



**NATIONAL  
TRUST *for*  
SCOTLAND**

**Trustees' Annual Report  
and Financial Statements  
For the Year ended 29 February 2020**

The National Trust for Scotland for Places of Historic Interest or Natural Beauty  
Scottish Charity Number: SC007410

# Who we are

Scotland. It's our home.  
A Place to be proud of,  
A place to look after.

That's been the role of the National  
Trust for Scotland since 1931

From preserving our buildings,  
To protecting our wildlife.  
From cleaning our coastlines,  
To looking after our landscapes.

We do what we do for all of us.  
We do it for our children  
and for our children's children.

We do it so our country can be  
as beautiful as it can be.

We do it for our nation.  
We do it independently,  
We do it with pride.

We do it because it really matters,  
Because it needs to be done.

We do it with the help of our members,  
donors, volunteers, visitors and staff.  
We do what we do

For the *love* of Scotland

# Table of Contents

Chairman's Statement.....	5
Trustees' Annual Report for 2019/20 .....	7
Our Vision and Strategy .....	8
Strategic Review .....	9
Financial Review 2019/20.....	17
Investment Policy and Performance .....	23
Reserves Policy .....	25
Structure, Governance and Management .....	27
Independent Auditor's Report to the Board of Trustees .....	36
Financial Statements for 2019/20 .....	38
Consolidated Statement of Financial Activities.....	38
Trust Statement of Financial Activities .....	40
Consolidated Balance Sheet.....	42
Trust Balance Sheet .....	43
Consolidated and Trust Cash Flow Statement.....	44
Notes to the Financial Statements .....	45
Reference and Administrative Details .....	78



# For the *love* of Scotland

We care for

**97**

historic properties

We take care of

**245**

miles of mountain  
footpaths

We preserve

**300,000**

precious objects

We protect

**EIGHT**

National Nature Reserves

We look after

**76,000**

hectares of countryside

We tend to

**100,000**

plants in our gardens

We welcomed

**4,126,000**

visitors last year

We maintain

**10,000**

archaeological sites





# Chairman's Statement

In pre-COVID days when I took on the role of Chairman of the National Trust for Scotland in mid-2019, I was glad to find that the now retired Chief Executive, Simon Skinner, and my predecessor Sir Moir Lockhead had done so much to improve the functioning and finances of the Trust over the preceding five years. They achieved a great deal for the Trust and left it much better able to face the challenges of the coronavirus epidemic than would have been the case a few years ago. For that we owe them a great debt of gratitude.

During the year covered by this report the Trust continued to **protect** Scotland's heritage. Brodick Castle on Arran was re-thought as a visitor experience on the back of necessary works to safeguard the property from fire. The new installations and displays are a triumph, using the ephemera of a Victorian day at the races to draw young and old alike into the lives and preoccupations of people who once lived, loved and risked their fortunes in that place.

The Hill House in Helensburgh received a sheltering 'box', a modern miracle of architectural engineering utilising the most historic of materials, chain mail. Now the most exciting and important domestic architecture created by Charles Rennie Mackintosh and his wife, Margaret Macdonald, is protected from the soaking gales that threatened its structural integrity. The work needed to save the building for future generations is only just beginning but is all the more vital and poignant in the wake of the destruction of Mackintosh's great Glasgow School of Art.

At Glencoe, we provided this incomparable, glowering place of historic tragedy and outstanding natural beauty with a visitor centre worthy of its importance, which sets out the story and geological context of the Glen through carefully designed displays and an exhibition space that will accommodate different subjects and artefacts of interest.

We also set ourselves the task of offering the **experience** of heritage in new and different ways, appropriate to the needs of diverse audiences. Our successful quest to meet this challenge was manifested by the increasing numbers of visitors

coming to our properties and our continuing status as the country's largest membership organisation. We are trialling new approaches: such as using smell to enhance the sense of time and place at Gladstone's Land in Edinburgh; the latest in ambient lighting at Haddo House which reveals the property as it would have been viewed before electricity came to Aberdeenshire; and staging theatrical productions at the Georgian House and Gladstone's Land that encourage visitors to see old places with new eyes.

To encourage people to enjoy their heritage, we must be better at telling them about it. We have recognised that we need to not only **promote** the places in our care but also the wider contribution of Scotland's natural environment and historic buildings to our wellbeing. Our *For the Love of Scotland* campaign continued, driving more visitation, support and credibility for our status as the premier guardian of heritage. We spoke softly in influencing national policy and decision-makers, and loudly when existential threats were posed to vitally important locations such as Culloden and Coul Links as well as the marine environment.

We are a charity and we must ask for help, especially now in these extraordinary times. We have built up our capacity for fundraising and increased the level of **support** we receive in order to conserve and enhance the properties in our care. Our supporters and donors have responded magnificently, enabling us to build the Hill House Box, undertake decorative restoration at Holmwood House and complete a thorough restoration of the Burns Monument in Alloway among many other things.

As I write, I am seeing even greater generosity as people rally around the Trust in our hour of need, exceeding even the level of kindness demonstrated for the Hill House, which up to now had been the largest and most successful appeal we had ever run.

Special thanks are due to our faithful Friends' Groups and Members' Centres, as well as our Patron's Club, Trust, Foundation and Corporate supporters, our members and our donors for their steadfast support and partnership.

Delivery of the above depended on the cultural change in the Trust instituted by Trustees and the Chief Executive. The Regional structure of our operations has meant that our local teams are much more in tune with their communities, both of shared interests and geography. New systems have been put in place which are designed to make things easier for our workforce and replace outdated and unsupportable procedures – this has been part of the largest such investment ever made by the Trust. Fundamental overhauls of IT and Business Systems are seldom plain sailing – but we have largely overcome the inevitable teething issues.

The National Trust for Scotland is fortunate to have such committed and able trustees. We were sad to say goodbye to Deputy Chairman, Jillian Carrick and Benjamin Tindall at the AGM in Glasgow. I'm sorry also that Veronica Morriss had to step down for personal reasons and grateful to Caroline Borwick for agreeing to take on her role of Volunteer Trustee until the 2020 AGM.

