 | - | - | 35,502 |
| Investments | 6 | 340,409 | 149,804 | - | 490,213 |
| Total income | | 403,602 | 149,804 | - | 553,406 |
| Expenditure on: | | | | | |
| Raising funds | | | | | |
| Other trading activities | 7 | 89,997 | - | - | 89,997 |
| Investment & management | 8 | 14,251 | 16,920 | - | 31,171 |
| Charitable activities | 10 | 167,869 | 214,451 | - | 382,320 |
| Total expenditure | | 272,117 | 231,371 | - | 503,488 |
| Net income / (expenditure) and net movement in funds before losses on investments | | | | | |
| | | 131,485 | (81,567) | - | 49,918 |
| Net losses on investments | | (68,387) | (21,844) | (500,706) | (590,937) |
| Net movement in funds | | | | | |
| Funds reconciliation | | 63,098 | (103,411) | (500,706) | (541,019) |
| Total funds brought forward | | 2,013,329 | 1,187,638 | 8,500,732 | 11,701,699 |
| Transfer between funds | 19 | 65,557 | (65,557) | - | - |
| Total funds carried forward | | 2,141,984 | 1,018,670 | 8,000,026 | 11,160,680 |
| 2019 | | | | | |
| | | £ | £ | £ | £ |
| Income and endowments from: | | | | | |
| Donations and legacies | 4 | 33,233 | 21,634 | - | 54,867 |
| Other trading activities | 5 | 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 | 7 | 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 income / (expenditure) and net movement in funds before gains on investments | | | | | |
| | | 92,323 | (6,601) | - | 85,722 |
| Net gains on investments | | 132,738 | 59,982 | 1,025,836 | 1,218,556 |
| Net movement in funds | | | | | |
| Funds reconciliation | | 225,061 | 53,381 | 1,025,836 | 1,304,278 |
| 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 |

THE MERCHANTS HOUSE OF GLASGOW

CONSOLIDATED AND CHARITY BALANCE SHEET AS AT 31 DECEMBER 2020

| | Note | Group 2020 £ | Group 2019 £ | Charity 2020 £ | Charity 2019 £ |
|---------------------------------------|--------------------|-----------------------------|-----------------------------|-------------------------------|-------------------------------|
| Fixed assets | | | | | |
| Tangible assets | 14 & 15 | 888,983 | 918,876 | 666,200 | 666,200 |
| Investments | 16 | 9,627,173 | 10,331,471 | 9,827,173 | 10,531,471 |
| Total Fixed Assets | | 10,516,156 | 11,250,347 | 10,493,373 | 11,197,671 |
| Current assets | | | | | |
| Debtors | 17 | 283,737 | 319,120 | 263,048 | 303,332 |
| Cash at bank and in hand | 22 | 826,866 | 655,088 | 443,556 | 351,347 |
| Total Current Assets | | 1,110,603 | 974,208 | 706,604 | 654,679 |
| Liabilities | | | | | |
| Creditors falling due within one year | 18 | 347,175 | 372,195 | 39,297 | 150,651 |
| Net Current assets | | 763,428 | 602,013 | 667,307 | 504,028 |
| Net Assets | | 11,279,584 | 11,852,360 | 11,160,680 | 11,701,699 |
| The Funds of the Charity | | | | | |
| Unrestricted funds | 19 | 2,260,888 | 2,163,990 | 2,141,984 | 2,013,329 |
| Restricted income funds | 19 | 1,018,670 | 1,187,638 | 1,018,670 | 1,187,638 |
| Endowment funds | 19 | 8,000,026 | 8,500,732 | 8,000,026 | 8,500,732 |
| Total Charity Funds | | 11,279,584 | 11,852,360 | 11,160,680 | 11,701,699 |

