



The Report of the Board of Trustees and Financial Statements
for the Year Ended 28 February 2018

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The National Trust for Scotland for Places of Historic Interest or Natural Beauty

Scottish Charity No: SC007410

CHAIRMAN'S FOREWORD

I have been Chairman of the National Trust for Scotland for almost three years now and I am able to say in that time I have witnessed this charity, of which I am so proud, tread a path of growth and success.

Yet again I am delighted to report that our financial performance continues to improve, and there is good progress to report. We set a target to grow our membership to 376,000 over the last year, and have achieved it. At our AGM in 2017 I asked each of our members to try and recruit a new member to help raise the necessary funds for further investment. Throughout the year we also encouraged many more visitors to experience the wonderful and important places in our care.

We are in a process of continuous improvement as the Trust progresses with significant investment in infrastructure, presentation and conservation of our heritage. The necessary restructuring we have undertaken allows us to refocus and redouble our efforts in delivering conservation.

One of the most important signals of progress was the appointment of our new President, Neil Oliver, in September 2017. He shares our passion and enthusiasm for the stories of Scotland and our desire to engage and enthral new generations. He succeeds Lord Jamie Lindsay, to whom I am truly grateful for his wise counsel and his long and faithful service to the Trust.

Along with our President and my fellow Trustees, I am confident that the National Trust for Scotland will play an increasingly central role as protector of Scotland's heritage for public benefit - now and in the future. As the Chief Executive mentions in the following pages, we have raised our voice where we think it is in the best interests of the nation's wildlife and historic and beautiful landscapes. We have backed up words with actions, such as more than 100,000 school pupils being hosted at our properties and the many disadvantaged communities which benefit from our outreach programmes such as, for example, our programmes targeting people facing social, cultural, financial or physical barriers - offering outdoor learning experiences in urban greenspaces and the great outdoors.

I would like to thank our Chief Executive, Simon Skinner, and his team for an excellent job. Our Board of Trustees have continued to steer us with wisdom and foresight, and I pay particular tribute to those who stepped down at the last Annual General Meeting; Sir Peter Erskine, Peter Ord and Ian Doig.

Of course our success and achievements are only possible due to the generous support we receive from our members, donors and grant providers for which we are extremely grateful and extend our thanks - as we do to our volunteers and staff who have done so much to welcome record numbers of members and visitors to our properties this year.

In addition to our gratitude, we also owe our people, and all visitors to our properties, a duty of care. Their safety and wellbeing is of paramount concern. Recent, unfortunate events affecting the third sector provide a timely reminder that we must act with great care and diligence in discharging our charitable duties, especially as they affect people who are vulnerable. I am proud to say that we at the National Trust for Scotland regard these obligations as sacred.

Sir Moir Lockhead OBE, Chairman, June 2018

CHIEF EXECUTIVE'S REPORT

In 2016, we embarked on a programme for *Transforming the Trust*. I am pleased to say that over 2017/18 we are beginning to see that transformation taking root.

There are a number of important milestones that we have reached and passed. In the very last Board Meeting of the year, Trustees approved a vision and five-year strategy that sets out our ambitious goals for a sustainable, vibrant Trust that will play an increasingly important role in protecting and celebrating Scotland's heritage.

We have enacted two phases of structural change that have established a regionally-led business model that provides the flexibility, impetus and drive to deliver vastly improved visitor experiences and conservation at our properties.

At the year-end we were also in the process of realising £8.7 million of investment in a new digital presence and supporting IT and office systems, designed to give much needed modernisation to our web-engagement, management, and administration. This investment significantly improves our efficiency and capability and will transform the way we do business and conduct our membership services. By removing the old inefficiencies at a stroke we free up our volunteers and staff to spend more time looking after the interests of our members and visitors.

Our voice and thinking has been bolstered by the establishment of a new central Conservation and Policy directorate and I am confident the changes we made have brought significant benefit to our ways of working across the Trust. All of this is best demonstrated by our achievements this year.

Our new structure and ways of working are also creating efficiencies which are being recycled into our conservation work. We are committed to circa £13 million of investment in properties and visitor experience improvements by the end of 2018/19 and over the course of our new five-year strategy we expect to spend circa £60 million on conservation and visitor related projects.

Magnificent buildings and landscapes are nothing if they have no meaning for people. They have to be relevant; to our collective stories, our personal, family and national identities. They can represent something profound, or perhaps a place to enjoy with friends and relatives, but they must have a value that people wish to preserve and uphold.

We celebrated receiving National Nature Reserve (NNR) status for Glencoe and Mar Lodge this year – an accolade that reflects the hard work of volunteers and staff over many years to help wildlife return to these magnificent landscapes. In fact Mar Lodge is now the UK's largest NNR.

In the past, the Trust has been perhaps too occupied with 'what' we are doing rather than asking ourselves for whom we exist. In short we have a national role to promote, care and protect our heritage for everyone. It is a simple truth that people care for what they love and it follows then that we need to widen our appeal and relevance beyond where we are today if we are to earn the support needed to ensure some of the finest, most important buildings, collections, gardens, habitats and landscapes in Scotland survive to represent our national chronicle to those who come after us. From our own research we also know that people benefit in lots of different ways from what we do and the places we care for. We know people feel better in mind and body after spending time in nature and the stories we share at our properties are helping to support educational outcomes and the experiences we offer can help to build self-confidence. Local communities are benefiting from employment and commercial opportunities around our properties.

In addressing this challenge we have devoted significant portions of time to reappraising what we do and have taken fresh opportunities to listen to and engage with people.

Central to encouraging more people to benefit from visiting our properties and to come back again and again to enjoy the stories they represent are the ways in which we present our properties. Three initiatives are leading us to more exciting ways of doing that which we believe will have more impact.

In October 2017 we completed a review of our Collections and Interiors. This was not about the importance of the objects and artwork in our care – we know how valuable these items are to Scotland’s cultural heritage – but how we manage and utilise them to tell our collective stories. One of the keywords in the report for me was ‘drama’. Our Trustees accepted the review recommendations in full and we will be investing an additional £3m over the next 5 years improving the condition of our collections and enhancing visitor understanding and enjoyment of them.

One of the sources of the stories we will tell is ‘Project Reveal.’ This is a £1.3 million initiative which involves specially recruited teams recording and digitally photographing every item in our collections, from artworks and fine furniture to kitchenware and even chamber pots. Hundreds of thousands of items will pass through the teams’ hands with many new facts, histories and discoveries already emerging. The project kicked off at Brodie Castle, Pitmedden Garden, Newhailes, the Hill House and Culzean Castle in August 2017 and ultimately will lead us to presenting the objects in our care in new and more accessible ways including online. In the short-term, the information uncovered from the project will allow us to make informed and inspiring choices across our estate as we seek to re-present our collections and interiors.

The third initiative took us out of the confines of buildings to the gardens which form such an important part of our portfolio and Scotland’s cultural heritage. The review noted many areas which had potential for improvement, concluding in 5 key areas for priority action, namely: investment in our people, our places, gardener training and apprenticeships, the conservation of our heritage gardens and the conservation of our heritage plant collections. In brief this has led to improvements to terms and conditions of our workers and the introduction of a 3 year heritage gardener apprenticeship aimed at creating a pool of trained gardeners we can call upon. Investment of circa £2.2m is planned over the next three years to improve the horticultural standards of our gardens and importantly to improve how they are encountered and experienced.

Together, I see these measures contributing to a return to pre-eminence for our gardens with the possibilities amply demonstrated by Inverewe’s renaissance over the past two years.

Changing the way the Trust is perceived means we have to broaden our engagement. We are an organisation for everyone. To this end in the early summer of 2017, we worked with *The Sun* newspaper to bring some of our stories to life for new audiences. The appointment of Neil Oliver as our new President – in effect our most senior volunteer – was also a sign of changing times. We have for the first time appointed a professional broadcaster and journalist to help us share our passion for Scotland’s heritage and drive up interest in all that we do.

The various strands of change have come together beautifully at the end of 2017/18. The Hill House priority project was announced just before Christmas. It is one of the most important conservation projects in Scotland and its subject is a building that has an international reputation that cannot be overstated. The eyes of the world are on the Trust as we bring forward solutions that may well have ramifications for 20th century architectural heritage across the globe, not least due to our changing climate.

Early in 2018 we followed up our announcement of a colossal ‘box’ to shield the weather-battered Hill House with the launch of the biggest, most ambitious fundraising drive in our history. By linking together the people of Scotland and the international community we will protect and save one of our most famous buildings designed by one of our most famous sons, and we will show the true worth and capability of the National Trust for Scotland.

This is an exciting time for the Trust.

HIGHLIGHTS OF 2017/18

2017

March

- After a year of renovations, **Pollok House** once again opened to the public. The works, funded by Glasgow City Council and Historic Environment Scotland, addressed issues with the exterior of the Trust's 'birthplace' and allowed previously unvisited rooms in the Servants' Quarters to be opened up for the first time.
- The 250 year-old violin played by Robert Burns' dance tutor, William Gregg, crossed the Atlantic in the care of violinist Alastair McCulloch and the pair produced rollicking reels for the crowds in Central Park, New York (in front of a statue of Burns) and at the **NTS USA Foundation's gala** that evening. Fittingly, **the Great Scot Award** was presented to the gala's guest of honour, acclaimed documentary filmmaker Ken Burns, a kinsman of the Bard.
- The new glasshouse at **Inverewe Garden and Estate** was formally opened by David Knott, from the Royal Botanic Gardens, Edinburgh and Trust Chairman, Sir Moir Lockhead. The £500,000 glasshouse was part of a major refurbishment of the garden and adds greatly to the ability of the team there to continue with Osgood Mackenzie's legacy of displaying rare and exotic plants in northerly climes.

April

- **Holmwood House** hosted a 200th birthday party for its architect, Alexander 'Greek' Thomson. Although Mr Thomson himself was otherwise engaged, visitors had the opportunity to marvel at his magnificent structural and decorative designs in one of the celebrated glories of Victorian architecture.
- To mark 80 years of the Trust caring for core parts of the **Culloden Battlefield**, and on the 271st anniversary of the fateful clash, a special programme of talks by eminent experts was staged. Arranged in conjunction with the Comunn Gàidhlig Inbhir Nis/Gaelic Society of Inverness and the 1745 Association, speakers included Professor Christopher Duffy, Sarah Fraser, our Vice President Professor Hugh Cheape and Dr Kirsteen Mackenzie.
- The Trust launched its biggest membership recruitment drive to date through a TV, radio and outdoor advertising campaign inviting people to grasp the **key to Scotland's treasures**. Miss Scotland, Lucy Kerr, was joined by local children at Pollok House to mark the campaign's launch.
- The new gallery at **Drum Castle** scored a coup when it hosted an exhibition of the work of Glasgow-born photographer Harry Benson, who has photographed every US President since the 1960s, as well as the greats of stage, screen, music, sport and literature.
- The Trust raised its voice for the protection of Scotland's marine environment after the discovery that the seabed of the **Loch Carron reef near Plockton** had been devastated by a scallop dredger. The irresponsible action had led to the destruction of the rare flame shell reef and the subsequent outcry moved the Scottish Government to put in place emergency protective measures, followed by permanent protection later in the year.

May

- It once was lost and now was found as a result of archaeological excavations preceding the **priority project at Culzean Castle**. The find was the original 18th century walled garden located underneath Fountain Court, which was being prepared for a new lease of life as an outdoor space for events and concerts. The wall is thought to have been commissioned by Sir John Kennedy of Culzean, 2nd Baronet, in 1733 to enclose a kitchen garden for the castle which was also lined with fruit trees.
- As part of the 2017 Year of History, Heritage and Archaeology, **Crathes Castle** hosted a re-run of the conflict between Jacobites and Redcoats. Uniformed re-enactors engaged in risky raids, fearsome attacks and daring duels and, more seriously, gave visitors a genuine insight into the daily lives of the 18th century combatants.

- **Threave Garden and Estate** was the only Scottish Garden taking part in the Chelsea Fringe, a celebration of off-beat gardening taking place around the prestigious Chelsea Flower Festival. The crowds were buzzing to the theme of bees as competitions, displays, trails, activities and talks celebrated the vital role of the humble *Apiformes* in our ecosystem.

June

- The Trust was forced into battle once again at **Bannockburn** as a portion of the historic field of conflict was threatened by a proposed housing development. This was the latest in seemingly endless attempts to encroach into important heritage landscapes across the country. On this occasion, victory was won, with the developers refused planning permission on what may well be the place where Robert the Bruce took on the English Knight De Bohun in single combat as the 1314 battle commenced.
- More conflict, this time firmly historic, as **Glencoe Visitor Centre** took its place in the *On the Trail of Bonnie Prince Charlie and the Jacobites* initiative. Living history events were staged to mark the occasion, while down south an exhibition *Bonnie Prince Charlie and the Jacobites* opened at the National Museum of Scotland in Edinburgh. Glencoe was one of 25 properties participating in the trail which was organised in partnership between the Trust, National Museums Scotland, Royal Collection Trust, Historic Environment Scotland and Visit Scotland.

July

- In a symbolic first to mark the Trust's new approach to partnership, **Regatta Great Outdoors** supplied liveried fleeces and shell jackets to all volunteers and staff, with clothing also being sold in our retail outlets - a proportion of the income was invested in conservation projects. Regatta also sponsored a major family-oriented event, **the Pirates of Culzean**, which offered many an opportunity for "Arrr-rated" puns.
- For the first recorded time a gannet chick hatched at **St Abb's Head** but unfortunately didn't fledge. Gannets have only nested on the cliffs on three occasions in thirty years before 2016 although nothing came of it in that year. The 2017 hatching drew mixed emotions – 'traditional' St Abb's species such as guillemots and razorbills are in decline, possibly due to loss of food supplies resulting from overfishing and climate change, while the more adaptable gannets are on the rise with prime nesting sites at Bass Rock in short supply.

