

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

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The Board of Trustees for the National Galleries of Scotland is a registered Scottish Charity  
Number SC003728

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**CHAIRMAN'S FOREWORD**

**Introduction**

The National Galleries of Scotland (NGS) looks after one of the finest collections of art anywhere in the world consisting of over 150,000 works of fine art. The primary aims of the NGS are to acquire, protect, research and display works for the National Collection. However our mission is to ensure that the public has the greatest possible access to the visual arts; that we educate and inspire the public; and that we promote Scotland's international reputation for art and culture, both in the quality of our collections as well as the strength and depth of our art community.

**Visitors**

We welcomed nearly 2m visitors in 2014-15 across our three Gallery sites at the Scottish National Gallery, Scottish National Gallery of Modern Art and the Scottish National Portrait Gallery.

In summer 2014 we partnered one of the most ambitious exhibition projects in our history, together with Creative Scotland and Glasgow Life, called GENERATION. The free exhibition was a celebration of Scottish contemporary art over the last 25 years and was seen by 400,000 visitors in our Galleries and a total of 1.3m visitors across 69 galleries in Scotland. The project successfully raised the profile of contemporary art in Scotland and in particular among younger audiences who represented 23% of visitors.

ARTIST ROOMS, our collaboration with Tate to engage audiences across the country with this world-class modern and contemporary art collection, is now in its seventh year and goes from strength to strength with some 35 million visitors across nearly 80 partner galleries and museums, including Tate and NGS, since the inception of the national touring programme. The collection has now increased from around 1,120 works of art to over 1,600 and we are extremely grateful to the artists and their representatives who have supported the growth of the collection through generous gifts and loans.

During the year we have lent some 350 works of art to other galleries in the UK and abroad. We have also had over 1.3m visits to our website during the year. The trustees believe that whilst ensuring the protection of the national collection is paramount, access to great art by as wide an audience as possible is part of our core mission. Providing access free of charge to the Galleries, and to the ARTIST ROOMS programme, has been a vital part of our strategy to ensure that everyone has the opportunity to use and enjoy the national collection.

**Acquisitions**

The primary role of the Board of Trustees is to care for and develop the national collection of fine art. Our purchasing power was limited in 2014-15 without the allocation of a capital grant, however the collections continued to develop through generous gifts and bequests and through purchases using some designated trust funds. One of the most significant purchases of the year was undoubtedly five works by William Turnbull, which was made possible through the generous fund set up by Henry and Sula Walton and the Art Fund.

There were a number of significant acquisitions made through ARTIST ROOMS including works by Don McCuillin. We are extremely grateful to Anthony and Anne d'Offay and Marie-Louise Laband for their continued support in the growth of the collection, in particular through the Artist Rooms Foundation.

**Public Programme**

The public programme in 2014-15 featured four paying exhibitions and 15 displays to complement our permanent collection. The programme was anchored by the GENERATION exhibition. Key exhibitions included American Impressionism, The Art of Golf, John Ruskin and The Two Roberts.

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A strong education programme accompanied our displays and exhibitions as always. We remain very proud of our reach to all areas of the community both locally and nationally through our outreach programme.

**Economic Challenges**

The challenging economic times continue and we seek ever more efficient ways to run our organisation and maintain our ambitions. Over half of our operating costs are on staff remuneration and we remain committed to the Scottish Living Wage as a minimum salary, therefore we are limited in our ability to reduce costs further. We are therefore looking for ways to develop additional income through our trading company and through philanthropy. We also aim to encourage as many of our visitors as possible to become Friends or Patrons and support the work of the NGS.

**Capital Projects**

The National Galleries has three capital projects planned over the coming years: the development of the Scottish National Gallery, the creation of a new National Collections Facility and the project to digitize the entire collection. The Scottish National Gallery project is well under way following a successful Stage One bid to the Heritage Lottery Fund. It is hoped to start the project in 2016 with a view to completion in 2018. The project will enable us to create much improved gallery space for the Scottish Collection.

The National Collection Facility is still at planning stage. The project will be undertaken in partnership with Historic Environment Scotland and will create a national centre for the care and study of the permanent collection, with wider access for visitors and easier access for staff.

The NGS is currently working to digitise the entire collection, a project which we aim to complete by 2020. This effort received a major boost in 2014 when NGS received a £611,100 grant from the Heritage Lottery Fund under its Skills for the Future programme to support the NGS Heritage Lottery Fund Collections Online Traineeships. The project is a dedicated training programme for 18-24 year-olds focussing on developing skills which are in demand throughout the heritage sector. Starting in September 2014, two groups of six trainees are spending 18 months gaining first-hand experience of handling, documenting, digitising and researching the NGS collection of photography and works on paper.

**Our people**

During the course of the year three Trustees retired from office: Ian Howard, Ray MacFarlane and Alasdair Morton. We would like to thank all three former colleagues for their time and contribution to the Board during their tenure. In addition, we welcomed two new trustees to the Board in 2014-15: Professor Nick Pearce and Willie Watt

I would like to thank all those on the various boards and committees of the NGS for their huge contribution.

The Trustees would like to thank the Director-General, Sir John Leighton and all his colleagues at the NGS for their work and enthusiasm over the last year. We are particularly proud to have been awarded "Investors in Volunteers", the first public sector body in Scotland to have received this accreditation


**Outlook**

The wider economic climate and constraints on funding will make it a challenging time ahead for all public sector organisations in Scotland. We are determined to continue to broaden our audience and to enhance Scotland's artistic community. A strong and vibrant arts sector is a key component to Scotland's tourist and creative sectors and participation in the arts is essential for a healthy society.

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Collaboration with partners at home and abroad remains crucial to our success and we are always seeking opportunities for collaborative working. We are already playing a key role in the delivery of the national strategy for Scotland's museums and galleries and will continue to investigate ways in which we can open up our collection to the widest possible public.

Finally, I would like to thank the Scottish Government for their on-going support and I would also emphasise our gratitude to our many patrons and all our supporters, both individual and corporate, who give time, money and their energy to assisting in delivering our vision.



**Ben Thomson**  
**Chairman**

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**TRUSTEES' ANNUAL REPORT**

**Management, Structure and Governance**

**1. Status**

The Board of Trustees is a corporate body appointed by the Scottish Ministers in terms of the National Galleries of Scotland Act 1906, as amended by the National Heritage (Scotland) Act 1985, in pursuance of which this report and the attached audited consolidated financial statements are prepared and submitted. It is a registered charity (Number SC003728).

**2. History**

The Board of Trustees traces its origins to the Board of Manufactures established after the Act of Union of 1707. The foundation stone of the National Gallery, laid by the Prince Consort in 1850, was pursuant to a Treasury Minute.

**3. The Galleries**

The National Galleries of Scotland (NGS), whose collections of fine art are amongst the best in the world, is located across three sites in Edinburgh.

The collections are displayed to the public at the following locations:

- Scottish National Gallery at the Mound (since 1859),
- Scottish National Portrait Gallery in Queen Street (since 1882)
- Scottish National Gallery of Modern Art in Belford Road (Modern One since 1961 and Modern Two since 1999).

NGS also has a purpose-built centre for those objects not on general display or on loan, which is located at Granton. Members of the public can access the centre via an appointments system.

There are two partner galleries in the north and south of Scotland which house part of the collection:

- Paxton House, Berwickshire (since 1993)
- Duff House, Banff (since 1995)

Our principal place of business and registered address is 73 Belford Road, Edinburgh, EH4 3DS.

**4. The Collection**

The Scottish National Gallery's collection ranges in date from the early Renaissance to the end of the nineteenth century. It covers paintings, prints and drawings and sculpture, and includes most of the major figures of Western art such as Raphael, Titian, Velázquez, Vermeer, Watteau, Constable and nearly all of the Impressionists and Post-Impressionists. It also houses the national collection of Scottish art c.1600-c.1900 and the internationally renowned Bridgewater Loan.

The Scottish National Portrait Gallery is responsible for collecting portraits of Scotland's inspirational men and women for the interest of the present generation and for the future and also managing the National Photography Collection.

The Scottish National Gallery of Modern Art One and Two house the national collection of modern Scottish and international art from 1900 to the present day. This includes the world's most comprehensive collection of modern Scottish art, with fine holdings of the Colourists and the Edinburgh School in addition to the *ARTIST ROOMS* collection.

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There are 99,347\* objects catalogued as at 31 March 2015 in NGS's permanent collection (including long loans and ARTIST ROOMS objects), broken down as follows:

Paintings	3,731
Works on Paper	49,239
Photographs	34,671
Sculpture	4,652
Printed Material	2,777
Manuscript Material	941
Decorative and Applied Art	2,981
Installation and Film	99
Accessory	145
Other	111

*\*This figure does not include an estimated 60,000 Tassie paste gems and archive material.*

The majority of the objects are based in Edinburgh. Works are also on permanent display in our partner galleries at Paxton House, Berwickshire and Duff House, Banff.

## **5. Management and Principal Functions**

### **5.1 Corporate Governance**

NGS is a non-departmental public body primarily funded by the Scottish Government and managed on its behalf by a Board of Trustees, appointed by the Cabinet Secretary for Culture, Europe and External Affairs. NGS operates within a strict legislative and regulatory framework underpinned by the National Heritage (Scotland) Act 1985 and the Charities and Trustee Investment (Scotland) Act 2005.

As provided by the National Heritage (Scotland) Act 1985 the principal functions of the Board are:

- to care for, preserve and add to the objects in their collections;
- to ensure that the objects are exhibited to the public;
- to ensure that the objects are available to persons seeking to inspect them in connection with study or research; and generally to promote the public's enjoyment and understanding of the Fine Arts both by means of the Board's collections and by such other means as they consider appropriate;
- for those purposes to provide education, instruction and advice and to carry out research.

The Board, with a maximum of 12 (minimum of 7) Trustees appointed by the Cabinet Secretary, meets six times per year. Trustees are recruited by the Scottish Government through an open appointments system and are usually appointed for a single 4 year term with the possibility of reappointment for a second term.

Appointments are advertised in the press following a thorough appraisal of the skills required to balance the Board. The process follows the strict guidance laid down by the Office of the Commissioner for Public Appointments in Scotland. Three trustees retired from office and two new trustees were appointed in 2014-15.

All Trustees follow a thorough induction programme, covering the aims of the organisation, the Code of Conduct and an introduction to the work of individual departments. New Trustees also obtain guidance from the Scottish Government "On Board" training manual and are given the opportunity to attend the "On Board" training events.

NGS has adopted the recommended Codes of Conduct for both Trustees and Staff. A new Code of Conduct for Trustees was approved in 2015 which closely followed the model Code recommended by the Standards Commission for Scotland. Registers of Interests and Gifts and Hospitality are

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maintained in accordance with best practice. A Trustee Register of Interests is maintained which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the register within 28 days of a change in the interests they must register. The current register, which is updated annually, can be viewed on NGS website.

The Board delegates authority on financial matters to an Audit and Risk sub-committee. The Audit and Risk Committee, comprising three trustees with the Director-General and the Chief Operating Officer in attendance, has full delegated authority to take decisions on behalf of the Board. As at 31 March 2015 there were three other sub-committees: the Remuneration Committee, the Major Capital Programme Committee and the Board Review Committee.

The NGS Trading Company Limited (registered in Scotland, SC312797) is managed on behalf of NGS by a Board, with membership drawn from the Board of Trustees, Senior Management Team and with an external adviser from the retail sector. The Board is chaired by Trustee Lesley Knox.

The financial statements of NGS are audited by PricewaterhouseCoopers LLP, who were appointed by the Auditor General for Scotland. PricewaterhouseCoopers LLP's remuneration of £27,696 is disclosed in Note 12 to the financial statements. No other services were supplied by PricewaterhouseCoopers LLP.

The Director-General is satisfied that there is no relevant audit information of which the NGS' auditors are unaware.