Approved by the Directors on 27 April 2021 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 2020

| | Note | Group 2020 £ | Group 2019 £ | Charity 2020 £ | Charity 2019 £ |
|--|-----------|--------------------|--------------------|----------------------|----------------------|
| Cash flows from operating activities | | | | | |
| Cash (used in) operating activities | 21 | (188,573) | (164,317) | (534,169) | (727,798) |
| Tax paid | | - | - | - | - |
| Net cash (used in) operating activities | | (188,573) | (164,317) | (534,169) | (727,798) |
| Cash flows from investing activities | | | | | |
| Dividends, interest and rents from investments | | 276,432 | 379,029 | 513,017 | 673,827 |
| Purchase of property, plant and equipment | | (29,442) | (91,596) | - | - |
| Increase in cash investments | | (21,368) | (37,741) | (21,368) | (37,741) |
| Proceeds from sale of investments | | 3,420,246 | 901,868 | 3,420,246 | 901,868 |
| Purchase of investments | | (3,285,517) | (699,056) | (3,285,517) | (699,056) |
| Net cash provided by investing activities | | 360,351 | 452,504 | 626,378 | 838,898 |
| Change in cash and cash equivalents in the year | | 171,778 | 288,187 | 92,209 | 111,100 |
| Cash and cash equivalent brought forward | 22 | 655,088 | 366,901 | 351,347 | 240,247 |
| Cash and cash equivalents carried forward | 22 | 826,866 | 655,088 | 443,556 | 351,347 |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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.

(d) 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.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

1. Accounting Policies (continued)

(e) 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 at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received. A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

(f) 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 2020

1. Accounting Policies (continued)

(f) 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.

(g) 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.

(h) 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.

(i) 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 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.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(j) 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 |

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

(p) 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.

(q) Judgements in applying accounting policies and key sources of estimates uncertainty

In preparing the financial statements, management is required to make estimates and assumptions which affect the reported income, expenditure, assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from each estimate.

The Trustees are satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

Depreciation of fixed assets – fixed assets are depreciated over the useful life of the asset. The useful lives of fixed assets are based on the knowledge of senior management, with reference to assets expected life cycle.

Bad debt provision - trade debtors are reviewed by appropriate experienced senior management on a case by case basis with the balance outstanding and the ageing of the debtor taken into consideration.

Allocation of expenditure between activities – support costs are allocated between charitable activities and governance based on the time spent by senior management on undertaking the charity's activities.

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 (2019: £nil). Expenses paid to the trustees in the year totalled £nil (2019: £nil).

During the year the following related party transactions took place:

- the House paid Directors Liability Insurance premiums of £235 (2019: £521).
- donations of £7,423 were received from directors during the year (2019 - £5,920).
- Ronald Inglis is a director of Mitchells Robertson Ltd who provided legal services during the year costing £9,952 (2019 - £5,928).
- Katy Wedderburn is a partner of MacRoberts who provided legal services during the year costing £1,385 (2019 - £2,390).
- Angus Kerr is a director of Rathbones who provided investment services during the year. Investment management fees of £31,171 were paid during the year (2019 - £33,851).

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

4. Income from donations and legacies

| | Group | | Charity | |
|----------------------|---------------|---------------|---------------|---------------|
| | 2020 £ | 2019 £ | 2020 £ | 2019 £ |
| Grants and donations | 27,691 | 54,867 | 27,691 | 54,867 |
| Legacies | - | - | - | - |
| | <u>27,691</u> | <u>54,867</u> | <u>27,691</u> | <u>54,867</u> |

5. Income from other trading activities

| | | Group | | Charity | |
|------------------------|-------------------------------|----------------|----------------|---------------|---------------|
| | | 2020 £ | 2019 £ | 2020 £ | 2019 £ |
| Rental income | serviced units | 315,397 | 336,239 | - | - |
| | hall and room hire and events | 51,333 | 213,539 | - | - |
| Service charge income | | 275,323 | 259,869 | - | - |
| Local Government grant | | 25,000 | - | - | - |
| Government grants | | 8,942 | - | 8,942 | - |
| Administrative income | | 26,560 | 14,667 | 26,560 | 14,667 |
| | | <u>702,555</u> | <u>824,314</u> | <u>35,502</u> | <u>14,667</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:

| | 2020 £ | 2019 £ |
|--|-----------------|----------------|
| Rental income and service charges | 642,053 | 809,647 |
| Cost of sales and administration costs | (485,029) | (549,095) |
| Government grant | 25,000 | - |
| Interest receivable | 159 | 197 |
| Net profit | <u>182,183</u> | <u>260,749</u> |
| Amount gift aided to the House | (213,940) | (236,744) |
| Retained in subsidiary | <u>(31,757)</u> | <u>24,005</u> |