August

- The **Robert Burns Birthplace Museum** won a prestigious award for its educational activities. The independent judges of the Sandford Awards offer a 'kite mark' for high quality education which is recognised by schools and educational institutions across the UK and gave the museum an accolade for its "lively and engaging" approach.
- One of the most significant investment programmes ever undertaken by the Trust kicked off at Brodie Castle, Pitmedden Garden, Newhailes, the Hill House and Culzean Castle. The £1.3 million **Project Reveal** will result in the recording and digital photography of every item in the Trust's collections.

September

- Archaeologist, author and TV presenter Neil Oliver succeeded Lord Jamie Lindsay in the role of the Trust's President at the **2017 Annual General Meeting** held in Dundee. Trustees Sir Peter Erskine, Peter Ord and Ian Doig stepped down, with Veronica Morriss re-elected for another term and joined by new Trustees David Leslie and David Mitchell.
- Ayrshire Paralympians Scott and Jamie McCowan were on track to launch new all-ability trails at **Culzean Castle and Country Park**. The trails form part of the £3 million Culzean Priority Project and ensure even greater accessibility to the estate and its beguiling landscape. The trails received generous support from the People's Postcode Lottery.

- Hikers on Goatfell and Ben Lomond were holding a literal torch for the Trust as they ascended the peaks in the first ever night time **Torchlight Challenge**. Sponsored walkers (and at least one canine) braved the darkness to raise funds for the Trust's Footpath Fund as well as local mountain rescue teams.

October

- An innovative initiative by the Trust in partnership with Young Scot, the national information and citizenship organisation supported by the Scottish Government for young people aged 11-26, led to a **Heritage Blueprint** being drawn up. A group of young people had visited Trust properties over the year and came up with practical suggestions as to how heritage could be made more appealing to the young. This original piece of work presaged the 2018 Year of Young People and will inform the Trust's thinking going forward.
- This year's Halloween events manifested themselves in the ectoplasmic shape of the **Stoat's Creepy Crawl**, another successful corporate partnership which brought in record numbers of families to properties seeking a seasonal chill thrill.
- The Trust's north east Rangers captured footage of the elusive Highland wildcat at **Leith Hall**. The cats are one of Scotland's most endangered species and the Trust has joined in partnership with the organisations forming Scottish Wildcat Action to take steps to save them from extinction.

November

- Although confirmed earlier in the year, the occasion of a visit by BBC TV's *Countryfile* team marked the formal announcement of **Mar Lodge Estate's** new status as a National Nature Reserve. The estate was showcased in an edition of the programme broadcast across the UK and revealed to be now the largest National Nature Reserve in the entire British Isles.
- The Trust joined with other NGOs and concerned citizens to object to a threat to one of Scotland's most important coastal habitats. Plans to develop a golf course at the **Coul Links**, near Dornoch would devastate a rare ecosystem for questionable economic gain.
- There was much better news for natural heritage with optimistic results arising from the latest **Mingulay** seabird count. An all-time high of 19,000 guillemots was recorded.

December

- A special tribute to the Trust's much-missed former Chairman was announced. The **Dick Balharry Prize** provides a £3,000 travel bursary to young people studying land management subjects, such as estate management, forestry and agriculture. The first such prize will be awarded in 2018.
- Volunteers and staff at **Culloden Battlefield and Visitor Centre** celebrated its tenth anniversary. The centre cost £9 million to build in time for its 2007 opening and welcomed 89,000 visitors in its first year. In its tenth it welcomed 183,000 and counting as well as 82,133 school pupils.

2018

January

- The latest phase of **Transforming the Trust** came with General Managers bringing forward proposed new management structures within their regions. At the same time significant investment in new business and IT systems was reaching the penultimate stages before operational implementation.
- At a gala held in Edinburgh, the **People's Postcode Lottery** allocated £200,000 to the Trust to fund accessibility projects at Culzean Castle and Country Park.

February

- The Trust launched its biggest ever fundraising effort in order to reach a target of £1 million towards construction of an enormous 'box' shield around **the Hill House** designed by Charles Rennie Mackintosh. Saturated by over a century of west coast weather, the experimental harling applied by Mackintosh has to be treated or replaced to stop the building "dissolving like an aspirin in a glass of water." The metal mesh shield will protect the building and allow it to dry out gradually, giving conservators the time they need to find a technical solution to the Hill House's Achilles' heel.

KEY PERFORMANCE INDICATORS

KPI	2017/18	2016/17
Number of members at year-end	376,000	366,000
Total visitors to properties	3.69 million	2.99 million
Paying visitors to properties	584,000	511,000
Conservation project expenditure	£9.93 million	£8.70 million
Gross fundraising income (excluding legacies)	£2.2million	£2.1 million
RIDDOR incidents	14	9
Health & Safety enforcement actions	-	-

Notes

RIDDOR = Reporting of Injuries, Disease and Dangerous Occurrences Regulations 1995

The increase in project expenditure reflects increased investment in upgrading properties such as Brodick Castle, Culzean Castle and Newhailes, which accounted for £4.44 million of the total of £9.93 million. In addition, we invested £0.5 million in Project Reveal, an initiative making wonderful discoveries in the Trust's collections and £0.4 million at the Hill House.

We recorded a total of 14 RIDDOR incidents during the year. No underlying common causes that might require remedial action have been identified in relation to the 14 incidents recorded. Our ultimate objective is to eliminate RIDDOR incidents.

Simon Skinner, Chief Executive, June 2018

CHIEF FINANCIAL OFFICER'S REPORT

INTRODUCTION and OVERVIEW

The audited financial statements, and accompanying notes to the financial statements, are set out on pages 25 to 51. My summary below provides an overview of the financial performance for the financial year, the Trust's overall financial position as at the end of the financial year, and the Trust's cash flows for the financial year. The commentary below refers, in all cases, to the consolidated results being reported and not just those of the Trust on a standalone basis.

VISITOR NUMBERS

We welcomed a total of 3,685,000 visitors to our properties during the year which is an increase of 696,000 or 23.3% on the previous year's total of 2,989,000. Our paying visitor numbers increased to just less than 584,000, from 511,000 last year, an increase of 73,000 or 14.3%.

STATEMENT of FINANCIAL ACTIVITIES – Financial performance

The statement of financial activities ("SoFA") is set out on page 25. Total income and endowments for the financial year were £56,790k (2017: £50,453k) and total expenditure was £59,672k (2017: £54,631k). In overall terms, the SoFA highlights net expenditure for the 2018 financial year of (£491k). This is a decrease of £22,017k compared with net income from 2017 which was £21,526k. Net income is stated after recognising net gains and losses (both realised and unrealised) on investment assets. Net investment gains during this financial year amounted to £2,391k which was £23,313k less than £25,704k recognised last year. Net investment gains of £2,391k relating to this financial year comprised £4,806k of net realised gains from the sale of investments during the year and (£2,415k) of unrealised losses on investments still held at the end of the financial year. Net gains on investments in the previous financial year of £25,704k comprised £1,111k of net realised gains from the sale of investments and £24,593k of unrealised gains.

Non-recurring costs of £2,366k were incurred during the financial year in relation to the systems implementation (£1,941k) and further restructuring (£425k). These costs were a continuation of the programme of Transforming the Trust started in the previous financial year. Costs incurred in the previous financial year on restructuring were £2,620k.

INCOME and ENDOWMENTS

Membership revenues

Membership grew during the financial year by a net of 10,000 to now over 376,000 and this represents the 20th consecutive year of growth in our membership numbers. This continued growth was driven by increased online membership sales and was supported by an advertising campaign, including television, during the year which emphasised the value for money our membership represents. As was the case for the first time last year, membership revenues are now separately broken out and reported as comprising both a donation and subscription element and, in total, amounted to £15,882k which is up 8.8% on the £14,593k total last financial year and which reflects the growth in membership numbers, together with a modest price increase taking effect.

Appeals and donations

Income from appeals and donations of £2,159k increased by £107k from last financial year's total of £2,052k with the Hill House appeal helping to contribute to the slight increase.

Legacies

The receipt of legacy income is, by its very nature, highly unpredictable but the Trust has been very fortunate to benefit from a number of generous bequests over the years. During this past financial year, we have benefitted from legacy income totalling £7,106k (of which £6,587k was unrestricted). This is an increase of £3,149k or 79.6% on income from legacies recognised the previous financial year. As was reported last year, recognition of legacies is a specific area that has been directly impacted by adoption of the Charities SORP (FRS 102), the effect being that, in comparison to previous treatment, we are now required to recognise and account for legacies at the point when their receipt become “probable”. As a consequence, there are amounts now included in the reported legacy income totals where the Trust has not, as yet, received any cash and so has had to recognise a receivable for the anticipated legacy receipt. The amount of legacy receivable as at 28 February 2018 was £2,619k (2017: £2,460k).

As always, we are extremely grateful to everyone who made provision for the Trust in their will.

Investment income

Our investments are primarily managed in two pools, one of which holds endowment type funds from which we can only use the income generated and a second which holds funds from which we can spend both capital and income. The equity components of these pools are managed on the Trust’s behalf by Martin Currie. While both equity pools have outperformed their comparator benchmarks since inception, the income pool slightly underperformed the benchmark in the year to 28 February 2018. The level of investment income received this financial year of £8,135k was £450k higher than £7,685k in the previous financial year as a result of increased dividends.

Grants

The Trust continues to receive grants towards the cost of our conservation work and we are grateful to the Scottish Government, Historic Environment Scotland, Scottish Natural Heritage, Heritage Lottery Fund, Local Authorities and Scottish Museums Council for providing valuable support during this past financial year.

Our grant income fluctuates from year to year depending on the major projects which are active in any given year. Grant income decreased to £1,412k this year from a level of £1,637k in 2017. This reduction was mainly due to reduced levels received from Historic Environment Scotland as repair work on properties was rescheduled.

Property and other income

Property and other income, which includes admissions income and rental income, increased slightly from £7,754k last year to £7,949k this year. Admissions revenue increased by 13.3% to £4,247k, boosted by an increase in paying visitors and the impact of price increases at some properties. The level of rental income we generated from our let portfolio decreased to £2,137k from £2,253k previously. Other income, which includes amongst others advertising income, income from events and proceeds from insurance claims in respect of costs previously incurred, decreased by £188k to £1,565k from £1,753k.

Commercial activities

Our total income from commercial activities continued to build on last year's increased levels, and rose significantly by £1,835k or 15.5% to £13,671k. Increases were seen in most revenue categories, particularly in both retail and catering. Overall the net surplus from our commercial activities has decreased by £380k or 16.6% to £1,909k from its level of £2,289k in the prior year. This overall reduction in net income from commercial activities was driven by a reduction in net income from cruises due to low occupancy rates of a third cruise chartered for the first time this year. Retail net surpluses have increased to £1,250k for this financial year, an improvement of 55% on the prior year due to a change in operating model that resulted in lower central warehouse costs. Catering income has increased by £405k in the year to £4,090k, however, net surpluses from catering operations, have decreased by £522k to £142k for the year. The increase in revenue is driven by increased income at Culzean and Culloden. However, higher staff costs combined with refurbishment costs at Culzean, Robert Burns Birthplace Museum and Pollok were the key reasons for the fall in net contribution. Income from holiday accommodation is relatively the same as the previous year with a slight increase of £24k in net surpluses from holiday accommodation to £368k for this financial year. Functions at the properties generated a net contribution of £58k, a decrease of £6k or 9.4% from last year. Revenues from other income and events increased from £426k to £464k, however, net surpluses decreased during the year by £25k due to higher costs.

Gain on sale of assets

There were a number of disposals of assets during the financial year with sales proceeds amounting to £723k and which resulted in a gain on sale recognised of £476k. Note 15 to the financial statements provides further details of heritage assets included in these totals with sales values of £434k (2017: £859k).

EXPENDITURE

Total expenditure for the financial year was £59,672k, up from £54,631k in the prior year. In terms of SoFA presentation on page 25, the major items of expenditure relate to Property operating expenditure of £27,314k (2017: £25,476k), Conservation, repairs and improvements of £12,514k (2017: £11,841k), costs of Commercial activities of £11,762k (2017: £9,547k), Publicity and fundraising costs of £4,193k (2017: £3,936k) and Membership and recruitment costs totalling £1,523k (2017: £1,211k). In addition, during the current financial year £425k (2017: £2,620k) of non-recurring restructuring costs were incurred and £1,941k (2017: nil) of systems implementation costs. Further detail on the breakdown of all relevant costs is set out in the accompanying notes to the financial statements.

Wages and salaries

Total staff costs, which are included in a number of different cost category lines on the SoFA including some of those referenced above, decreased by £1,800k or 7.3% to £22,789k. This is predominantly due to redundancy and termination payments of £425k in the current financial year being less than £2,274k in the previous year. The 2018 pay deal agreed with Prospect, the Trust's recognised trade union, resulted in 2% increased pay awards. As in previous years, there was also a weighting in favour of lower paid staff as further commitment to paying the Scottish Living Wage. The Trust has also been able to continue to employ a number of additional staff on fixed term contracts to carry out specific conservation and other projects.

In addition to its paid workforce, the Trust also benefits greatly from a committed group of volunteers who give their time to help at properties and in our administrative offices. During the year to 28 February 2018 these volunteers carried out a total of 191,800 hours of work which is an 8.12% decrease on the previous year. If translated at an indicative cost of £10 per hour, this effort equates to a value of £1.92 million. The Trust depends heavily on its volunteers and could not operate without their ongoing support. We are extremely grateful to them all for the time and energy they devote to the Trust.

Conservation, repairs and improvements

Total expenditure on conservation, repairs and improvements amounted to £12,514k in the financial year, an increase of £673k or 5.7% from £11,841k in the previous year. Project expenditure varies from year to year depending on conservation requirements. Major projects expenditure in this year included the completion of work on Culzean infrastructure, Newhailes playpark and Brodick Castle. Further details on our conservation work are described in the Chief Executive's Report.

BALANCE SHEET and FUNDS – Financial position

As at 28 February 2018, total funds amounted to £242,373k a decrease of £491k on the comparable figure of £242,864k as at the end of February 2017.

