

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

CHAIRMAN'S FOREWORD

The financial year ending March 2016 was an outstanding year for the National Galleries of Scotland.

We have significantly widened our access both nationally and internationally to engage, inform and inspire the public with great art. A record-breaking 2.2m visitors came to the National Galleries of Scotland to enjoy the collection, exhibitions, displays, education activities, cafes and shops. An ambitious programme of exhibitions included the hugely popular *MC Escher and Bailey's Stardust*. We have continued to develop ARTIST ROOMS together with Tate and our partners across the UK: there are now over 40 artists represented in the ARTIST ROOMS collection and there have been more than 40 million visits to ARTIST ROOMS displays since its launch in 2009. We also continue to build on the success of GENERATION, the celebration of Scottish contemporary art, with our partners Glasgow Life and Creative Scotland. Lastly, we are on target to digitize the entire collection by 2019 and we have just launched a new website that will allow interactive on-line access to the digital collection.

We have continued to build the collection and significant works were added during the year including Bartolini's *The Campbell Sisters*, and FCB Cadell's *Artist (Self Portrait)*. In total some 160 works were added to the collection. We have also made loans of some 674 works during the year to other galleries both nationally and internationally.

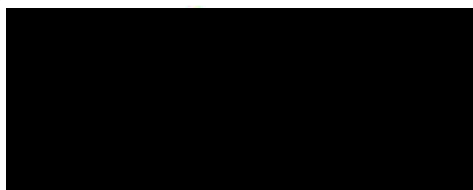
Our major capital projects 'Celebrating Scotland's Art', the National Collections Facility and Digital Engagement made excellent progress in 2015-16 and will continue apace into 2016-17 and beyond as key milestones are reached.

Excellent progress has been made in developing our long term sustainable strategy, based around a clear set of priorities and a refreshed vision and brand for the National Galleries of Scotland. At the centre of this strategy is the National Collection and making it more accessible to as broad a cross section of the public as possible. Key to its success is the development of the National Collections Facility as it will centralise the collection, its care and curation in one place so that we can utilize it much more effectively and innovatively at our own sites, through exhibitions, loans and on line.

Much of this success is attributable to the hard work of the teams at NGS and I would firstly like to thank all the trustees on the various boards and committees of the NGS for their huge contribution throughout the year.

The Trustees would also extend their thanks to the Director-General, Sir John Leighton and all his colleagues at the NGS for their work and enthusiasm over the last year, each of them helping to achieve these excellent results.

I would like to emphasise our gratitude to our many Patrons, Friends and all our supporters, both individual and corporate, who give time, money and their energy to assisting in delivering our vision. It is a sign of the growing interest in the National Galleries of Scotland that the number of Friends increased by 42% to 10,302 during the year. Finally I would like to thank the Scottish Government for not just their on-going financial support but also a real understanding of the importance of culture in Scotland and support for what we are trying to achieve.



Ben Thomson, Chairman

NATIONAL GALLERIES OF SCOTLAND

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TRUSTEES' ANNUAL REPORT

1. Introduction

The National Galleries of Scotland (NGS) looks after one of the finest collections of art anywhere in the world, consisting of over 160,000 works of fine art. Our principal place of business and registered address is 73 Belford Road, Edinburgh, EH4 3DS, and the collections are displayed to the public at the following locations:

- Scottish National Gallery (SNG) at the Mound (since 1859)
- Scottish National Portrait Gallery (SNPG) in Queen Street (since 1882)
- Scottish National Gallery of Modern Art (SNGMA) 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 in Berwickshire (since 1993) and Duff House in Banff (since 1995).

NGS has a wholly-owned subsidiary, the NGS Trading Company Limited which operates our commercial services, including retail and venue hire.

2. Objectives and Activities

2.1 Purpose, Functions and Vision

As provided by the National Heritage (Scotland) Act 1985 the principal functions of the Board of Trustees of NGS 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

Building on these statutory functions, 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. Our vision is for NGS to be an ambitious international institution that sits at the heart of cultural life in Scotland and makes a significant contribution to the education, well-being, inspiration and enjoyment of the public.

2.2 Long-term Aims

To achieve our vision as set out above, we have three long-term and closely linked aims:

1. To deliver world-class programme, services and activities based around an outstanding permanent fine art collection and temporary exhibitions programme.
2. To engage with wider and more diverse audiences by encouraging participation and providing and promoting opportunities for learning.
3. To be a sustainable and efficient organisation.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

2.3 2015-16 Priorities and Objectives

In 2015-16, NGS's activities were focussed on a set of shorter-term priorities and objectives which underpin these main aims. These formed the basis of the Corporate Plan for 2015-18 which is available on request.

The priorities and objectives within that Corporate plan are as follows:

Priority 1: Improve the quality of and care for the national collections	
<i>Objectives</i>	<i>Add to our world-class collections</i>
	<i>Improve the care of our collections</i>
	<i>Implement our Collections Audit Plan 2014-18</i>
Priority 2: Develop skills, knowledge and research	
<i>Objectives</i>	<i>Implement a new Organisational Development strategy</i>
	<i>Implement our new Youth Engagement strategy</i>
	<i>Deliver our Research Plan</i>
Priority 3: Deliver an innovative and inspiring Public Programme	
<i>Objectives</i>	<i>Place the permanent collection at the centre of an innovative and imaginative public programme</i>
Priority 4: Build new relationships with our audiences	
<i>Objectives</i>	<i>Achieve an average of 2.5m visits and digital audiences of 3m per year by 2019/20</i>
	<i>Introduce a new Audience Development strategy from 2015 onwards</i>
	<i>Implement a revised Learning and Access strategy from 2015 onwards</i>
Priority 5: Develop a sustainable and efficient business model	
<i>Objectives</i>	<i>Support the Business Plan for the NGS Trading Company</i>
	<i>Increase income from membership, philanthropy and donations from visitors</i>
	<i>Improve NGS infrastructure to optimise use of the buildings and minimise impact on the environment</i>
Priority 6: Develop our Partnership Programme	
<i>Objectives</i>	<i>Achieve an average of 100,000 visitors to our national touring initiatives</i>
	<i>Develop the success of the ARTIST ROOMS programme</i>
	<i>Raise the profile of NGS through international loans and tours</i>
	<i>Develop and build on key partnerships to support our core activities</i>
	<i>Continue our Shared Services Programme</i>

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

3. Achievements and Performance

3.1 Key Performance Indicators

NGS has developed a number of key performance indicators (KPIs) to help assess the achievement of its Long-term Aims. The results for 2015-16 are set out below shown against target. The year on year trend is also provided.