We welcomed newly-elected Trustees Wendy Corrigan, Penny Martin and Professor Murray Pittock and co-opted Stephen Mitchell with his expertise in investment and markets to become chair of the Investment Committee in place of Graeme Sword who stepped down in late 2019.

I would like to offer our President, Neil Oliver (who has confirmed that he is standing down at the 2020 AGM), all Trustees, former Trustees, volunteers and staff our sincere thanks for giving so generously of their time, expertise and experience.

Looking back over that year of achievement, I hope it is a reminder of all that the Trust is capable of and the benefits we bring to Scotland. As noted in the

following Trustees Report, the Trust is suffering from a serious loss of income due to restrictions put in place as a result of the COVID-19 pandemic since March 2020 but has implemented a series of response measures and has received a support package from the Scottish Government to aid the heritage organisation's recovery from the impacts of COVID-19. As I write, the lockdown in Scotland is starting to end and we are beginning to open-up our properties again; there are many difficult decisions to see through and more unpalatable choices to be made. However, under the guidance of our new Chief Executive, Philip Long, I have every expectation that we will in time surmount our current challenges and once again fully embrace our role as protector of Scotland's irreplaceable heritage.

**Sir Mark Jones, Chairman**  
**September 2020**



# Trustees' Annual Report for 2019/20

We are pleased to present the 2019/20 Annual Report in accordance with the Charities Statement of Recommended Practice and applicable law which includes our strategic report.

Since 1931, we've pioneered public access to and charitable ownership of some of the most magnificent buildings, collections and habitats in Scotland. We care for ancient houses, battlefields, castles, mills, gardens, coastlines, islands, mountain ranges and all the communities, plants and animals which depend upon them.

Together, the places and objects in our care tell the stories of Scotland and the Scots: how our people travelled and interacted with the wider world, taking with them their energy and values and returning with new ideas and treasures. Without our involvement, many of these places and things would have been lost forever to the damage caused by time, tide, climate, voracious pests and developers.

As the Trust is an independent charity and not part of government, we're free to raise our voice when we need to, challenging politicians, policy-makers and commercial interests, as well as offering constructive advice based on the hard-won experience of nearly 90 years of pioneering conservation work.

Under the unique powers given to us under the *National Trust for Scotland Order Confirmation Act 1935* we have the ability to enter into legally binding conservation agreements that enable us to protect important places that we don't own and the power to declare our land to be inalienable, both reinforcing our mission to speak up for all of Scotland's heritage wherever and whenever it's under threat.

As a membership organisation, most of us are directly elected by our members and we must be Trust members. We're accountable to our membership, with a duty to ensure the long-term protection of Scotland's heritage.



Canna



## Our Vision and Strategy

### Our Big Ambition



#### PROTECT

\*We'll improve the condition of heritage in our care.

\*We'll change the way we work to reduce our carbon footprint

\*We'll speak out to protect Scotland's heritage when it is threatened.



#### EXPERIENCE

\*We'll help more people to learn about our heritage

\*We'll welcome more visitors, more often.

\*We'll tell more stories in new and exciting ways.

\*We'll help people and communities to get more from our landscapes and places



#### PROMOTE

\*We'll keep talking to policymakers so that Scotland's heritage can benefit more people.



#### SUPPORTS

\*We'll increase support so that we can invest more in everyone's heritage.

### OUR TARGETS for 2018-2023

To spend

**£57 million**

improving the visitor experience and condition of heritage in our care

To increase support through donations to more than

**£10 million**

To build support through membership to more than

**490,000**

To increase annual visitor numbers to more than

**5 million**

To create active learning experiences for more than

**100,000**

people of all ages and backgrounds each year







## Strategic Review

### Our Performance 2019/20

2019/20 was the second year of the Trust's new vision and five-year strategy outlined on page 8, continuation of the delivery of the *Transforming the Trust* change programme and embedding performance management around the new strategy.

Eleven key performance indicators (KPIs) are used to measure progress with the implementation of our strategy. Our performance against these KPIs is summarised below:

	Objective	KPI	2019/20	2018/19
 <b>PROTECT</b>	1. Improve the condition of heritage in our care	Conservation Performance Index (CPI) <sup>1</sup>	<b>66%</b>	64%
	2. Reduce carbon equivalent emissions	Carbon equivalent emissions	<b>2.23 kgCO<sub>2</sub>e per visitor<sup>2</sup></b>	3.58 kgCO <sub>2</sub> e
 <b>EXPERIENCE</b>	3. Increase total visits	Total Visitors	<b>4.1 million</b>	4.1 million
	4. Increase visits to built heritage properties	Visitors to Gated Properties	<b>2.6 million</b>	1.8 million
	5. Increase member visits	Average Visits per Member	<b>5.4</b>	3.2
	6. Improve visitor satisfaction	Visitor Satisfaction Index	<b>9.0</b>	8.6
 <b>PROMOTE</b>	7. Improve brand reputation and awareness	Brand Index	<b>24.5</b>	24.8
 <b>SUPPORTS</b>	8. Increase income from fundraising	Donations and Appeals Income	<b>£2.7 million</b>	£2.3 million
	9. Increase members	Number of Members at year end	<b>371,803</b>	367,331
	10. Improve workforce engagement	Workforce Engagement Index	<b>67%</b>	70%
	11. Improve safety	Accidents per 100,000 visits	<b>4.5</b>	4.2 <sup>3</sup>

#### Notes:

<sup>1</sup> The Conservation Performance Index (CPI) is used to measure how well we are putting conservation into practice at our properties.

<sup>2</sup> The method has been refined and is not a direct comparison with the previous year. Within this reporting period the Trust's carbon emissions from our operations were **4,001 tonnes CO<sub>2</sub>e in total** which equates to **2.23 kg CO<sub>2</sub>e per visitor**. The majority of our emissions are the result of electricity use (which includes electric heating), and roughly a quarter is due to heating with gas and oil. The other significant emissions source is fuel for vehicles.

<sup>3</sup> Incorrectly stated in last years' report as 2.2



### Things to celebrate

1. More people, including our members, visited our properties last year.
2. The condition of heritage in our care is improving as a result of our investment and stewardship.
3. We continue to show high levels of brand awareness and support - and visitors to our properties are reporting high levels of satisfaction based on their experience.