#### **5.2 Trustees: 1 April 2014– 31 March 2015**

Ben Thomson (Chairman)  
Tricia Bey (Chair, Major Capital Programme Committee)  
Alistair Dodds (Chair, Audit and Risk Committee)  
Edward Green  
Benny Higgins  
Lesley Knox (Chair, Trading Company Board)  
Tari Lang  
Alasdair Morton (until 31 March 2015)  
Catherine Muirden (Chair, Remuneration Committee)  
Professor Nicholas Pearce (appointed 1 October 2014)  
Willie Watt (appointed 1 October 2014)  
Nicola Wilson

All Trustees serving at 31 March 2015, apart from Alasdair Morton, continued to be serving Trustees up to and on the date the accounts were signed. In addition to the table above, Professor Ian Howard and Ray Macfarlane served as Trustees until the 30 September 2014. The operational management of NGS is delegated by the Board of Trustees to the Director-General and his Senior Management Team.

#### **5.3 Senior Management Team: 1 April 2014 – 31 March 2015**

Sir John Leighton	Director-General
Michael Clarke	Director of the Scottish National Gallery
Nicola Catterall	Chief Operating Officer
Simon Groom	Director of Scottish National Gallery of Modern Art
Christopher Baker	Director of the Scottish National Portrait Gallery
Jacqueline Ridge	Keeper of Conservation
Alan Gibson	Director of Public Engagement (until 31 March 2015 then Patricia Convery)

Elaine Anderson, Head of Planning and Performance, is secretary to the Senior Management Team.

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There are three specialist sub-groups of the Senior Management Team. The Senior Management Collections Team oversees acquisitions and loans and supports collections management matters. The Senior Management Public Programme Team directs and manages the public programme. The Senior Management Team: Digital & Information Systems Programme directs and manages the strategy and priorities for investment in digital and information systems.

For details of staff numbers employed in 2014-15, see Note 11 in the Notes to the Accounts.

**5.4 Equal Opportunities and Diversity**

NGS has reviewed and developed its approach to equalities in response to the Equality Act 2010 and the specific equality duties outlined for Scottish public bodies. In 2013 a set of equality outcomes were established for NGS to work towards. The first progress report on these outcomes was published in 2015, along with an update report on our efforts to mainstream equalities in the work that we do, and updated statements on the gender pay-gap and employee equality statistics. NGS continues to be committed to making equality the 'norm', ensuring it is part of our daily routine, rather than an 'add-on' or simply a box that must be ticked. The reports and relevant statistical data which support this approach are available on the NGS website.

It is NGS' policy to treat all job applicants and employees fairly and equally, regardless of their age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex or sexual orientation. NGS monitors the composition of the workforce and will undertake positive action if it appears that this policy is not fully effective.

**5.5 Health and Safety**

The Trustees acknowledge their legislative responsibility for, and their commitment to, a management policy that ensures matters relating to the health and safety of visitors, staff, volunteers, those working on a self-employed and agency contract basis, and contractors will receive due priority for action at all times. Responsibility also lies with individual members of staff, their representative unions, those working on a self-employed and agency contract basis, and contractors to give their full attention and co-operation to the implementation of this policy to enable NGS to provide a safe and healthy environment at all times. NGS employs a Health and Safety Manager to oversee the implementation, monitoring, auditing and improvement of the management policy. NGS' employee assistance Programme provides confidential counselling, practical support, advice and information aimed at helping staff to come to terms with personal and family or work related problems. The service is available to all employees and their immediate dependents, 24 hours a day, 365 days a year; access is via a free telephone line.

**5.6 Sustainability policy**

NGS is committed to integrating environmental considerations into its activities and working towards the goals of sustainable development and pollution prevention through a programme of continuous environmental improvement. This commitment is reflected in NGS' participation in the Carbon Trust's Carbon Management Programme that resulted in the production of a Carbon Management Plan which outlined measures NGS was taking to reduce its carbon emissions by 20% by the end of 2014. Having exceeded this target by achieving a reduction of 30% against the baseline of 2008, a new target of 42% has been set, to be reached by 2020. Compared with 2008, electricity consumption has reduced by 25% and gas consumption by 24%.

NGS gives full consideration to environmental matters when managing operations, altering the buildings and in reaching housekeeping decisions. Though much of the responsibility for these decisions will fall to senior management, all NGS staff are encouraged to play a role in protecting the environment by making the most efficient use of resources within their control. Improved waste management across the estate has resulted in a large increase in the quantity and types of waste which is now recycled. In 2014 the amount of waste going to landfill was reduced by 91% compared with 2008.



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**5.7 Sickness Absence Data**

For the 12 month period from 1 April 2014 to 31 March 2015, 2.41% of working days were lost as a result of sickness absence (2013-14, 1.97%).

**5.8 Data Handling**

There were no personal data-related incidents in 2014-15. Sensitive personal data that is processed and shared on a regular basis is in relation to staff payroll, which is transferred externally to our payroll handler. Personal data information in relation to payroll and supplier details is periodically shared with government as part of the National Fraud Initiative (NFI). In 2014-15 data continued to be shared with NLS staff through the HR Shared services agreement. This will change however in 2015-16 following the separation of the service in March 2015 and data will not be shared with NLS staff in future.

There is a database of personal data in relation to our donors and supporters, but the processes are well controlled and staff are trained to understand the sensitivity of the data. Data is never shared or transferred to another organisation, unless done so under contracted service, and that data belongs solely to the NGS.

**5.9 Funding**

The running costs of the galleries, capital expenditures and the cost of additions to the collections are provided from grant-in-aid from the Scottish Ministers augmented by self-generated income including other grants and income from shops, publications, catering, corporate hire, sponsorship and admission charges for some exhibitions. Self-generated income in 2014-15 was £4million (£3.5million in 2013/14).

The programme to encourage philanthropic support for NGS continues, developing the network of support from individuals, companies, trusts and foundations. There will be a particular focus on developing membership income from 2015 as detailed in the new Business Plan.

The NGS operates a scheme of tiered membership with different levels of giving. NGS is grateful for the support provided during the year by the Patrons and the Friends, the largest group in the membership scheme. Friends' membership stood at 7,243 on 31 March 2015, compared with 7,571 for 2013-14. In 2014-15 their funds were used for education programmes including family drop-in activities such as Art Maker, Bags of Art and Portrait Detectives, as well as the Public Lecture programme. In addition Friends continued to support the Learning Co-ordinator post at the Scottish National Portrait Gallery, provided sponsorship for the J E Liotard exhibition to be held in Summer 2015 and provided funding for a commission of *The Queen* by Harry Benson. In 2014-15, Patrons generously supported the development of the Two Roberts exhibition catalogue. NGS is most grateful to the Friends and Patrons for this invaluable support.

In addition, the Trustees have funds comprising gifts and bequests, principally earmarked for the purchase of works of art for the collections, many specifically directed, and some of which are endowments.

**5.10 Accountable Officer**

Sir John Leighton is Director-General and Accountable Officer for the National Galleries of Scotland.

**5.11 Investments**

The Trustees' investment powers are governed by the Charities and Trustee Investment (Scotland) Act 2005. In addition, NGS is subject to regulations and any relevant guidance issued by the Office of the Scottish Charity Regulator. Due to the limited specific Scottish guidance in this area, NGS follows the better developed principles of the Charity Commission of England and Wales, particularly CC14

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"Investment of Charitable Funds: Basic Principles". This policy is based primarily on the principles of CC14 and Sections 93 to 95 of the Act in regard to investment powers of trustees. The Audit and Risk Committee is responsible for overseeing the implementation of the NGS Investment Policy, which is based on those principles.

An investment management company, Cornelian Asset Managers Ltd, was appointed in the year to March 2014 to manage the investment portfolio of the organisation.

#### **5.12 Reserves Policy**

The Audit and Risk Committee reviews the Reserves Policy and reserves held at least once a year. This review encompasses the nature of the income and expenditure streams, the need to match potentially variable income streams with largely fixed commitments and the nature of the reserves.

During the year the Audit and Risk Committee reviewed the reserves policy and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding £100,000 (2013-14 £100,000).

#### **5.13 Payment of Creditors**

It is our policy to pay suppliers within thirty days of invoice date unless alternative payment terms have been agreed. From a random sample, this was achieved on 98% of payments in 2014-15 (2013-14 99%). A 10 day payment initiative was introduced by the Scottish Government in December 2008 and we achieve this with 77% of our creditors (2013-14 78%).

#### **5.14 Principal Advisers**

Bankers	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2AD	Bank of Scotland The Mound Edinburgh EH1 1YZ	
Legal Advisers:	Turcan Connell Princes Exchange 1 Earl Grey Street Edinburgh EH3 9EE	CMS Scotland Saltire Court 20 Castle Terrace Edinburgh EH1 2EN	Brodies LLP 15 Atholl Crescent Edinburgh EH3 8HA
Internal Auditors:	Chiene + Tait 61 Dublin Street Edinburgh EH3 6NL		
Independent Auditors:	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 141 Bothwell Street Glasgow G2 7EQ		
Taxation:	Scott Moncrieff Exchange Place 3 Sempie Street Edinburgh, EH3 8BL		
Investment Managers:	Cornelian Asset Managers Ltd 30 Charlotte Square Edinburgh, EH2 4ET		

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**5.15 Financial Report**

The financial results are shown in full in the Consolidated Income and Expenditure account on page 25. The financial statements meet the requirements of the Companies Act 2006 and accounting standards issued or adopted by the Accounting Standards Board, so far as they are appropriate. They also comply with SORP 2005, the Statement of Recommended Practice on the preparation of financial statements of charitable organisations.

In relation to the Scottish Government grant-in-aid offer letter, the actual grant utilised for NGS was:

<b>Grant-in-aid</b>	<b>Actual £'000</b>	<b>Offer Letter £'000</b>
<b>Cash Items</b>		
Running Costs	12,025	12,025
Purchase Grant	-	-
Capital Projects	-	-
	<u>12,025</u>	<u>12,025</u>
<b>Non-Cash Items (Notional)</b>		
Depreciation	994	1,700
Resource Budget	1,100	1,100
<b>Total</b>	<u><b>14,119</b></u>	<u><b>14,825</b></u>

The summary of the operational results for NGS and the NGS Trading Company Limited (described as "the Group") were as follows:

	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Income</b>		
Grant-in-aid received	12,025	11,935
Other income	6,075	5,483
Release from reserves	1,635	1,659
<b>Total Income</b>	<u><b>19,735</b></u>	<u><b>19,077</b></u>
<b>Expenditure</b>		
Staff costs	9,533	9,068
Other operating charges	7,525	7,865
Depreciation	2,293	2,435
Heritage Assets Purchased from Other Income	800	684
<b>Total Expenditure</b>	<u><b>20,151</b></u>	<u><b>20,052</b></u>
<b>Operational Results - (Loss) / Surplus</b>	<u><b>(416)</b></u>	<u><b>(975)</b></u>

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NGS is required to operate within the financial limits prescribed in the Financial Memorandum laid down by Scottish Government, and to follow the recommendations of Government Accounting, unless in conflict with the Charity SORP. Thus we are generally not permitted to borrow funds, and our powers to invest are circumscribed.

The Operational Results Loss shown above differs from the Excess of Expenditure over Income shown in the Income and Expenditure Account. This is because revenue grant-in-aid is shown as income above, but excluded from the Income and Expenditure Accounts and instead, in line with requirements of the Government Financial Reporting Manual (FReM), credited directly to the general fund in the year in which it is received.

**5.16 Risk Management**

In accordance with Scottish Government requirements and best practice, NGS operates a risk management policy. The Board of Trustees and Senior Management Team have identified the top ten business risks as follows:

- Failure to invest in collections care, including inadequate facilities for display.
- Inability to respond quickly enough to the speed, depth and pace of external change and adapt the business model accordingly.
- Reputational damage as a result of inadequate funding and significant lowering of quality/ambition.
- Failure to manage compliance requirements within government and legislative framework leading to financial penalties and potential reputational damage.
- Delay in one of the major capital projects and resultant effect on wider estates spend.
- Security/safety of the collection, estate and people compromised due to inadequate investment in training and resources.
- Failure to meet annual budget targets/raise additional funds.
- Negative impact from organisation changes in terms of staff morale.
- Failure to invest adequately in estates.
- Failure to invest in the development of the collections.

Those key business risks are being effectively managed by a series of control measures put in place by the Senior Management Team. Risk management is monitored by the Audit and Risk Committee.