Indicator	Target / Projection 2015/16	Results for 2015/16	Status	Y-o-Y Trend
<i>Aim 1: To deliver world-class programmes, services and activities based around an outstanding permanent fine art collection and temporary exhibitions programme.</i>				
Number of actual visits to all gallery sites	2,034,985	2,209,278	★	↑
Number of paid visits to exhibitions	113,400	121,706	★	↑
<i>Aim 2: To engage with wider and more diverse audiences by encouraging participation and providing and promoting opportunities to learn.</i>				
Number of visitors to national and international touring shows	-	368,821	-	↑
Number of website visits	1,450,000	1,626,060	★	↑
Engagement via social media and digital channels	330,000	544,024	★	↑
Number of digital content items uploaded	1,500	3,014	★	↑
Number of eBulletin subscribers	22,000	22,486	✓	↑
Total number of NGS learning participants	65,500	65,054	●	↓
Number of international loans in/out	-	Loans in: 177, Loans out: 203	-	-
<i>Aim 3: To be a sustainable and efficient organisation.</i>				
Percentage of storage/gallery spaces providing minimum standard environmental conditions for our collection (m ²)	60%	60%	✓	↔
Number of young people (16-24) who have worked, trained or volunteered with NGS	-	65	-	↓
Number of Volunteer Hours	-	11,956	-	↓
Net return from trading activity	£265,305	£342,028	★	↑
GIA per visitor	£6.40	£5.90	★	↑
Percentage reduction in carbon emissions	32.4%	34.8%	★	↑

Key : ★ Exceeded target/ projection by more than 3%, ✓ Target/ projection achieved, ● Target just missed, ✖ Target/ projection missed

NATIONAL GALLERIES OF SCOTLAND

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TRUSTEES' ANNUAL REPORT (continued)

3.2 *Developing the Collection*

The primary role of the Board of Trustees is to care for and develop the national collection of fine art. The SNG's collection ranges in date from the early Renaissance to the end of the nineteenth century. It covers paintings, prints, 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 SNPG is responsible for collecting portraits of Scotland's inspirational men and women for the interest of the present and future generations and also managing the National Photography Collection.

The SNGMA 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.

As at 31 March 2016 there are 100,301* objects catalogued (99,347 as at 31 March 2015) in NGS's permanent collection.

These include long loans and *ARTIST ROOMS* objects and are categorized as follows.

Paintings	3,731
Works on Paper	50,732
Photographs	34,708
Sculpture	4,885
Printed Material	2,796
Manuscript Material	940
Decorative and Applied Art	2,146
Installation and Film	103
Accessory	137
Other	123

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

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

In 2015-16 NGS continued to build this extensive collection where opportunity and funding allowed.

Capital funding was allocated from the Scottish Government towards purchase works of art during the year in addition to receipt of private donations and use of NGS's Trust Funds. This along with 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. A particular highlight of 2015-16 was the acquisition of Lorenzo Bartolini's *The Campbell Sisters Dancing a Waltz* in partnership with the V&A, made possible with funding from the National Heritage Memorial Fund, the Art Fund and a private donor.

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TRUSTEES' ANNUAL REPORT (continued)

Other notable acquisitions during the year included:

- *A Classical Landscape with Judah and Tamar* by Pierre Patel
H M Government Acceptance in Lieu of Inheritance Tax 2015
- *A cardboard case containing a collection of sketchbooks* by James Nasmyth
Gifted by Lowell Libson, London 2015
- *Prussian Blue* by Michael Fullerton
Gift from Vicki and Kent Logan 2015
- *Mother & Child* by Norah Neilson Gray
Purchased with funds from the Cecil and Mary Gibson Bequest 2015
- *Bouteille et Verre sur un Table* by Pablo Picasso
Purchased (Henry and Sula Walton fund) 2015
- *Artist (Self-portrait)* by Francis Campbell Boileau Cadell
Purchased in 2015 with the assistance of the Art Fund ,the Patrons of the National Galleries of Scotland, and the Scottish National Portrait Gallery
- *Nine photographs* by Paul Strand
Purchased 2015

NGS is grateful to individuals, funding bodies and HM Government's Acceptance in Lieu of Inheritance Tax Scheme for the generous assistance and support which has enabled us to continue to expand the collection.

3.3 Audiences

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. In 2015-16 we welcomed 2.2m visitors across our three gallery sites, a record figure.

ARTIST ROOMS, our collaboration with Tate, is now in its eighth year and continues to engage audiences across the UK with world-class modern and contemporary art. Rooms from the collection were shown in 10 venues throughout the year reaching a further 201,771 visitors.

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.

During 2015-16, NGS lent 504 works to venues across Scotland, the UK and further afield, greatly expanding our reach. The touring exhibition *Masterpieces from the NGS* continued its international journey during the year visiting the Kimbell Art Museum in Fort Worth, Texas, and the Gallery of New South Wales in Australia.

In total 439,258 people around the world visited this touring show of works from the NGS collection.

NGS has also had over 1.6m visits to its website during the year. At 31 March 2016 there were around 5,000 images of works in the collection available for access through the website. Work has been undertaken to develop a new website based around the collection which will be launched in summer 2016 with 30,000 images and a further 70,000 records – our entire collection. The new website will also have an advanced search and filter functionality to help users find the artworks they are looking for and will be designed to work well on any device. In addition, all of our paintings are available through the Public Catalogue Foundation website.

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TRUSTEES' ANNUAL REPORT (continued)

The following table demonstrates key audience trends over the last few years:

	2015/16	2014/15	2013/14
Total visits to Edinburgh Galleries	2,209,278	1,994,973	1,460,259
Total visits to NGS works at other locations*	368,821	70,437	61,348
Total visits to website	1,626,060	1,367,440	1,389,528

*This figure excludes ARTIST ROOMS

3.4 The Public Programme

The Public Programme

The 2015-16 public programme of exhibitions and displays proved very popular, helping NGS achieve the record number of visitors during the year.

Highlights of the summer season included the combined offer of the *ARTIST ROOMS: Roy Lichtenstein* at Modern One and *The Amazing World of M.C. Escher* at Modern Two.

The SNGMA site became a must-visit destination with crowds queuing past the additional attraction of a maze for the final weekend of Escher when opening hours were extended. Final ticket sales for Escher were 88% higher than forecast.

The popularity of this exhibition, along with the rest of a very successful programme of exhibitions and displays, led to an increase in Friends membership and turnover in the shops and cafes across the NGS sites. In total, six paying shows opened in 2015-16, as follows:

Scottish National Gallery	
Jean-Etienne Liotard	4 July – 13 September 2015
Bailey's Stardust	18 July – 18 October 2015
Arthur Melville: Adventure's in Colour	10 October 2015 – 17 January 2016
Scottish National Gallery of Modern Art (Modern 2)	
The Amazing World of MC Escher	27 June – 27 September 2015
Modern Scottish Women	7 November 2015 – 26 June 2016
Scottish National Portrait Gallery	
Lee Miller and Picasso	23 May – 6 September 2015

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TRUSTEES' ANNUAL REPORT (continued)

These were accompanied by an ambitious series of around 20 new, free to access, displays of work from the permanent collection and works on loan. These included *Prussian Blue*, a new work by Michael Fullerton at Modern One, Nicholas Poussin's *Extreme Unction* at the SNG and *Head to Head: Portrait Sculpture* at the SNPG. The ever-popular *BP Portrait* returned to the SNPG and the British Art Show took up residence at the SNGMA.

A strong education programme complemented our displays and exhibitions as always. We take great pride in our outreach programme which regularly works with communities throughout Scotland. *The UNTITLED: Bad Entertainment* which opened on 30 January 2016 (running to 8 May 2016) at the Scottish National Portrait Gallery, was an exhibition of works created by young people of the kind of art they want to see. Working in response to 2015's *GENERATION: 25 Years of Contemporary Art in Scotland*, young people from Alloa, Irvine and Edinburgh made artworks and films that show their lives caught between the actuality of everyday experience and the fantasy world of media culture.

In total, there were around 65,000 participants in the NGS Education programme in 2015-16, covering schools, communities, families and adults.

3.5 Research and Scholarship

NGS produces many publications each year both to complement our exhibitions programme and promote the permanent collection. In the year 2015-16 NGS published 9 new titles.

NGS's 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.

3.6 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.

ARTIST ROOMS was a key element of our national touring programme in 2015-16. 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 2015-16 programme included partnerships with the Pier Arts Centre, Orkney and The Bowes Museum, County Durham.