### Good things to build on

1. Our membership continues to grow, and we are working on ways to improve communication and engage outside of property visits to increase retention levels.
2. We have a system in place to measure carbon equivalent emissions and we are reporting a downward trend - work is underway to accelerate this and contribute to national climate change targets.
3. Keeping our workforce and visitors safe at our properties and ensuring we act on learning from incidents.



### Things we need to focus on to improve

1. Continuing to develop a pipeline of fundraising activities which resonate with our members and the public.
2. Communication with our workforce, involving them in our successes and plans for improvement.



## A Year in Trust: Highlights of 2019/20

### March

A new garden opened at JM Barrie's birthplace in Angus including a lifesize 'Tick Tock' crocodile

### October

A poll commissioned by the Trust showed overwhelming support for creation of an independent watchdog to uphold environmental protection post Brexit

### November

New recruits joined our Gardener Apprentice Scheme, now in its second year of operation

### April

Scotland's Landscape Alliance, jointly led by NTS, launched in Edinburgh to devise recommendations for protecting all of Scotland's landscapes

### September

An appeal was launched and work begun on repairing 273 miles of footpath across our estate

### December

Volunteers helped us to plant over 3,500 trees at Glen Rosa on Arran to protect biodiversity and help combat climate change

### May

Reopening of Brodick Castle after a major programme of investment to bring the castle to life with new ways of telling its history

### August

The public took part in archaeology at Kellie Castle to uncover remains of a 16th century enclosure

### January

The Gregg Fiddle, part of our collection at the Robert Burns Birthplace Museum, embarked on an epic tour of the US in partnership with the NTS Foundation USA and Scottish Government

### June

Reopening of Hill House on Mackintosh's birthday following its £4.5 million conservation programme to erect a protective steel box

### July

A ceremony took place to rededicate the Burns Monument in Alloway following completion of a major restoration programme

### February

Our marine work and island properties received a funding boost following the launch of our Turning the Tide campaign

## Our Achievements in 2019/20

Key achievements summarised against our four strategic objectives are outlined below.

### Protect

During 2019/20 we continued to invest to improve the condition of heritage in our care, reflected in a 2% increase in our Conservation Performance Index which tracks the condition status of our most important heritage assets.

Much of the routine and unglamorous work we undertake at our properties goes unseen but it is essential in maintaining the fabric of our buildings, ensuring collections are housed in the right conditions, enabling people to access our places safely and allowing nature to flourish. However, there is always more to be done and sometimes we need to undertake major interventions to repair and renew heritage and create new ways of providing access and telling stories.

It's important we speak up when Scotland's heritage is under threat and we can help raise awareness of issues, mobilise our members' voice and offer alternative solutions.

Some of our major achievements to protect heritage this year included:

- ✓ The completion of the **Hill House 'Box'**, now protected by an intricate lattice of metal walkways and chainmail cladding to allow this Mackintosh masterpiece the opportunity to slowly dry out and enable us to take the next steps in securing its long-term future. This ground-breaking project has already won awards for its visitor services and is shortlisted for the RIAS architectural awards 2020;
- ✓ The **Burns Monument** in Alloway was rededicated at a ceremony in July, on the anniversary of the bard's death, marking the completion of a major programme of restoration and repair. Many individual donors and organisations in Scotland and beyond, including The National Trust for Scotland Foundation USA, contributed to the costs;
- ✓ **Holmwood House** south of Glasgow reopened to the public after a three-month project to recreate the property's intricate and jewel-like stencilled paint schemes, applied at the behest of architect Alexander 'Greek' Thomson in 1858;
- ✓ We announced our opposition to proposals by MOWI (formerly Marine Harvest) to site a large-scale open-pen fish farm in the sound of **Canna**. The Trust continues to campaign for greater protection of the marine environment and especially where protected areas are threatened by development or policy;
- ✓ In time for the 300<sup>th</sup> anniversary of the 'forgotten' Battle of Glenshiel on the **Kintail Estate** on 10 June, our archaeologists revealed the first-ever discoveries of artefacts from the fateful encounter between Government forces and the Jacobites of the 'Old Pretender' and their allied Spanish Marines. Several large fragments of a coehorn mortar shell that had been fired at Lord George Murray and the Jacobite right wing and a musket ball were found where they had been lodged in 1719;
- ✓ The **Biosecurity for LIFE project**, awarded £700,000 of funding from EU LIFE was launched – this partnership between the RSPB, the National Trust and the National Trust for Scotland protects seabirds from rats, stoats and mink by preventing accidental release of these predators by sailors – **St Kilda** provided an early instance of the scheme being used in practice; and
- ✓ With housing development continuing to threaten the **Culloden Battlefield**, the Trust coordinated a consultation and submitted proposals to improve protection for one of Scotland's most important heritage sites, which experienced record levels of visitors in the year. Grazing by Highland and Shetland cows was introduced to ensure the battlefield retains its atmospheric and ecologically rich character.



## Experience

Over recent years the Trust has made a considerable effort and investment in improving the visitor experience, to make our properties more welcoming to everyone, providing enriched learning opportunities and a high standard of visitor services. This has been reflected in increased visitor numbers and levels of satisfaction.

We welcomed a total of 4,160,533 visitors to our properties during the year, which is a slight increase of thirty-four thousand on last year. Following recent investment in indoor visitor services at a number of countryside properties, a higher proportion of our total visitors are now being recorded within the 'gated properties' category. The number of visits to our built heritage properties significantly increased by 47% to 2,648,216 from 1,797,000 last year, partly reflective of reopened properties at the Hill House and Brodick as well as a general upturn and increased footfall at Glencoe and Culloden. We have seen a significant increase in the number of member visits to properties and in those attending events.

Our Visitor Satisfaction Index has been rolled out across all our properties and has provided us with valuable insight into the experience of our visitors, what we are doing well and what we need to improve. Overall, we are delivering very high levels of satisfaction, learning and enjoyment.