The assets and liabilities of the subsidiary were:

| | | |
|---------------------|----------------|----------------|
| Fixed Assets | 222,781 | 252,673 |
| Current assets | 662,106 | 717,529 |
| Current liabilities | (565,986) | (619,544) |
| Total net assets | <u>318,901</u> | <u>350,658</u> |

Aggregate share capital and reserves

318,901 350,658

6. Investment income

| | Group | | Charity | |
|---|----------------|----------------|----------------|----------------|
| | 2020 £ | 2019 £ | 2020 £ | 2019 £ |
| Dividends and interest – equities and bonds | 276,192 | 378,702 | 276,192 | 378,702 |
| Interest on cash deposits | 240 | 327 | 81 | 129 |
| Gift aid from subsidiary | - | - | 213,940 | 236,744 |
| | <u>276,432</u> | <u>379,029</u> | <u>490,213</u> | <u>615,575</u> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | Direct Costs £ | Support Costs £ | Total 2020 £ | Total 2019 £ |
|---------------------------|----------------------|-----------------------|--------------------|--------------------|
| Ship Venture direct costs | 485,029 | - | 485,029 | 549,095 |
| House support costs | - | 89,997 | 89,997 | 102,605 |
| | <u>485,029</u> | <u>89,997</u> | <u>575,026</u> | <u>651,700</u> |

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

| | Direct Costs £ | Support Costs £ | Total 2020 £ | Total 2019 £ |
|--|----------------------|-----------------------|--------------------|--------------------|
| Investment management fees | 31,171 | - | 31,171 | 30,827 |
| Professional fees directly related to a fund | - | - | - | 3,024 |
| | <u>31,171</u> | <u>-</u> | <u>31,171</u> | <u>33,851</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 | Governance related £ | Other support costs £ | Total allocated 2020 £ | Governance related £ | Other support costs £ | Total allocated 2019 £ | Basis of apportion- ment |
|--------------|----------------------------|-----------------------------|---------------------------------|----------------------------|-----------------------------|---------------------------------|--------------------------------|
| Staff costs | 9,780 | 121,103 | 130,883 | 9,503 | 116,756 | 126,259 | Staff time |
| Office costs | 1,269 | 19,891 | 21,160 | 2,809 | 43,995 | 46,804 | Staff time |
| Total | <u>11,049</u> | <u>140,994</u> | <u>152,043</u> | <u>12,312</u> | <u>160,751</u> | <u>173,063</u> | |

Governance costs:

| | 2020 £ | 2019 £ |
|---------------------------|---------------|---------------|
| Auditor's remuneration | 4,759 | 5,424 |
| Support costs (see above) | <u>11,049</u> | <u>12,312</u> |
| | <u>15,808</u> | <u>17,736</u> |

Allocation of governance and other support costs:

| | 2020 £ | 2019 £ |
|------------------------|----------------|----------------|
| Grants payable | 53,144 | 60,363 |
| Benefits payable | 13,661 | 15,518 |
| Raising funds | <u>89,997</u> | <u>102,606</u> |
| Total allocated | <u>156,802</u> | <u>178,487</u> |

10. Analysis of expenditure on charitable activities - Group and Charity

| | Grants Payable £ | Benefits Payable £ | 2020 Total £ | Grants Payable £ | Benefits Payable £ | 2019 Total £ |
|---------------------------------|------------------------|--------------------------|--------------------|------------------------|--------------------------|--------------------|
| Grants payable (note 11) | 171,236 | - | 171,236 | 239,187 | - | 239,187 |
| Benefits payable to individuals | - | 125,829 | 125,829 | - | 129,413 | 129,413 |
| Staff costs | 16,400 | 2,050 | 18,450 | 16,400 | 2,050 | 18,450 |
| Governance costs (note 9) | 12,646 | 3,162 | 15,808 | 14,189 | 3,547 | 17,736 |
| Support costs | 40,498 | 10,499 | 50,997 | 46,174 | 11,971 | 58,145 |
| Group and Charity total | <u>240,780</u> | <u>141,540</u> | <u>382,320</u> | <u>315,950</u> | <u>146,981</u> | <u>462,931</u> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. Analysis of grants

| | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
|---|---------------|----------------|----------------|----------------|----------------|----------------|
| | £ | £ | 2020 | £ | £ | 2019 |
| | £ | £ | £ | £ | £ | £ |
| Grants to institutions | | | | | | |
| Corra Foundation (Housing First) | - | 50,000 | 50,000 | - | - | - |
| Renfrew YMCA | - | 10,000 | 10,000 | - | - | - |
| Renfrewshire Foodbank | - | 10,000 | 10,000 | - | - | - |
| St Vincent's Hospice | - | 10,000 | 10,000 | - | - | - |
| BB Glasgow | 5,000 | - | 5,000 | - | - | - |
| Engage Renfrewshire | - | 5,000 | 5,000 | - | - | - |
| Junction 12 | - | 5,000 | 5,000 | - | - | - |
| The Wheely Boat Trust | - | 5,000 | 5,000 | - | - | - |
| Scottish Families Affected by Alcohol/Drugs | - | 5,000 | 5,000 | - | - | - |
| Greater Glasgow NHS (children's' gifts) | - | 5,000 | 5,000 | - | - | - |
| RSNO - distribution of residual organ fund | - | - | - | - | 17,622 | 17,622 |
| Scottish Nautical Welfare Association | - | - | - | - | 15,000 | 15,000 |
| Beatson Cancer Charity | - | - | - | - | 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 |
| Awards of £5,000 | - | - | - | 15,000 | 20,000 | 35,000 |
| Awards between £3,001 and £5,000 | 3,000 | 19,066 | 22,066 | 4,500 | 16,465 | 20,965 |
| Awards between £2,001 and £3,000 | 2,570 | 10,500 | 13,070 | 19,500 | 5,000 | 24,500 |
| Awards of £2,000 | 4,000 | 12,000 | 16,000 | 6,000 | 8,000 | 14,000 |
| Awards between £1,001 and £1,999 | 1,850 | 1,250 | 3,100 | 5,750 | 14,250 | 20,000 |
| Awards of £1,000 | - | 7,000 | 7,000 | 1,000 | 1,000 | 2,000 |
| Awards less than £1,000 | - | - | - | 750 | - | 750 |
| | 16,420 | 154,816 | 171,236 | 80,500 | 158,687 | 239,187 |
| Governance, staff and support costs | 53,144 | 16,400 | 69,544 | 60,363 | 16,400 | 76,763 |
| Total | 69,564 | 171,216 | 240,780 | 140,863 | 175,087 | 315,950 |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

11. Analysis of grants (continued)

| | | Unrestricted | Restricted | Total | Unrestricted | Restricted | Total |
|-------------------------------------|---------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| | | £ | £ | 2020 | £ | £ | 2019 |
| | | £ | £ | £ | £ | £ | £ |
| Grants by category: | | | | | | | |
| Care for - | Disabled & Ailing | - | 10,000 | 10,000 | 8,000 | 25,500 | 33,500 |
| | Cancer Sufferers | - | 10,000 | 10,000 | - | 15,000 | 15,000 |
| | Elderly | - | 10,000 | 10,000 | 5,750 | 51,565 | 57,315 |
| | Youth | 5,850 | 31,000 | 36,850 | 14,500 | 22,500 | 37,000 |
| | Drug & alcohol dependant | - | 5,000 | 5,000 | - | - | - |
| | Homeless | - | 51,000 | 51,000 | 10,000 | 4,000 | 14,000 |
| | Bereaved | - | - | - | 5,000 | - | 5,000 |
| Relief for - | Carers | - | 5,066 | 5,066 | - | 5,000 | 5,000 |
| | Deprived | - | 12,000 | 12,000 | 11,000 | - | 11,000 |
| | Children | - | 6,500 | 6,500 | 4,500 | 1,500 | 6,000 |
| Promotion of - | Music | - | 6,000 | 6,000 | 9,500 | 21,622 | 31,122 |
| | Theatre | 3,000 | - | 3,000 | - | 2,000 | 2,000 |
| | Architectural/environment | - | 1,250 | 1,250 | - | - | - |
| | Sport | - | - | - | 1,500 | - | 1,500 |
| Education - | Youth Organisations | 5,000 | - | 5,000 | 2,500 | - | 2,500 |
| | Primary/Secondary | - | - | - | 2,000 | - | 2,000 |
| | Others | - | - | - | 1,000 | - | 1,000 |
| Rehabilitation | | - | - | - | - | 5,000 | 5,000 |
| Miscellaneous | | 2,570 | 7,000 | 9,570 | 5,250 | 5,000 | 10,250 |
| | | 16,420 | 154,816 | 171,236 | 80,500 | 158,687 | 239,187 |
| Governance, staff and support costs | | 53,144 | 16,400 | 69,544 | 60,363 | 16,400 | 76,763 |
| Total | | 69,564 | 171,216 | 240,780 | 140,863 | 175,087 | 315,950 |