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TRUSTEES' ANNUAL REPORT (continued)

3.7 *Developing a Sustainable Business Model*

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, income from shops, publications, catering outlets, corporate hire, corporate sponsorship and admission charges for some exhibitions.

The success of this year's Public Programme in conjunction with planned fundraising initiatives has resulted in an increase in the financial contribution from exhibitions, memberships and commercial activities. This is discussed in greater detail in the Financial Overview.

The programme to encourage philanthropic support for NGS continues, developing the network of support from individuals, companies, trusts and foundations.

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 10,302 on 31 March 2016, compared with 7,243 as at 31 March 2015.

In 2015-16 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 and Gallery Social programme. In addition Friends continued to support the Learning Co-ordinator post.

Friends funding was provided for a second Commission for the Scottish National Portrait Gallery, for the sponsorship for the Taylor Wessing Photographic Portrait Prize 2015 exhibition to be held in Summer 2016 and for the *Surreal Adventures* outdoor activity at Modern One which accompanies the *Surrealist Encounters* exhibition also to be held in the Summer of 2016.

In 2015-16, Patrons generously supported the acquisition of a Cadell *Self Portrait* and 3 drawings by Victoria Crowe.

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. These funds have been used to purchase Artworks to the value of £107k during 2015-16.

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TRUSTEES' ANNUAL REPORT (continued)

4. Financial Review

4.1 Introduction

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 2015, the Statement of Recommended Practice on the preparation of financial statements of charitable organisations.

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.

4.2 Grant in Aid

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

Grant in Aid	Actual £000	Offer Letter £000
Cash Items		
Running Costs	13,055	13,055
Purchase Grant	200	200
Capital Projects	900	900
	<u>14,155</u>	<u>14,155</u>
Non-Cash Items (Notional)		
Depreciation	1,040	1,700
Resource Budget	200	200
	<u>1,240</u>	<u>1,900</u>
Total	<u>15,395</u>	<u>16,055</u>

4.3 Financial Results

The Financial results for 2015-16 are set out in the Consolidated Statement of Financial Activities on page 28.

Total income, including donated assets, for the year was £21.3m and expenditure was £20.8m to give a net income figure for the year of £0.5m including unrealised losses on investments.

In addition, there is a revaluation gain on the Fixed Assets (buildings) in the year of £2.5m to give a total positive movement in funds of £3m.

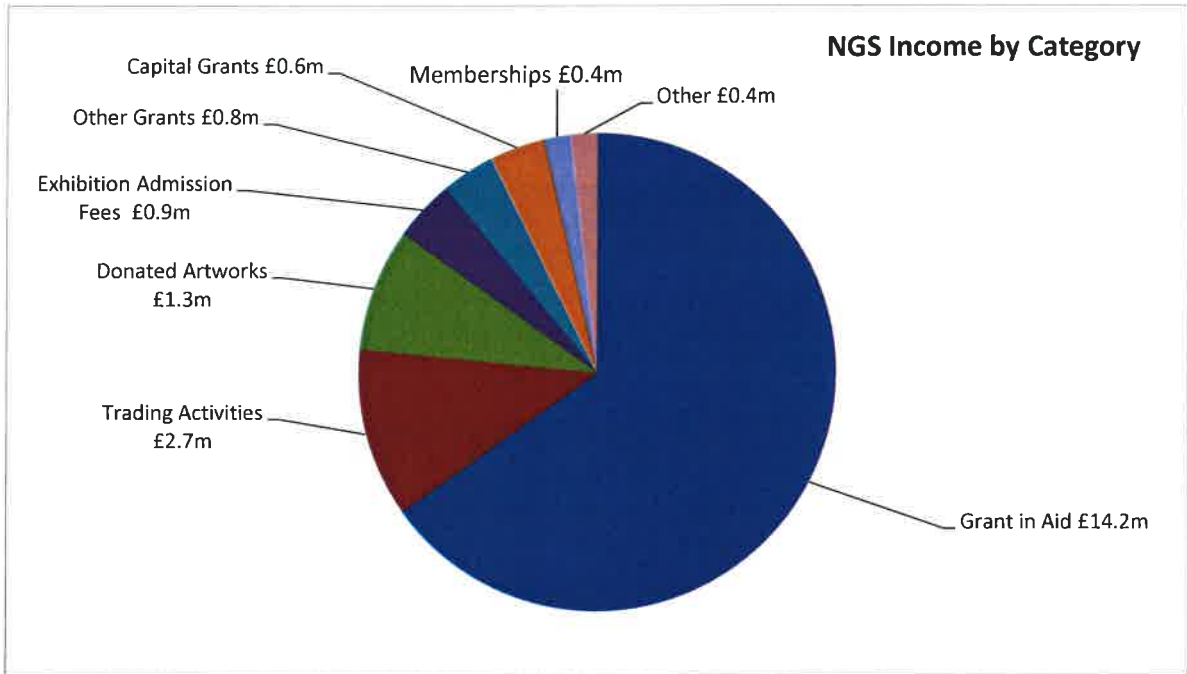
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TRUSTEES' ANNUAL REPORT (continued)

Income

The following graph analyses the major sources of income for NGS in the financial year to 31 March 2016.



A detailed year on year comparison is set out in note 2 to the Financial Statements, page 36

The largest source of income for NGS is Grant in Aid (GIA) received from the Scottish Government. In the year to 31 March 2016 £13.1m of GIA was received to support the running costs of NGS. £1.1m of GIA was also allocated by the Scottish Government for capital projects and additions to the collection.

In line with NGS's business plan, significant progress has also been made to increase self-generated income during 2016. Income arising from commercial activities, exhibitions and membership schemes has all increased year on year.

Capital Grants of £0.6m to support the development phase of the Scottish National Gallery Project and the software development associated with the Digital Engagement project were received during 2015-16.

In addition £0.8m of other grant funding was received from various sources to support the Digitisation of the collection and other education and curatorial initiatives.

Donated Artworks to the value of £1.3m were added to the collection during 2015-16. These include new artworks funded from cash donations of £0.7m and transfer of artworks under HM Government's Acceptance in Lieu of Inheritance Tax Scheme.

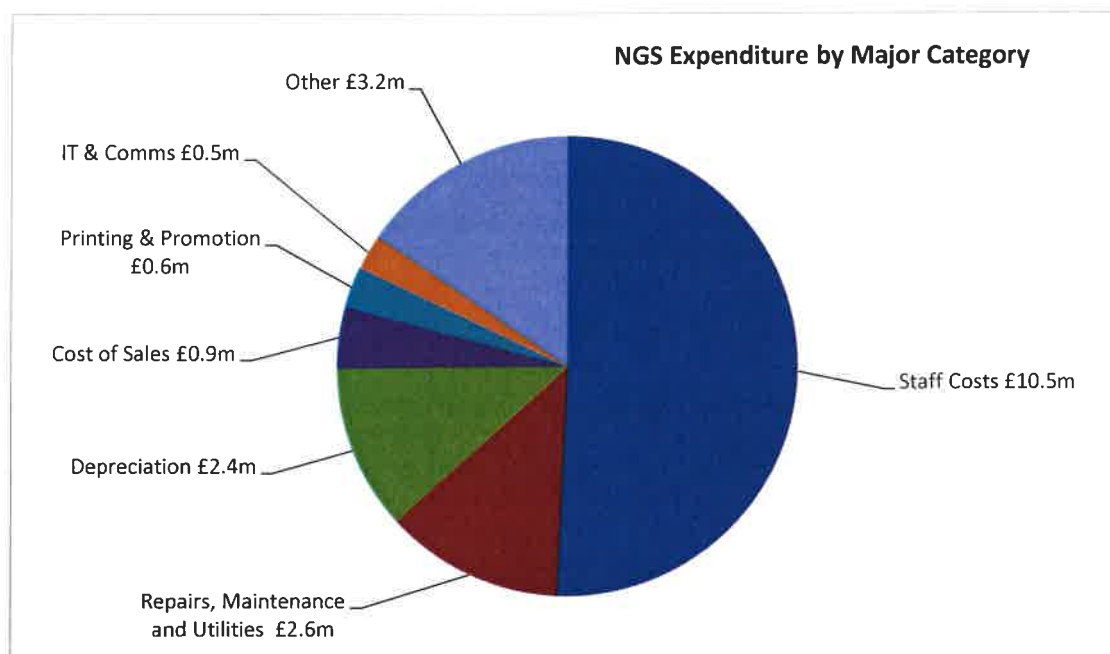
NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

Expenditure

The following graph analyses the major categories of expenditure by NGS in the financial year to 31 March 2016.