Work to improve the visitor experience is illustrated by the diversity of projects undertaken this year, including:

- ✿ We unveiled one of the jewels of our ambitious £13million capital investment programme at **Brodick Castle** on Arran, which was revamped and reinterpreted to take a fresh approach to telling the property's rich stories to give visitors a glimpse back to the Victorian era based on the lives of the former owners, the Hamiltons;
- ✿ We opened our new visitor centre at **Glencoe National Nature Reserve (NNR)** with a special event for invited guests from the local community and partners involved in the £1million project to create a more immersive, informative and welcoming gateway to the famous glen. The word soon spread about the improved experience, shop and café and we welcomed 45% more visitors than last year;
- ✿ **Culzean Castle's** scenic Fountain Court hosted its first music event in over a decade, *The Gloamin* a family friendly mini-festival which attracted over 1,000 people. This was the first such gathering since the 2017 project to restore the historic lawn to enable large scale events to take place. We also offered visitors the chance to explore the castle's subterranean caves. Guided tours allowed people to encounter evidence of human activity dating back to the Iron Age, including their nefarious use for smuggling in the 1700s;
- ✿ There was an opportunity for the public to participate in archaeology by joining a dig at **Kellie Castle**. Following a geophysical survey carried out in 2010, volunteers were invited to help excavate the site and uncover the remains of the 16th century enclosure and piece together the history of the estate;
- ✿ To critical acclaim, the Trust made its first foray into the Edinburgh Festival Fringe with **Gladstone's Land** hosting the specially commissioned theatrical production, *A Game of Death and Chance*, which allowed visitors to learn of some of the history of the property and Scotland through the ages, encountering characters, objects and interiors in a unique way;
- ✿ A team of academics, students and gardeners joined forces to transform **Inverewe Garden** over the winter to welcome visitors to *Inverewe Illuminated*. The project was an artistic interpretation of an imaginary underwater journey from the shoreline to the reefs hidden beneath Loch Ewe; and
- ✿ A violin played by William Gregg, Robert Burns' dance teacher, left its home at the **Robert Burns Birthplace Museum** for an epic trip across the USA. The trip was organised in partnership with the National Trust for Scotland Foundation USA, and the Scottish Government, and the violin and the Scottish heritage it represents provided audiences with a unique musical experience in New York, Boston, Chicago and Washington DC. It even made an appearance in front of stars of stage and screen at a special Burns Birthday Bash hosted in Los Angeles by BAFTA LA, which was live-linked to ITV's *Good Morning Britain*.

## Promote

The Trust exists so everyone can benefit from having access to Scotland's heritage.

Promoting these benefits is an important part of our work and helps others within communities and the wider heritage and visitor economy. Increasingly the benefits of engaging with heritage objects and sites, especially in nature, is being recognised by policy makers, politicians and the public as an essential part of our lives and wellbeing. Some of the work we have done, often in partnership with others, is illustrated by these examples:

-  **Scotland's Landscape Alliance**, a new organisation led by the Trust and the Landscape Institute Scotland, gathered over 60 organisations together for its launch in Edinburgh. It aims to ensure that Scotland cares for, improves and benefits from its landscapes and is planning to publish recommendations for improvements later in 2020;
-  A film using footage collected by Margaret Fay Shaw on the **Isle of Canna** premiered in South Uist - *Solas* (Gaelic for light) used rediscovered film shot by the US-born folklorist who dedicated her life to documenting Gaelic song – an inspiration to many who have gone before and by sharing this love of music and place, hopefully an inspiration to many in the future;
-  The Trust and supermarket giant Lidl teamed up to help children build their nature knowledge. The second edition of the **Lidl Book of Big Adventures** was distributed via stores to offer a range of accessible ideas to open up the outdoors to families, including tips on where to spot red squirrels, ideas for family hikes amongst amazing autumn colour and challenging children to go on a leaf-spotting adventure. The partnership continues with further editions of the book providing seasonal learning and fun;
-  A **poll commissioned by the Trust** revealed that a broad cross-section of the public overwhelmingly agreed that a new, independent environmental watchdog is needed to ensure that existing EU environmental protections remain in place after Brexit and that government actions are properly scrutinised;
-  Providing employment opportunities and heritage skills for the future is important. We hired five new trainee gardeners, aged between 16 and 24, in the second year of our **Garden Apprentice scheme**. With a shortage of specialist heritage gardeners, the programme nurtures the next generation of talent to care for our 38 important gardens and designed landscapes;
-  Volunteering provides many benefits and the Trust is extremely grateful to the thousands of people who give their time for free. Some of our volunteers braved the winter weather to help with our landscape-scale woodland revival project in **Glen Rosa** on Arran. The project is generously supported by the players of Peoples Postcode Lottery, and the volunteers managed to plant 3,500 saplings; and
-  Ahead of the Scottish Government's first **Culture Strategy** for 20 years, we published new public opinion research on cultural activity in Scotland, and the barriers to its development and public benefit. The survey showed that Scots take a very broad view of what constitutes 'culture', with favourite forms of culture including music, food & cuisine, history and sports – we urged policy-makers to take a similarly broad view.









## Support

### Fundraising

Our aim is to ensure that fundraising is embedded into the fabric of the National Trust for Scotland. Fundraising will advance the mission of our organisation by delivering a sustainable stream of flexible and strategic income to support activities that directly deliver our charitable purpose of protecting and promoting Scotland's heritage.

£2.7million income was generated from fundraising activities in 2019/20 (2018/19: £2.3million). Thanks to support from our donors, members and funders, we have:

-  Raised over £120,000 through our annual Footpath Fund appeal to repair and maintain the footpaths in the Trust's care. Thanks to our supporters we installed new drainage systems on Ben Lawers, reinstated the high sections of the Alligin Ridge footpath in Torridon and created new paths on Staffa to accommodate the growing number of visitors;
-  Raised almost £350,000 for Wipeout – a new project which will enable the Trust to eradicate non-native invasive species from across our estate and restore our native wildlife. This project is supported by players of People's Postcode Lottery, the Scottish Natural Heritage Biodiversity Action Fund and Baillie Gifford;
-  Raised £127,000 to carry out emergency repairs on Burns Cottage. Work is nearly complete on the humble cottage where Robert Burns was born and our supporters have helped us, repair the fabric of the building and re-thatch the roof. Burns Cottage is due to reopen in 2020;
-  Raised over £60,000 to reveal the forgotten history of Glencoe through new archaeological excavations of villages in the glen and the recreation of a turf house. This work will help to tell the stories of the people who lived and worked in Glencoe and build a picture of what the highland way of life was like over 300 years ago;
-  Raised over £100,000 thanks to generous donations from members to our 'Turning the Tide' appeal. Funds will enable us to continue our vital conservation work at our coastlines and sea life habitats; and
-  Received a Letter of Intent for an award of £923,000 from the Natural and Cultural Heritage Fund for Corrieshalloch Gorge which is not recognised in line with the income recognition criteria in the SORP/accounting policies. This will enable the commencement in 2020 of an ambitious project to make Corrieshalloch nature reserve accessible and help more people enjoy this beautiful nature reserve and experience the majestic Falls of Measach. The Natural and Cultural Heritage Fund is led by SNH and part-funded by the European Regional Development Fund.