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**6. Key Aims and Objectives 2015-18**

In order to ensure focus and achievement of our goals, NGS has set out six main priorities and related objectives, full details of which can be found in the Corporate Plan 2015-18:

**Priority 1: Improve the quality of and care for the national collections.**

*Objectives:*

- 1.1 *Add to our world-class collections*
- 1.2 *Improve the care of our collections*
- 1.3 *Implement our Collections Audit Plan 2014-18.*

**Priority 2: Develop skills, knowledge and research**

*Objectives:*

- 2.1 *Implement a new Organisational Development strategy*
- 2.2 *Implement our new Youth Engagement strategy*
- 2.3 *Deliver our Research Plan.*

**Priority 3: Deliver an innovative and inspiring Public Programme**

*Objectives:*

- 3.1 *Place the permanent collection at the centre of an innovative and imaginative public programme.*

**Priority 4: Build new relationships with our audiences**

*Objectives:*

- 4.1 *Achieve an average of 2.5m visits and digital audiences of 3m per year by 2019/20.*
- 4.2 *Introduce a new Audience Development strategy from 2015 onwards.*
- 4.3 *Implement a revised Learning and Access strategy from 2015 onwards.*

**Priority 5: Develop a sustainable and efficient business model**

*Objectives:*

- 5.1 *Support the Business Plan for the NGS Trading Company.*
- 5.2 *Increase income from membership, philanthropy and donations from visitors.*
- 5.3 *Improve NGS infrastructure to optimise use of the buildings and minimise impact on the environment.*

**Priority 6: Develop our Partnership Programme**

*Objectives:*

- 6.1 *Achieve an average of 100,000 visitors to our national touring initiatives.*
- 6.2 *Develop the success of the ARTIST ROOMS programme*
- 6.3 *Raise the profile of NGS through international loans and tours*
- 6.4 *Develop and build on key partnerships to support our core activities*
- 6.5 *Continue our Shared Services Programme*

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**7. Achievements**

**7.1 Collections**

**Acquisitions**

NGS continues to build its extensive collection which ranges from the early Renaissance to contemporary art. Often opportunity and funding determines what we purchase. There was no capital funding allocated from Scottish Government towards purchase works of art in 2014-15, however we were fortunate to receive additional funding from a number of private donors and to be able to use some of our special trust funds. This, along with some generous gifts and bequests, has enabled the collection to continue its steady growth.

A detailed list of all our acquisitions, including gifts and bequests, is available on request.

Acquisitions during the year included:

- *Andro' wi'his cutty gun* by Alexander Carse
- Three oil paintings of Venice by FCB Cadell (gift from Dr Patrick Ford)
- *The Queen* by Harry Benson (commissioned by the Friends of the National Galleries of Scotland)
- Twenty three drawings by William Turnbull (gift from the Estate of William Turnbull through the Art Fund)

Works acquired during the year with the generous assistance of individuals and other funding bodies included:

- *Five Works* by William Turnbull (Art Fund and Henry & Sula Walton Fund)
- *Sleepwalker* by Alex Dordoy (Private donor)
- *Trappings* by Claire Barclay (Ian Paul Fund)
- *Growing Zeroes* by Lauschmann (Outset)
- Portrait of Alan Cumming (Commissioned by Sky Arts)

**7.2 NGS programmes**

A broad and varied exhibitions programme took place in 2014-15.

As part of a National initiative, and with the generous sponsorship support by the National Galleries of Scotland Foundation, GENERATION, a ground-breaking, three-part exhibition was shown across the National Galleries' three sites in Edinburgh during the year to March 2015. The free exhibition was held in the flagship exhibition space at the Scottish National Gallery, the whole of Modern One at the Scottish National Gallery of Modern Art and the Contemporary Gallery at the Scottish National Portrait Gallery. The exhibition displayed the most historically significant works created in Scotland in the last 25 years, as well as recreations of significant shows and major installations. It brought together loans from public and private collections in the UK and abroad, many of which are being shown for the very first time in Scotland.

In addition there were 4 paying exhibitions in 2014-15 along with over 15 displays and extensive education and touring programmes. The paying exhibitions were:

**Scottish National Gallery**

12 July – 26 October 2014

**Scottish National Gallery of Modern Art (Modern 2)**

19 July – 19 October 2014

22 November 2014 – 24 May 2015

**Scottish National Portrait Gallery**

4 July – 28 September 2014

The Art of Golf: The Story of Scotland's National Sport

American Impressionism: A New Vision

The Two Roberts: Robert Colquhoun and Robert MacBryde

John Ruskin: Artist and Observer

## **NATIONAL GALLERIES OF SCOTLAND**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

#### **Research and Scholarship**

NGS produces many publications each year both to complement our exhibitions programme and promote the permanent collection. In the period 2014-15 NGS published 9 new titles.

The NGS' international profile remains high with a number of curatorial staff taking part in events and lectures across the UK and abroad. As well as contributing to publications and articles and presenting lectures and conference papers, NGS colleagues are also called upon to contribute their expertise to a number of initiatives. This includes the government's Acceptance in Lieu Scheme, Museums Galleries Scotland's Recognition Scheme and the Government's Reviewing Committee on the Export of Works of Art and Objects of Interest.

#### **7.3 Developing audiences**

	<b>2015</b>	<b>2014</b>
Total visits to Edinburgh Galleries	1,994,973	1,460,259
Total visits to NGS works at other locations	70,437	61,348
Total visits to website	1,367,440	1,389,528

NGS is committed to ensuring that the national collection is available for the widest possible access by the public. Over the last year NGS has continued to develop its on-line collection. As at 31 March 2015 there were 4,590 images available for access through the website and this continues to increase.

With the completion of the digitisation pilot project, we are now fully underway with the photography of the 2D art on paper collection items. By mid-May 2015 the photographers and trainees had digitised approximately 7,000 items. All our paintings are also available through Public Catalogue Foundation website. As well as an extensive Public Programme of exhibitions and displays, the Education Programme is also key to delivering access on many levels ranging from pre-school workshops to specialist adult lectures.

In 2014-15, around 69,000 people of all ages participated in education activities through NGS.

#### **7.4 Partnership and collaboration**

Working in partnership with users as well as other arts and voluntary organisations, NGS continues to develop useful and mutually beneficial relationships with museums, galleries and other organisations both within the UK and abroad, enhancing access to artworks from the collection and enabling access to works from other regions and countries. Many partnerships are developed through education activities and others are developed with museums and galleries around the UK and abroad through the loans and exhibitions programmes.

In 2014-15, ARTIST ROOMS remained central to our national touring programme. Funding from The Art Fund and Creative Scotland enabled NGS to share this outstanding collection across Scotland. The aim of ARTIST ROOMS is to enable post-war and contemporary international art to be shared with audiences throughout the UK, as a catalyst for exciting and stimulating programming that will engage new audiences, particularly young people. The 2014-15 programme included partnerships with Taigh Chearsabhagh, North Uist and Caithness Horizons, Thurso.

## **NATIONAL GALLERIES OF SCOTLAND**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

#### **7.5 Future Plans**

NGS continues to operate in an extremely challenging environment within the wider context of government plans to reduce public sector expenditure and increasing competition for private sector support. We have been undergoing a major review of our business, finding more efficient ways of delivering our service and reducing expenditure, while still retaining the quality of our programme. We remain ambitious, however, in our mission to share the nation's fine art collection with the widest possible audience. Visitor figures have improved due to a strong public programme and our fundraising efforts will continue in 2015-16 to supplement the grant-in-aid and support our public programme activities. During the course of 2015 NGS will produce a Business Plan covering the period to 2020 which will address the way in which the business model will be turned around to support our ambition and rebalance the public/private income ratio.

#### **ARTIST ROOMS**

NGS continues to develop the ARTIST ROOMS collection, the collection of modern and contemporary art donated by Anthony and Anne d'Offay in 2008 to NGS and Tate. Additional objects have been acquired since then through gifts and use of the acquisition fund, supported by the Henry Moore Foundation, the Art Fund, Tate Members and the Artist Rooms Foundation.

NGS will also continue its extensive touring programme, supported by the Art Fund and Creative Scotland, assisting museums and galleries throughout the UK in exhibiting ARTIST ROOMS displays.

#### **Capital Projects**

In order to maintain our commitment to making the highest quality art available to as wide a public as possible in Scotland, we intend to develop gallery space and refresh the offer and services at the Scottish National Gallery, focusing in particular on the Scottish collections. Following a successful Stage One application to the Heritage Lottery Fund, significant progress has been made on the Scottish National Gallery project. The project team is now working on the Stage Two bid with a view to submitting it later in 2015. If the funds can be successfully raised, it is intended to start the project in late-2016.

The plan to create a national collections facility also moved forward in 2014-15, to be developed in partnership with Historic Environment Scotland. A site at Granton in Edinburgh has been identified and purchased by Scottish Government in anticipation of the development plans. In addition to addressing our urgent storage requirements, the vision for the facility is of a national centre for the care and study of the permanent collection, with wider access for visitors and easier access for staff.



Board of Trustees  
National Galleries of Scotland  
7 September 2015



Sir John Leighton  
Accountable Officer  
7 September 2015



**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**REMUNERATION REPORT**

**Part 1 – Unaudited Information**

The Remuneration Committee is appointed by the Board and currently comprises two Trustees, Catherine Muirden (Chair), and Benny Higgins. The Director General of NGS, in his role as Accountable Officer, the Chief Operating Officer (or her delegate) and the Head of Organisational Development normally attend meetings of the Committee and may also be members of this Committee. Other Trustees also have right of attendance at this Committee.

The remuneration for senior managers is based on NGS's pay policy as approved by Scottish Government. The Remuneration Committee is responsible for developing the remuneration policy for the Director-General and any senior member of staff on a personal contract. Senior managers' performance is assessed through NGS performance management system which is used for all staff. A bonus system is in place for the Director-General, but at present not for any other members of the Senior Management Team. In 2014-15, the Director-General met the requirements to receive a bonus, but to date no bonus has been offered by the Remuneration Committee.

The majority of staff are employed on permanent contracts. Some staff working on discrete short term projects are employed on contracts which match the duration of the projects concerned. All staff are entitled to join the Principal Civil Service Pension Scheme, a defined benefits scheme. The notice period and termination payments are in line with Scottish Government guidelines. All senior managers in post during the year were employed on permanent contracts, apart from the Chief Operating Officer who was employed on a 2 year contract from 1 August 2007. This was further extended in tranches to 31 July 2020.

**Part 2 – Audited Information**

The salary and pension entitlements of Senior Management were as follows:

**Salary Entitlements**

	Salary		Pension Benefits		Total	
	14/15 £000	13/14 £000	14/15 £000	13/14 £000	14/15 £000	13/14 £000
Sir John Leighton	105-110	100-105	35-40	20-25	140-145	120-125
Nicola Catterall	75-80 (105-110 full time equivalent)	75-80 (105-110 full time equivalent)	20-25	10-15	95-100	90-95
Michael Clarke	80-85	75-80	25-30	0-5	110-115	85-90
Dr Simon Groom	65-70	65-70	20-25	10-15	90-95	75-80
Christopher Baker	65-70	60-65	25-30	20-25	90-95	85-90
Jacqueline Ridge	70-75	70-75	20-25	5-10	95-100	75-80
Alan Gibson	65-70	60-65	25-30	20-25	90-95	85-90

(1) Salaries in the above table are the amount earned in the financial year. No bonuses or benefits in kind were received by National Galleries of Scotland Senior management Team during the year.

**Median Staff Pay Ratio**

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

The banded remuneration of the highest-paid director in NGS in the financial year 2014-15 was £105,000 - £110,000. This was 6.33 times the median remuneration of the workforce (2013-14 was 6.46), which is £16,990.