A more detailed analysis of other costs is available in note 7 to the Financial Statements on page 40.

Staffing costs continue to be the most significant category of expenditure for NGS. Total staff costs increased by £0.7m during 2015-16. The costs increases primarily arise with the implementation of Scottish Government pay policy and new pension contribution rates. In addition some project roles were created in line with the programme of capital projects.

Estates costs have increased due to essential repair works required on the estate.

The cost of sales for the NGS Trading Company has increased in line with turnover.

4.4 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 "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.

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TRUSTEES' ANNUAL REPORT (continued)

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

4.5 Reserves & 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.

A detailed analysis of NGS's reserves and the movements during the year is set out in note 17 to the Financial Statements, page 49.

The Audit and Risk Committee reviewed the reserves policy during the year and agreed to maintain the level of funds not committed or invested in tangible fixed assets at a minimum holding £100,000 (2014-15 £100,000).

4.6 Payment of Creditors

It is our policy to pay suppliers within thirty days of invoice date unless alternative payment terms have been agreed. This was achieved on 97% of payments in 2015-16 (2014-15 98%). A 10 day payment initiative was introduced by the Scottish Government in December 2008 and we achieve this with 76% of our creditors (2014-15 77%).

4.7 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 & security, leading to potential damage or loss to the collection.
- Inability to respond quickly enough to the speed and depth of external change and adapt the business model accordingly.
- Failure to meet annual budget targets/increase income to execute business plan.
- Failure to invest adequately in estates.
- Meeting the unavoidable increase in non-discretionary employment costs imposed by government (pensions, living wage, NI)
- Security/safety of the collection, estate and people compromised due to inadequate investment in training and resources.
- 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.
- Failure of any element of the major capital programme and knock-on effects due to lack of coordination and insufficient capacity to deliver
- Uncertainty regarding regulation, legislation and funding following Brexit vote

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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TRUSTEES' ANNUAL REPORT (continued)

5. Future Plans

5.1 Priorities and Objectives 2016-20

Supporting our long-term vision and aims, the priorities and objectives set out in the following table have been identified for the next four years:

Priority 1: Improve the Quality of our Offer	
Objectives:	<i>Seek new acquisitions to keep the collections relevant and alive</i>
	<i>Improve the care of our collections</i>
	<i>Deliver our research plan</i>
	<i>Place the permanent collection at the centre of an innovative and imaginative public programme</i>
	<i>Improve our facilities</i>
Priority 2: Develop our Audiences	
Objectives:	<i>Increase visits to NGS to 2.5 million by 2020</i>
	<i>Increase digital visitors to reach 3 million by 2020</i>
	<i>Improve the experience of our visitors</i>
	<i>Broaden access to the collections through learning and outreach programmes</i>
	<i>Offer wider opportunities for youth engagement</i>
	<i>Build our partnerships</i>
Priority 3: Develop a sustainable and efficient business model	
Objectives:	<i>Support the Business Plan for the NGS Trading Company.</i>
	<i>Increase income from membership, philanthropy and donations from visitors</i>
	<i>Implement a new Organisational Development Strategy</i>

5.2 Outlook

A strong and vibrant arts sector is a key component to Scotland's tourism and creative sectors and participation in the arts is essential for a healthy society. NGS is 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 the collection can be opened up to the widest possible public and enhance Scotland's artistic community.

Collaboration with partners at home and abroad remains crucial to NGS's success and collaborative working opportunities are always being sought. However, 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.

Over half of NGS's operating costs are on staff remuneration. NGS remains committed to the Scottish Living Wage as a minimum salary therefore is limited in its ability to reduce costs further.

NGS is therefore looking for ways to develop additional income through its trading company and through philanthropy and as many visitors as possible are also encouraged to become Friends or Patrons and support the work of the NGS.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

NGS has been undergoing a major review of its business model, finding more efficient ways of delivering its service and reducing expenditure, while still retaining the quality of the programme.

NGS however remains ambitious in its 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 fundraising efforts will continue to supplement the Grant in Aid and support the public programme activities.

During the course of 2015 NGS has developed a Business Plan covering the period to 2020 to address the way in which the business model will be developed to support its ambitions and rebalance the public/private income ratio.

The Capital Projects discussed below are central to this plan.

5.3 Capital Projects

NGS 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 Digital Engagement project.

The Scottish National Gallery project is well under way following the successful submission of a Stage Two bid to the Heritage Lottery Fund in February 2016. It is planned that the project will begin in late 2016 with a view to completion in 2018. The project will create much improved gallery space for the Scottish Collection.

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

As part of Digital Engagement, NGS is currently working through digitisation of the entire collection. Target completion of this project is by the end of 2020.

This effort received a major boost in 2014 when NGS received a £611k 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. The first group of six trainees, who started in September 2014, have successfully completed their traineeships, and the second cohort will be recruited and start their training during 2016-17.

This project has been hugely successful to date, giving young people first-hand experience of handling, documenting, digitising and researching the NGS collection of photography and works on paper.

Funding has also been received from the NGS Foundation in support of this project and substantial progress made in the redevelopment of NGS's website during the year to March 2015. The digitised works will be made available through the new website due to be launched in the summer of 2016.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

6. Structure Governance and Management

6.1 Status & History

The Board of Trustees of NGS 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).

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.

6.2 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.

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. There were no changes to Board membership in 2015-16.

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 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, one co-opted member 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 2016 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.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

The financial statements of NGS are audited by PricewaterhouseCoopers LLP, who were appointed by the Auditor General for Scotland. PricewaterhouseCoopers LLP's remuneration for 2015-16 is set as £23,710. No other services were supplied by PricewaterhouseCoopers LLP.

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

6.3 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's 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.

6.4 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's 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.

6.5 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's 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

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

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.

6.6 ***Sickness Absence Data***

For the 12 month period from 1 April 2015 to 31 March 2016, 2.7% of working days were lost as a result of sickness absence (2014-15, 2.4%).

6.7 ***Data Handling***

There were no personal data-related incidents in 2015-16. 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).

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 NGS.

NGS employed a temporary Records Management Advisor in 2015 to prepare a records management plan as required under the Public Records (Scotland) Act 2013. This also required the creation or revision of a suite of policies, procedures and training materials covering a wide range of subjects, some directly related to data handling. Once approved by the Keeper of the National Records of Scotland, the Records Management Plan will be implemented across NGS.