Our Charity is heavily dependent on voluntary income from membership subscriptions (£16.8m), donations (£2.7m) and legacies (£6.4m) alongside commercially derived income from properties and other assets. This support is generated in many ways, appealing to a diversity of audiences.

In 2019/20 the Trust received £6.4 million from bequests. We are hugely grateful to the individuals who share our determination to ensure Scotland's heritage is available to future generations, and who have left such an enduring and meaningful legacy.

The Trust had no fundraising related complaints or enquiries left unresolved and none escalated to the Scottish Fundraising Standards Panel for further investigation. Fundraising adheres to the Trust's Working with Vulnerable People policy.

### Membership

Membership has continued to grow year on year. Installation of new systems presented us with major challenges last year but these were largely overcome this year and the benefits of more targeted, bespoke communications with our members is beginning to materialise. Membership numbers increased by 4,472 to 371,803 by the end of February 2020.

## Workforce

During 2019/20, the average number of employees on permanent and fixed term contracts was 545 (2018/19: 552). On a full-time equivalent basis this becomes 497 (2018/19: 510). The average number of seasonal employees was 729 (2018/19: 668). On a full-time equivalent basis this becomes 261 (2018/19: 253). The peak number of staff employed during the year was 1,429 (2018/19: 1,339). This was supplemented by 2,800 volunteers (2018/19: 2,700).

The Trust launched its People Strategy in early 2020 which sets out the key initiatives that will help support a workforce that is **Engaged, Enabled, and Developed** to deliver the Trust's corporate objectives.

The Trust undertook a shorter Perspectives Pulse Survey during 2019, 14 questions focusing on the key topics highlighted in the 2018 full survey. The result produced an overall **Total Workforce Engagement Index** which includes the views of employees and volunteers as a total workforce. Scores improved in wellbeing, open and honest communication and Senior Leadership's understanding of the views and opinions of employees and volunteers demonstrating the impact of actions plans. Survey results have been shared with the workforce, and the Executive Committee has developed a further action plan to address the areas identified for focus, which include demonstrating our values and valuing the contribution of employees and volunteers.

## Future Outlook

As a result of the COVID-19 restrictions put in place in March 2020, the Trust is suffering from a serious loss of income. The projected fall in income has primarily arisen due to the closure of our properties from government restrictions which resulted in reduced visitor and membership income. The Trust's invested funds have also fallen in value as a result of the recent decline in the stock market. The income derived from those funds is projected to fall by up to 50%. The loss of income will lead to a reduction in the Trust's general reserves in the next financial year.

The Trust has implemented a number of response measures including (i) operational measures to reduce costs and project spend, (ii) maximising the use of the Job Retention Scheme, (iii) a redundancy consultation exercise involving approximately 400 staff, (iv) the removal of designation of approximately £5.8 million of funds and a review of other restricted funds with OSCR (v) disposal of non-core assets, (vi) launch of the "Save Our Scotland" fundraising appeal, and (vii) applications to funders including Scottish Government for financial assistance.

On 16 August 2020, Scottish Government announced a support package worth £3.8 million is to be made available to the Trust to aid the heritage organisation's recovery from the impacts of COVID-19. The funding will help secure nearly 200 critical jobs, support project expenditure and enable the Trust to open or partially open more properties than originally hoped. The Trust expects to make approximately 188 compulsory redundancies, in addition to 44 voluntary redundancies, as a result of the severe impacts of COVID-19.

The Board of Trustees of the Trust has reviewed the financial position and implemented an emergency budget and three-year financial plan that demonstrates that with the actions noted above and the support package announced that there are no material uncertainties and the Trust can recover from the effects of the pandemic in pursuance or support of its charitable purposes. As a result of these measures, the Board of Trustees will be reviewing the strategic targets in due course.

# Financial Review 2019/20

## Introduction

The commentary noted below refers in all cases to the consolidated results for the year to 29 February 2020 reported within these financial statements and not just those of the Trust on a standalone basis.

## Consolidated Statement of Financial Activities

The Consolidated Statement of Financial Activities (the SoFA) set out on page 38 highlights that total income and endowments for the financial year were £59.7 million (2018/19: £57.9 million) and total expenditure was £58.3 million (2018/19: £62.9 million). In overall terms, the SoFA highlights net income for the 2019/20 financial year of £3.9 million. This is an increase of £7.8 million compared with net expenditure for 2018/19 which was £3.9million. 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 £2.5 million, which was a £1.5 million increase on the £1.0 million recognised last year. These net investment gains for this financial year comprised £11.0 million of net realised gains from the sale of investments during the year and £8.5 million of unrealised losses on investments still held at the end of the financial year. Net gains on investments in the previous financial year comprised £14.9 million of net realised gains from the sale of investments and £13.8 million of unrealised losses.

Non-recurring costs of £0.7 million were incurred during the financial year compared to £4.2 million other expenditure in 2018/19. This significant decrease relates to the programme of Transforming the Trust having completed.

The chart below shows the comparison of the component parts of income in this financial year compared with the previous year.

### Analysis of Sources of Income





## Income and Endowments

### Membership revenues

Membership grew for the 22nd consecutive year by 4,472 to 371,803 by the end of February 2020. Membership revenues are separately broken out on the Statement of Financial Activities as they comprise both a donation and subscription element. In total, this amounted to £16.8 million, which is £1.0 million higher than last financial year.