**Pension Entitlements**

	Accrued pension at pension age as at 31/3/15 £000	Accrued lump sum at pension age as at 31/3/15 £000	Real increase in pension £000	Real increase in lump sum £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV £000
Sir John Leighton	35-40	-	0-2.5	-	646	579	32
Nicola Catterall	10-15	-	0-2.5	-	205	172	18
Michael Clarke	35-40	110-115	0-2.5	2.5-5	828	797	29
Dr Simon Groom	10-15	-	0-2.5	-	196	170	13
Christopher Baker	10-15	-	0-2.5	-	185	156	17
Jacqueline Ridge	20-25	70-75	0-2.5	5-7.5	441	393	18
Alan Gibson	0-5	-	0-2.5	-	39	19	14

(1) Details of pensions and CETVs are disclosed based on information provided by the Department for Work and Pensions.

(2) Senior Management Team members with no lump sum are in pension schemes which do not provide a lump sum on retirement.

**Civil Service Pensions**

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a

## **NATIONAL GALLERIES OF SCOTLAND**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservicepensionscheme.org.uk](http://www.civilservicepensionscheme.org.uk)

New Career Average pension arrangements will be introduced from 1<sup>st</sup> April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at <http://www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/>

#### **Cash Equivalent Transfer Values**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

#### **Real increase in CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Sir John Leighton  
Accountable Officer  
7 September 2015

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with paragraph 8(3) of the Schedule to the National Galleries of Scotland Act 1906, as amended by section 17 of the National Heritage (Scotland) Act 1985, other applicable laws and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The law applicable to charities 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 of the 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 judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charity (Accounts and Reports) Regulations 2008, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) and the provisions of the charity's constitution. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the 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.

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**GOVERNANCE STATEMENT**

**Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives set by the Scottish Ministers, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

I ensure that arrangements for delegation are robust and promote good management supported by staff with an appropriate balance of skills. I ensure also that proper management systems and procedures are in place to support service delivery.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

**Purpose of the System of Internal Control**

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically.

The process within the organisation accords with the SPFM and has been in place for the year ended 31 March 2015 and up to the date of approval of the financial statements and accords with guidance from the Scottish Ministers.

**Risk and Control Framework**

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

In accordance with SPFM requirements and best practice NGS operates a risk management policy. The policy is led by the Chairman of the Audit and Risk Committee in conjunction with the Director-General. In accordance with this policy NGS monitors its business risks on two levels: Operational and Senior Management/Board level. Trustees and senior management have identified a number of key business risks which are effectively managed by a series of control measures put in place by the management team.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. In this regard, the risk map has recently been revised and aligned more closely with corporate objectives.

In terms of data handling, the only sensitive personal data we process and share is in relation to staff payroll, which is transferred externally to our payroll handler. The personal data of our staff is held in our HR system. This system was shared with The National Library of Scotland, and managed by a shared HR team. There is a database of personal data in relation to donors and supporters, but the processes are well controlled and staff are trained to understand the sensitivity of the data. We never share or transfer that data to another organisation, unless done so under contracted service, and that data belongs solely to NGS.

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

**GOVERNANCE STATEMENT – Continued**

**Review of Effectiveness**

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by:

- the Executive managers within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit and Risk Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- the comments made by the external auditors in their management letters and other reports.

I shall ensure that there is continuous review of internal systems through the internal audit process and, when required, that recommendations for improvement are taken into account. The Audit and Risk Committee is responsible for setting the annual internal audit programme, identifying specific areas for systems audit. The Audit and Risk Committee and senior management team review all internal audit reports and are responsible for ensuring the implementation of any necessary adjustments.

Following review of internal systems in 2014-15 I would like to draw attention to the following matters:

- Management and care of the collection are paramount to NGS. Our current storage facility at Granton Art Store is insufficient to store our existing collection resulting in artworks being stored in inappropriate conditions which may put the items at risk. Only 60% of our gallery/storage spaces meet minimum standards for environmental conditions for the collection. Finding a solution to this is regarded by our Board of Trustees as a top priority. The creation of a new National Collection Facility at Granton is being proposed in partnership with Historic Environment Scotland. It will concentrate our facilities for preservation, research storage and distribution onto one site whilst providing state of the art spaces for those wishing to research and explore the collections.
- NGS continues to review our mixed economy business model to help manage the risks and changes in patterns of funding and their impact on levels of activity and visitor services. A Business Plan for 2016-20 is being developed which will go some way towards addressing the risks, although this increases the risk to NGS funding as we become increasingly dependent on variable discretionary income sources to meet our substantial fixed cost base.
- Staff costs are by far the biggest running cost incurred by NGS, representing over 75% of our grant-in-aid. Even with static head count we anticipate that this will increase further in coming years due to planned increases in employer's national insurance and pension contributions, which remains challenging to fund in the context of pressures on public sector funding. In addition the impact of universal statutory living wage has the potential to increase NGS staff costs further as well as increasing the costs of contracted services (e.g. catering and cleaning).
- NGS is managing the growing gap between increased visitor numbers and public expectations and what NGS can actually deliver with ongoing pressure on resources. The increased workloads in combination with ongoing pay constraints have an on-going impact on staff morale, which in turn impacts on staff recruitment and retention.
- During the year we have continued to work with the National Library of Scotland to develop shared service initiatives. The full HR shared service model was not successful in delivering the economies and service levels required by both organisations and so this was scaled back

## **NATIONAL GALLERIES OF SCOTLAND**

### **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2015**

in March 2015. The shared IT service however remains in place and will be reviewed again in 2015-16.

- During 2014 NGS focused additional resources on Procurement which helped to achieve an improved Procurement Capability Assessment score, however we remain concerned at the increased compliance burden and risks that new Procurement legislation will bring. NGS is in the second year of participating in the Scottish Government Shared Services Procurement Pilot although the suggested cost sharing vehicle is inappropriate and costly to NGS. NGS is finding the arrangement insufficient to meet our needs and timescales, especially as the compliance burden is still increasing. It is likely that additional resource may need to be employed to support procurement requirements in the longer term.
- We have continued to review our anti-fraud measures and tightened procedures further. The minor fraud which was detected and investigated in 2013-14 has led to the repayment in 2014-15 of some of the £3K of misappropriated funds. During 2014-15 an external fraud was detected and investigated involving a change to bank account details which led to funds (£26k) being directed into a fraudulent account instead of into a supplier's account. The funds were refunded by the receiving bank in recognition of weaknesses in their procedures. Internal procedures have been tightened as a result of this incident. Further external attempts have been identified since then but these were successfully avoided through implementation of our revised procedures.



Sir John Leighton  
Accountable Officer  
7 September 2015

## **NATIONAL GALLERIES OF SCOTLAND**

### **FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **Independent auditors' report to the members of the National Galleries of Scotland, the Auditor General for Scotland and the Scottish Parliament**

We have audited the financial statements of the National Galleries of Scotland for the year ended 31 March 2015 under Paragraph 8 (3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of the National Heritage (Scotland) Act 1985, and section 44(1) (c) of the Charities and Trustee Investment (Scotland). The financial statements comprise the charity and consolidated Income and expenditure account, the consolidated statement of financial activities, the consolidated statement of total recognised gains and losses, the charity and consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

#### **Scope of the audit of the financial statements**

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

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view in accordance with Paragraph 8 (3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of the National Heritage (Scotland) Act 1985, and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2014 and of its net operating cost for the year then ended;



**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of Paragraph 8 (3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

**Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

**Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Paragraph 8 (3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report by exception**

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.



Martin Pitt Senior Statutory Auditor  
for and on behalf of PricewaterhouseCoopers LLP  
141 Bothwell Street, Glasgow, G2 7EQ  
7 September 2015

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

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

**CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT**

		2015 £'000	2014 £'000
<b>INCOME</b>	<b>Note</b>		
Income received from trading activities		2,042	1,962
Gross income from grant-aided activities	9	4,033	3,521
<b>Total Income</b>		<u>6,075</u>	<u>5,483</u>
<b>EXPENDITURE</b>			
Staff costs	11	9,533	9,068
Depreciation and permanent diminution in value	13,15	2,293	2,435
Release from Capital Assets Fund	22	(337)	(317)
Release from Donated Asset Reserve	22	(1,298)	(1,319)
Other operating charges	12	7,525	7,865
Release from Donated Assets Reserve – Scottish National Portrait Gallery	22		(23)
<b>Total Operating Expenditure</b>		<u>17,716</u>	<u>17,709</u>
<b>Excess of Expenditure over Income</b>		<b>(11,641)</b>	<b>(12,226)</b>
Investment and other income	10	444	729
<b>Excess of Expenditure over Income for the financial year before taxation</b>		<u><b>(11,197)</b></u>	<u><b>(11,497)</b></u>
Taxation	28	-	-
<b>Excess of Expenditure over Income for the financial year transferred to reserves</b>		<u><b>(11,197)</b></u>	<u><b>(11,497)</b></u>

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

**CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND  
LOSSES**

	<b>Note</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
Unrealised Gain/(Loss) on Indexation of Fixed Assets	<b>23</b>	(47)	4,458
Unrealised Gain on Revaluation of Investments	<b>16</b>	220	-
Realised Gain on Revaluation of Investments	<b>16</b>	75	541
Net (outgoing)/incoming resources before other recognised gains and losses		(298)	(170)
<b>Net Movement In Funds</b>		<u><b>(50)</b></u>	<u><b>4,829</b></u>

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**

		2015				
	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Fund £'000	Total 2015 £'000	Total 2014 £'000
<b>INCOMING RESOURCES</b>						
Voluntary Income	2	14,200	2,225	-	16,425	19,536
Activities for Generating Funds	2	2,143	-	-	2,143	2,088
Investment Income	2	17	104	28	149	188
<b>Incoming Resources from Generated Funds</b>		<b>16,360</b>	<b>2,329</b>	<b>28</b>	<b>18,717</b>	<b>21,812</b>
<b>Incoming Resources from Charitable Activities</b>	3	695	-	-	695	1,184
<b>Other Incoming Resources</b>	4	234	-	-	234	448
<b>TOTAL INCOMING RESOURCES</b>		<b>17,289</b>	<b>2,329</b>	<b>28</b>	<b>19,646</b>	<b>23,444</b>
<b>RESOURCES EXPENDED</b>						
Costs of generating voluntary income	5	(552)	-	-	(552)	(541)
Fundraising trading: costs of goods sold and other costs	5	(771)	-	-	(771)	(858)
<b>Costs of Generating Funds</b>		<b>(1,323)</b>	<b>-</b>	<b>-</b>	<b>(1,323)</b>	<b>(1,399)</b>
<b>Charitable Activities</b>	5	(17,384)	(1,298)	-	(18,682)	(22,177)
<b>Governance Costs</b>	6	(38)	-	-	(38)	(38)
<b>TOTAL RESOURCES EXPENDED</b>		<b>(18,745)</b>	<b>(1,298)</b>	<b>-</b>	<b>(20,043)</b>	<b>(23,614)</b>
<b>NET (OUTGOING) / INCOMING RESOURCES BEFORE TRANSFERS</b>		<b>(1,456)</b>	<b>1,031</b>	<b>28</b>	<b>(397)</b>	<b>(170)</b>
Reserve Transfers	23	55	103	(59)	99	-
<b>NET (OUTGOING) / INCOMING RESOURCES BEFORE OTHER RECOGNISED GAINS AND LOSSES</b>		<b>(1,401)</b>	<b>1,134</b>	<b>(31)</b>	<b>(298)</b>	<b>(170)</b>
<b>OTHER RECOGNISED GAINS AND LOSSES</b>						
Gains/Losses on revaluation of fixed assets for the Charity's own use	23	-	(47)	-	(47)	4,458
Gains on investment assets	16	9	229	57	295	541
<b>NET MOVEMENT IN FUNDS</b>		<b>(1,392)</b>	<b>1,316</b>	<b>26</b>	<b>(50)</b>	<b>4,829</b>
<b>TOTAL FUNDS B/F AT 1 APRIL 2014</b>		<b>80,909</b>	<b>202,226</b>	<b>965</b>	<b>284,100</b>	<b>279,271</b>
<b>TOTAL FUNDS C/F AT 31 MARCH 2015</b>		<b>79,517</b>	<b>203,542</b>	<b>991</b>	<b>284,050</b>	<b>284,100</b>

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**  
**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES**  
**(Continued)**

		2015				
		Unrestricted Funds	Restricted Funds	Endowment Fund	Total 2015	Total 2014
	Note	£'000	£'000	£'000	£'000	£'000
<b>TOTAL FUND BALANCES MADE UP BY</b>						
General Fund	22	681	-	-	681	1,085
Capital Assets Fund	22	78,370	-	-	78,370	78,698
General Fund Revaluation Reserve	22	-	4,412	-	4,412	4,458
General Fund Capital Reserve	22	-	30,580	-	30,580	30,580
Donated Asset Reserve	22	-	164,464	-	164,464	163,482
Trust Funds and Bequests (includes Purchase Fund)	22	466	4,086	991	5,543	5,797
<b>TOTAL FUND BALANCES</b>		<b>79,517</b>	<b>203,542</b>	<b>991</b>	<b>284,050</b>	<b>284,100</b>

All recognised gains and losses have been included with the Statement of Financial Activities. All activities are classed as continuing.