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

12. Net income for the year

| This is stated after charging: | Group | | Charity | |
|--------------------------------|--------|--------|---------|-------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Depreciation | 59,335 | 53,382 | - | - |
| Auditor's remuneration: | | | | |
| Audit fees | 7,209 | 8,740 | 3,853 | 5,116 |
| Non-audit fees | 906 | 906 | 906 | 906 |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | Group | | Charity | |
|--|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Salaries and wages | 135,434 | 130,541 | 135,434 | 130,541 |
| Social security costs | 7,478 | 8,042 | 7,478 | 8,042 |
| Pension contributions | 6,421 | 6,126 | 6,421 | 6,126 |
| Total staff costs and employee benefits | 149,333 | 144,709 | 149,333 | 144,709 |

| | 2020 | 2019 |
|---------------------------------------|-------------|-------------|
| | £ | £ |
| Key management personnel remuneration | 104,533 | 100,180 |

No employees had employee benefits in excess of £60,000 (2019 £nil).

| | 2020 | 2019 |
|--|-------------|-------------|
| | No. | No. |
| The average weekly number of persons, by headcount, employed by the House during the year was: | 7 | 7 |

14. Tangible Fixed Assets - Group

| | Heritable | Equipment | Total |
|--------------------------|------------------|------------------|------------------|
| | Property | | |
| | £ | £ | £ |
| Cost or valuation | | | |
| At 1 January 2020 | 1,065,483 | 105,782 | 1,171,265 |
| Additions | 25,529 | 3,913 | 29,442 |
| Disposals | (38,168) | - | (38,168) |
| At 31 December 2020 | <u>1,052,844</u> | <u>109,695</u> | <u>1,162,539</u> |

Depreciation

| | | | |
|---------------------|----------------|---------------|----------------|
| At 1 January 2020 | 218,799 | 33,590 | 252,389 |
| Charge for the year | 41,523 | 17,812 | 59,335 |
| Disposals | (38,168) | - | (38,168) |
| At 31 December 2020 | <u>222,154</u> | <u>51,402</u> | <u>273,556</u> |

Net book value

| | | | |
|---------------------|----------------|---------------|----------------|
| At 31 December 2020 | <u>830,690</u> | <u>58,293</u> | <u>888,983</u> |
| At 31 December 2019 | <u>846,684</u> | <u>72,192</u> | <u>918,876</u> |

At 31 December 2020 all fixed assets were held for mixed use.

Tangible Fixed Assets - Charity

| | Heritable |
|---|------------------|
| | Property |
| | £ |
| Cost or valuation | |
| At 1 January 2020 and At 31 December 2020 | <u>666,200</u> |
| Depreciation | |
| At 1 January 2020 and At 31 December 2020 | <u>-</u> |
| Net book value | |
| At 31 December 2020 and 31 December 2019 | <u>666,200</u> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 Lord Dean's 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 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 | |
|------------------------|------------------|-------------------|------------------|-------------------|
| | 2020 £ | 2019 £ | 2020 £ | 2019 £ |
| Investments | 9,627,173 | 10,331,471 | 9,627,173 | 10,331,471 |
| Subsidiary Undertaking | - | - | 200,000 | 200,000 |
| | <u>9,627,173</u> | <u>10,331,471</u> | <u>9,827,173</u> | <u>10,531,471</u> |

| | 2020 £ | 2019 £ |
|---|------------------|-------------------|
| Movement in fixed asset listed investments | | |
| Market value brought forward | 10,331,471 | 9,277,988 |
| Additions to investments at cost | 3,285,517 | 699,056 |
| Increase in cash investments | 21,368 | 37,741 |
| Disposals at carrying value | (4,056,510) | (841,375) |
| Net gain on revaluation | 45,327 | 1,158,061 |
| Market value carried forward | <u>9,627,173</u> | <u>10,331,471</u> |