### Appeals and donations

Income from appeals and donations of £2.7 million were slightly ahead of last financial year's total of £2.3 million.

### 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 benefited from legacy income totalling £6.4 million (of which £5.7 million was unrestricted). This is a decrease of £1.3 million or 17% on income from legacies recognised the previous financial year, reinforcing the unpredictability of this income source.

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 (the Trust's appointed Investment Manager for quoted securities). On 31 January 2020, however they served notice to terminate their agreement and ceased being the Investment Manager on 30 April 2020. Rathbones took over the management of both these portfolios on 30 April 2020 and the Investment Committee is currently carrying out a review of investment strategy and management of all investments for the longer term. While both equity pools have outperformed their comparator benchmarks since inception in 2008, the income pool underperformed the benchmark in the year to 29 February 2020 reflecting the change in the market environment at the end of the financial year. The level of investment income received this financial year of £8.3 million was £0.1 million lower than £8.4 million in the previous financial year as a result of decreased 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, People's Postcode Lottery and Local Authorities 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 was £1.2 million this year, £0.4 million below the £1.6 million in 2018/19.

### Property and other income

Property and other income, which includes admissions income and rental income, increased from £7.8 million last year to £8.6 million this year. Admissions revenue increased by 6.5% to £4.9 million from £4.6 million, boosted by an increase in paying visitors in part driven by the reopening of properties such as Brodick and Hill House following extensive investment programmes. The level of rental income we generated from our let portfolio decreased to £1.8 million from £2.0 million in 2018/19. Other income, which includes amongst others advertising income, income from events and proceeds from insurance claims in respect of costs previously incurred, increased by £0.8 million to £2.0 million from £1.2 million.

## Commercial activities

### Revenues:

Our total revenues from commercial activities of £13.5 million was slightly up by £0.1 million (or 0.7%) on last year's levels (2018/19: £13.4 million).

This was underpinned by some operational changes within the revenue categories which in turn generated differences in performance trends between this year and last. The chart below highlights this:

### Analysis of Commercial Revenue



Strong performance was achieved in retail with a £1 million (or 19.2%) increase to £6.2 million, and in catering with a £0.6 million (or 12.5%) increase to £5.4 million in the current year. There was a cessation of cruises with the associated loss of revenue that reduced revenues by £1.6 million in 2019/20. Despite this material change the commercial income still increased by £0.1m in 2019/20. Excluding the impact of the loss of cruise income, the increase in commercial revenue for the other activities equated to £1.7m which is a 14.4% increase on 2018/19. Other income increased by £0.3 million through new corporate partnerships.

### Net Contribution (see Note 8)

Overall the net surplus from our commercial activities has increased by £0.8 million (or 66.7%) to £2.0 million from its level of £1.2 million in the prior year. This overall increase in net income from commercial activities was driven by a decrease in expenditure of £0.7 million and an increase in revenue of £0.1 million.

Retail net surpluses have decreased by £0.1 million for this financial year, a decrease of 0.8% on the prior year due to an increase in the cost of sales reflecting higher unit costs of retail products. Catering cost of sales has decreased to 39% of net revenue (2018/19: 42%) and there has been a decrease in other directly attributable overheads which has resulted in the net surplus increasing by £0.6 million. The net surplus from holiday accommodation (which includes apartments) decreased by 14% to £0.3 million for this financial year. The loss of the cruise income created a very small deficit due to closing down the activity. Functions at the properties generated a net loss of £0.2 million, a decrease of £0.1 million from last year. Other income and events generated a net surplus of £0.3 million versus a deficit of £0.4 million.

## Gain on sale of assets

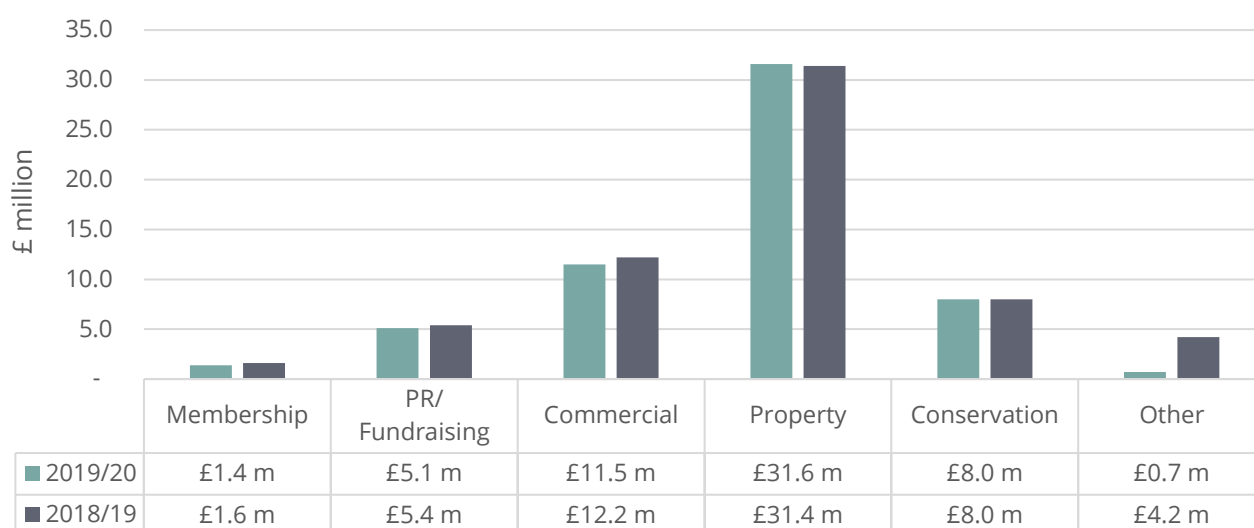
There were a number of disposals of assets during the financial year which resulted in a gain on sale recognised of £2.2 million (2018/19: £1.0 million). Note 21 to the financial statements provides further details of heritage assets included in these totals with sales values of £2.2 million (2018/19: £0.9 million).