There is no material difference between the profit on ordinary activities before taxation and the profit for the financial year stated above and their historic costs equivalents.

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**  
**CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed Assets</b>			
Intangible Assets	15	11	27
Tangible Assets	13	94,573	96,150
Heritage Assets	14	184,384	182,542
Investments	16	4,506	4,211
		<u>283,474</u>	<u>282,930</u>
<b>Current Assets</b>			
Stocks	17	521	469
Debtors: amounts falling due within one year	18	1,694	1,279
Cash at Bank and in hand	19	3,496	3,591
		<u>5,711</u>	<u>5,339</u>
<b>Creditors: amounts falling due within one year</b>	20	(5,109)	(4,134)
<b>Net Current Assets</b>		<u>602</u>	<u>1,205</u>
<b>Total Assets less Current Liabilities</b>		<u>284,076</u>	<u>284,135</u>
<b>Provisions for liabilities and charges</b>	21	(26)	(35)
<b>Total Assets</b>		<u>284,050</u>	<u>284,100</u>
<b>Represented by:</b>			
<b>Unrestricted Reserves</b>			
Designated	23	79,417	80,809
Undesignated	23	100	100
<b>Restricted Reserves</b>	23	203,542	202,226
<b>Total Funds</b>		<u>283,059</u>	<u>283,135</u>
<b>Capital Funds – Permanent Endowments</b>	23	991	965
<b>Total Charity Funds</b>		<u>284,050</u>	<u>284,100</u>

The Accountable Officer approved these financial statements on pages 25 to 30, including the notes on pages 33 to 58 for issue on 7 September 2015.

  
Sir John Leighton, Accountable Officer  
7 September 2015

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

**CONSOLIDATED CASH FLOW STATEMENT**

	Note	2015 £'000	2014 £'000
<b>Net cash outflow from operating activities</b>	<b>24</b>	<b>(10,484)</b>	<b>(16,667)</b>
<b>Return on investments and servicing of finance</b>			
Interest and investment income received	10	224	729
<b>Net cash inflow from returns on investments and servicing of finance</b>		<u>224</u>	<u>729</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire artworks	14	(1,837)	(5,604)
Payments to acquire tangible and intangible fixed assets	13,15	(749)	(1,549)
Grants to NGS Foundation		(650)	(4,200)
Payments for other items for the collections		-	(50)
<b>Net cash outflow from capital expenditure</b>		<u>(3,236)</u>	<u>(11,403)</u>
<b>Net cash outflow before financing</b>		<u>(13,496)</u>	<u>(27,341)</u>
<b>Financing:</b>			
Grant-in-aid – running costs	8	12,025	11,935
Purchase fund for artworks	8	-	200
Grant-in-aid – capital	8	-	1,025
Foundation Funding for Fixed Assets		448	-
ARTIST ROOMS		229	695
Donations - Artworks		697	3,922
Sale of Fixed Assets (Investments – 2014)		2	200
<b>Net cash (outflow) / inflow from financing</b>		<u>13,401</u>	<u>17,977</u>
<b>Decrease in cash balances</b>		<u>(95)</u>	<u>(9,364)</u>
<b>Analysis of changes in net funds in year</b>		<b>2015 £'000</b>	<b>2014 £'000</b>
Cash at Bank and in hand as at 1 April 2014		3,591	12,955
Net cash (outflow) / inflow		(95)	(9,364)
<b>Cash at Bank and in hand as at 31 March 2015</b>	<b>19</b>	<u><b>3,496</b></u>	<u><b>3,591</b></u>

*The notes on pages 33 – 58 form part of the financial statements*

**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

**INCOME AND EXPENDITURE ACCOUNT**

		2015 £'000	2014 £'000
<b>INCOME</b>	<b>Note</b>		
Gross income from grant-aided activities	9	5,025	4,406
Gift Aid from Subsidiary	26	276	211
<b>Total Income</b>		<u>5,301</u>	<u>4,617</u>
<b>EXPENDITURE</b>			
Staff costs	11	9,533	9,068
Depreciation and permanent diminution in value	13,15	2,287	2,432
Release from Capital Assets Fund	22	(337)	(317)
Release from Donated Asset Reserve	22	(1,298)	(1,319)
Other operating charges	12	6,754	6,999
Release from Donated Assets Reserve – Scottish National Portrait Gallery	22	-	(23)
<b>Total Operating Expenditure</b>		<u>16,939</u>	<u>16,840</u>
<b>Excess of Expenditure over Income</b>		<b>(11,638)</b>	<b>(12,223)</b>
Investment and other income	10	441	726
<b>Excess of Expenditure over Income for the financial year transferred to reserves</b>		<u><b>(11,197)</b></u>	<u><b>(11,497)</b></u>

*The notes on pages 33 – 58 form part of the financial statements*



**NATIONAL GALLERIES OF SCOTLAND**  
**FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

**BALANCE SHEET AS AT 31 MARCH 2015**

	Note	2015 £'000	2014 £'000
<b>Fixed Assets</b>			
Intangible Assets	15	11	27
Tangible Assets	13	94,550	96,126
Heritage Assets	14	184,384	182,542
Investments	16	4,506	4,211
		<u>283,451</u>	<u>282,906</u>
<b>Current Assets</b>			
Stocks	17	-	-
Debtors: amounts falling due within one year	18	2,145	1,578
Cash at Bank and in hand	19	3,056	3,211
		<u>5,201</u>	<u>4,789</u>
<b>Creditors: amounts falling due within one year</b>	20	(4,941)	(3,998)
<b>Net Current Assets</b>		<u>260</u>	<u>791</u>
<b>Debtors: amounts falling due after one year</b>	18	365	438
<b>Total Assets less Current Liabilities</b>		<u>284,076</u>	<u>284,135</u>
<b>Provisions for liabilities and charges</b>	21	(26)	(35)
<b>Total Assets</b>		<u>284,050</u>	<u>284,100</u>
<b>Represented by:</b>			
Unrestricted Reserves			
Designated	23	79,417	80,809
Undesignated	23	100	100
Restricted Reserves	23	203,542	202,226
<b>Total Funds</b>		<u>283,059</u>	<u>283,135</u>
<b>Capital Funds – Permanent Endowments</b>	23	991	965
<b>Total Charity Funds</b>		<u>284,050</u>	<u>284,100</u>

The Accountable Officer approved these financial statements on pages 31 to 32, including the notes on pages 33 to 58 for issue on 7 September 2015.

  
**Sir John Leighton, Accountable Officer**  
 7 September 2015

*The notes on pages 33 – 58 form part of the financial statements*

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **1 ACCOUNTING POLICIES**

##### **a) Basis of Accounting**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of fixed assets and the inclusion of investments at market value, in accordance with directions given by the Scottish Ministers with the consent of the Treasury under paragraph 8(3) of Schedule 1 forming part of Section 17 of the National Heritage (Scotland) Act 1985.

The company financial statements include the activities and balances of NGS grant-aided activities and its Trust Funds and Bequests, which are under the control of the Board of Trustees.

Without limiting the information given, the financial statements meet the requirements of the Companies Act 2006 and applicable Accounting Standards in the United Kingdom, issued or adopted by the Accounting Standards Board so far as they are appropriate, including the Charities Statement of Recommended Practice (SORP 2005), and the Charities Accounts (Scotland) Regulations 2006 and Charities and Trustee Investment (Scotland) Act 2005.

Accounting policies have been consistently applied in these financial statements.

##### **b) Going Concern Basis**

The financial statements have been prepared on the going concern basis. The anticipated income from government grant and self-generated income will be sufficient to meet NGS' on-going expenses.

##### **c) Basis of Consolidation**

The financial statements consolidate those of NGS and its subsidiary company, NGS Trading Company Limited. The financial statements are consolidated on a line by line basis for assets and liabilities.

A separate Statement of Financial Activities for NGS is not presented, as NGS has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 397 of SORP 2005.

##### **d) Tangible Fixed Assets**

Tangible fixed assets are stated at historic purchase cost less accumulated depreciation, except in the case of land and buildings where assets are revalued every five years and are shown at revalued cost less accumulated depreciation.

- i) NGS acquired the title to the Scottish National Gallery and the Royal Scottish Academy, both on the Mound, Edinburgh, from the Scottish Ministers on 21 February 2001. Construction work on the Weston Link was completed in July 2004 and the building transferred to NGS in August 2004. The title to the Scottish National Portrait Gallery administered by the Trustees remains with the Scottish Ministers. However, under Financial Reporting Standard 5, this building has been valued and included on the Balance Sheet. The Scottish National Gallery of Modern Art (Modern One) and its associated lodges were gifted to NGS in March 2005 by the Art Galleries of Scotland Foundation. The Scottish National Gallery of Modern Art (Modern Two) is held on a 125-year lease at £1 per annum, which commenced on 28 April 1995. The Bridge Lodge is owned by NGS.
- ii) The methods of valuation for specialised buildings for which there is effectively no market price is depreciated replacement cost. A formal revaluation is carried out every five years in line with the review of fixed assets to ensure fitness for purpose.

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **1 ACCOUNTING POLICIES (continued)**

- iii) Buildings are revalued using depreciated replacement cost. Any buildings not formally revalued at a year-end are revalued at depreciated replacement cost, by the use of appropriate cost indices applied to historic cost.

Non-specialised use buildings (e.g. the lodge buildings at the Scottish National Gallery of Modern Art) have been valued at existing use value.

Assets acquired from grant-in-aid are capitalised in the financial statements and are depreciated on a straight line basis over their estimated useful lives at rates calculated to write off the cost or valuation of each asset as follows:

Land	not depreciated
Buildings and improvements	up to 49 years
Assets under construction	not depreciated
Office Equipment and Computing	4 years
Fixtures and fittings	6 years
Vehicles	4 years

Assets valued below £5,000 are not capitalised, with the exception of Artwork purchases.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

#### **e) Heritage Assets**

- i) In line with the requirements of the Government Financial Reporting Manual (FReM), additions to the collections of NGS from 1 April 2000 have been capitalised at purchase price or value of the acquisition where such a value is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives. Expenditure to conserve the works is included under charitable activities in the SoFA.
- ii) The gallery collections are defined as non-operational heritage assets. The collection existing at 31 March 2000 has not been capitalised and the Trustees do not consider that the cost of valuing this part of the collection is commensurate with the benefits to the users of the financial statements.
- iii) Capitalised gallery collection items are valued at cost or value of the acquisition. Where the acquisition is part donation, part purchase the asset is capitalised at current value on receipt. These items are not depreciated or revalued as a matter of routine as the assets are deemed to have indeterminable lives.
- iv) Works donated by third parties by way of funds for the asset are capitalised at current value on receipt.

#### **f) Intangible Assets**

Intangible fixed assets are stated at historic purchase cost less accumulated depreciation.

Intangible assets acquired are capitalised in the financial statements and are amortised on a straight line basis over their estimated useful lives, as follows:

Computer Software	4 years
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## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **1 ACCOUNTING POLICIES (continued)**

##### **g) Incoming Resources**

Income is accounted for on a receivable basis. Revenue grant-in-aid is credited to the General Fund in the year in which it is received. Incoming resources such as exhibition sponsorship are treated as deferred income when received in advance. As required by the Charities SORP 2005, all incoming resources are accounted for in the Statement of Financial Activities. All grant-in-aid is shown in the Statement of Financial Activities, and that portion which is deemed as capital by the Scottish Government is transferred to the Capital Assets Fund (formerly the Deferred Grant Reserve), and released over the lifetime of the asset to offset asset depreciation.