6.8 ***Accountable Officer***

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

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

7. Reference and Administration details

7.1 Trustees: 1 April 2015– 31 March 2016

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
Catherine Muirden (Chair, Remuneration Committee)
Professor Nicholas Pearce
Willie Watt
Nicola Wilson

All Trustees serving at 31 March 2016 continued to be serving Trustees up to and on the date the Financial Statements were signed. The operational management of NGS is delegated by the Board of Trustees to the Director-General and his Senior Management Team.

7.2 Senior Management Team: 1 April 2015 – 31 March 2016

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
Patricia Convery	Acting Director of Public Engagement
Elaine Anderson	Head of Performance and Planning

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 2015-16, see Note 6 in the Notes to the Financial Statements.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

TRUSTEES' ANNUAL REPORT (continued)

7.3 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 Semple Street Edinburgh, EH3 8BL		
Investment Managers:	Cornelian Asset Managers Ltd 30 Charlotte Square Edinburgh, EH2 4ET		



Board of Trustees
National Galleries of Scotland
12 September 2016



Sir John Leighton
Accountable Officer
12 September 2016

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

The law applicable to charities in Scotland requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under that law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent
- state that applicable UK Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" 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 charitable company will continue in business.

The trustees are responsible for keeping accounting records that are sufficient to show and explain the charity's transactions and disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provision of the trust deed. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 2016 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. There is a database of personal data in relation to donors and supporters, but the processes are well controlled and staff 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 2016

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 2015-16 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 proposed creation of a new National Collection Facility at Granton 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. In the meantime, as art and staff are displaced by the Scottish National Gallery renovation project, we will take the opportunity to adapt spaces elsewhere on the estate to make some improvements in collection care conditions
- 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 has been 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 relatively static headcount and more externally funded posts, we have experienced unavoidable increases due to increased employer's national insurance and pension contributions. 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 continued pressure on resources. The increased workloads in combination with ongoing pay constraints have a knock-on impact on staff morale, which in turn impacts on staff recruitment and retention

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

GOVERNANCE STATEMENT (continued)

- NGS has focused additional resources on Procurement, however we remain concerned at the increased compliance burden and risks that new Procurement legislation bring. NGS is in the third year of participating in the Scottish Government Shared Services Procurement to access training and advice. However, it is likely that additional resource will need to be employed to support procurement requirements in the longer term.
- Fraud attempts from external parties have become increasingly common and more sophisticated. Whilst NGS has not fallen victim to any scams during the year, through specialist audit we plan to test and assess the adequacy of our security systems and response to potential cyber attack.
- NGS continues to review the risk of increased water ingress/flood damage to its art and buildings given the age of the estate and climate change.



Sir John Leighton
Accountable Officer
12 September 2016

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

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 National Galleries of Scotland for the year ended 31 March 2016 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 consolidated statement of financial activities, the consolidated balance sheet, the balance sheet and the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Financial Reporting Standard (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 [insert precisely title of document containing the financial statements, e.g. annual report and accounts] 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 2016 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the 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 information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

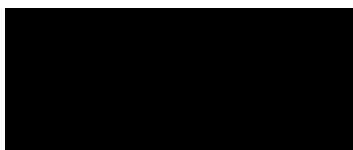
Matters on which we are required to report by exception

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

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or

- we have not received all the information and explanations we require for our audit; 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
Glasgow
13 September 2016

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 THE YEAR ENDED 31 MARCH 2016

Consolidated Statement of Financial Activities for the Year Ended 31 March 2016

	Note	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total 2016 £000	Total 2015 £000
Income						
Grant in Aid	3	14,155	-	-	14,155	12,025
Donations and Legacies	2	86	1,925	-	2,011	2,265
Income from Charitable Activities	2	1,518	810	-	2,328	3,064
Other Trading Activities	2	2,651	-	-	2,651	2,143
Income from Investments	2	14	129	31	174	149
Total Income and Endowments		18,424	2,864	31	21,319	19,646
Expenditure						
Expenditure on Raising Funds	4	(1,752)	-	-	(1,752)	(1,323)
Expenditure on Charitable Activities	4	(15,675)	(810)	-	(16,485)	(16,395)
Governance	4	(43)	-	-	(43)	(38)
Depreciation	4	(2,388)	-	-	(2,388)	(2,287)
Total Expenditure		(19,858)	(810)	-	(20,668)	(20,043)
Net Gains/(Losses) on Investment Assets		(4)	(115)	(29)	(148)	295
Net Income/(Expenditure)		(1,438)	1,939	2	503	(102)
Transfers Between Funds	17	-	69	(69)	-	99
Depreciation Release	17	1,348	(1,348)	-	-	-
Other Recognised Gains and Losses						
Gains/Losses on Revaluation of Fixed Assets	17	-	2,465	-	2,465	(47)
Net Movement in Funds		(90)	3,125	(67)	2,968	(50)
Reconciliation of Funds						
Total Funds b/f at 1 April 2015	17	79,517	203,542	991	284,050	284,100
Total Funds b/f at 1 April 2016	17	79,427	206,667	924	287,018	284,050
Total Fund Balances Made Up By						
General Fund	17	177	-	-	177	681
Capital Assets Fund	17	78,962	-	-	78,962	78,370
General Fund Revaluation Reserve	17	-	6,877	-	6,877	4,412
General Fund Capital Reserve	17	-	30,580	-	30,580	30,580
Donated Asset Reserve	17	-	165,143	-	165,143	164,464
Trust Funds & Bequests (incl. Purchase Fund)	17	288	4,067	924	5,279	5,543
Total Fund Balances		79,427	206,667	924	287,018	284,050

All recognised gains and losses have been included within 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 cost equivalents.

The notes on pages 32-54 form part of the financial statements

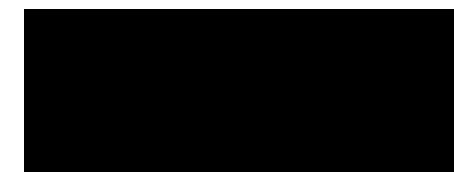
NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Consolidated Balance Sheet as at 31 March 2016

	Note	2016 £000	2015 £000
Fixed Assets			
Intangible Assets	10	149	11
Tangible Assets	8	96,068	94,573
Heritage Assets	9	185,962	184,384
Investments	11	4,358	4,506
		<u>286,537</u>	<u>283,474</u>
Current Assets			
Stocks	12	626	521
Debtors: amounts falling due within one year	13	989	1,694
Cash at bank and in hand	14	3,919	3,496
		<u>5,534</u>	<u>5,711</u>
Creditors: amounts falling due within one year	15	<u>(4,615)</u>	<u>(5,109)</u>
Net Current Assets		919	602
		<u>287,456</u>	<u>284,076</u>
Total Assets less Current Liabilities			
		287,456	284,076
Provisions for liabilities and charges			
	16	(438)	(26)
		<u>287,018</u>	<u>284,050</u>
Total Net Assets			
Represented by:			
Unrestricted Reserves			
Designated	17	79,327	79,417
Undesignated	17	100	100
Restricted Reserves	17	<u>206,667</u>	<u>203,542</u>
Total Funds		286,094	283,059
Capital Funds - Permanent Endowments			
	17	924	991
		<u>287,018</u>	<u>284,050</u>
Total Charity Funds			

The Accountable Officer approved these financial statements on pages 28 to 54 including the notes on pages 32 to 54 for issue on 12 September 2016



Sir John Leighton, Accountable Officer
12 September 2016

The notes on pages 32-54 form part of the financial statements

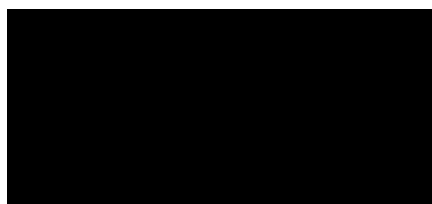
NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Balance Sheet as at 31 March 2016