## Expenditure

Total expenditure for the financial year was £58.3 million, down from £62.9 million in the prior year. The major items of SoFA expenditure relate to property operating expenditure of £31.6 million (2018/19: £31.4 million), conservation, repairs and improvements of £8.0 million (2018/19: £8.0 million), costs of commercial activities of £11.5 million (2018/19: £12.2 million), publicity and fundraising costs of £5.1 million (2018/19: £5.4 million) and membership and recruitment costs totalling £1.4 million (2018/19: £1.6 million). In addition, during the current financial year £0.2 million (2017/18: £nil) of non-recurring restructuring costs were incurred and £0.5 million (2018: £4.2 million) of systems implementation costs.

The chart below shows the comparison of the component parts of expenditure in this financial year compared with the previous year.

Analysis of Expenditure



## 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, increased by £0.2 million or 1% to £24.9 million. There was a small reduction of 13 full-time equivalent permanent and fixed term contract employees and a small increase of 8 full-time equivalent seasonal employees from 2018/19 to 2019/20. The 2019/20 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 continued to employ a number of additional staff on fixed term contracts to carry out specific conservation and other projects in line with the new devolved management structure.

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 29 February 2020 these volunteers carried out a total of 168,448 hours of work, which is a 5% increase in recorded hours on the previous year. If translated at an indicative cost of £10 per hour, our volunteers' effort this year equates to a value of £1.7 million.



The Trust could not operate without the ongoing support and dedication from these volunteers. The time and energy that they devote to the Trust is greatly appreciated by all of us at the Trust.

### Property operating expenditure

Total expenditure on property operating costs was £31.6 million, a £0.2 million or 1% increase on last year's £31.4 million which reflects the stabilising of a more decentralised structure across the Trust.

### Conservation, repairs and improvements

Total expenditure on conservation, repairs and improvements amounted to £8.0 million in the financial year, in line with the £8.0 million spent in 2018/19. This reflects the completion of a number of large strategic projects as well as other conservation investment activities.

Project expenditure varies from year to year depending on conservation requirements. Major projects expenditure in this year included work on Hill House, Newhailes, Project Reveal, Glencoe and the Upland Paths Project. Further details on our conservation work are described in the Strategic Review.

Further detail on the breakdown of all relevant costs is set out in the accompanying notes to the financial statements.

## Balance Sheet and Funds

As at 29 February 2020, total funds amounted to £242.4 million, an increase of £3.9 million on the comparable figure of £238.5 million as at the end of February 2019.

The Trust has approximately 400 restricted or designated funds which have been either donated or set aside by the Board for a specific purpose. The value of restricted funds after these reclassifications was £158.1 million at 29 February 2020 a decrease of £2.8 million from their level of £160.9 million 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 £28.3 million at 29 February 2020, and designated funds of £5.4 million 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 £50.6 million at 29 February 2020. The General Income Fund balance has increased by £5.6 million from the balance of £45.0 million at the end of February 2019. The General Income Fund balance is higher than the target level of £23 million and this higher level is required to cover deficits that are likely to arise in 20/21 due to lost income as a result of the COVID-19 pandemic. In the event that there are more than sufficient reserves to cover these future deficits, the reserves will be used to invest in conservation and improving operational efficiency to ensure longer term financial sustainability.

The process of recording supplier invoices and payments improved during the year which contributed to the decrease in accruals from £6.6 million at 28 February 2019 to £4.5 million at 29 February 2020 and the decrease from £2.5 million to £0.9 million in Trade Creditors.

Working Capital movements have been impacted by an increase in Other Debtors of £2.5 million which is mainly due to an increase in the Gift Aid Debtor to £4 million that is due to be recovered in the year ended 28 February 2021, and an increase of £2.6 million in Prepayments and accrued income as a result of increases in the legacy debtor to £4.7 million which represents legacies notified but not yet received.

## Cash Flow and Liquidity – Cash Generation

Cash flow from operations in the financial year was an outflow of £15.6 million, an increase in outflow of £5.6 million from the outflow of £10.0 million reported for 2018/19. £9.3 million relates to an increase in working capital movements during the year which included an increase in Debtors of £5.3 million and a decrease in Creditors of £3.8 million.

Cash inflows from investing activities amounted to £18.6 million, which is a decrease of £0.8 million on the level of £19.4 million last financial year. Receipts from the sale of assets increased by £1.2 million and the purchase and sale of investments generated net proceeds of £11.1 million contributed to the improved cash inflows. These were offset by the £0.4 million increase in capital expenditure to £3.1 million.

As a consequence of the above cash flows, cash and cash equivalents at the year-end amounted to £15.0 million, an increase of £3.0 million from the opening level of £12.0 million at the start of the financial year.

## Future Outlook

As a result of the COVID-19 restrictions put in place in March 2020, the Trust is suffering from a serious loss of income. The projected fall in income has primarily arisen due to the closure of our properties from government restrictions which resulted in reduced visitor and membership income. The Trust's invested funds have also fallen in value as a result of the recent decline in the stock market. The income derived from those funds is projected to fall by up to 50%. The loss of income will lead to a reduction in the Trust's general reserves in the next financial year.

In response to the projected fall in income, the Trust has implemented a number of response measures including (i) operational measures to reduce costs and project spend, (ii) maximising the use of the Job Retention Scheme, (iii) a redundancy consultation exercise involving approximately 400 staff, (iv) the removal of designation of approximately £5.8 million of funds and a review of other restricted funds with OSCR (v) disposal of non-core assets, (vi) launch of the "Save Our Scotland" fundraising appeal, and (vii) applications to funders including Scottish Government for financial assistance.

On 16 August 2020, Scottish Government announced a support package worth £3.8 million is to be made available to the Trust to aid the heritage organisation's recovery from the impacts of COVID-19. The funding will help secure nearly 200 critical jobs, support project expenditure and enable the Trust to open or partially open more properties than originally hoped. The Trust expects to make approximately 188 compulsory redundancies, in addition to 44 voluntary redundancies, as a result of the severe impacts of COVID-19.

The projected fall in income has primarily arisen due to the closure of our properties from government restrictions which resulted in reduced visitor and membership income. The Trust's invested funds have also fallen in value as a result of the recent decline in the stock market. The income derived from those funds is projected to fall by up to 50%. The loss of income will lead to a reduction in the Trust's general reserves this financial year.