The purchase grant is used to purchase additions to the gallery collections, which since 1 April 2000 have been capitalised.

Donations of fixed assets and cash, which are applied to capital expenditure, are credited to the donated asset reserve (at market value in the case of non-cash items) and are amortised over the expected useful lives of the assets acquired.

Legacy income is regarded as receivable when the conditions for its receipt have been met.

Receipts from grant awarding trusts are credited to income in the year in which they are receivable. Any portion which is applied to capital expenditure is credited to the donated assets reserve and amortised over the expected useful lives of the assets acquired and released to the Income and Expenditure Account over the corresponding period.

##### **h) Resources Expended**

All expenditure has been accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to our main activities.

Charitable expenditure comprises those costs incurred in the delivery of our activities and services. It included both costs which can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

Governance costs include those costs associated with meeting our constitutional and statutory requirements and include audit fees and costs linked to strategic management.

Support costs are those which are necessary to deliver an activity but do not themselves produce the output of the charitable activity. They include the central office functions such as human resources, finance, information technology and administration. Expenditure incurred on support costs has been apportioned to our activities on a per capita basis.

##### **i) Subsidiary Company**

National Galleries of Scotland owns the share capital of one subsidiary company, NGS Trading Company Limited.

##### **j) Investments**

NGS Trust Funds and Bequests have listed investments from which income is derived and used to meet the specific objects of the funds. These investments are shown at market value in accordance with the Charities Statement of Recommended Practice (SORP 2005). The investment policy is determined as part of the Trustees' Treasury Management Policy. An annual review of investment strategy forms part of this policy.

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **1 ACCOUNTING POLICIES (Continued)**

##### **k) Pensions**

Pension arrangements are described in Remuneration Report, included in the Trustees' Annual Report. Pension contributions payable by NGS are expensed as incurred. Note 11 provides further details on the pension arrangements.

##### **l) Stocks**

Stocks are valued at the lower of cost or net realisable value. Cost valuation is based on a FIFO basis.

Where goods are identified as slow moving or damaged and their realisable value is lower than cost, write downs are made against those specific lines.

##### **m) Taxation**

The Board of Trustees has been granted charitable status by HM Revenue and Customs. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged in the Income and Expenditure Account.

The taxable profits of NGS Trading Company Limited are paid to NGS under Gift Aid rules.

##### **n) Leases**

Leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

##### **o) Deferred Income**

Incoming resources relating to the future provision of services are deferred until the services are provided and entitlement to the income is earned.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

2 ANALYSIS OF INCOME FROM GENERATED FUNDS	GROUP 2015 £'000	GROUP 2014 £'000
<b>Voluntary Income</b>		
Grant-in-aid	12,025	11,935
ARTIST ROOMS	229	695
Major Projects	448	1,025
Gifts and Donations	3,017	5,352
Sponsorship	596	394
Other	110	135
<b>Total Voluntary Income</b>	<b>16,425</b>	<b>19,536</b>
<b>Activities for Generating Funds</b>		
Sale of goods	2,042	1,962
Sponsorships	101	125
Other	-	1
<b>Total Activities for Generating Funds</b>	<b>2,143</b>	<b>2,088</b>
<b>Investment Income</b>		
Dividends	136	132
Interest	13	56
<b>Total Investment Income</b>	<b>149</b>	<b>188</b>

## 3 ANALYSIS OF INCOME FROM CHARITABLE ACTIVITIES

	Exhibitions and Education	Conserve and Add to Collections	Estates Manage ment	Audience Developm ent	GROUP 2015 £'000	GROUP 2014 £'000
<b>Funding from Statutory authorities</b>						
Grant-in-Aid for Purchase Fund	-	-	-	-	-	200
<b>Total Statutory Funding</b>	-	-	-	-	-	<b>200</b>
<b>Other Funding received for Charitable Activities</b>						
Exhibition admission fees	239	-	-	-	239	454
Income from Loans Out	-	29	-	-	29	113
Educational Events	-	-	-	139	139	104
Other	-	-	-	288	288	313
<b>Total Other Funding</b>	<b>239</b>	<b>29</b>	<b>-</b>	<b>427</b>	<b>695</b>	<b>984</b>
<b>Total Incoming Resources from Charitable Activities</b>	<b>239</b>	<b>29</b>	<b>-</b>	<b>427</b>	<b>695</b>	<b>1,184</b>

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 4 ANALYSIS OF OTHER INCOMING RESOURCES

	GROUP 2015 £'000	GROUP 2014 £'000
Income from touring exhibitions	-	46
Other income from grant aided activities	234	402
<b>Total Other Income</b>	<b>234</b>	<b>448</b>

### 5 ANALYSIS OF TOTAL RESOURCES EXPENDED

	Direct Costs £'000	Support Costs £'000 Note 7	GROUP Total 2015 £'000	GROUP Total 2014 £'000
<b>Direct Charitable Expenditure</b>				
Exhibitions and Education	6,022	1,523	7,545	7,787
Conserve and Add to Collections	3,729	1,363	5,092	6,128
Estates Management	3,188	321	3,509	4,714
Audience Development	1,734	802	2,536	3,548
<b>Activities to carry out our main objectives</b>	<b>14,673</b>	<b>4,009</b>	<b>18,682</b>	<b>22,177</b>

The charitable activities allow the delivery of our key objectives as set out in the Trustees Report.

	Direct Costs £'000	Support Costs £'000	GROUP Total 2015 £'000	GROUP Total 2014 £'000
<b>Costs of Generating Funds</b>				
Costs of raising voluntary income	552	-	552	541
Costs of NGS Trading Company Limited	771	-	771	858
<b>Total Costs of Generating Funds</b>	<b>1,323</b>	<b>-</b>	<b>1,323</b>	<b>1,399</b>
Governance Costs (Note 6)	38	-	38	38
<b>Total Resources Expended</b>	<b>16,034</b>	<b>4,009</b>	<b>20,043</b>	<b>23,614</b>

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

6 GOVERNANCE COSTS	GROUP 2015 £'000	GROUP 2014 £'000
Governance and professional support for Trustees	5	10
External audit	32	28
<b>Total Governance Costs</b>	<b>38</b>	<b>38</b>

Governance and professional support for Trustees represents the internal costs of strategic planning and providing legal and other professional support to trustees.

## 7 ALLOCATION OF SUPPORT COSTS – GROUP

	Charitable Activities							
	Exhibitions and Education	Conserve and Add to Collections	Estates Managem ent	Audience Developm ent	Total Allocated to Charitable Activities	Allocated to Generating Funds	Total 2015	Total 2014
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Finance	188	168	39	99	494	-	494	642
HR	134	119	28	70	351	-	351	395
Planning and Performance	141	127	30	74	372	-	372	379
IT	192	172	40	101	505	-	505	682
Depreciation	869	778	183	457	2,287	-	2,287	2,432
<b>Total</b>	<b>1,524</b>	<b>1,364</b>	<b>320</b>	<b>801</b>	<b>4,009</b>	<b>-</b>	<b>4,009</b>	<b>4,530</b>

Support costs have been allocated on a per capita basis, except for depreciation which is allocated equally over each support area.

8 GRANT-IN-AID	GROUP & NGS 2015 £'000	GROUP & NGS 2014 £'000
<b>Grant-in-aid received</b>		
Running costs	12,025	11,935
Capital Projects	-	1,025
Purchase Grant	-	200
<b>Total Grant-in-aid received</b>	<b>12,025</b>	<b>13,160</b>
<b>Allocated to:</b>		
General Fund	12,025	11,935
Capital Assets Fund	-	1,025
Purchase Fund	-	200
	<b>12,025</b>	<b>13,160</b>



# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

9 GROSS INCOME FROM GRANT AIDED ACTIVITIES	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
Sale of National Gallery publications	-	122	-	47
Exhibition Admission Fees	240	240	454	454
Sponsorship	698	698	100	100
Other income	3,095	3,965	2,967	3,805
	<u>4,033</u>	<u>5,025</u>	<u>3,521</u>	<u>4,406</u>

Sponsorship income includes £500k of grants from the NGS Foundation in support of the Public Programme, Education activities and the Gallery Bus. Other income for the group and NGS in 2015 includes a donation of £513k from the Henry & Sula Walton Fund for the purchase of artworks and a grant of £548k from NGS Foundation in support of the Generation Exhibition. NGS other income also includes £870k (2012-13 £838k) recharged to the NGS Trading Company for services provided during the year.

### 10 INVESTMENT AND OTHER INCOME

	Endowment Funds £'000	Restricted Funds £'000	Unrestricted Funds £'000	NGS Total 2015 £'000	NGS Total 2014 £'000
Dividend income	27	104	5	136	131
Bank interest	-	-	10	10	54
Realised Gain on investment	15	58	2	75	541
Unrealised Gain on investment	42	171	7	220	-
<b>Total</b>	<u>84</u>	<u>333</u>	<u>24</u>	<u>441</u>	<u>726</u>

	Endowment Funds £'000	Restricted Funds £'000	Unrestricted Funds £'000	GROUP Total 2015 £'000	GROUP Total 2014 £'000
Dividend income	27	104	5	136	131
Bank interest	-	-	13	13	57
Realised Gain on investment	15	58	2	75	541
Unrealised Gain on investment	42	171	7	220	-
<b>Total</b>	<u>84</u>	<u>333</u>	<u>27</u>	<u>444</u>	<u>729</u>

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

11 TRUSTEES REMUNERATION AND STAFF COSTS	GROUP & NGS 2015 £'000	GROUP & NGS 2014 £'000
<b>Staff Costs during the year</b>		
Wages and Salaries	7,722	7,376
Social Security Costs	500	507
Other Pension Costs	1,311	1,185
Early Retirement Costs	-	-
Accounted for in grant aided activities	<u>9,533</u>	<u>9,068</u>

The number of NGS employees, including the Director General, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	GROUP & NGS 2015	GROUP & NGS 2014
£60,000 - £69,999	4	4
£70,000 - £79,999	2	3
£80,000 - £89,999	1	-
£90,000 - £99,999	-	-
£100,000 - £109,999	1	1

### Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but National Galleries of Scotland is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2014-15, employers' contributions of £1,752,638 were payable to the PCSPS (2013-14 £1,135,298) at one of four rates in the range 16.7% to 24.3% of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2014-15 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £30,516 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5% of pensionable pay. Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £1,531, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £3,157. Contributions prepaid at that date were nil.

# **NATIONAL GALLERIES OF SCOTLAND**

## **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

### **11 TRUSTEES REMUNERATION AND STAFF COSTS (Continued)**

The average number of full time equivalent employees employed by NGS and the Group were as follows:

	<b>GROUP 2015 Permanent Number</b>	<b>GROUP 2015 Temporary Number</b>	<b>Restated GROUP 2014 Permanent Number</b>	<b>Restated GROUP 2014 Temporary Number</b>
Security and Visitor Services	119	16	120	9
Gallery curatorial and administration	39	5	36	4
Service departments	46	4	44	5
Central administration	31	9	33	6
Revenue earning activities	25	9	25	7
	<b>260</b>	<b>43</b>	<b>258</b>	<b>31</b>

	<b>NGS 2015 £</b>	<b>NGS 2014 £</b>
Trustees Remuneration	-	-

### **The Trustees received reimbursement of expenses as below**

	<b>£'000</b>	<b>£'000</b>
Total amount of travel expenses reimbursed	2	2
	<b>Number</b>	<b>Number</b>
Number of Trustees receiving reimbursement	3	4

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 12 ANALYSIS OF OTHER OPERATING CHARGES

	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
Staff Travel	115	109	128	121
Rates	149	149	85	85
Operating lease Rentals	84	84	107	107
Fuel and Utilities	542	542	541	541
Repairs, Renewals and Maintenance of buildings	1,894	1,894	2,018	2,018
Conservation and Restoration	78	78	106	106
Transport	585	583	761	757
Library and Photography	84	82	103	83
Printing and Promotion	747	731	633	608
Design and Display	395	367	253	239
External Audit Fee – NGS	28	28	22	22
External Audit Fee – Subsidiary	6	-	6	-
Other Professional Fees	447	403	342	295
Office Costs and Consumables	73	65	85	75
IT and Communications	458	458	539	539
Training and Recruitment	64	64	65	63
Scottish National Portrait Gallery Project Costs	-	-	23	23
Lecture Fees	139	139	138	138
Other Education Costs	107	107	214	214
Cleaning	148	148	172	172
Shared Service Costs	31	31	20	20
Contracted Staff	251	251	286	283
Cost of Sales	632	-	697	-
General Expenses	468	441	521	490
	<u>7,525</u>	<u>6,754</u>	<u>7,865</u>	<u>6,999</u>

Operating charges include costs relating to the exhibition programme and are not directly comparable year on year.