The Trust has approximately 400 restricted or designated funds in which we hold monies that have been either donated or set aside by the Board for a specific purpose. As previously reported, we have been investigating restrictions placed on certain of these funds over the course of recent years in order to determine how best to use them for our conservation work. This process is ongoing and during the year a number of funds which had historically been classified as restricted funds were identified as truly being unrestricted funds. This is reflective of a prudent approach to historical fund restrictions. These misclassifications have been corrected by restating the opening fund balances in the financial statements. In addition, the allocation of the unrealised gains/(losses) on investments between fund categories was reviewed and adjusted to ensure a consistent allocation. The total balance of funds has not been restated only the allocation among endowment, other restricted, designated and general fund balances. Details of these reallocations are included in note 36.

The value of restricted funds after these restatements was £165,591k at 28 February 2018 a decrease of £5,009k from their restated level of £170,600k at the prior year end.

In addition to its restricted funds, the Trust has a separate designated fund to reflect the value of tangible fixed assets with a balance of £26,626k at 28 February 2018 and designated funds of £5,115k for other specific designations made by the Board.

The bulk of the Trust's unrestricted reserves are held in the General Income Fund which has a balance of £45,041k at 28 February 2018. The General Income Fund balance has increased by £4,144k in the year from the restated value of £40,897k at the end of February 2017 mainly as a result of legacies income and investment income. The General Income Fund balance is now considerably higher than the previously stated target level of £21,000k and this higher level is required to help fund investment in systems and conservation spend over the next 3 to 5 years in line with the new strategy in which we expect to spend circa £60 million on conservation and visitor related projects. After the investment over the next 5 year strategy the level of the General Income Fund is expected to decrease and return to a level closer to £21m. In line with the strategy, investment will be made from reserves with a view to improving operational efficiency and financial sustainability to enable the Trust to continue to fund the increased levels of conservation and improvement expenditure that we have seen the last few years.

CASH FLOW and LIQUIDITY – Cash generation

Cash flow from operations in the financial year was an outflow of (£8,321k), an improvement of £564k from the outflow of (£8,885k) reported for 2016/17 and which mostly relates to favourable working capital movements and higher investment income during the year.

Cash inflows from investing activities amounted to £7,680k, which is an increase on the level of £6,310k last financial year. This is mostly related to overall net investment activity (sales proceeds net of costs of purchases) which came to an overall inflow this year of £2,782k versus an overall outflow last financial year of (£1,234k) – a favourable swing of £4,016k year on year. Capital expenditure of (£3,959k) was higher than last year, as was investment income but proceeds from the sale of fixed assets was slightly lower.

As a consequence of the above cash flows, cash and cash equivalents at the year-end amounted to £2,677k, a decrease of (£641k) from the opening level of £3,318k at the start of the financial year.

CONCLUDING COMMENTS and FUTURE OUTLOOK

Whilst much work has been done to stabilise the Trust's financial position in recent years, with some painful actions having to be taken over the past two financial years in relation to restructuring, the fact remains that our properties still cost more to maintain and operate than they are able to generate in revenues, and so we continue to be dependent on membership revenues, investment income, commercial surpluses and increasingly on legacies income to cover and address the operational shortfall. Crucially, and importantly, annual spend on conservation, repair and maintenance activities is an integral element to what we do as an organisation and has seen a total spend of £37,150k over the course of the past three financial years. The work undertaken by the Trust in the last three years has started a foundation from which we can now aim to generate more income to reinvest into conservation of heritage. The five year strategy approved by the Board this year will provide a framework that we can use to improve the visitor experience, increase visitors and increase income with a view to building the Trust to become more financially sustainable and to continue the increased level of investment in conservation expenditure.

Louise Page, Chief Financial Officer and Director of Corporate Services, June 2018

THE REPORT OF THE BOARD OF TRUSTEES

The Board of Trustees is pleased to present its report for the financial year ended 28 February 2018. This report is prepared in accordance with the requirements of the Charities Statement of Recommended Practice ("SORP") FRS 102 and complies with applicable law.

CONSTITUTION

The Trust operates under The National Trust for Scotland Order Confirmation Acts 1935 to 1973 and the National Trust for Scotland (Governance, etc) Act 2013. The National Trust for Scotland for Places of Historic Interest or Natural Beauty is registered as a charity in Scotland, with charity registration number SC007410, and has its principal office and place of business at Hermiston Quay, 5 Cultins Road, Edinburgh EH11 4DF. The charitable purposes of the Trust may be summarised as the promotion of the preservation of, access to and enjoyment of places of historic interest or natural beauty.

OBJECTIVES, ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

During the year to 28 February 2018 the Board continued the process of transformational change which commenced during the preceding financial year. The focus of this second year of change was the development of new internal systems and continued development of priority projects at key properties with the aim of increasing visitor enjoyment and numbers.

During the year under review the Board continued to operate under the core purpose and guiding principles which had been adopted under the previous five year strategy. These had been set out as follows:-

Core purpose

The purpose of the National Trust for Scotland is to conserve and promote our heritage.

Guiding principles

Excellence	We work to the highest standards allowed by our resources in all aspects of our work.
Affordability	We live within our means and use our resources economically and creatively.
Accountability	We discharge our duty of care to the nation and to our members.
Integrity	We are open, respectful and considerate in our dealings with others. We honour our commitments.
Co-operation	We seek to work positively in partnership where appropriate in order to achieve our purpose and fully realise our potential.

In addition, the strategy had stated that the Trust would seek to fulfill its core purpose by taking forward detailed actions meeting five main strategic objectives covering:

- The portfolio and its conservation: Our portfolio reflects our core purpose and vision for the future and can be maintained to a high conservation standard.
- The promotion of Scotland's heritage: We tell the stories of all our properties in compelling and inspiring ways. We encourage the effective protection of our natural, built and cultural heritage.
- Financial sustainability: We run the Trust efficiently and within its means, setting and measuring performance against clear targets.
- Visitor enjoyment: We deliver a consistently high quality visitor and membership experience which appeals to a broad range of people.
- Investment in our people: Our people are motivated, fairly rewarded and have the right skills.

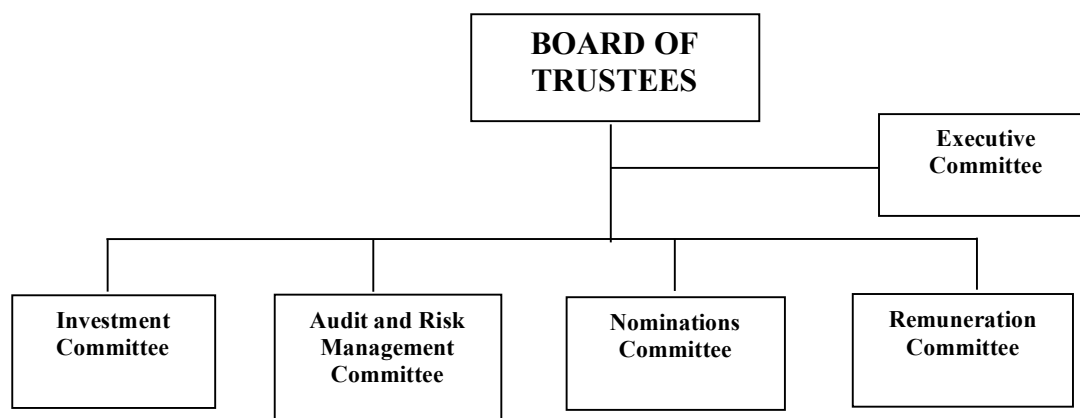
Performance against objectives are measured and regularly monitored and reported as part of Key Performance Indicators and are also regularly assessed as part of the Trust's risk management processes.

Capabilities introduced through the new systems and increased visitor and member engagement and satisfaction are fundamental to the Board's new five year strategy covering the period 1 March 2018 to 28 February 2023 that was developed and adopted during the year.

Further details of the new strategy can be found on the Trust's website. Details of the Trust's activities, performance in the year and its future plans can be found within the accompanying Chief Executive's Report and Chief Financial Officer's Report.

ORGANISATIONAL STRUCTURE

The organisational structure in operation during the financial year under review is outlined diagrammatically below:



THE BOARD OF TRUSTEES

The Board of the Trust was constituted on 1 March 2011 and comprises up to fourteen Trustees. Ten of the Trustees are elected by the Trust's members on an initial four year term and four may be co-opted by the elected Trustees. Elected Board members retire by rotation and can offer themselves for re-election at the AGM for one further term. Co-opted Board members may be co-opted for a term of up to four years, which may be renewed for a further term of up to four years. All four of the co-opted places are currently filled. The Board of Trustees makes use of a number of committees to advise it on various areas of the Trust's activities and has delegated certain responsibilities to them. Board members serve on all of the committees except the Executive Committee.

Board members are listed on page 52 and held office throughout the year unless otherwise stated.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

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

The law applicable to charities in Scotland requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and parent charity and of the incoming resources and application of resources of the group and parent 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 FRS 102;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and parent charity and enable them to ensure that the financial statements comply with Regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the group and parent charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

The Trustees confirm that, as far as they are aware, there is no relevant audit information of which the auditors are unaware.

THE NOMINATIONS COMMITTEE

The remit of the Nominations Committee is to identify and recommend nominees for all appointments to be made by the Board of Trustees (including those of co-opted Board members) and to recommend candidates with appropriate skills and experience for election to the Board. It is intended that skill gaps which are left following the retirement or resignation of Board members are identified and the recruitment process aims to ensure that the gaps are filled by suitably qualified candidates. These gaps may include specific areas of charity purpose, business or management experience. The main tasks of the Nominations Committee during the past year were the implementation and operation of a new system of assessment of candidates for elections to the Board, the proposal of a co-opted candidate to the Board to fill a vacancy, and the proposal of a new President of the Trust.

The committee has an independent chair, Dame Susan Bruce, and a further independent member, Lesley Knox. The committee also has a further four Trustee members who are Sir Moir Lockhead, Jill Carrick, Amanda Herries and Veronica Morriss.

THE REMUNERATION COMMITTEE

The Remuneration Committee of the Board is chaired by the Chairman of the Trust. The purpose of the Committee is to set the remuneration of the Executive Committee, make recommendations to the Board on the annual pay award for other staff and to maintain an overview of the reward and recognition function within the Trust. In setting remuneration for key management personnel, the Committee makes reference to external benchmarks whilst being mindful of the fact that it is a charity. The other members of the Committee are all Trustees, Keith Griffiths, Jill Carrick and Veronica Morriss. The main task of the Committee during the year was the consideration of the annual staff pay award for 2018/19.

THE AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee is chaired by David Leslie, a Trustee (following the retirement of the former Chairman, Ian Doig, on 30th September 2017). The full complement of the Committee is five with three posts filled by Trustees. The Committee chair takes one of these positions and the others are filled by Keith Griffiths and Caroline Borwick. In addition the Committee currently has two independent members, John Naylor and Grant Macrae.

Both the Trust's external and internal auditors are invited to attend all Audit and Risk Management Committee meetings. The Committee has been established and operates in accordance with current best practice relating to corporate governance. The Committee meets quarterly.

The role of the Committee is to assess the overall integrity of the Trust's financial recording and reporting systems and the effectiveness of its internal controls, risk management systems and internal and external audit

functions and to report to the Board of Trustees on its findings. A separate report on the work of the Committee is included on page 21.

THE INVESTMENT COMMITTEE

The work of the Investment Committee is described in the section on Investment policy below. The Committee is chaired by James Ferguson who is supported by a further six Committee members. One of the Committee members, Graeme Sword, is a Trustee.

THE EXECUTIVE COMMITTEE

The responsibility for managing the operations of the Trust in accordance with the Board's policies, and for monitoring progress through the monthly and quarterly reporting systems, lies with the Chief Executive and the Executive Committee who report regularly to the Board of Trustees.

The Chief Executive is Simon Skinner, supported by Louise Page, Chief Financial Officer and Director of Corporate Services (following the resignation of the previous Chief Financial Officer, Allan Bowie on 31 July 2017), Patrick Duffy, Chief Operating Officer, and Mark Bishop, Director of Customer & Cause.

The members of the Executive Committee are listed on page 53.

PERSONAL DEVELOPMENT AND SUPPORT TO BOARD MEMBERS

All members of the Trust's Board receive an induction detailing Trustees' roles and responsibilities and attend face-to-face group briefings. Regular reports are sent to each Trustee including data relevant to any specific role they hold and generic information about the operations of the Trust. Each of the Trustees meets with the Chairman on an annual basis as part of a process of annual evaluation. In addition, specific training on risk management and the fiduciary duties of trustees was made available to Trustees during the year under review.

RELATED PARTIES

The National Trust for Scotland consolidates the results of its wholly owned subsidiary undertaking, National Trust for Scotland Enterprises Ltd. The company's principal activities are the running of retail, catering, holiday cottages, cruises, hospitality and other sundry trading activities at The National Trust for Scotland properties. Other related parties with which the Trust has transacted during the year are listed in Note 32.

POLICIES

Funds and reserves policy

The General Income Fund ("GIF"), which represents the working capital reserves of the Trust, acts as a source of capital for the Trust's activities and helps to ensure that the Trust can continue to comply with its obligations in the event of a shortfall in income or sudden upturn in expenditure. The current policy of the Board of Trustees is to have, in reserve, a GIF balance sufficient to meet at least the budgeted costs of six months' normal operational activity and the estimated costs to be met from the GIF of the major conservation, repair and improvement projects during the succeeding twelve month period. This general formula was translated to a target of £21m. The General Income Fund balance has increased to £45m at the end of February 2018. This is now considerably higher than the previously stated target level of £21m and this higher level is required to fund investment in systems and conservation spend over the next 3 to 5 years in line with the new strategy in which we expect to spend circa £60 million on conservation and visitor related projects. After the investment over the next five year strategy the level of the GIF is expected to decrease and return to a level closer to £21m. In line with the strategy, investment will be made from reserves with a view to improving operational efficiency and financial sustainability to enable the Trust to continue to fund the increased levels of conservation and improvement expenditure that we have seen in the last few years. The Board will continue to review the level of GIF and the target level required after the investment over the next five years.