Realised losses on investments were £636,264 (2019 realised gains of £60,493).

| | 2020 £ | 2019 £ |
|---|------------------|-------------------|
| Investments at fair value comprised: | | |
| Equities | 9,562,487 | 10,288,153 |
| Cash | 64,686 | 43,318 |
| Total | <u>9,627,173</u> | <u>10,331,471</u> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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 | |
|----------------------------|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Trade debtors | 36,803 | 83,011 | 500 | - |
| Other debtors | 246,934 | 236,109 | 4,441 | 5,332 |
| Due from group undertaking | - | - | 258,107 | 298,000 |
| | <u>283,737</u> | <u>319,120</u> | <u>263,048</u> | <u>303,332</u> |

18. Creditors: amounts falling due within one year

| | Group | | Charity | |
|------------------------------------|----------------|----------------|---------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Trade creditors | 19,097 | 26,106 | 1,503 | 1,622 |
| Accrual for grants payable | 29,217 | 30,823 | 29,217 | 30,823 |
| Other creditors and accruals | 285,131 | 288,525 | 5,808 | 14,839 |
| Taxation and social security costs | 13,730 | 26,741 | 2,769 | 3,367 |
| Due to group undertaking | - | - | - | 100,000 |
| | <u>347,175</u> | <u>372,195</u> | <u>39,297</u> | <u>150,651</u> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Charitable funds – Group

Analysis of Fund movements

| | 2019 Balance b/fwd £ | Income £ | Expenditure £ | Transfers £ | Gains / (Losses) £ | 2020 Balance c/fwd £ |
|-----------------------------------|----------------------------|----------------|------------------|-----------------|--------------------------|----------------------------|
| Unrestricted funds | | | | | | |
| Property | 866,200 | - | - | - | - | 866,200 |
| Carol Richmond Charitable Trust | 2,570 | 2,110 | (3,062) | - | - | 1,618 |
| Total designated funds | 868,770 | 2,110 | (3,062) | - | - | 867,818 |
| General funds | 1,295,220 | 836,880 | (736,200) | 65,557 | (68,387) | 1,393,070 |
| Total unrestricted funds | 2,163,990 | 838,990 | (739,262) | 65,557 | (68,387) | 2,260,888 |
| Endowment funds | | | | | | |
| Historical Endowments | 3,543,802 | - | - | - | (205,364) | 3,338,438 |
| Benjamin MacKay Trust | 274,995 | - | - | - | (16,905) | 258,090 |
| Bogles of Gilmorehill Bursaries | 121,847 | - | - | - | (9,243) | 112,604 |
| Buchanan & Ewing Bequests | 188,086 | - | - | - | (11,187) | 176,899 |
| Carol Richmond Charitable Trust | 75,083 | - | - | - | (4,500) | 70,583 |
| Commercial Travellers of Scotland | 178,830 | - | - | - | (10,930) | 167,900 |
| George Craig Trust | 436,686 | - | - | - | (25,653) | 411,033 |
| Glasgow Nursing & Medical Relief | 665,566 | - | - | - | (38,751) | 626,815 |
| Inverclyde Bequest | 1,839,672 | - | - | - | (107,628) | 1,732,044 |
| MacPherson Charitable Trust | 112,404 | - | - | - | (6,513) | 105,891 |
| Morgan Mortification | 518,943 | - | - | - | (30,777) | 488,166 |
| RNVR Club (Scot) Memorial Trust | 222,997 | - | - | - | (13,567) | 209,430 |
| Stephen Bicentenary Trust | 58,128 | - | - | - | (3,820) | 54,308 |
| Ure Elder Trust | 263,693 | - | - | - | (15,868) | 247,825 |
| Total endowment funds | 8,500,732 | - | - | - | (500,706) | 8,000,026 |
| Restricted funds | | | | | | |
| Benjamin MacKay Trust | 16,708 | 7,931 | (1,660) | - | - | 22,979 |
| Bogles of Gilmorehill Bursaries | 37,648 | 4,336 | (998) | - | - | 40,986 |
| Buchanan & Ewing Bequest | 4,963 | 5,248 | (1,102) | - | - | 9,109 |
| CJRS grants | - | 8,942 | (8,942) | - | - | - |
| Commercial Travellers of Scotland | 9,797 | 5,129 | (5,887) | - | - | 9,039 |
| Dr James Black's Trust | 28,381 | 771 | (338) | - | (1,644) | 27,170 |
| George Craig Trust | 6,005 | 12,036 | (24,705) | 10,068 | - | 3,404 |
| Glasgow Nursing & Medical Relief | 3,136 | 18,180 | (14,134) | - | - | 7,182 |
| Inverclyde Bequest | 17,612 | 50,495 | (15,799) | - | - | 52,308 |
| Keir Trust | 126,855 | 3,449 | (2,895) | - | (7,351) | 120,058 |
| Matthew B Campbell Trust | 96,932 | - | (25,500) | - | - | 71,432 |
| Morgan Mortification | 12,164 | 14,439 | (2,406) | (10,068) | - | 14,129 |
| RNVR Club (Scot) Memorial Trust | 11,150 | 6,367 | (1,479) | - | - | 16,038 |
| Social Impact Partnership | 115,557 | - | (50,000) | (65,557) | - | - |
| Stephen Bicentenary Trust | 7,775 | 1,792 | (455) | - | - | 9,112 |
| Underwood Trust | 682,817 | 12,186 | (78,460) | - | (12,849) | 603,694 |
| Ure Elder Trust | 10,138 | 7,445 | (5,553) | - | - | 12,030 |
| Total restricted funds | 1,187,638 | 158,746 | (240,313) | (65,557) | (21,844) | 1,018,670 |
| TOTAL FUNDS | 11,852,360 | 997,736 | (979,575) | - | (590,937) | 11,279,584 |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Charitable funds (continued)