The operating charges also include costs relating to the Digitisation and Generation projects.

Cost savings measures were implemented during the financial year and these measures are reflected in reductions in several cost categories.

Operating lease rentals are all in respect of building rentals.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 13 TANGIBLE ASSETS

#### GROUP

#### COST OR VALUATION

At 1 April 2014  
 Opening Balance adjustment \*  
 Additions during year  
 Disposals  
 Transfers  
 Revaluation  
 Indexation  
 At 31 March 2015

Land and Buildings	Assets Under Construction	Office Equipment and Computing	Fixtures and Fittings	Vehicles	Total
£'000	£'000	£'000	£'000	£'000	£'000
97,861	47	1,655	3,671	102	103,336
-	-	-	-	-	-
1	291	90	353	14	749
-	-	-	-	(10)	(10)
-	-	-	-	-	-
(49)	-	-	-	-	(49)
97,813	338	1,745	4,024	106	104,026

#### ACCUMULATED DEPRECIATION

At 1 April 2014  
 Opening Balance adjustment \*  
 Charge for the year  
 Disposals  
 Transfers  
 Revaluation  
 Indexation  
 At 31 March 2015

Land and Buildings	Assets Under Construction	Office Equipment and Computing	Fixtures and Fittings	Vehicles	Total
£'000	£'000	£'000	£'000	£'000	£'000
3,274	-	1,421	2,423	68	7,186
(2)	-	-	-	-	(2)
1,635	-	149	478	15	2,277
-	-	-	-	(8)	(8)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,907	-	1,570	2,901	75	9,453

#### NET BOOK VALUE

At 31 March 2015

92,906	338	175	1,123	31	94,573
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At 31 March 2014

94,587	47	234	1,248	34	96,150
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\*restated from prior year

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 13 TANGIBLE ASSETS (Continued)

#### NGS

#### COST OR VALUATION

	Land and Buildings	Assets Under Construction	Office Equipment and Computing	Fixtures and Fittings	Vehicles	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 April 2014	97,861	47	1,643	3,655	102	103,308
Opening Balance adjustment *	-	-	-	-	-	-
Additions during year	1	291	85	353	14	744
Disposals	-	-	-	-	(10)	(10)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Indexation	(49)	-	-	-	-	(49)
At 31 March 2015	97,813	338	1,728	4,008	106	103,993

#### ACCUMULATED DEPRECIATION

At 1 April 2014	3,274	-	1,422	2,418	68	7,182
Opening Balance adjustment *	(2)	-	-	-	-	(2)
Charge for the year	1,635	-	146	475	15	2,271
Disposals	-	-	-	-	(8)	(8)
Revaluation	-	-	-	-	-	-
Indexation	-	-	-	-	-	-
At 31 March 2015	4,907	-	1,568	2,893	75	9,443

#### NET BOOK VALUE

At 31 March 2015	92,906	338	160	1,115	31	94,550
At 31 March 2014	94,587	47	221	1,237	34	96,126

\*restated from prior year

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

#### **13 TANGIBLE ASSETS (Continued)**

All buildings were valued by District Valuer Services at 1 April 2012, and revalued at 31 March 2013 using appropriate indices. The valuations have been undertaken in accordance with Royal Institute of Chartered Surveyors (RICS) Valuation Standard 8th Edition on a Depreciated Replacement Cost basis for buildings of a specialised nature and on the basis of Open Market Value or existing use for other buildings.

Valuations provided by the District Valuer are as follows:

#### **31 March 2013**

• Scottish National Gallery	£16,970,150
• Scottish National Portrait Gallery	£15,930,540
• Scottish National Gallery of Modern Art (Modern Two) and Lodges	£11,499,780
• Granton Art Store	£1,150,000
• Scottish National Gallery of Modern Art (Modern One) and Lodges	£20,922,300
• Weston Link	£17,223,740
• Royal Scottish Academy	£8,608,260

As at 31 March 2015, BCIS indices supplied by the District Valuer were applied to revalue the estate.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 14 HERITAGE ASSETS – GROUP AND NGS

	£'000
<b>COST OR VALUATION</b>	
At 1 April 2014	182,542
Additions during year	1,842
At 31 March 2015	<u>184,384</u>

Government Financial Reporting Manual guidelines require that the additions to the gallery collections after 1 April 2000 should be treated as non-operational heritage assets.

Capitalised gallery collection items are valued at cost or value of the acquisition. Where the acquisition is part donation, part purchase the asset is capitalised at current value on receipt.

Works donated by third parties by way of funds for the asset are capitalised at current value on receipt.

#### Five year financial summary of acquisitions

	2015 £'000	2014 £'000	2013 £'000	2012 £'000	2011 £'000
Donated assets and acquisitions funded by donations	1,833	5,380	6,125	15,841	435
Other acquisitions	9	224	1,044	596	2,956
<b>Total cost/value of acquisitions</b>	<b>1,842</b>	<b>5,604</b>	<b>7,169</b>	<b>16,437</b>	<b>3,391</b>

Significant acquisitions over the last five years include:

*Diana and Callisto* by Titian which was acquired jointly with the National Gallery 2012

The Henry and Sula Walton collection, bequeathed in 2012 to the Scottish National Gallery

Flower Still Life with Bird's Nest by Jan van Huysum which was accepted by HM Government in lieu of Inheritance Tax and allocated to the Scottish National Gallery in 2013



# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 15 INTANGIBLE ASSETS – GROUP AND NGS

	Computer Software £'000
<b>COST OR VALUATION</b>	
At 1 April 2014	185
Additions during year	-
Disposals	-
Revaluation	-
Cost at 31 March 2015	<u>185</u>
<b>ACCUMULATED AMORTISATION</b>	
At 1 April 2014	158
Charge for the year	16
Disposals	-
Revaluation	-
At 31 March 2015	<u>174</u>
<b>NET BOOK VALUE</b>	
At 31 March 2015	<u>11</u>
At 31 March 2014	<u>27</u>

16 INVESTMENTS	GROUP & NGS 2015 £'000	GROUP & NGS 2014 £'000
Market value at 1 April 2014	4,211	4,411
Transfer to NGS Foundation at nil proceeds	-	(741)
Sale of investments	(1,418)	(4,211)
Realised Gain	75	541
Purchased investments	1,484	4,084
Movement in Investments held as cash	(66)	127
Change in market value (Unrealised Gain)	220	-
<b>Market value at 31 March 2015</b>	<u><b>4,506</b></u>	<u><b>4,211</b></u>
Investments at cost	<u>4,206</u>	<u>4,211</u>

Investments are managed by Cornelian Assets Managers Limited and are a mixture of investment types. The mix of investment types as at 31 March 2015 is detailed below:

Asset Class	Percentage of Total Portfolio
Fixed Interest	18.2
UK Equities	40.2
International Equities	23.7
Other Assets	16.5
Cash	1.4

The directors believe that the carrying value of the investments is supported by their underlying net assets.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

17 STOCKS	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
Goods held for resale	522	-	492	-
Provision	(1)	-	(23)	-
<b>Net book value of goods held for resale</b>	<b>521</b>	<b>-</b>	<b>469</b>	<b>-</b>

NGS Trading Company Limited values stock at the lower of cost or net realisable value. A provision of £1k has been made on stock held at 31 March 2015 (2014 £23k) after a review of the stock value based on an assessment of net realisable value of the stock held.

18 DEBTORS	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
<b>Amounts falling due within one year:</b>				
Trade Debtors	348	259	103	56
Amounts owed by Group undertakings	-	73	-	73
Other Debtors	960	1,484	628	948
VAT Debtor	294	294	437	437
Prepayments	92	35	111	64
	<b>1,694</b>	<b>2,145</b>	<b>1,279</b>	<b>1,578</b>

### Amounts falling due after more than one year:

Amounts owed by Group undertakings	-	365	-	438
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Other debtors due after more than one year represent amounts due by NGS Trading Company Limited in respect of the loan of £730k made by NGS Charity in 2011. This loan is repayable in 10 equal installments, with the last repayment to be made in March 2021. Interest is charged on the loan at base plus 0.5%.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

Balances due from other bodies within the boundary set for the Whole of Government Accounts included in Debtors above:

	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
<b>Amounts falling due within one year:</b>				
Local Government	-	-	5	5
Central Government	299	299	643	643
NHS Bodies	-	-	-	-
Public Bodies	-	-	-	-
External to Government	1,395	1,846	631	930
<b>Total</b>	<b>1,694</b>	<b>2,145</b>	<b>1,279</b>	<b>1,578</b>

### Amounts falling due after more than one year:

Local Government	-	-	-	-
Central Government	-	-	-	-
NHS Bodies	-	-	-	-
Public Bodies	-	-	-	-
External to Government	-	365	-	438
<b>Total</b>	<b>-</b>	<b>365</b>	<b>-</b>	<b>438</b>

### 19 CASH AT BANK AND IN HAND

	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
Cash at bank	3,496	3,056	3,585	3,211
Cash in hand	-	-	6	-
<b>Cash at Bank and in hand</b>	<b>3,496</b>	<b>3,056</b>	<b>3,591</b>	<b>3,211</b>

### 20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
Trade Creditors	678	635	865	828
Other Creditors	1,614	1,614	304	306
	<b>2,292</b>	<b>2,249</b>	<b>1,169</b>	<b>1,134</b>
Other Taxation and Social Security	237	237	375	375
Accruals	1,949	1,824	2,262	2,161
Deferred Income	631	631	328	328
	<b>5,109</b>	<b>4,941</b>	<b>4,134</b>	<b>3,998</b>

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

Balances due to other bodies within the boundary set for the Whole of Government Accounts included in creditors above:

	GROUP 2015 £'000	NGS 2015 £'000	GROUP 2014 £'000	NGS 2014 £'000
<b>Amounts falling due within one year:</b>				
Local Government	6	6	-	-
Central Government	529	529	622	622
NHS Bodies	-	-	-	-
Public Bodies	-	-	-	-
External to Government	4,574	4,406	3,512	3,376
<b>Total</b>	<u>5,109</u>	<u>4,941</u>	<u>4,134</u>	<u>3,998</u>

### 21 PROVISIONS

	GROUP & NGS 2015 £'000	GROUP & NGS 2014 £'000
As at 1 April	35	41
Charged in year	-	4
Released in year	(9)	(10)
	<u>26</u>	<u>35</u>

A provision of £26k (2014: £35k) has been made for voluntary exit costs, £9k to be paid within one year and the remainder over the next 3 years. The provision is based on a number of identified posts where post holders left under the voluntary exit schemes in 2010-11 and 2011-12. The provision has been calculated in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

The total provision includes £17k which is due after more than one year (2013/14 £22k).