	Note	2016 £000	2015 £000
Fixed Assets			
Intangible Assets	8	149	11
Tangible Assets	8	96,020	94,550
Heritage Assets	8	185,962	184,384
Investments	11	4,358	4,506
		<u>286,489</u>	<u>283,451</u>
Current Assets			
Debtors: amounts falling due within one year	13	1,440	2,145
Cash at bank and in hand	14	3,638	3,056
		<u>5,078</u>	<u>5,201</u>
Creditors: amounts falling due within one year	15	<u>(4,403)</u>	<u>(4,941)</u>
Net Current Assets		<u>675</u>	<u>260</u>
Debtors: amounts falling due after one year	13	<u>292</u>	<u>365</u>
Total Assets less Current Liabilities		<u>287,456</u>	<u>284,076</u>
Provisions for liabilities and charges	16	<u>(438)</u>	<u>(26)</u>
Total Net Assets		<u><u>287,018</u></u>	<u><u>284,050</u></u>
Represented by:			
Unrestricted Reserves			
Designated	17	79,327	79,417
Undesignated	17	100	100
Restricted Reserves	17	<u>206,667</u>	<u>203,542</u>
Total Funds		<u>286,094</u>	<u>283,059</u>
Capital Funds - Permanent Endowments	17	924	991
Total Charity Funds		<u><u>287,018</u></u>	<u><u>284,050</u></u>

The Accountable Officer approved these financial statements on pages 28 to 54 including the notes on pages 32 to 54 for issue on 12 September 2016



Sir John Leighton, Accountable Officer

12 September 2016

The notes on pages 32-54 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Consolidated Statement of Cash Flows for the Year Ended 31 March 2016

	Note	2016 £000	2015 £000
Cash flows from operating activities:			
Net cash generated from operating activities	18	2,777	1,419
Cash flows from investing activities:			
Dividends and interest received		173	149
Purchase of artworks		(974)	(916)
Purchase of property, plant and equipment		(1,558)	(749)
Proceeds from the sale of property, plant and equipment		5	2
Net cash used in investing activities		(2,354)	(1,514)
Change in cash and cash equivalents in the reporting year		423	(95)
Analysis of changes in net funds:			
Cash and cash equivalents at the beginning of the reporting year	14	3,496	3,591
Cash and cash equivalents at the end of the reporting year	14	3,919	3,496
Change in cash and cash equivalents in the reporting year		423	(95)

The notes on pages 32-54 form part of the financial statements

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

Notes to the Financial Statements

1 Accounting Policies

a) Basis of Accounting

NGS is a public benefit entity, and has adopted the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015). On transition to FRS102 no material prior year restatements were required.

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 2015), 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.

Prior year income has been restated into new categories in line with accounting policy. The overall income number is unchanged.

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's on-going expenses.

c) Basis of Consolidation

The financial statements consolidate those of NGS and its subsidiary company, NGS Trading Company Ltd. 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.

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.

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.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting Policies (continued)

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.

The method 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.

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

In line with the requirements of the Government Financial Reporting Manual (FRM), 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.

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.

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.

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

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting Policies (continued)

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

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 2015, 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 includes 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.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

1 Accounting Policies (continued)

i) Subsidiary Company

National Galleries of Scotland owns the share capital of one subsidiary company, NGS Trading Company Limited, 73 Belford Road, Edinburgh EH4 3DS.

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 2015). The investment policy is determined as part of the Trustees' Treasury Management Policy. An annual review of investment strategy forms part of this policy.

k) Pensions

Pension contributions payable by NGS are expensed as incurred. Note 6 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 to expenditure.

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

2 Analysis of Total Income

	Unrestricted Funds £000	Restricted Funds £000	Endowment Funds £000	Total Group 2016 £000	Group 2015 £000
Grant in Aid	14,155	-	-	14,155	12,025
Donations and Legacies					
Grants - Capital Projects	-	617	-	617	448
Donations - Artworks	-	1,308	-	1,308	1,727
Other	86	-	-	86	90
Total Income from Donations and Legacies	86	1,925	-	2,011	2,265
Income from Charitable Activities					
Grants - Other	-	810	-	810	2,135
Exhibition admission fees	895	-	-	895	239
Income from loans out	76	-	-	76	29
Educational events	138	-	-	138	139
Memberships	356	-	-	356	294
Other	53	-	-	53	228
Total Income from Charitable Activities	1,518	810	-	2,328	3,064
Other Trading Activities					
NGS Trading Company Income	2,455	-	-	2,455	2,042
Sponsorship - Exhibitions	196	-	-	196	101
Total Income from Other Trading Activities	2,651	-	-	2,651	2,143
Income from Investments					
Dividends	1	129	31	161	136
Interest	13	-	-	13	13
Total Investment Income	14	129	31	174	149
Total Income	18,424	2,864	31	21,319	19,646

Prior year income has been restated into new categories in line with accounting policy. The overall income number is unchanged.

2015 Grants-other includes £1m from NGS Foundation for sponsorship of the Generation Exhibition, Public Programme, Bus and Educational activities.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

3 Grant in Aid

	Group & NGS 2016 £000	Group & NGS 2015 £000
Grant in Aid Received		
Running Costs	13,055	12,025
Capital Projects	900	0
Purchase Grant	200	0
Total Grant in Aid Received	14,155	12,025

Allocated to:

General Fund	13,055	12,025
Capital Assets Fund	900	0
Purchase Fund	200	0
	14,155	12,025

4 Analysis of Total Expenditure

	Note	2016 £000	2015 £000
Staff Costs	6	10,181	9,533
Other Operating Costs	7	8,099	8,223
Depreciation & Amortisation	8,10	2,388	2,287
Total Expenditure		20,668	20,043

	Direct Costs £000	Support Costs £000	Group 2016 £000	Group 2015 £000
Raising Funds				
Cost of fundraising	609	-	609	552
Cost of NGS Trading Company Ltd	1,136	-	1,136	771
Investment management costs	18	-	18	-
Total Expenditure on Raising Funds	1,763	-	1,763	1,323
Charitable Expenditure				
Exhibitions and Education	5,563	1,317	6,880	7,545
Conserve and Add to Collections	3,968	1,270	5,238	5,092
Estates Management	3,279	747	4,026	3,509
Audience Development	1,725	993	2,718	2,536
Governance Costs	43	-	43	38
Total Charitable Expenditure	14,578	4,327	18,905	18,720
Total Expenditure	16,341	4,327	20,668	20,043

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

5 Allocation of Support Costs

	Charitable Activities				Total Allocated to Charitable Activities £000	Total 2016 £000	Total 2015 £000
	Exhibition and Education £000	Conserve and Add to Collections £000	Estates Manage- ment £000	Audience Develop- ment £000			
Finance	190	178	40	105	513	513	494
HR	129	121	28	71	349	349	351
Planning & Performance	149	139	31	82	401	401	372
IT	255	238	54	140	687	687	505
Depreciation (NGS)	594	594	594	595	2,377	2,377	2,287
Total	1,317	1,270	747	993	4,327	4,327	4,009

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

6 Trustees Remuneration and Staff Costs

	Group & NGS 2016 £000	Group & NGS 2015 £000
Staff costs during the year		
Wages and Salaries	8,129	7,722
Social Security Costs	517	500
Other Pension Costs	1,535	1,311
Accounted for in grant aided activities	10,181	9,533

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 2016	Group & NGS 2015
£60,000 - £69,999	4	4
£70,000 - £79,999	2	2
£80,000 - £89,999	1	1
£90,000 - £99,999	-	0
£100,000 - £109,999	1	1

Pension Costs

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) - known as "alpha" are unfunded multi-employer defined benefit schemes 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 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

6 Trustees Remuneration and Staff Costs (continued)

For 2015-16, employers' contributions of £1,563,297 were payable to the PCSPS (2014-15 £1,334,029) at one of four rates in the range 20.0% to 24.5% of pensionable earnings, 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 2015-16 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 £39,241 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 earnings up to 30 September 2015 and from 8% to 14.75% of pensionable earnings from 1 October 2015. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £1,455, 0.8% of pensionable pay up to 30 September 2015 and 0.5% of pensionable pay from 1 October 2015, 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 £166,776. Contributions prepaid at that date were £0.