Designated funds are funds which have been identified to be used for a specific purpose but which are not legally restricted to this use. Trustees may choose to set aside a part of unrestricted funds to be used for a particular project or commitment.

A number of the Trust's properties held for conservation have been endowed and such endowments have been given to the Trust either by donors or grant-making bodies on the condition that the capital will not be spent. It is the Trust's policy to seek adequate endowments for all new acquisitions. Further information on our funds is included at page 12.

Investment policy

The Trust holds substantial funds for endowments, restricted and designated purposes and the Board of Trustees is assisted by the Investment Committee on the management of the equity and other investments represented by these funds.

The investment powers of the Trust are contained in The National Trust for Scotland Order Confirmation Act 1973 allowing investment in '...Such stocks, funds, shares, securities and any other investments... as the Council shall, in their absolute discretion, think fit' (Note: Council is now referred to as the Board of Trustees). Funds are currently invested mainly in UK equities and bonds, cash, overseas investments and property. Martin Currie Investment Management Limited has been appointed as the Trust's investment manager responsible for quoted securities. In addition, the Trust holds an investment in a pooled property investment fund. The asset allocation of the quoted and property funds is considered by the Committee and the Committee reports to the Board of Trustees on a quarterly basis.

The objective is to meet budgeted income targets approved on an annual basis by the Board of Trustees and to achieve an increase in the value of the income and investment portfolio in real terms over time, while maintaining prudent diversification of assets. Excluding investment properties, the remaining investments are split into three parts (two managed portfolios and one direct investment pool) with funds allocated based on the restrictions attached to the spending of capital. One portfolio (with a year-end value of £120m) is designed to deliver real income growth over time and the other managed portfolio (with a year-end value of £56m) is managed on a total return basis without regard to the split of returns between income and capital. The value of the direct investments amounted to £34m at year-end (2017: £37m). The performance of the investment portfolios is measured against appropriate benchmarks and reviewed regularly (on a quarterly basis) by the Investment Committee – who were satisfied with actual performance - on behalf of the Board of Trustees.

Separately, the Board of Trustees has established a sub-group made up of Trustees and members of the Investment Committee to review the Trust's investment approach. After a full tender exercise, the sub-group appointed external advisers, Mercers, to advise the sub-group. The work of the sub-group is continuing and it is expected to report to the Board of Trustees during the 2018/19 financial year.

GOING CONCERN

The Board of Trustees has agreed, with the benefit of advice from the Audit and Risk Management Committee, that it is appropriate for the financial statements to be prepared on a going concern basis as detailed in Note 1(b) and 1(c) of the financial statements.

TIMING OF INCOME AND EXPENDITURE

The Trust reports its financial affairs in accordance with the statutory reporting requirements for charities. Accordingly, the Trust reports income from appeals and donations in the year in which it is receivable. The commitment for the associated expenditure is recognised only once there is a contractual arrangement or the goods have actually been received. There can therefore be a timing difference between the recognition of income and the actual spend resulting in a distortion of the financial results although there were no significant such distortions in the year under review. Similarly, the Trust is required to report income from grants in the year in which they are receivable. However the expenditure on large projects is usually capitalised in the Balance

Sheet and therefore would not necessarily be included as Expenditure in the Consolidated Statement of Financial Activities in the same year. As a result of such a “mismatch”, the capitalised expenditure is not offset against the income from grants, appeals and donations which have financed it until the underlying assets are depreciated.

RISK MANAGEMENT

The Board of Trustees is responsible for ensuring that the Trust has effective systems of internal control and risk management and recognises that the management of risk is an integral aspect of all the Trust's activities. However, such systems can only provide reasonable, rather than absolute, assurance against material failure or loss.

During the year, the Board of Trustees commenced a review of the risk management process for the organisation and the work is scheduled to complete and a new risk management system will be implemented during the financial year 2018/19.

During the year the Board of Trustees has reviewed the main risks and mitigations facing the Trust. In addition, the Audit & Risk Management Committee of the Trust considers risks, including potential future risks, affecting the Trust and reports to the Board of Trustees.

In recent years a major risk facing the Trust has been that of financial sustainability i.e. of failing to meet its objective to balance its costs and income over time and having insufficient finances to meet the conservation needs of the portfolio leading to deterioration in condition of the estate. While the Trust's underlying financial position has continued to improve over recent years, this area of financial sustainability remains one of particular focus with costs and commitments continually increasing and income from paying visitors, government and other sources either falling or failing to match the levels of increased costs. The transformation and restructuring programme that was commenced in 2016/17 and continued in 2017/18, is intended to improve operational efficiency which, together with additional income generated from improved visitor numbers and increased membership, would help ensure the Trust is put onto a financially sustainable footing thereby enabling the Trust to properly meet its conservation objectives. These are key objectives of the Board's new five year strategy.

Other significant risks facing the Trust include, but are not limited to, the following:

Compliance risk – due to the variety of its operations and the sectors in which it operates the Trust is subject to extensive regulation particularly in the areas of property and rural land management and in our visitor operations. We have developed a regime of extensive staff training supported by comprehensive guidance materials to ensure that staff understand the relevant regulations and can draw on appropriate guidance and support as required. In addition we have engaged expert contractors to address specific areas of concern. The Board of Trustees also recognised that the introduction of the General Data Protection Regulation in May 2018 has introduced a new compliance risk for the Trust and has implemented a plan of work and training aimed to ensure the Trust's compliance with the new regulatory requirements.

Health and safety risk – the safety and well-being of our staff and visitors is of paramount importance to the Trust. The Trust employs a small team of health and safety specialists who advise on management of health and safety issues and carry out audits of the health and safety management processes at properties and in head office. Primary responsibility for site management rests with property managers who each have a property specific safety manual known as the Safe Systems of Work.

The central health and safety team provide a monthly report to the Executive Committee which provides a quarterly report to the Board of Trustees detailing incidents of concern and trends in incident reporting and any consequent remedial action taken. The report also tracks the number and nature of incidents over the year to provide comparisons with previous years.

Competitive risk – the Trust derives significant income through providing visitors to its properties with an enjoyable and interesting experience. It operates primarily in the visitor attraction market which in Scotland is extensive and highly competitive. The Trust conducts annual visitor satisfaction surveys to ensure that the experience provided remains of a high standard and monitors developments at local and national competitors to ensure that its offering remains competitive. An increase in visitor numbers and satisfaction is a key measure of success of the Board's new five year strategy.

In addition, the Trust faces increasing competition in the fundraising arena with traditional donors and grant giving bodies experiencing increases in the number of applications received. We have invested in the broader marketing of the Trust as a cause worthy of fundraising support and continue to invest in our fundraising department in order to ensure that we can continue to attract support for our important conservation work.

BOARD EFFECTIVENESS

A full independent and external review of the effectiveness of the Board is carried out every three to five years. The last external review was carried out in 2014. In addition, the Board carries out periodic self-assessment reviews. The Board carried out a self-assessment exercise during the course of the financial year under review. The Trustees have an opportunity to meet in closed session without management in attendance at each meeting in order to discuss, amongst other things, the effectiveness of the Board's performance and processes.

TAXATION

The Trust is a Scottish registered charity and is recognised as such by HMRC for UK taxation purposes. As a result there is no liability to UK taxation on any of its income or capital gains in respect of charitable activities. The trading activities of the Trust are undertaken by National Trust for Scotland Enterprises Limited which then gift aids its taxable surpluses in the form of a distribution to the Trust and hence no taxation is incurred.

AUDITORS

The Board of Trustees recommends that RSM UK Audit LLP be re-appointed as auditors at the Annual General Meeting on 1 September 2018.

Approved by the Board of Trustees on 28 June 2018 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'Moir Lockhead', written over a horizontal line.

Sir Moir Lockhead OBE, Chairman 28 June 2018

REPORT OF THE AUDIT & RISK MANAGEMENT COMMITTEE

Terms of reference

The remit of the Committee includes monitoring and reviewing the overall integrity of the financial recording and reporting systems of the Trust, effectiveness of internal controls, risk management systems, overseeing internal and external audit functions, managing the independent audit of the annual accounts, and reporting to the Board of Trustees on the Committee's work and findings.

Membership and meetings

Membership of the Committee comprises Trustees and independent external members, shown on pages 52 and 53. The Trust's external auditor (RSM UK Audit LLP), internal auditor (Grant Thornton UK LLP), Chief Executive, Chief Financial Officer and Director of Corporate Services and Trust Secretary also attend each Committee meeting.

External and Internal audit activities

The Committee considered regular reports from the Trust's external auditors, including the audit plan for 2017/18 and a final audit findings report that documented key findings arising from the audit of the year-end financial statements and internal controls.

The Committee scrutinised reports from the internal auditors on audits commissioned to review specific risk issues and to test the effectiveness of internal controls and risk mitigation measures; the Committee then considered the audit findings and recommendations, together with management's responses to internal audit recommendations. The Committee monitored the implementation of internal audit recommendations, in order to strengthen internal controls, operating efficiency, and risk management across the Trust.

The Committee considered several internal audit reports during the year, including reports on the subjects of property maintenance and capital planning arrangements, the preparedness of the Trust for the implementation of the General Data Protection Regulation, visitor and member experience, oversight of the Trust's Priority Projects, and the general IT control environment within the Trust.

The Committee also met the internal and external auditors in private session, without management present, to explore any areas of particular concern, in accordance with best practice in financial governance; however, no significant additional issues emerged during the year.

The Committee reviewed the work and appointments of both the internal and external auditors during the year. The Committee continued to be satisfied with the quality and relevance of the reports received from both the external and internal auditors and proposed their re-appointment for the next financial year. The Committee was pleased at the level of liaison and co-operation between the internal and external auditors in their work.

Budget Monitoring and Risk Management activities

The Committee regularly reviews management accounts from the Chief Financial Officer, which report projected outturns against the budgets approved by the Board. The Committee also reviews reports submitted by management on the effectiveness of internal controls and management systems.

The Committee has welcomed the Board's development of a new strategic risk management system for the whole organisation. Committee members have been involved in the development of this system which is scheduled to be completed and in operation during financial year ending 28 February 2019. The main risks facing the Trust are set out in the Board's report.

The Committee has considered changes in the Trust's regulatory environment during the year and the Trust's responses to them. In particular, the Committee monitored the challenging and complex work required by the organisation to prepare for the introduction of the General Data Protection Regulation in May 2018. The Committee also considered the Trust's systems for reporting notifiable events to OSCR and the safeguarding of children and vulnerable adults in response to the difficulties faced by some other charities during the year. The Committee received assurance that the Trust had suitable safeguarding processes and systems in place.

Accounts activities

The Committee scrutinised the year-end Financial Statements for 2017/18, together with the Final Audit Findings Report from the independent external auditor. The external auditor reported that it had no significant outstanding issues of concern; however, a number of improvements to financial controls and efficiencies were recommended and will be adopted.

While a prior period adjustment has been made to reclassify the allocation of funds between restricted and unrestricted balances outlined in note 36, this is reflective of an overly prudent approach to historical fund restrictions and in no case have restricted funds been incorrectly expensed.

Committee Effectiveness

The Committee carried out an effectiveness self-assessment exercise during the year. The process concluded that, overall, the Committee has effective formal and transparent arrangements for considering statutory reporting, risk management and internal control principles and for maintaining an appropriate relationship with the charity's auditor.

Areas for Future Focus

The Committee will continue to carry out its basic role of obtaining assurance as to the effectiveness of the Trust's core financial controls and other systems. There will be a particular focus on the implementation of the Trust's new risk management framework which is an important exercise in ensuring the Board's and management's control over the Trust's risk environment. The Committee will also continue to monitor the management of risks in the regulatory environment and those inherent in the process of systems and culture change which the Trust is currently undergoing.

Summary

Sources of assurance considered by the Committee during the year include reports from external and internal auditors, reviews of internal controls, and reports from the Trust's management.

The Audit and Risk Management Committee is satisfied that the range of assurances and evidence of effective internal controls supplied to the Committee are robust, have integrity and are sufficiently reliable to provide overall assurance and support to the Board in its financial stewardship responsibilities.

David Leslie, Chairman, June 2018

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE NATIONAL TRUST FOR SCOTLAND

Opinion

We have audited the financial statements of National Trust for Scotland (the 'parent charity') and its subsidiaries (the 'group') for the year ended 28 February 2018 which comprise Group and parent charity Statements of Financial Activities, the Group and parent charity Balance Sheets, the Group and parent charity Cash Flow Statements and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charity's affairs as at 28 February 2018 and of the group's and parent charity's incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

Other information

The trustees are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Matters on which we are required to report by exception

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

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

Responsibilities of trustees

As explained more fully in the Statement of Trustees' responsibilities set out on pages 15 and 16 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group and parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or parent charity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the charity's trustees, as a body, in accordance with section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005, and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and its trustees as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

6 July 2018

RSM UK Audit LLP
Statutory Auditor
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RSM UK Audit LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Consolidated Statement of Financial Activities for the Year Ended 28 February 2018

	Notes	Unrestricted Funds		Restricted Funds		Total 2018 £000s	Total 2017 £000s Restated*
		General Funds £000s	Designated Funds £000s	Restricted Funds £000s	Endowment Funds £000s		
<u>Income and Endowments</u>							
Donations and legacies							
Donations from membership subscriptions		11,948	-	-	-	11,948	10,978
Appeals & donations	3	716	-	1,442	1	2,159	2,052
Legacies	4	6,587	-	519	-	7,106	3,957
Investment income	5	2,366	60	1,337	4,372	8,135	7,685
Income from charitable activities							
Income from membership subscriptions		3,934	-	-	-	3,934	3,615
Grants	6	-	-	1,412	-	1,412	1,637
Property and other income	7	7,381	-	568	-	7,949	7,754
Income from other trading activities							
Commercial activities	8	13,671	-	-	-	13,671	11,836
Other income							
Gain on sale of assets	9	456	-	20	-	476	939
Total income and endowments		47,059	60	5,298	4,373	56,790	50,453
<u>Expenditure</u>							
Cost of raising funds							
Membership and recruitment		1,146	-	-	-	1,146	911
Publicity and fundraising	10	3,817	4	83	289	4,193	3,936
Commercial activities	8	11,762	-	-	-	11,762	9,547
Expenditure on charitable activities							
Membership and recruitment		377	-	-	-	377	300
Property operating expenditure	11	18,379	3,158	1,694	4,083	27,314	25,476
Conservation, repairs and improvements	12	4,915	508	7,091	-	12,514	11,841
Other expenditure							
	34	2,366	-	-	-	2,366	2,620
Total expenditure		42,762	3,670	8,868	4,372	59,672	54,631
Net income/(expenditure) before gains and losses on investment assets		4,297	(3,610)	(3,570)	1	(2,882)	(4,178)
Net gains/(losses) on investment assets	5	-	855	1,876	(340)	2,391	25,704
Net income/(expenditure) for the year		4,297	(2,755)	(1,694)	(339)	(491)	21,526
Transfers between funds	25	(153)	3,129	(2,976)	-	-	-
Net movement in funds		4,144	374	(4,670)	(339)	(491)	21,526
Original reserves brought forward		37,574	31,550	77,454	96,286	242,864	221,338
Prior period adjustment	36	3,323	(183)	601	(3,741)	-	-
Reconciliation of funds							
Total funds brought forward restated*	36	40,897	31,367	78,055	92,545	242,864	221,338
Total funds carried forward	21	45,041	31,741	73,385	92,206	242,373	242,864

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities. The comparative figures for each fund are shown in the notes to the financial statements on pages 30 to 51 which form part of these financial statements.