Analysis of Fund movements - prior year

| | 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 |
| Benjamin MacKay Trust | 240,909 | - | - | - | 34,086 | 274,995 |
| Bogles of Gilmorehill Bursaries | 103,278 | - | - | - | 18,569 | 121,847 |
| Buchanan & Ewing Bequests | 165,831 | - | - | - | 22,255 | 188,086 |
| Carol Richmond Charitable Trust | 65,981 | - | - | - | 9,102 | 75,083 |
| Commercial Travellers of Scotland | 156,359 | - | - | - | 22,471 | 178,830 |
| George Craig Trust | 384,362 | - | - | - | 52,324 | 436,686 |
| Glasgow Nursing & Medical Relief | 586,217 | - | - | - | 79,349 | 665,566 |
| Inverclyde Bequest | 1,618,336 | - | - | - | 221,336 | 1,839,672 |
| MacPherson Charitable Trust | 99,038 | - | - | - | 13,366 | 112,404 |
| Morgan Mortification | 457,214 | - | - | - | 61,729 | 518,943 |
| RNVR Club (Scot) Memorial Trust | 194,846 | - | - | - | 28,151 | 222,997 |
| Stephen Bicentenary Trust | 50,520 | - | - | - | 7,608 | 58,128 |
| Ure Elder Trust | 231,656 | - | - | - | 32,037 | 263,693 |
| Total endowment funds | 7,474,896 | - | - | - | 1,025,836 | 8,500,732 |
| Restricted funds | | | | | | |
| Benjamin MacKay Trust | 11,689 | 10,617 | (5,598) | - | - | 16,708 |
| Bogles of Gilmorehill Bursaries | 34,326 | 5,785 | (2,463) | - | - | 37,648 |
| Buchanan & Ewing Bequest | (916) | 6,933 | (1,054) | - | - | 4,963 |
| 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 |
| George Craig Trust | 3,383 | 16,299 | (13,677) | - | - | 6,005 |
| Glasgow Nursing & Medical Relief | 1,796 | 24,717 | (23,377) | - | - | 3,136 |
| Inverclyde Bequest | 21,869 | 68,945 | (73,202) | - | - | 17,612 |
| Keir Trust | 110,646 | 4,651 | (3,373) | - | 14,931 | 126,855 |
| Matthew B Campbell Trust | 131,254 | 957 | (12,595) | (25,000) | 2,316 | 96,932 |
| Morgan Mortification | 224 | 19,228 | (7,288) | - | - | 12,164 |
| Organ Fund | 17,622 | - | (17,622) | - | - | - |
| RNVR Club (Scot) Memorial Trust | 13,766 | 8,836 | (11,452) | - | - | 11,150 |
| Social Impact Partnership (SIP) | 16,180 | 22,247 | (54) | 75,000 | 2,184 | 115,557 |
| Stephen Bicentenary Trust | 5,846 | 2,369 | (440) | - | - | 7,775 |
| Underwood Trust | 726,262 | 16,929 | (47,633) | (50,000) | 37,259 | 682,817 |
| Ure Elder Trust | 5,756 | 9,980 | (5,598) | - | - | 10,138 |
| 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 |