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

	Group 2016	Group 2016	Group 2015	Group 2015
	Permanent	Temporary	Permanent	Temporary
Security and Visitor Services	121	14	119	16
Gallery Curatorial and Administration	34	5	39	5
Service Departments	49	8	46	4
Central Administration	35	13	31	9
Revenue Earning Activities	27	8	25	9
	<u>266</u>	<u>48</u>	<u>260</u>	<u>43</u>

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.

The mid-point of the banded remuneration of the highest-paid director in NGS in 2015-16 was £112,500 (FTE). This was 6.49 times (2014-15, 6.33) the median remuneration of the workforce which is £17,338 (2014-15 £16,990)

Trustees Remuneration

No remuneration was paid to members of the Board of Trustees during 2015/16 (2014/15 nil).

	NGS 2016 £000	NGS 2015 £000
Total amount of travel expenses reimbursed	<u>3</u>	<u>2</u>
Number of trustees receiving reimbursement	<u>4</u>	<u>3</u>

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

7 Analysis of Other Operating Charges

	Group	NGS	Group	NGS
	2016	2016	2015	2015
	£000	£000	£000	£000
Repairs, Renewals and Maintenance of buildings	2,053	2,053	1,872	1,872
Cost of Sales	936	0	632	0
General Expenses	664	632	1,096	371
Printing and Promotion	642	618	676	660
Fuel and Utilities	508	508	542	542
IT and Communications	467	467	458	458
Other Professional Costs	433	380	437	393
Design and Display	311	273	395	367
Transport	335	334	585	583
Contracted Staff	269	269	251	251
Cleaning	167	167	148	148
Shared Service Costs	158	159	31	31
Travel, subsistence & hospitality	157	146	186	180
Rates	153	153	149	149
Lecture Fees	139	139	139	139
Conservation and Restoration	128	128	78	78
Other Education Costs	115	115	107	107
Operating lease Rentals	104	104	84	84
Office Costs and Consumables	99	79	73	65
Library and Photography	84	76	84	82
Training and Recruitment	58	56	64	64
Storage	49	49	61	61
Audit Fees	43	37	44	38
Vehicle Costs	27	27	31	31
	8,099	6,969	8,223	6,754

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

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8 Tangible Assets

Group	Land and Buildings £000	Assets Under Construction £000	Office Equipment and Computing £000	Fixtures and Fittings £000	Vehicles £000	Total £000
Cost or Valuation						
At 1 April 2015	97,813	338	1,745	4,024	106	104,026
Additions during year	-	683	104	599	14	1,400
Disposals	-	-	-	-	(9)	(9)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Indexation	2,720	-	-	-	-	2,720
At 31 March 2016	100,533	1,021	1,849	4,623	111	108,137
Accumulated Depreciation						
At 1 April 2015	4,907	-	1,570	2,901	75	9,453
Charge for year	1,699	-	112	542	14	2,367
Disposals	-	-	-	-	(6)	(6)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Indexation	255	-	-	-	-	255
At 31 March 2016	6,861	-	1,682	3,443	83	12,069
Net Book Value						
At 31 March 2016	93,672	1,021	167	1,180	28	96,068
At 31 March 2015	92,906	338	175	1,123	31	94,573

Assets under construction include development expenditure for the SNG Project.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8 Tangible Assets (continued)

NGS	Land and Buildings £000	Assets Under Construction £000	Office Equipment and Computing £000	Fixtures and Fittings £000	Vehicles £000	Total £000
Cost or Valuation						
At 1 April 2015	97,813	338	1,728	4,008	106	103,993
Additions during year	-	683	104	577	-	1,363
Disposals	-	-	-	-	(9)	(9)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Indexation	2,720	-	-	-	-	2,720
At 31 March 2016	<u>100,533</u>	<u>1,021</u>	<u>1,832</u>	<u>4,585</u>	<u>97</u>	<u>108,067</u>
Accumulated Depreciation						
At 1 April 2015	4,907	-	1,568	2,893	75	9,443
Charge for year	1,699	-	112	533	12	2,356
Disposals	-	-	-	-	(6)	(6)
Transfers	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-
Indexation	255	-	-	-	-	255
At 31 March 2016	<u>6,861</u>	<u>-</u>	<u>1,680</u>	<u>3,426</u>	<u>81</u>	<u>12,048</u>
Net Book Value						
At 31 March 2016	<u>93,672</u>	<u>1,021</u>	<u>152</u>	<u>1,159</u>	<u>16</u>	<u>96,020</u>
At 31 March 2015	<u>92,906</u>	<u>338</u>	<u>160</u>	<u>1,115</u>	<u>31</u>	<u>94,550</u>

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

8 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 at 31st March 2013 are as follows:

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 2016, BCIS indices supplied by the District Valuer were applied to revalue the estate.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

9 Heritage Assets - Group and NGS

Cost or Valuation	£000
At 1 April 2015	184,384
Additions during the year	<u>1,578</u>
At 31 March 2016	<u>185,962</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

	2016 £000	2015 £000	2014 £000	2013 £000	2012 £000
Donated assets and acquisitions funded by donations	1,403	1,833	5,380	6,125	15,841
Other acquisitions	175	9	224	1,044	596
Total cost/value of acquisitions	<u>1,578</u>	<u>1,842</u>	<u>5,604</u>	<u>7,169</u>	<u>16,437</u>

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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

10 Intangible Assets - Group and NGS

	Computer Software £000	Assets Under Construction £000	Total £000
Cost or Valuation			
At 1 April 2015	185	-	185
Additions	41	118	159
Disposals	-	-	-
Revaluation	-	-	-
At 31 March 2016	<u>226</u>	<u>118</u>	<u>344</u>
Accumulated Amortisation			
At 1 April 2015	174	-	174
Charge for the year	21	-	21
Disposals	-	-	-
Revaluation	-	-	-
At 31 March 2016	<u>195</u>	<u>-</u>	<u>195</u>
Net Book Value			
At 31 March 2016	<u>31</u>	<u>118</u>	<u>149</u>
At 31 March 2015	<u>11</u>	<u>-</u>	<u>11</u>

Intangible Assets under construction includes costs associated with the development of a new website.