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to note 36.

Trust Statement of Financial Activities for the Year Ended 28 February 2018

	<u>Notes</u>	<u>Unrestricted Funds</u>		<u>Restricted Funds</u>			
		General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total 2018 £000s	Total 2017 £000s Restated*
<u>Income and Endowments</u>							
Donations and legacies							
Donations from membership subscriptions		11,948	-	-	-	11,948	10,978
Appeals & donations	3	716	-	1,442	1	2,159	2,052
Legacies	4	6,587	-	519	-	7,106	3,957
Investment income	5	3,195	60	1,337	4,372	8,964	9,151
Income from charitable activities							
Income from membership subscriptions		3,934	-	-	-	3,934	3,615
Grants	6	-	-	1,412	-	1,412	1,637
Property and other income	7	8,461	-	568	-	9,029	8,577
Other income							
Gain on sale of assets	9	456	-	20	-	476	939
Total income and endowments		35,297	60	5,298	4,373	45,028	40,906
<u>Expenditure</u>							
Cost of raising funds							
Membership and recruitment		1,146	-	-	-	1,146	911
Publicity and fundraising	10	3,817	4	83	289	4,193	3,936
Expenditure on charitable activities							
Membership and recruitment		377	-	-	-	377	300
Property operating expenditure	11	18,379	3,158	1,694	4,083	27,314	25,476
Conservation, repairs and improvements	12	4,915	508	7,091	-	12,514	11,841
Other expenditure	34	2,366	-	-	-	2,366	2,620
Total expenditure		31,000	3,670	8,868	4,372	47,910	45,084
Net income/(expenditure) before gains and losses on investment assets		4,297	(3,610)	(3,570)	1	(2,882)	(4,178)
Net gains/(losses) on investment assets	5	-	855	1,876	(340)	2,391	25,704
Net income/(expenditure) for the year		4,297	(2,755)	(1,694)	(399)	(491)	21,526
Transfer between funds	25	(153)	3,129	(2,976)	-	-	-
Net movement in funds		4,144	374	(4,670)	(399)	(491)	21,526
Original reserves brought forward		37,574	31,550	77,454	96,286	242,864	221,338
Prior period adjustment	36	3,323	(183)	601	(3,741)	-	-
Reconciliation of funds							
Total Funds brought forward restated*	36	40,897	31,367	78,055	92,545	242,864	221,338
Trust Funds carried forward	21	45,041	31,741	73,385	92,206	242,373	242,864

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The comparative figures for each fund are shown in the notes to the financial statements on Pages 30 to 51 which form part of these financial statements.

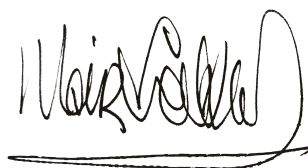
* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to note 36.

Consolidated Balance Sheet as at 28 February 2018

	<u>Notes</u>	2018 £000s	2017 £000s Restated*	2017 £000s Restated*
Fixed Assets				
Tangible & Intangible	14	26,626		26,234
Investments	5	213,246		213,637
Current Assets				
Stock	16	887	875	
Debtors	17	8,054	8,405	
Cash and bank		<u>2,677</u>	<u>3,318</u>	
		11,618	12,598	
Current Liabilities				
Creditors: Amounts falling due within one year	18	<u>(7,815)</u>	<u>(8,353)</u>	
Net Current Assets			3,803	4,245
Total Assets less Current Liabilities			<u>243,675</u>	<u>244,116</u>
Creditors: Amounts falling due after more than one year	19	(1,302)		(1,252)
		<u>242,373</u>	<u>242,864</u>	
Restricted Funds				
Endowments	22	92,206	92,545	
Other Restricted	23	<u>73,385</u>	<u>78,055</u>	
		165,591		170,600
Unrestricted Funds				
Designated – Tangible Fixed Assets	24	26,626	26,234	
Other Designated		<u>5,115</u>	<u>5,133</u>	
		31,741	31,367	
General Income	21	<u>45,041</u>	<u>40,897</u>	
		76,782		72,264
	21	<u>242,373</u>	<u>242,864</u>	

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to note 36.

The financial statements were approved by the Board of Trustees on 28 June 2018 and signed on its behalf and authorised for issue by:



Sir Moir Lockhead OBE, Chairman 28 June 2018

Trust Balance Sheet as at 28 February 2018

	<u>Notes</u>	2018 £000s	2017 £000s Restated*	2017 £000s Restated*
Fixed Assets				
Tangible & Intangible	14	26,626		26,234
Investments	5	213,246		213,637
Current Assets				
Stock	16	113	117	
Debtors	17	10,115	9,552	
Cash and bank		<u>828</u>	<u>967</u>	
		11,056	10,636	
Current Liabilities				
Creditors: Amounts falling due within one year	18	<u>(7,276)</u>	<u>(6,424)</u>	
Net Current Assets		3,780		4,212
Total Assets less Current Liabilities		<u>243,652</u>		<u>244,083</u>
Creditors: Amounts falling due after more than one year	19	(1,279)		(1,219)
		<u>242,373</u>		<u>242,864</u>
Restricted Funds				
Endowments	22	92,206	92,545	
Other Restricted	23	<u>73,385</u>	<u>78,055</u>	
		165,591		170,600
Unrestricted Funds				
Designated – Tangible Fixed Assets	24	26,626	26,234	
Other Designated		<u>5,115</u>	<u>5,133</u>	
		31,741	31,367	
General Income	21	<u>45,041</u>	<u>40,897</u>	
		76,782		72,264
	21	<u>242,373</u>		<u>242,864</u>

* Certain amounts shown here do not correspond to the 2016/17 financial statements and reflect adjustments made, refer to note 36.

The financial statements were approved by the Board of Trustees on 28 June 2018 and signed on its behalf and authorised for issue by:



Sir Moir Lockhead OBE, Chairman 28 June 2018

Consolidated and Trust Cash Flow Statement for the Year Ended 28 February 2018

		Group 2018	Group 2017	Trust 2018	Trust 2017
	<u>Notes</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Cash used in operating activities	33	<u>(8,321)</u>	<u>(8,885)</u>	<u>(8,648)</u>	<u>(11,191)</u>
Cash flows from investing activities					
Purchase of assets	14	(3,959)	(1,142)	(3,959)	(1,142)
Returns from investments	5	8,135	7,685	8,964	9,151
Receipts from sales of assets		722	1,001	722	1,000
Purchase of investments	5	(13,303)	(15,539)	(13,303)	(15,538)
Sale of investments	5	16,085	14,305	16,085	14,305
Cash provided by investing activities		<u>7,680</u>	<u>6,310</u>	<u>8,509</u>	<u>7,776</u>
Cash flows from financing activities					
Repayment of borrowings		-	-	-	-
Cash used in financing activities		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Decrease in cash in the year		<u>(641)</u>	<u>(2,575)</u>	<u>(139)</u>	<u>(3,415)</u>
Cash and cash equivalents at the beginning of the year		3,318	5,893	967	4,382
Total cash and cash equivalents at the end of the year		<u>2,677</u>	<u>3,318</u>	<u>828</u>	<u>967</u>

The Notes on Pages 30 to 51 form part of these Financial Statements

Notes to the Financial Statements

1. ACCOUNTING POLICIES

(a) General

The Trust operates under The National Trust for Scotland Order Confirmation Acts 1935 to 1973 and the National Trust for Scotland (Governance, etc) Act 2013. The National Trust for Scotland for Places of Historic Interest or Natural Beauty is registered as a charity in Scotland, with charity registration number SC007410, and has its principal office and place of business at Hermiston Quay, 5 Cultins Road, Edinburgh EH11 4DF. The charitable purposes of the Trust may be summarised as the promotion of the preservation of, access to and enjoyment of places of historic interest or natural beauty.

The National Trust for Scotland has one wholly owned subsidiary undertaking, National Trust for Scotland Enterprises Ltd., the results of which are consolidated with those of the Trust. The company's principal activities are the running of retail, catering, holiday cottages, cruises, hospitality and other sundry trading activities at The National Trust for Scotland properties.

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(b) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), with the Charities and Trustee Investment (Scotland) Act 2005, Regulation 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended) and with the Statement of Recommended Practice – Accounting & Reporting by Charities (Charities SORP (FRS 102)), effective 1 January 2015.

The National Trust for Scotland (“the Trust”) meets the definition of a public benefit entity under FRS 102.

Monetary amounts in these financial statements are rounded to the nearest whole £1,000 except when otherwise indicated.

(c) Going Concern

The Audit and Risk Management Committee reviews the position in relation to Going Concern and advises the Board of Trustees accordingly. The closing General Income Fund (“GIF”) balance of £45m is significantly above its target level of £21m mainly due to improved financial performance in the financial year from legacies and investment income with net unrestricted income of £4,297k improving on an already very favourable position.

Based on assumptions which the Board of Trustees has agreed and approved, the GIF is forecast to remain at a satisfactory level during 2018/19, even when taking into account anticipated future expenditure being committed to investments in priority properties, whilst assuming unrestricted legacy income remains at typical historic levels. Wherever possible, projects and investment in priority properties will continue to be funded from restricted funds to the fullest extent in the first instance, without recourse to the GIF.

The Group has a balance of £2,677k of cash in banks (Trust £828k) and £14,867k of cash held in readily realisable investments which the Board of Trustees considers is more than sufficient to cover the forecast cash requirements in 2018/19. Accordingly, the going concern basis of accounting has been adopted in the preparation of the financial statements.

(d) Basis of consolidation

The results include those of the National Trust for Scotland, and those of National Trust for Scotland Enterprises Ltd, the wholly-owned subsidiary of the Trust.

(e) Income

With the exception of membership subscriptions, income is recognised when the Trust has legal entitlement, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

- The element of annual membership subscriptions which is not regarded as a donation is treated as income from charitable activities. This is deferred and released to the Statement of Financial Activities over the period to which the membership subscription relates. The element which is deemed to be a donation and its associated gift aid is recognised on receipt and reported within Donations and Legacies in the Statement of Financial Activities. Life membership subscriptions and any associated gift aid are recognised in 15 equal annual instalments and allocated to donations and legacies and income from charitable activities, within the Statement of Financial Activities, as appropriate.
- Income from government and other grants, whether ‘capital’ grants or ‘revenue’ grants, is recognised when the charity has entitlement to the funds, performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably. Where terms or conditions have not been met, or uncertainty exists as to whether they can be met, then the relevant income is not recognised in the year but is deferred and included in the balance sheet as deferred income.
- Legacies are accounted for as income either upon receipt or when receipt of the legacy is considered probable. Receipt is normally probable when:
 - i. Confirmation has been received from the representatives of the estate(s) that confirmation or probate has been granted,
 - ii. The executors have established that there are sufficient assets in the estate to pay the legacy, and
 - iii. All conditions attached to the legacy have been fulfilled or are within the charity’s control.

If there is uncertainty as to the amount of the legacy and it cannot be reliably estimated then the legacy is shown as a contingent asset until all of the conditions for income recognition are met.

Restricted legacies are allocated to the relevant property or other funds following the wishes of the donor. All other legacies are credited to the General Income Fund.

(f) Expenditure

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings either directly or, if shared, on the basis of time spent by staff.

- Cost of raising funds comprises those costs which are associated with the generation of income from sources other than from undertaking charitable activities, and includes trading, investment management costs, membership, fundraising and an allocation of associated support costs.

- Expenditure on charitable activities comprises those costs incurred by the charity in the delivery of its charitable activities, and includes membership, property operations, conservation, repairs and improvements and an allocation of associated support costs.
- Other expenditure represents those items not falling into any other heading.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the audit fees and costs linked to the strategic management of the charity.

(g) Allocation of support costs

Support costs are those costs which do not relate directly to a single activity. These include back office costs, finance, personnel, ICT and governance costs. Support costs have been allocated between cost of raising funds and expenditure on charitable activities. The analysis of support costs and the bases of allocation are shown in Note 13.

(h) Funds and reserves

The summarised movements of funds analysed by category are shown in the Statement of Financial Activities. The National Trust for Scotland's financial statements are a consolidation of around 400 individual funds.

Restricted funds

Restricted funds are funds subject to specific trusts or conditions, which are declared or made by the donor, or with authority of the donor (e.g. an appeal). Restricted funds can be restricted income funds or restricted capital funds. The Statement of Financial Activities identifies two main headings for restricted funds as follows:

Endowment Funds are capital funds where only the income from the invested money can be spent.

Other Restricted Funds includes monies raised from specific appeals and legacies given for specific purposes. This also includes reserves created for use at specific properties either from prior year restricted surpluses or from specific donations.