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 22 CONSOLIDATED RESERVES – MOVEMENTS

	General Fund	Capital Assets Fund	General Fund Revaluation Reserve	General Fund Capital Reserve	Donated Asset Reserve	Purchase Funds	Trust Funds and Bequests	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Opening balance 1 April 2014</b>	<b>1,085</b>	<b>78,698</b>	<b>4,459</b>	<b>30,580</b>	<b>163,481</b>	<b>24</b>	<b>5,773</b>	<b>284,100</b>
Deficit for the year	(11,197)	-	-	-	-	-	-	(11,197)
Government Funding and Donation	12,025	-	-	-	-	-	-	12,025
Revaluation Gains on Investments	-	-	-	-	-	-	295	295
Dividend Income	-	-	-	-	-	-	136	136
Indexation Loss	-	-	(47)	-	-	-	-	(47)
Depreciation Release To Income and Expenditure	-	(337)	-	-	(1,298)	-	-	(1,635)
Heritage Assets Donated in Year	-	-	-	-	1,777	-	56	1,833
NGSF funded Assets	-	-	-	-	448	-	-	448
Other donations and transfers	(1,232)	-	-	-	56	-	(732)	(1,908)
Transfers between reserves	-	9	-	-	-	(9)	-	-
<b>Closing balance 31 March 2015</b>	<b>681</b>	<b>78,370</b>	<b>4,412</b>	<b>30,580</b>	<b>164,464</b>	<b>15</b>	<b>5,528</b>	<b>284,050</b>

Other donations and transfers includes investment income, Donated Asset receipts and release of historic reserves to the National Galleries of Scotland Foundation.

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 23 CONSOLIDATED RESERVES – BALANCE SHEET CLASSIFICATION

	Opening Balance 1 April 2014	Transfers	Income	Expenditure	Loss on Revaluation	Gain/(Loss) on Investments	Closing Balance 31 March 2015
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Unrestricted</b>							
Designated – Capital Assets Fund	78,698	(328)	-	-	-	-	78,370
Designated – Other	2,111	383	17,289	(18,745)	-	9	1,047
Undesignated Funds	100	-	-	-	-	-	100
<b>Total unrestricted funds</b>	<b>80,909</b>	<b>55</b>	<b>17,289</b>	<b>(18,745)</b>	<b>-</b>	<b>9</b>	<b>79,517</b>
<b>Restricted</b>							
Revaluation Reserve	4,459	-	-	-	(47)	-	4,412
Trust Funds	3,706	47	104	-	-	229	4,086
Donated assets	163,481	56	2,225	(1,298)	-	-	164,464
General Fund Capital Reserve	30,580	-	-	-	-	-	30,580
<b>Total restricted funds</b>	<b>202,226</b>	<b>103</b>	<b>2,329</b>	<b>(1,298)</b>	<b>(47)</b>	<b>229</b>	<b>203,542</b>
<b>Endowments</b>							
	965	(59)	28	-	-	57	991
<b>Total Funds</b>	<b>284,100</b>	<b>99</b>	<b>19,646</b>	<b>(20,043)</b>	<b>(47)</b>	<b>295</b>	<b>284,050</b>

## NATIONAL GALLERIES OF SCOTLAND

### NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

#### 23 CONSOLIDATED RESERVES – BALANCE SHEET CLASSIFICATION (Continued)

The accounts comprise a number of individual funds that divide into distinct categories, which are defined below.

Unrestricted Reserves comprise general funds and those designated for specified purposes.

##### Designated funds

Funds designated for a particular use by the Trustees. These include the Capital Assets Fund where grants received for capital expenditure projects from the Scottish Government in respect of the Scottish Gallery of Modern Art (Modern Two) Gallery, Playfair Project, *ARTIST ROOMS*, *Diana and Actaeon* by Titian purchase and Scottish National Portrait Gallery refurbishment.

During the year the Audit and Risk Committee reviewed the reserves policy and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding £100k (2013-14 £100k).

##### Restricted funds

Funds restricted for particular purposes either by the wishes of the donor or by the nature of the fund-raising appeal.

The Donated Assets Reserve includes funds received from third parties, including the Heritage Lottery Fund and the National Galleries of Scotland Foundation, for the Playfair Project, the purchase of artworks, including *ARTIST ROOMS* and *Diana and Actaeon* by Titian, the Scottish National Portrait Gallery refurbishment and the Development phase of the Scottish National Gallery Project. The Donated Asset Reserve is treated as a Restricted Fund under the Charities SORP 2005.

The General Fund Capital Reserve represents the valuation of those assets included in the Balance Sheet at 31 March 1998 under FRS 5 together with the RSA building shown at the 2001 transfer valuation of £6,467,000. The General Fund Capital Reserve is treated as a Restricted Fund under the Charities SORP 2005.

The revaluation reserve reflects the effect of revaluations of land and buildings over time. The reserve is restricted.

The restricted trust funds and the purpose for which their income may be applied are:

- |                             |   |
|-----------------------------|---|
| • Gibson Bequest            | Funds are restricted to purchases of artworks for the Scottish National Gallery of Modern Art.  |
| • Gulbenkian Award          | Funds are to be utilised for improvements to the Scottish National Gallery of Modern Art.   |
| • Treaty of Union           | Annuity to be used for purchase of works of art or for promoting exhibitions in Scotland.   |
| • Knapping Fund             | For the purchase for exhibition in England, Scotland and Wales of paintings in any medium, or sculpture, by artists of any nationality living at or within twenty-five years of the time of purchase. |
| • Cameron Fund              | For the purchase of works of art for any purpose in connection with NGS.  |
| • George Sutherland Bequest | To be used for capital projects at the Scottish National Gallery Complex.   |

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

- Olive Pollock Morris Bequest Funds are restricted to purchases of artworks for the Scottish National Gallery of Modern Art.
- Mary Legget Bowman Bequest Funds are restricted to purchases for the Scottish National Portrait Gallery.
- *ARTIST ROOMS* Fund For the purchase of works of art for the *ARTIST ROOMS* collection.

#### **Endowment funds**

Endowment funds are funds that the donor has stated are to be held as capital.

The endowment funds and the purpose for which their income may be applied are:

- AH Whittin Purchase Fund Income from the fund is restricted to purchase of portraits, with preference given to portraits of Queen Mary and other members of the Royal House of Stuart, for the Scottish National Portrait Gallery.
- Cowan Smith Fund Income available at the discretion of the Board for purchases of paintings, pictures and works of art for the Scottish National Gallery.
- Laird Fund Funds may only be used for maintenance of pictures.
- McDougall Fund Income shall be applied or accumulated and applied towards purchase of art, pictures or objects of art for the Scottish National Gallery.
- Michie Fund Income to be used for purchase of pictures of any British or other artist for NGS.
- Gray Bequest To be securely invested by the Board in order that the annual interest be applied to portraits of eminent deceased men and women born in Scotland, to be hung at the Scottish National Portrait Gallery.
- Scottish National Portrait Gallery Purchase Fund Income from the fund is restricted to purchases of portraits for the Scottish National Portrait Gallery.



# **NATIONAL GALLERIES OF SCOTLAND**

## **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

<b>24 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT</b>	<b>2015 £'000</b>	<b>2014 £'000</b>
<b>Reconciliation of Excess of Expenditure over Income to Net cash outflow from operating activities</b>		
Excess of expenditure over income per Consolidated Income and Expenditure Account	(11,641)	(12,226)
<b>Adjustments for Items not involving movement of funds</b>		
Depreciation charges	2,293	2,435
Amounts released from Capital Assets Fund in respect of depreciation	(337)	(317)
Amounts released from Donated Asset Reserve in respect of depreciation	(1,298)	(1,319)
Amounts released from Donated Asset Reserve in respect of Scottish National Portrait Gallery expenditure	-	(23)
Movement in Provisions	(9)	(6)
<b>Movement in working capital</b>		
Decrease / (Increase) in Stocks	(52)	1
Decrease / (Increase) in Operational Debtors	(415)	685
(Decrease) / Increase in Operational Creditors	975	(5,897)
<b>Net cash (outflow) from operating activities</b>	<b>(10,484)</b>	<b>(16,667)</b>

# NATIONAL GALLERIES OF SCOTLAND

## NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015

### 25 FINANCIAL COMMITMENTS – GROUP AND NGS

Annual commitments under operating leases, all of which relate to property rentals, are as follows:

	2015			2014		
	£'000 Land & Buildings	£'000 Other	£'000 Total	£'000 Land & Buildings	£'000 Other	£'000 Total
Leases expiring within one year	-	-	-	10	-	10
Leases expiring after one year but within five years	84	-	84	56	-	56
Leases expiring after five years	-	-	-	-	-	-
	<u>84</u>	<u>-</u>	<u>84</u>	<u>66</u>	<u>-</u>	<u>66</u>

### 26 SUBSIDIARY COMPANY

NGS Trading Company Limited, a company registered in Scotland, is a wholly-owned subsidiary of NGS, set up to promote and develop our commercial activities. The results for the year to 31 March are summarised in the following table:

	2015 £'000	2014 £'000
Turnover	2,042	1,962
Cost of sales	(754)	(744)
Administrative costs	(1,009)	(1,004)
Trading Profits from continuing operations	279	214
Gift Aid to National Galleries of Scotland	(276)	(211)
Profit after Gift Aid	3	3
Interest income	3	3
Interest Payable	(6)	(6)
Profit before Taxation	-	-
Taxation	-	-
Profit After Taxation reported in Consolidated Income and Expenditure Account	<u>-</u>	<u>-</u>

The Trustees believe the carrying value of this investment is supported by its underlying net assets.

NGS owns 100% of the £100 called-up share capital of NGS Trading Company Limited.

### 27 RELATED PARTY TRANSACTIONS

NGS is a non-departmental public body of the Scottish Government which is a related party. During the year, NGS had various material transactions with the Scottish Government. In addition NGS has had a number of transactions with other government departments, local government, non-departmental public bodies and similar organisations.

None of the Trustees, members of key management staff or other related parties has entered into any material transactions with NGS during the year.

NGS is the parent company of NGS Trading Company Limited. During the year, NGS had various material transactions with NGS Trading Company Limited. Sir John Leighton, Director-General and Michael Clarke, Director of the National Gallery are also directors of NGS Trading Company Limited.

## **NATIONAL GALLERIES OF SCOTLAND**

### **NOTES TO THE FINANCIAL STATEMENTS FOR YEAR ENDED 31 MARCH 2015**

In addition to being a Trustee of NGS Lesley Knox is a director of Turcan Connell Asset Management. NGS has used Turcan Connell for legal advice during 2014-15. This advice cost £10k.

In addition to being a Trustee of NGS during the financial year Alasdair Morton is also an employee of Royal Bank of Scotland. NGS holds bank accounts with the Royal Bank of Scotland.

In addition to being a Trustee of NGS Benny Higgins is Chief Executive Officer of Tesco Bank plc. Tesco Bank plc sponsors the Art Competition for Schools.

NGS has one connected charity which is independent and does not impact on NGS' operating policies. The NGS Foundation works closely with NGS and has the aim of helping NGS fulfil its mission for the public benefit. The NGS Foundation was founded in 2012 to further the charitable purposes of the Board of Trustees of the National Galleries of Scotland through active fundraising and investment. Nicola Catterall, Chief Operating Officer, and Ray Macfarlane, a Trustee of NGS during the financial year are directors of the NGS Foundation, but the majority of the NGS Foundation directors are unconnected to NGS Charity.

During the year NGS Foundation made donations to NGS of £1,442k. During the period to March 2015 administrative services were gifted to NGS Foundation by NGS under the terms of a service agreement.

In March 2015 NGS Charity granted NGS Foundation £670k.

All related party transactions were in the normal course of business and were carried out at full arm's length.

#### **28 TAXATION**

The Board of Trustees of NGS has been granted charitable status by HM Revenue and Customs and it is therefore entitled to certain tax exemptions on income and profits from investments and surpluses on any trading activities carried on in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

#### **29 PENSIONS**

All pensions' information is included in the Remuneration Report and Note 11 – Trustees' Remuneration and Staff Costs.

#### **30 LOSSES AND SPECIAL PAYMENTS**

Losses and Special Payments during the year amounted to £nil (2013 £nil). There were no individual losses or special payments of more than £250k.

## **NATIONAL GALLERIES OF SCOTLAND**

### **APPENDIX TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2015**



#### **NATIONAL GALLERIES OF SCOTLAND**

##### **DIRECTION BY THE SCOTTISH MINISTERS**

1. The Scottish Ministers, in pursuance of paragraph 8(3) of the Schedule to the National Galleries of Scotland Act 1906 as amended by Section 17 of the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 12 March 2001 is hereby revoked.

A handwritten signature in dark ink, appearing to read 'R. Stewart'.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006