11 Investments

	Group & NGS 2016 £000	Group & NGS 2015 £000
Market value at 1 April	4,506	4,211
Sale of investments	(910)	(1,418)
Realised (Loss)/Gain	(16)	75
Purchased investments	914	1,484
Movement in Investments held as cash	(4)	(66)
Change in market value - Unrealised (Loss)/Gain	<u>(132)</u>	<u>220</u>
Market value at 31 March	<u>4,358</u>	<u>4,506</u>
Investments at cost	<u>4,190</u>	<u>4,206</u>

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

11 Investments (continued)

Investments are managed by Cornelian Assets Managers Limited and are a mixture of investment types. The mix of investment types as at 31 March 2016 is detailed below:

Asset Class	Percentage of Total Portfolio
Fixed Interest	23.8%
UK Equities	35.6%
International Equities	23.2%
Other Assets	15.4%
Cash	2.0%

12 Stocks

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Goods held for resale	626	-	522	-
Provision	-	-	(1)	-
Net book value of goods held for resale	626	-	521	-

13 Debtors

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Amounts falling due within one year				
Trade Debtors	112	53	348	259
Amounts owed by Group undertakings	-	73	-	73
Other Debtors	250	796	960	1,484
VAT Debtor	389	389	294	294
Prepayments	238	129	92	35
	989	1,440	1,694	2,145
Amounts falling due after more than one year				
Amount owed by group undertakings	-	292	-	365

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 instalments, with the last repayment to be made in March 2021. Interest is charged on the loan at base plus 0.5%.

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13 Debtors (continued)

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

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Amounts falling due within one year				
Local Government	1	-	-	-
Central Government	389	389	299	299
NHS Bodies	-	-	-	-
Public Bodies	14	9	-	-
External to Government	585	1,042	1,395	1,846
Total	989	1,440	1,694	2,145
Amounts falling due after more than one year				
External to Government	-	292	-	365
Total	-	292	-	365

14 Cash at Bank and In Hand

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Cash at bank	3,919	3,638	3,496	3,056
Cash at bank and in hand	3,919	3,638	3,496	3,056

15 Creditors: Amounts Falling Due Within One Year

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Trade Creditors	1,279	1,224	678	635
Other Creditors	709	709	1,614	1,614
	1,988	1,933	2,292	2,249
Other Taxation and Social Security	155	155	237	237
Accruals	1,989	1,832	1,949	1,824
Deferred Income	483	483	631	631
	4,615	4,403	5,109	4,941

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

15 Creditors: Amounts Falling Due Within One Year (continued)

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

	Group 2016 £000	NGS 2016 £000	Group 2015 £000	NGS 2015 £000
Amounts falling due within one year				
Local Government	154	154	6	6
Central Government	317	317	529	529
NHS Bodies	0	0	0	0
Public Bodies	12	12	0	0
External to Government	4,132	3,920	4,574	4,406
Total	<u>4,615</u>	<u>4,403</u>	<u>5,109</u>	<u>4,941</u>

16 Provisions for Liabilities and Charges

	Group & NGS 2016 £000	Group & NGS 2015 £000
As at 1 April	26	35
Charged in year	422	0
Released in year	(10)	(9)
Total as at 31 March	<u>438</u>	<u>26</u>

A provision of £16k (2014-15: £26k) has been made for voluntary exit costs, £10k to be paid within one year and the remainder over the next 2 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 £6k which is due after more than one year (2014-15 £17k).

In addition provisions were made for major contracts committed to as at 31st March 2016.

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FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

17 Consolidated Reserves

	Unrestricted			Restricted				Endowment	Total		
	General Fund £000	Trust Funds Central £000	Purchase Funds £000	Capital Assets Fund £000	General Fund £000	General Fund Revaluation Reserve £000	General Fund Capital Reserve £000			Donated Asset Reserve £000	Trust Funds £000
Opening balance 1 April 2015	681	451	15	78,370	79,517	4,412	30,580	164,464	4,086	991	284,050
Government Grant in Aid	13,055	-	200	900	14,155	-	-	-	-	-	14,155
Other Income	4,255	-	-	-	4,255	-	-	1,920	5	-	6,990
Investment Income	13	1	-	-	14	810	-	-	129	31	174
Total Income	17,323	1	200	900	18,424	810	-	1,920	134	31	21,319
Expenditure in Year	(19,658)	(200)	-	-	(19,858)	(810)	-	-	-	-	(20,668)
Investments revaluation	-	(4)	-	-	(4)	-	-	-	(115)	(29)	(148)
Net (Exp)/Inc - SOFA	(2,335)	(203)	200	900	(1,438)	-	-	1,920	19	2	503
Buildings Revaluation	-	-	-	-	-	2,465	-	-	-	-	2,465
Net Movement in Funds - SOFA	(2,335)	(203)	200	900	(1,438)	2,465	-	1,920	19	2	2,968
Depreciation release	1,831	-	-	(483)	1,348	-	-	(1,348)	-	-	-
Transfers between reserves	-	(175)	175	-	-	-	-	107	(38)	(69)	-
Closing balance 31 March 2016	177	248	40	78,962	79,427	6,877	30,580	165,143	4,067	924	287,018

Transfers between reserves includes assets purchased from Trust Funds and Government Purchase Grant.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

17 Consolidated Reserves (continued)

The Financial Statements 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 (2014-15 £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 2015.

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 2015.

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, 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

17 Consolidated Reserves - Balance Sheet Classification (continued)

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 art, pictures or objects 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

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

18 Notes to the Consolidated Statement of Cash Flows

	2016 £000	2015 £000
Net income/(expenditure) for the reporting year (as per the Statement of Financial Activities)	2,968	(50)
Adjustments for:		
Depreciation charges	2,388	2,293
(Gains)losses on revaluation of fixed assets	(2,465)	47
Losses/(Gains) on investments	148	(295)
(Profit)/loss on sale of fixed assets	(3)	1
Dividends & interest shown in investing activities	(173)	(149)
Donations of artworks for the collection	(604)	(927)
Increase/(Decrease) in Provisions	412	(9)
(Increase) in Stocks	(104)	(52)
Decrease/(Increase) in Debtors	705	(415)
(Decrease)/Increase in Creditors	(495)	975
Net cash provided by (used in) operating activities	<u>2,777</u>	<u>1,419</u>

19 Financial Commitments - Group and NGS

	2016 £000	2015 £000
	Land & Buildings	Land & Buildings
Leases expiring within one year	20	-
Leases expiring after one year but within five years	69	84
Leases expiring after five years	-	-
	<u>89</u>	<u>84</u>

NATIONAL GALLERIES OF SCOTLAND

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20 Subsidiary Company

NGS Trading Company Ltd, 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:

	2016 £000	2015 £000
Turnover	2,452	2,042
Cost of sales	(959)	(754)
Administrative costs	(1,154)	(1,009)
Other operating income	4	-
Trading Profits from continuing operations	343	279
Gift Aid to National Galleries of Scotland	(341)	(276)
Result after Gift Aid	2	3
Interest income	3	3
Interest Payable	(5)	(6)
Profit before Taxation	-	-
Taxation	-	-
Result After Taxation reported in Consolidated Income and Expenditure Account	-	-

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.

21 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.

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's operating policies. The NGS Foundation, Princes Exchange, 1 Earl Grey Street, Edinburgh, EH3 9EE, 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 NGS is a director of the NGS Foundation, but the majority of the NGS Foundation directors are unconnected to NGS Charity.

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016

21 Related Party Transactions (continued)

During the year the NGS Foundation made donations of £1m to NGS for various projects. During the period to March 2016 administrative services were gifted to NGS Foundation by NGS under the terms of a service agreement.

In March 2016 NGS Charity granted NGS Foundation £0.5m.

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

22 Taxation

The board of Trustees of NGS has been granted charitable status by HM Revenue and Customs and 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.

23 Losses and Special Payments

Losses and Special Payments during the year amounted to £nil (2014-15 £nil). There were no individual losses or special payments of more than £250k

NATIONAL GALLERIES OF SCOTLAND

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2016



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 be 'R. Stewart', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