Unrestricted funds

Unrestricted funds can be used at the discretion of the Board of Trustees in furtherance of the objects of the Trust. In order to ensure that money is available for specific projects, certain funds are put aside and designated by the Board of Trustees into separate funds and used accordingly. The Statement of Financial Activities splits unrestricted funds between Designated Funds and General Funds.

Designated funds include funds represented by costs of certain properties built by the Trust or occupied for administration purposes and other funds designated by the Board of Trustees for specific projects.

The General Income Fund ('GIF') is the working reserve of the Trust. When the expenditure of an individual property exceeds its income, and it has no reserves of its own, the GIF covers the deficit. In addition, subject to the availability of funds, the GIF may be used to help fund an acquisition or to pay for a special project where no other sources of funding can be found or is available. After making any transfers as described above, the balance of the operating result is retained in the GIF.

Transfers between Funds

Transfers are made between funds to reflect either the allocation of revenue and costs or a designation of funds for a specific purpose. Transfers are effected to ensure that only related investment income and income from each of specific legacies, donations and grants, less expenditure remain in restricted funds. In relation to the restricted fund for appeals, donations and grant income for newly constructed buildings, the balance is transferred to a designated fund on completion of construction.

(i) Fixed Assets - Heritage Assets

Heritage assets are defined as tangible and intangible assets with historic, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge and culture.

The majority of the assets owned by the Trust fall under the definition of heritage assets contained in FRS 102. The Trust accounts for its heritage assets in line with FRS 102 and these fall into two categories, land and buildings and collections. The accounting policies adopted for these categories are as follows:

Land and buildings

As allowed by FRS 102, the Trust does not capitalise heritage assets in the form of land and buildings in the balance sheet. Following the introduction of FRS 102, the Board of the National Trust for Scotland reviewed the position and confirmed its view that the capitalisation of heritage assets would result in a distorted view of the Trust's financial position. These assets are not "assets" in the normal sense, since any value placed on them would be more than offset by a liability, being the obligation to maintain the assets.

Collections

In the years of its existence the Trust has acquired numerous collections of furniture, paintings, books, fine china and other artefacts. These collections substantially of heritage significance were often acquired at the same time as the property in which they are housed but some have also been acquired separately. Descriptions of artefacts acquired are held on a database which currently holds almost 80,000 entries encompassing around 1 million individual items. However, since these items have been accumulated over a considerable period of time, the Trust does not hold a record of the cost or valuation for the majority of items acquired. Further, the Board of Trustees believes that the cost of obtaining valuations for all its collection items would not be commensurate with the benefits to the users of its financial statements. It is therefore the Trust's policy not to capitalise its collections assets in its balance sheet.

The Trust's approach to the potential acquisition of new heritage assets is governed by its acquisition policy a copy of which is available on request from policy@nts.org.uk. The Trust has also developed an acquisition policy which specifically relates to material culture collections which can also be obtained from the above email address.

The Trust has no plans to dispose of any of its significant heritage assets.

(j) Fixed Assets – Tangible

Individual assets costing more than £5,000 are capitalised and written off over their estimated useful life. The Trust regularly refurbishes the interior of its holiday cottages and its commercial operations such as retail or catering outlets. These units are often located in heritage assets which themselves are not capitalised in line with the policy outlined previously. However, since the primary purpose of these refurbishments is income generation the costs of the refurbishments (if in excess of £5,000) are capitalised and depreciated over the appropriate period below.

Depreciation is charged to write off the cost less estimated residual value of fixed assets in equal instalments over the expected useful life as follows:

Buildings	30 years
Renewable equipment*	20 years
Building fit-out costs	10 - 15 years
Office furniture and equipment*	8 years
Fixtures and fittings	5 - 20 years
Motor vehicles	4 years
Computer equipment	4 years

(*included in Fixtures and Fittings in Note 14)

Assets under construction are not depreciated until completed and placed into service or use.

(k) Fixed Assets - Intangible

Intangible assets represents expenditure on the Trust's website and is measured at development cost less accumulated amortisation and any accumulated impairment losses.

Amortisation is charged so as to allocate the cost of intangibles less their residual values on a straight line basis over their estimated useful economic life at the following rates:

Website development	4 years
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Software implementation and licence costs are not capitalised but are recognised as expenditure in the period that the expenditure is incurred recognising that the software is only functional at a point at which implementation is complete and with the payment of annual licencing costs.

(l) Operating leases

The annual rental for leases which are classified as operating leases are charged as expenditure to the Statement of Financial Activities on a straight line basis over the lease term.

(m) Investments

Investments are shown at fair value. Unquoted investments are shown at the Board of Trustees' valuation on advice. Additions are shown at cost with the exception of gifts which are shown at valuation on the date of gift. Realised and unrealised gains and losses are recognised in the Statement of Financial Activities in the period in which they arise. The investment held in the subsidiary is held at cost.

(n) Stock

Stock is stated at the lower of cost and net realisable value other than farm stocks which are stated at valuation. Cost is stated at the purchase price incurred by the Trust.

(o) Cash and bank

Cash at bank and in hand is held to meet the day to day running costs of the charity as they fall due.

(p) Financial instruments

The Trust applies the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets and financial liabilities are recognised when the Trust becomes a party to the contractual provision of the instrument and are offset only when the Trust currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets

A financial asset represents financial resources available to the charity and examples include financial investments in shares or bonds, debtors and cash.

Debtors

Trade and other debtors which are receivable within one year are initially measured at the transaction price. They are subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

A provision for impairment of trade and other debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in the Statement of Financial Activities for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately in profit or loss.

Financial liabilities

Creditors

Trade and other creditors payable within one year are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled.

(q) Pension schemes

The Trust operates a defined contribution scheme through a Group Personal Pension Scheme and National Employment Savings Trust (NEST). Further detail is provided in Note 30.

(r) VAT

The Trust is registered for VAT, with partial exemption due to the nature of incoming resources. Expenditure is stated inclusive of any irrecoverable input tax.

(s) Contribution of volunteers

No amounts have been included in these financial statements to reflect the value of services provided free of charge to The National Trust for Scotland by volunteers. An estimate of the value of hours of volunteer time from which the Trust has benefited is included in Note 29.

(t) Comparative financial information

The accounting policies adopted have been consistently applied in both the current and comparative period.

(u) Capital contributions

Capital contributions from Landlords are treated as deferred income and are released to the Statement of Financial Activities over the initial lease period.

(v) Employee benefits

The group contributes to a group personal pension scheme, the assets of which are administered by Standard Life. It is a defined contribution scheme. All contributed costs are accounted for on the basis of charging the cost of providing pensions over the period when the charity benefits from the employees' services. The charity has no further liability under the scheme. Short term benefits including holiday pay are recognised as an expense in the period in which the service is received. Termination benefits are accounted for on an accrual basis and in line with FRS 102.

2. CRITICAL ACCOUNTING ESTIMATES AND AREAS OF JUDGEMENT

In the application of the accounting policies, trustees are required to make judgements, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affected current and future periods.

The key area that is deemed to be material for these financial statements is as follows:

Accruing for income derived from legacies where complicated issues surrounding the measurement of the Association's entitlement to income existed at the year end.

3. APPEALS & DONATIONS

The income from appeals and donations was £2,159k (2017: £2,052k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	
2018	716	-	1,442	1	2,159
2017	758	-	1,293	1	2,052

4. LEGACIES

The income from legacies was £7,106k (2017: £3,957k). Legacy income is recognised when its receipt is probable and quantifiable. Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	
2018	6,587	-	519	-	7,106
2017	2,902	-	1,055	-	3,957

5. INVESTMENTS AND INVESTMENT INCOME

	2018 £000s	2017 £000s
Opening Fair Value	213,637	186,699
Additions at cost	13,303	15,539
Disposal proceeds	(16,085)	(14,305)
Realised gain	4,806	1,111
Unrealised (loss)/gain	(2,415)	24,593
Closing Fair Value	213,246	213,637
Book Cost of Investments at 28 February 2018	161,046	159,022

Detailed comparative information for each separate class of fund relating to the realised gains/(losses) from investment asset disposals and unrealised gains/(losses) from investment asset revaluation is set out below:

	General Funds		Designated Funds		Other Restricted Funds		Endowment Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£000s	£000s Restated*	£000s	£000s Restated*	£000s	£000s Restated*	£000s	£000s Restated*	£000s	£000s Restated*
Unrealised (losses)/gains on investment revaluation	(42)	2,284	(16)	3,237	(148)	8,425	(2,209)	10,647	(2,415)	24,593
Prior period adjustment	-	-	-	(3,237)	-	3,098	-	139	-	-
Restated unrealised (losses) / gains	(42)	2,284	(16)	-	(148)	11,523	(2,209)	10,786	(2,415)	24,593
Realised gains/(losses) on investment disposals	42	-	871	423	2,024	826	1,869	(138)	4,806	1,111
Net gains/(losses) on investment assets	-	2,284	855	423	1,876	12,349	(340)	10,648	2,391	25,704

* Adjustments have been made to 2017 balances as referenced in note 36.

The following is a summary of the investments of all the funds of the Trust and the income arising from them:

	Group and Trust Capital Fair Value		Group Investment Income		Trust Investment Income	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s	2018 £000s	2017 £000s
UK equities	76,079	75,632	3,835	3,571	3,835	3,571
Property investments	2,484	2,715	-	-	-	-
Overseas equities	61,080	59,289	1,537	1,301	1,537	1,301
Fixed and variable interest stock	9,514	12,192	461	583	461	583
Deposits and cash	21,584	22,959	102	25	102	25
Unit trusts and open ended securities	42,505	40,850	2,200	2,205	2,200	2,205
Distribution from Enterprises	-	-	-	-	829	1,466
Fair Value of Investments	213,246	213,637	8,135	7,685	8,964	9,151

No individual investment exceeds 5% of the total value of the portfolio.

Of the total group investment income of £8,135k (2017: £7,685k), £2,366k was unrestricted (2017: £2,163k), £60k was designated (2017: £53k), £1,337k was restricted (2017: £1,318k) and £4,372k was endowment (2017: £4,151k).

At the year end, the Trust held property deemed to be ‘not of heritage significance’. In line with FRS 102 these properties have been included within Property investments above at a fair value of £2,484k (2017: £2,715k) as per valuations conducted by CKD Galbraith, Chartered Surveyors, as at 28 February 2018.

In addition to the investment income of the Group of £8,135k (2017: £7,685k), the Trust’s investment income includes a gift aid distribution of £829k (2017: £1,466k) from National Trust for Scotland Enterprises Ltd SC095585, its subsidiary undertaking, arising from an investment of £2 held within the National Trust for Scotland.

6. GRANTS

The Trust received grants from the following bodies:

	Group and Trust	
	2018	2017
	£000s	£000s
Scottish Government	183	128
Historic Environment Scotland	272	656
Scottish Natural Heritage	464	428
Local Authorities and Enterprise companies	455	390
Heritage Lottery Fund (partly on behalf of National Heritage Memorial Fund)	10	10
Scottish Museums Council	28	25
	1,412	1,637

Of the total grants received of £1,412k (2017: £1,637k), £0k were unrestricted (2017: £0k) and £0k were designated (2017: £18k) and £1,412k were restricted (2017: £1,619k).

7. PROPERTY AND OTHER INCOME

Group	General Funds		Designated Funds		Other Restricted Funds		Endowment Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Admissions	4,247	3,748	-	-	-	-	-	-	4,247	3,748
Rents	1,724	1,642	-	-	413	611	-	-	2,137	2,253
Other	1,410	1,594	-	-	155	159	-	-	1,565	1,753
	7,381	6,984	-	-	568	770	-	-	7,949	7,754

Trust	General Funds		Designated Funds		Other Restricted Funds		Endowment Funds		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Admissions	4,247	3,748	-	-	-	-	-	-	4,247	3,748
Rents	1,724	1,642	-	-	413	611	-	-	2,137	2,253
Other	2,490	2,417	-	-	155	159	-	-	2,645	2,576
	8,461	7,807	-	-	568	770	-	-	9,029	8,577

Other income, for the Group and Trust, includes income from event and produce sales at properties, income from the running of Thistle Camps and working party holidays to St Kilda as well as contributions from third parties.

8. COMMERCIAL ACTIVITIES

National Trust for Scotland Enterprises Ltd (“Enterprises”) is wholly owned by the Trust with share capital of £2. It is incorporated in Scotland (SC095585) and its results are consolidated with the results of the National Trust for Scotland. Enterprises principal activities are the running of retail, catering, holiday cottages, cruises, hospitality and other sundry trading activities at Trust properties. Unlike most of the Trust’s income Enterprises does not enjoy exemption from taxation and distributes under gift aid the whole of its surpluses to the Trust, this year’s distribution being £829k (2017: £1,466k). A management charge of £1,080k (2017: £822k) was charged by the National Trust for Scotland for management services.

The Turnover and Net Contributions to Trust funds were:

	Group Turnover		Group Costs		Group Contribution	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Retail	4,809	4,428	3,559	3,622	1,250	806
Catering	4,090	3,685	3,948	3,021	142	664
Holiday cottages	982	1,011	614	667	368	344
Cruises	2,770	1,692	2,780	1,407	(10)	285
Functions	556	594	498	530	58	64
Other income and events	464	426	363	300	101	126
	<u>13,671</u>	<u>11,836</u>	<u>11,762</u>	<u>9,547</u>	<u>1,909</u>	<u>2,289</u>

The Net Assets of Enterprises are summarised as follows:

	2018 £000s	2017 £000s
Stock	774	758
Debtors	853	2,062
Cash and bank	1,849	2,351
Creditors	(562)	(1,962)
Amounts due to parent	<u>(2,914)</u>	<u>(3,209)</u>
Net Assets	<u>-</u>	<u>-</u>

9. OTHER INCOME

Other income, being gain on sale of assets was £476k (2017: £939k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	
2018	456	-	20	-	476
2017	129	-	810	-	939

10. PUBLICITY AND FUNDRAISING

Expenditure on publicity and fundraising was £4,193k (2017: £3,936k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total
	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	
2018	3,817	4	83	289	4,193
2017	3,548	12	86	290	3,936

11. PROPERTY OPERATING EXPENDITURE

Property operating expenditure consists of the following main areas of resources expended:

Group and Trust	2018 £000s	2017 £000s
Salaries and wages	11,483	10,827
Other overheads (including depreciation)	5,194	4,641
Utilities	1,532	1,534
Maintenance and equipment	2,413	2,078
Insurance	808	797
Travel and subsistence	693	636
Support costs (Note 13)	4,866	4,697
Governance costs (Note 13)	325	266
Total	27,314	25,476

Of the total property operating expenditure £27,314k (2017: £25,476k), £18,379k was unrestricted (2017: £16,868k), £3,158k designated (2017: £3,321k) £1,694k was restricted (2017: £1,425k) and £4,083k was endowment (2017: £3,862k).