£75000 was transferred from 2 restricted funds to the SIP Fund. This money was earmarked for the Corra Foundation.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Charitable funds (continued)

- 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. £2,570 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 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. No awards were made during the year.

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. No awards were made during the year.

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

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

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

Funds were transferred to the House in July 2006.

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 4 beneficiaries and payments of £4,800 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 awards were made during the year.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Charitable funds (continued)

George Craig Trust (Endowment fund and Restricted fund):

Grants awarded by the George Craig Trust Committee amounted to £22,575, ranging from £1,000 to £2,628. These grants were given to assist in the education and training of 14 students. The Trustees benefited from the receipt of two-thirds of the free annual revenue of The Morgan Mortification.

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 £11,050 have been made to certain medical and nursing related charitable organisations in Glasgow and two retired members.

Inverclyde Bequest (Endowment fund and Restricted fund): The Inverclyde Bequest Fund was founded in 1906. During the past year the sum of £8,010 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.

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 £2,000 were made in 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.

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. £20,500 was awarded to charities 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. There were no awards in the year. Two-thirds of the free annual revenue is transferred to the George Craig fund.

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. As a result of COVID-19 restrictions, no voyages were able to take place in the year and no awards were made.

Social Impact Partnership (Restricted fund):

The House set up this fund to support areas of critical social need. £50,000 was paid to the Corra Foundation (Housing First Project) during the year. The project has now been completed and the remaining balance has been transferred into the unrestricted general fund. In total, £150,000 has been transferred to the Corra Foundation under the Social Impact Partnership initiative over a period of years. More details of how these funds were applied to relieve homelessness can be found in the Impact Report available on the House website.

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

19. Charitable funds (continued)

Stephen Bicentenary Trust (Endowment fund and Restricted fund):

These monies are paid out to pension beneficiaries. No pensions were paid in 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. During the year awards totalling £72,316 were distributed to 18 charities. Awards are 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.

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 £2,700 were made in the year.

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 2020 £ |
|---------------------|-------------------------------------|-----------------------------------|----------------------------------|-----------------------------|
| Fixed assets | 888,983 | - | - | 888,983 |
| Investments | 988,059 | 639,088 | 8,000,026 | 9,627,173 |
| Current assets | 711,804 | 398,799 | - | 1,110,603 |
| Current liabilities | (327,958) | (19,217) | - | (347,175) |
| | <u>2,260,888</u> | <u>1,018,670</u> | <u>8,000,026</u> | <u>11,279,584</u> |
| | 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> |

THE MERCHANTS HOUSE OF GLASGOW

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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

| | Group | | Charity | |
|--|------------------|------------------|------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Net (expenditure) / income for the year (as per the Statement of Financial Activities) | (572,776) | 1,328,284 | (541,019) | 1,304,278 |
| Adjustments for: | | | | |
| Depreciation charges | 59,335 | 53,382 | - | - |
| Dividends and interest | (276,432) | (379,029) | (490,213) | (615,575) |
| Losses / (gains) on investments | 590,937 | (1,218,556) | 590,937 | (1,218,556) |
| Decrease / (increase) in debtors | 35,383 | (4,338) | 17,480 | (55,166) |
| (Decrease) / increase in creditors | (25,020) | 55,940 | (111,354) | (142,779) |
| Net cash (used in) operating activities | (188,573) | (164,317) | (534,169) | (727,798) |

22. Analysis of cash and cash equivalents

| | Group | | Charity | |
|--|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ | £ | £ | £ |
| Cash in hand | 826,866 | 655,088 | 443,556 | 351,347 |
| Total cash and cash equivalents | 826,866 | 655,088 | 443,556 | 351,347 |