12. CONSERVATION, REPAIRS AND IMPROVEMENTS

The Trust spent the following on conservation, repairs and improvements:

Group and Trust	2018 £000s	2017 £000s
Major projects	6,818	4,699
Routine conservation & repairs	3,111	4,004
Support costs (Note 13)	2,345	2,921
Governance costs (Note 13)	240	217
	12,514	11,841

Of the total spend on conservation, repairs and improvements of £12,514k (2017: £11,841k), £4,915k was unrestricted (2017: £4,732k), £508k was designated (2017: £2,798k) and £7,091k was restricted (2017: £4,311k).

Major projects vary year on year and as such spending will increase or decrease in accordance with the projects ongoing during each year.

13. ANALYSIS OF SUPPORT AND GOVERNANCE COSTS

The Trust initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. The other support costs, together with the governance costs, are allocated between fundraising activities and charitable activities. The basis of allocation is on the estimated time spent by the appropriate support service.

Group and Trust	Admin & Other £000s	Human Resources £000s	Finance £000s	ICT * £000s	Total 2018 £000s	Total 2017 £000s
Membership and recruitment	36	202	37	46	321	292
Publicity and fundraising	225	23	178	46	472	521
Property operating expenditure	3,256	743	592	275	4,866	4,697
Conservation, repairs and improvements	1,980	112	184	69	2,345	2,921
Governance	687	45	90	23	845	760
Total	6,184	1,125	1,081	459	8,849	9,191

*ICT stands for Information and Communications Technology.

Group and Trust	2018 Governance £000s	2017 Governance £000s
Membership and recruitment*	198	195
Publicity and fundraising	82	82
Property operating expenditure	325	266
Conservation, repairs and improvements	240	217
Total	845	760

*Governance costs relating to membership and recruitment are allocated across cost of raising funds and charitable activities based on the percentage split of income.

14. TANGIBLE & INTANGIBLE FIXED ASSETS

Group and Trust	Assets under Construction £000s	Admin Offices £000s	Motor Vehicles £000s	Buildings £000s	Building Fit-outs £000s	Computer Equipment £000s	Fixtures & Fittings £000s	Total £000s
Cost and Valuation								
At 1 March 2017	731	267	2,580	24,140	7,491	4,160	5,059	44,428
Additions	3,317	75	294	150	-	20	103	3,959
Disposals	(246)	-	(179)	-	-	-	-	(425)
Transfers	(363)	(342)	-	342	-	-	363	-
At 28 February 2018	3,439	-	2,695	24,632	7,491	4,180	5,525	47,962
Depreciation								
At 1 March 2017	-	-	2,017	5,024	5,083	3,093	2,977	18,194
Charge for period	-	-	286	1,014	730	906	385	3,321
Disposals	-	-	(179)	-	-	-	-	(179)
At 28 February 2017	-	-	2,124	6,038	5,813	3,999	3,362	21,336
Net Book Amount								
At 28 February 2018	3,439	-	571	18,594	1,678	181	2,163	26,626
At 1 March 2017	731	267	563	19,116	2,408	1,067	2,082	26,234

Assets under construction includes £359k of intangible assets relating to website development
The £150k addition in buildings is for a Heritage Asset being the purchase of a croft on Fair Isle

15.HERITAGE ASSETS

15.1 At 28 February 2018 the Trust owned a variety of places for the access and benefit of the nation, including, properties, major gardens, historic burghs, countryside, island groups, national nature reserves, Munros and a Dual World Heritage Site.

These assets have been acquired since the formation of the Trust and many have been gifted or bequeathed to the Trust during that period. It is therefore not possible to give a total acquisition cost for the heritage portfolio nor would such a figure be meaningful.

The heritage assets owned by the Trust fall into two categories; 1) land and buildings and 2) collections. For the reasons explained in the accounting policy on heritage assets, neither of these categories are capitalised in the balance sheet.

Land and buildings

Land and buildings includes areas of countryside, islands, castles, museums, houses, farms, gardens and estates.

The total insurance reinstatement value of our historic buildings is £1,127 million.

Collections

Collections include furniture, paintings, museum exhibits, porcelain, cutlery, books and letters.

The Trust estimates that its collections contain 1 million different individual items acquired at various points during its 87 year history. The bulk of these collections are on display in the properties run by the Trust but some items are also held in storage and used to periodically refresh or extend displays. Examples of the significant collections held by the Trust include:

- The Beckford collection of exceptional small scale objets de vertu, silver and porcelain housed in Brodick Castle.
- The portrait collection, including works by Batoni, Romney, Gainsborough, Opie, Lawrence and Hoppner at Fyvie Castle. The castle also contains one of the largest private collections of Raeburns in the world as well as an equally impressive collection of fine furniture, tapestries, arms and armour.
- The Arms collection at Culzean Castle which includes one of the most important collections of 18th century and early 19th-century flintlock pistols in the world.
- The exceptional collection of 20th-century Scottish paintings given to the Trust by Douglas Hutchison in 1999 and which is currently hung in the Eisenhower Apartments at Culzean Castle.

The Trust maintains a database of a portion of these items which amounts to almost 98,000 different entries approximately 7,700 of which are on loan to the Trust. The database holds a valuation figure for approximately 27,600 of the remaining 90,000 entries and the total of these valuations is referenced below. The valuations cover a broad time period with the earliest dating from the early 1960's and emanate from three separate sources:

- Professional valuations carried out on certain items under a rolling programme of insurance valuation. This programme ceased in 2005.
- Acquisition costs where items have been purchased separately.
- Insurance valuations undertaken for specific purposes (e.g. the loan of a painting to a gallery for display).

Given the age of the recorded valuations and the lack of valuations available for the majority of items the figure for collections is likely to be significantly understated. The cost of obtaining valuations for the 51,500 remaining items is not thought to be commensurate with the benefit to users of these accounts. Based on the details currently held however the Trust estimates that the collections it holds have a total value in excess of £137m.

- 15.2** The Trust has acquired new items in accordance with its acquisition policy. In the last 5 years the costs of acquisitions have been as follows:

	Land and Buildings £000s	Collections £000s
2018	150	-
2017	-	18
2016	-	100
2015	-	85
2014	-	-

The £150k Land and Building additions which was for the purchase of a croft on Fair Isle has been capitalised and is included within Buildings in Tangible Fixed Assets.

- 15.3** The trust has made the following disposals of heritage assets during the year:

Asset Category	2018 £000s	2017 £000s
<u>Land and buildings</u>		
Kellie Castle Farmhouse	311	-
Thrums Cottage, Kirriemuir	111	-
Garden Ground, Creagan Ard Cottage at Balmacara	5	-
Land at Bank Street Plockton Balmacara	1	-
Croft 252, Port an Eorna, Balmacara	1	-
Part of Weavers Store, Newburgh	4	-
Croft at Torridon	1	-
WhiteHill Farmhouse & Land, Hill of tarvit	-	193
Whitehill Cottage Hill of Tarvit	-	93
Glencairn Cottage, RBBM	-	180
Aird Cottage, RBBM	-	207
Fasag Cottage, Torridon	-	132
Wullver's Hool, Unst	-	43
Land at Balmacara	-	9
Land at Glencoe	-	1
Land at Kintail	-	1
	434	859

This represents the sales value less legal fees incurred in making the sale.

16. STOCK

	Group		Trust	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Retail stocks	773	757	-	-
Farm stocks	113	117	113	117
Raw materials	1	1	-	-
	887	875	113	117

The value of stocks expensed during the year was £3,750k (2017: £3,217k).

17. DEBTORS

	Group		Trust	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Trade debtors	431	337	431	337
Other debtors including tax recoverable	1,439	701	1,439	701
Prepayments and accrued income and deferred expenditure	6,184	7,367	5,331	5,305
Amounts due from subsidiary undertakings	-	-	2,914	3,209
	<u>8,054</u>	<u>8,405</u>	<u>10,115</u>	<u>9,552</u>

Trade debtors are stated net of specific provisions of £110k (2017 - £1k) for debts where there is significant uncertainty over collection. In addition £5.5k (2017- nil) was written off during the year in respect of debtors where collection was not possible or was uneconomic.

18. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group		Trust	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Trade creditors	1,303	1,431	1,303	1,431
Other creditors	382	955	376	255
Taxation and social security	428	368	428	368
Accruals	3,813	4,432	3,813	3,203
Deferred income	1,760	1,050	1,227	1,050
Life members account	129	117	129	117
	<u>7,815</u>	<u>8,353</u>	<u>7,276</u>	<u>6,424</u>

Deferred income is analysed as follows:

	Membership Income £000		Other Deferred Income £000		Total 2018 £000s		Total 2017 £000	
	Group	Trust	Group	Trust	Group	Trust	Group	Trust
Deferred income as at 1 March 2017	985	985	65	65	1,050	1,050	1,053	1,053
Amounts released during the year	(985)	(985)	(65)	(65)	(1,050)	(1,050)	(1,053)	(1,053)
Amounts deferred during the year	1,822	1,822	1,239	683	3,061	2,505	1,050	1,050
Deferred income as at 28 Feb 2018	<u>1,822</u>	<u>1,822</u>	<u>1,239</u>	<u>683</u>	<u>3,061</u>	<u>2,505</u>	<u>1,050</u>	<u>1,050</u>

Membership income is deferred and released to the Consolidated Statement of Financial Activities (SOFA) over the period to which the membership relates. Other deferred income relates mainly to a capital contribution received in respect of Hermiston Quay which will be released to the SOFA over the initial lease period.

19. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group		Trust	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Between one and two years				
Life members account	124	117	124	117
Other creditors	23	36	-	3
Deferred income	47	44	47	44
Between two and five years				
Life members account	326	303	326	303
Deferred income	141	133	141	133
Between five and fifteen years				
Life members account	515	456	515	456
Deferred income	126	163	126	163
	<u>1,302</u>	<u>1,252</u>	<u>1,279</u>	<u>1,219</u>

20. FINANCIAL INSTRUMENTS

The carrying amount of the Group's financial instruments at 28 February 2018 were:

	Group		Trust	
	2018 £000s	2017 £000s	2018 £000s	2017 £000s
Financial Assets:				
Debt instruments measured at amortised cost	6,213	5,450	9,128	8,659
Equity instruments measured at fair value	<u>189,178</u>	<u>187,963</u>	<u>189,178</u>	<u>187,963</u>
Total	<u>195,391</u>	<u>193,413</u>	<u>198,306</u>	<u>196,622</u>
Financial Liabilities:				
Measured at amortised cost	5,886	6,692	5,330	4,763
Total	<u>5,886</u>	<u>6,692</u>	<u>5,330</u>	<u>4,763</u>

21. ANALYSIS OF NET ASSETS AMONG FUNDS

Group fund balances at 28 February 2018 are represented by:

	General Funds	Designated Funds	Other Restricted Funds	Endowment Funds	Total
	2018 £000s	2018 £000s	2018 £000s	2018 £000s	2018 £000s
Tangible fixed assets	-	26,626	-	-	26,626
Investments	42,627	4,348	74,065	92,206	213,246
Net current assets	3,716	767	(680)	-	3,803
Creditors due in more than one year	<u>(1,302)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,302)</u>
At 28 February 2018	<u>45,041</u>	<u>31,741</u>	<u>73,385</u>	<u>92,206</u>	<u>242,373</u>
As at 28 February 2017	37,574	31,550	77,454	96,286	242,864
Prior Period Adjustments*	<u>3,323</u>	<u>(183)</u>	<u>601</u>	<u>(3,741)</u>	<u>-</u>
Tangible fixed assets	-	26,234	-	-	26,234
Investments	48,812	970	73,427	90,428	213,637
Net current assets	(6,663)	4,163	4,628	2,117	4,245
Creditors due in more than one year	<u>(1,252)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,252)</u>
Restated balance at 28 February 2017	<u>40,897</u>	<u>31,367</u>	<u>78,055</u>	<u>92,545</u>	<u>242,864</u>

21. ANALYSIS OF NET ASSETS AMONG FUNDS (Continued)

Trust fund balances at 28 February 2018 are represented by:

	General Funds	Designated Funds	Other Restricted Funds	Endowment Funds	Total
	2018 £000s	2018 £000s	2018 £000s	2018 £000s	2018 £000s
Tangible fixed assets	-	26,626	-	-	26,626
Investments	42,627	4,348	74,065	92,206	213,246
Net current assets	3,693	767	(680)	-	3,780
Creditors due in more than one year	(1,279)	-	-	-	(1,279)
At 28 February 2018	45,041	31,741	73,385	92,206	242,373
As at 28 February 2017	37,574	31,550	77,454	96,286	242,864
Prior Period Adjustments*	3,323	(183)	601	(3,741)	-
Tangible fixed assets	-	26,234	-	-	26,234
Investments	48,812	970	73,427	90,428	213,637
Net current assets	(6,663)	4,163	4,628	2,117	4,245
Creditors due in more than one year	(1,252)	-	-	-	(1,252)
Restated balance at 28 February 2017	40,897	31,367	78,055	92,545	242,864

* Adjustments have been made to 2017 balances as referenced in note 36.

22. ENDOWMENT FUNDS

The following endowment funds individually exceed 5% of the total of such funds:

Fund	2017 £000s	Prior Period Adjustments* £000s	Restated* 2017 £000s	Incoming Resources £000s	Resources Expended £000s	Changes in Fair Value £000s	2018 £000s
Mar Lodge Estate	18,011	304	18,315	847	(847)	(68)	18,247
Newhailes	9,219	156	9,375	430	(430)	(35)	9,340
Threave	5,344	90	5,434	248	(248)	(20)	5,414
Fyvie Castle	4,603	77	4,680	215	(215)	(17)	4,663

* Adjustments have been made to 2017 balances as referenced in note 36.

The income from these funds is used to support the named properties.

23. OTHER RESTRICTED FUNDS

The Trust has over 100 specifically restricted funds other than endowments and property reserves.

The following restricted funds individually exceed 5% of the total of such funds:

Fund	2017 £000s	Prior Period Adjustments* £000s	Restated* 2017 £000s	Incoming Resources £000s	Resources Expended £000s	Changes in Fair Value £000s	2018 £000s
The Fawcitt fund for places of natural beauty	3,854	25	3,879	87	(44)	158	4,080
Alexander bequest	4,114	130	4,244	85	(414)	158	4,073

* Adjustments have been made to 2017 balances as referenced in note 36.

24. DESIGNATED FUNDS

The following designated funds individually exceed 5% of the total of such funds:

Group and Trust	2017	Fund	Incoming	Resources	Changes in	2018
Fund Name	£000s	Reclassification	Resources	Expended	Fair Value	£000s
		£000s	£000s	£000s	£000s	
Tangible fixed asset	26,234	-	3,959	(3,567)	-	26,626

The Tangible fixed asset fund relates to assets that have been capitalised and are included in Note 14. Movements on the fund reflect additions, disposals and depreciation charged during the year.

25. TRANSFER BETWEEN FUNDS

Transfers between funds are required to ensure that expenditure and income are reflected in the correct funds where the relevant income and expenditure, when stated gross, has initially been booked to a different fund. This initial allocation is then adjusted by transfer at a net level to the appropriate fund, as shown below:

Group and Trust	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total £000s	Note
Capitalisation						
- Culzean Swan Pond	(196)	196	-	-	-	(1)
- Brodie Castle Development	-	2,663	(2,663)	-	-	(1)
- Other assets	43	270	(313)	-	-	(1)
Net Transfer of Funds 2018	(153)	3,129	(2,976)	-	-	
Net Transfer of Funds 2017	8,236	(7,272)	(964)	-	-	

Notes:

(1) These transfers reflect the capital value of projects which have been funded from general and restricted funds but the assets are held for general and not restricted purposes.

26. AUDITOR'S REMUNERATION

Remuneration for audit services for the year to 28 February 2018 was £51,000 (2017: £49,000) and £41,000 (2017: £39,500) for the Group and Trust respectively and £2,867 was paid to entities related to RSM UK Audit LLP for other compliance services (2017: £4,350).

27. NON-AUDIT SERVICES

In common with many other organisations of a similar size, entities related to the Trust's auditors prepare and submit returns to the tax authorities. In 2017/18 RSM Risk Assurance Services LLP, a firm related to RSM UK Audit LLP, has been assisting the Trust to implement a Board Assurance Framework, fees at 28 February 2018 amounted to £39,000.

28. TRUSTEES' REMUNERATION, BENEFITS AND EXPENSES

No remuneration has been paid to members or former members of the Board of Trustees in respect of their duties as Board members. Expenses totalling £17,446 (2017: £16,680) were reimbursed to 12 (2017: 11) Board and Committee members. Expenses were incurred on travel, accommodation and subsistence for attendance at Board and Committee meetings and on visits to Trust properties.

29. ANALYSIS OF STAFF COSTS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

The average number of employees on permanent and fixed term contracts was 483 (2017: 520). On a full time equivalent basis this becomes 441 (2017: 502). The average number of seasonal employees was 661 (2017: 645). The peak number of staff employed during the year was 1,354 (2017: 1,387).

Details of staff costs and emoluments for the year are as follows:

	2018		2017	
	Permanent Staff £000s	Seasonal Staff £000s	Permanent Staff £000s	Seasonal Staff £000s
Gross pay	14,307	5,827	16,816	5,048
Employers NI	1,391	232	1,403	186
Employers pension	656	44	897	45
Agency staff costs	155	177	88	106
	16,509	6,280	19,204	5,385

The Trust considers its key management personnel to be the senior management team comprising the chief executive officer, the chief financial officer, the chief operating officer, the director of customer & cause. The employee benefits of key management personnel were £519,928 (2017: £649,377) of which £nil (2017: £41,281) were termination payments.

The numbers of employees whose annual emoluments (including termination payments but excluding employer pension contributions) were above £60,000 are set out below:

	2018			2017		
	Number of Employees (1)	Number of Employees (2)	Employers Pension Contribution (1)	Number of Employees (1)	Number of Employees (2)	Employers Pension Contribution (1)
Between £60,000 and £69,999	10	9	£35,543	9	4	£42,966
Between £70,000 and £79,999	6	4	£41,241	12	6	£63,443
Between £80,000 and £89,999	7	7	£30,897	2	-	£6,990
Between £90,000 and £99,999	-	-	-	7	1	£42,146
Between £100,000 and £109,999	1	1	£9,020	2	1	£16,657
Between £110,000 and £119,999	1	1	£10,390	1	1	£10,230
Between £120,000 and £129,999	-	-	-	2	-	£20,142
Between £130,000 and £139,999	-	-	-	2	-	£14,661
Between £140,000 and £149,999	1	1	£16,413	1	1	£18,032
Between £150,000 and £159,999	-	-	-	-	-	-
Between £160,000 and £169,999	-	-	-	1	-	£15,811
Between £170,000 and £179,999	-	-	-	-	-	-
Between £180,000 and £189,999	-	-	-	1	-	£16,848

Notes:

(1) Including termination payments

(2) Excluding termination payments

Redundancy and termination payments of £425k (2017: £2,274k) were made or contractually committed to during the year. Redundancy costs are recognised in the year for employees who have received written notification within the financial year confirming their redundancy.

In addition to its paid workforce the Trust also benefits from a committed group of volunteers who give their time to help at properties and in administrative offices, covering tasks ranging from visitor services to retails, events, gardening and learning through to environmental work like Rangers, Thistle Camps and footpath work.

During the year to 28 February 2018 these volunteers carried out a total of 191,800 (2017: 208,747) hours of work which is an 8.12% decrease on the previous year. This reduction comes on the back of transition phases at certain properties during Transforming the Trust. If translated at an indicative cost of £10 per hour (which is an average based on the wide range of skills utilised by volunteers in the organisation) then this effort equates to a value of £1.92m (2017:£2.09m).

The Trust depends heavily on its volunteers and could not operate without their ongoing support. We are extremely grateful to them all for the time and energy they devote to the Trust.

30. THE NATIONAL TRUST FOR SCOTLAND PENSION SCHEMES

Total pension contributions paid during the year were £656k (2017: £897k) to the defined contribution scheme and £44k (2017: £45k) to the National Employment Savings Trust (NEST) scheme. Pension contributions are treated as an operating cost and allocated by employee activity.

31. OPERATING LEASE COMMITMENTS

Operating leases

The total future minimum lease payments under non-cancellable operating leases are as follows:

	Land & Buildings 2018 £000s	Other Assets 2018 £000s	Land & Buildings 2017 £000s	Other Assets 2017 £000s
Within one year	289	68	319	68
Between one and five years	714	-	1,381	296
After five years	-	-	208	-
	1,003	68	1,908	364

During the year expenses incurred of £410,186 (2017: £365,781) were made in respect of operating leases.

32. RELATED PARTY TRANSACTIONS

The Trust has considered the disclosure requirements of the Statement of Recommended Practice – Reporting & Accounting by Charities (SORP FRS102) and of FRS 102. The Trust believes that the following related party transactions require disclosure:

All Trustees are members of the Trust and total donations made by Trustees to the Trust during the year were £8,520 (2017: £2,088).

In 2018 the following transactions took place between the Trust and the National Trust for Scotland Enterprises Ltd (NTSE), its wholly owned subsidiary:

- The provision of management services by the Trust covering payroll, finance, back office support, legal and managerial support of £1,080k (2017: £822k).
- The provision of catering, retail, fixture and fittings and ICT assets by the Trust to allow the subsidiary to run its shops, cafes and holiday cottages of £280k (2017: £318k).
- The transfer, under gift aid, of the trading surpluses of NTSE to the Trust of £829k (2017: £1,466k) of which £829k was outstanding as at 28 February 2018 (2017: £1,466k).

The Trust provides a treasury function for NTSE and that as a result of this and foregoing transactions, an amount of £2,914k (2017: £3,209k) was owed at the reporting date by NTSE to the Trust.

33. RECONCILIATION OF NET MOVEMENT IN FUNDS TO NET CASHFLOW FROM OPERATING ACTIVITIES

	Group 2018 £000s	Group 2017 £000s	Trust 2018 £000s	Trust 2017 £000s
Net expenditure before gains and losses on investment assets	(2,882)	(4,178)	(2,882)	(4,178)
Add back depreciation	3,321	3,228	3,321	3,228
Deduct net gain on disposal of assets (within investing activities)	(476)	(939)	(476)	(939)
Deduct returns from investments (within investing activities)	(8,135)	(7,685)	(8,964)	(9,151)
(Increase)/ decrease in stock	(12)	127	4	7
(Increase)/ decrease in debtors	351	(1,190)	(563)	(575)
Increase/(decrease) in creditors	(488)	1,752	912	417
Net cash used in operating activities	(8,321)	(8,885)	(8,648)	(11,191)

34. OTHER EXPENDITURE

The Trust has continued its work to provide a simpler structure with less bureaucracy and clearer lines of management towards a savings target of £4m. In the current financial year redundancy payments of £425k were agreed (2017 £2,274k). Further restructuring costs of £346k were incurred in 2017.

The Trust has also invested significant resource in improving systems and processes including expenditure of £1,941k with professional external consultants towards a Trust wide system implementation.

35. POST BALANCE SHEET EVENT

On 28 March 2018, seven flats in Balmacara, held as heritage assets and accordingly with no net book value were sold for £818k.

36. PRIOR YEAR ADJUSTMENT

During the year through a large exercise a number of funds which had historically been classified as restricted funds were identified as truly being unrestricted funds. This is reflective of a prudent approach to historical fund restrictions. These misclassifications have been corrected by restating the opening fund balances in the financial statements.

In addition, the allocation of the unrealised gains/(losses) on investments between fund categories was reviewed and adjusted to ensure a consistent allocation. The total balance of funds has not been restated only the allocation among endowment, other restricted, designated and general fund balances.

Group and Trust	General Funds £000s	Designated Funds £000s	Other Restricted Funds £000s	Endowment Funds £000s	Total £000s
Opening Reserves at 1 March 2016	26,222	41,222	68,117	85,777	221,338
Prior period adjustment (including gains/losses and reclassifications)	3,323	3,055	(2,498)	(3,880)	-
Restated Opening Reserves at 1 March 2016	29,545	44,277	65,619	81,897	221,338
Opening Reserves at 1 March 2017	37,574	31,550	77,454	96,286	242,864
Prior period adjustment (including gains/losses and reclassifications)	3,323	(183)	601	(3,741)	-
Restated Opening Reserves at 1 March 2017	40,897	31,367	78,055	92,545	242,864

TRUST GOVERNANCE AND ADVISERS

PATRON

HRH The Prince Charles, Duke of Rothesay KG KT GCB OM

PRESIDENT

Neil Oliver (appointed 30 September 2017)

Jamie, Earl of Lindsay DL (retired 30 September 2017)

VICE-PRESIDENTS

Professor Hugh Cheape DL, Angus MacDonald OBE DL, Professor Michael Scott-Morton, Simon Fraser and The Duchess of Fife

BOARD of TRUSTEES MEMBERS

Sir Moir Lockhead OBE *** ****

Jill Carrick (Deputy Chair) *** ****

Caroline Borwick *

Ian Doig (retired from the Board of Trustees on 30 September 2017) * ***

Sir Peter Erskine Bt (retired from the Board of Trustees on 30 September 2017)

Dr James Fenton

Keith Griffiths * ****

Robin Harper

Amanda Herries ***

David Leslie (elected on 30 September 2017 and appointed as a member and Chair of the Audit and Risk Management Committee from 26 October 2017) *

Steve Langmead (co-opted on 31 August 2017)

David Mitchell (elected on 30 September 2017)

Kevin McCormick

Veronica Morriss *** ****

Peter Ord (retired from the Board of Trustees on 30 September 2017) **

Graeme Sword **

Benjamin Tindall

* Member of Audit & Risk Management Committee

** Member of Investment Committee

*** Member of Nominations Committee

****Member of Remuneration Committee

TRUST SECRETARY

Stephen Small

EXECUTIVE COMMITTEE MEMBERS

Mark Bishop, Director of Customer & Cause

Allan Bowie, Chief Financial Officer and Director of Corporate Services (resigned on 31 July 2017)

Louise Page, Chief Financial Officer and Director of Corporate Services (appointed 12 July 2017)

Patrick Duffy, Chief Operating Officer

Simon Skinner, Chief Executive

COMMITTEE CONVENORS

Lesley Knox, Nominations Committee (Interim Convenor between 14 December 2016 and 23 March 2017)

Dame Susan Bruce DBE, DL, Nominations Committee (Convenor from 23 March 2017)

Ian Doig, Audit & Risk Management Committee (retired on 30 September 2017)

David Leslie, Audit & Risk Management Committee (Convener from 26 October 2017)

James Ferguson, Investment Committee

Sir Moir Lockhead OBE, Remuneration Committee

OTHER NON TRUSTEE COMMITTEE MEMBERS

Grant Macrae, Audit and Risk Management Committee

John Naylor, Audit & Risk Management Committee

Mark Hunter, Investment Committee

Lesley Knox, Nominations Committee

Bill Lambert, Investment Committee

Michael MacPhee, Investment Committee (retired on 18 February 2018)

Russell Napier, Investment Committee

Magnus Swanson, Investment Committee

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