The Board of Trustees of the Trust has reviewed the financial position and implemented an emergency budget and three year financial plan that demonstrates that with the actions noted above and the support package announced that there are no material uncertainties in relation to going concern and the Trust can recover from the effects of the pandemic in pursuance or support of its charitable purposes.

## Investment Policy and Performance

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 [Board of Trustees] shall, in their absolute discretion, think fit'.

The current investment objective is to:

- (i) meet budgeted investment income targets as approved on an annual basis by the Board of Trustees, and
- (ii) to achieve an increase in the value of the income and investment portfolio in real terms over time, while maintaining prudent diversification of assets.

Funds are currently invested mainly in UK equities and bonds, cash, overseas investments and property. Martin Currie Investment Management Limited (Martin Currie) were the Trust's investment manager responsible for the "Income Only Portfolio" and the "Total Return Portfolio" outlined below for the period of these financial statements. As previously stated, on 31 January 2020 they served notice to terminate their agreement and ceased being the manager of these portfolios on 30 April 2020. Rathbones took over the management of both these portfolios on 30 April 2020 and the Investment Committee is currently carrying out a review of investment strategy and management of all investments for the longer term. The Trust also holds an investment in a pooled property investment fund and a pooled fund investment with Legg Mason. The asset allocation of the quoted and property funds is considered by the Investment Committee, which reports to the Board of Trustees on a quarterly basis.

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. The current split of the investments is as follows:

Trust Investment Portfolios	Purpose	Fair Value as at 29 February <sup>2</sup>	
		2020	2019
<b>Property Portfolio</b>	To achieve an annual return based on rental income and value growth.	£2 million	£3 million
<b>Income Only Portfolio <sup>1</sup></b>	To deliver real income growth over time.	£110 million	£119 million
<b>Total Return Portfolio <sup>1</sup></b>	To deliver real income growth over time. Managed on a total return basis without regard to the split of returns between income and capital.	£59 million	£59 million
<b>Direct Investments</b>	To deliver real income growth over time.	£22 million	£21 million
<b>Total Investments</b>		£193 million	£202 million

<sup>1</sup> These portfolios were managed by Martin Currie Investment Management Limited up to 30 April 2020, Rathbones thereafter

<sup>2</sup> Note 5 on page 56 provides further information on the fair value movements of the investments



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 the actual performance on behalf of the Board of Trustees.

In the year to 29 February 2020, the total value of all investments decreased from £202 million to £193 million primarily as a result of the decrease in the market valuations during February 2020. As noted above, the two portfolios managed by Martin Currie during the year comprise the majority of our investments, and the funds under management decreased from £190.3 million to £182.4 million over the financial year.

Investment management fees were £0.5 million (2019: £0.5 million). The fee level the Trust pays represents just over half of one percent of the value of the portfolio.

Investment income of £8.3 million exceeded the target set for the year by £1.6 million.

While both equity pools have outperformed their comparator benchmarks since inception, the income pool suffered a 1.06% reduction compared to the benchmark 3.75% increase in the year to 29 February 2020. This is noted below:

### Investment Performance

Investment Portfolios	Benchmark	for 12 months to 29 February 2020		Since Inception (September 2008)	
		Return %	Benchmark %	Return %	Benchmark %
Income Only Portfolio	50% FTSE All-Share, 12.5% FTSE All World (ex UK), 14.5% FTA Government All stocks, 14.5% Merrill Lynch GBP non-gilts, 2.5% LIBID 7 Day	-1.06%	3.75%	134.51%	112.70%
Total Return Portfolio	20% FTSE All-Share, 50% FTSE All World (ex UK) and 30% LIBID 7 Day +3%	14.08%	5.75%	207.02%	133.67%

The Trust endorses the UN Principles for Responsible Investment. In keeping with the Principles, we ask our investment managers to take an interest in the management of the companies in which the Trust invests. The Trust aims to ensure that the votes attaching to its holdings are exercised where practicable and that they are exercised by its investment managers, taking into account best practice in corporate governance.

The Trust appreciates both the importance of being a responsible asset owner and the benefits that can be achieved through placing a high importance on Environmental, Social and Governance (ESG) concerns. The Trust incorporates ESG issues into its investment analysis and decision-making processes, both in its selection of investment managers and its screening of specific stocks. In general terms, the Trust aims to align its investment policy with purpose and vision which is to ensure that "Scotland's heritage is valued by everyone and protected now, and for future generations". The Trust intends not to invest in companies which contravene our charitable purpose and in more general terms for the wider public benefit. Furthermore, the Trust is of the view that it should not use the Trust's funds to invest in tobacco stocks, armaments or pornography and the Trust aims to limit fossil fuel stocks to those companies who are progressing towards renewable energy sources.

Where assets of the Trust are invested in pooled vehicles, those assets are necessarily subject to the relevant investment managers' own policies regarding environmental, social and governance issues. The investment committee periodically reviews the policies of those pooled funds and meets with the relevant investment managers to discuss such issues.

## Reserves Policy

The Trust is the conservation charity that protects and promotes Scotland's natural and cultural heritage for present and future generations to enjoy. The Trust's portfolio covers built and natural heritage properties with a diverse mix of core and purposeful activities such as learning services, education, volunteering, local fundraising, events and programmes.

Safeguarding our heritage to 'protect and promote Scotland's natural and cultural heritage' is a huge undertaking which requires substantial financial resources each year. Properties held for conservation bring with them a responsibility for their future care that imposes substantial and perpetual financial obligations.

The scale of cyclical repair work is massive and despite spending an increasing amount on conservation work each year, this is still not meeting all our annual repair needs.

Free reserves are those that are available to spend on any charitable purpose. These are represented by Unrestricted Funds less Designated Funds (which includes fixed assets reserves). In the case of the Trust, free reserves are represented by the General Income Fund (GIF) disclosed on the Trust's Balance Sheet. Free reserves do not include Endowment Funds, Restricted Funds or Designated Funds.

Costs required to operate the activities across the Trust are significant and at present most of the Trust's properties do not generate enough income to cover the associated operating costs, resulting in significant operational deficits which are funded from reserves.

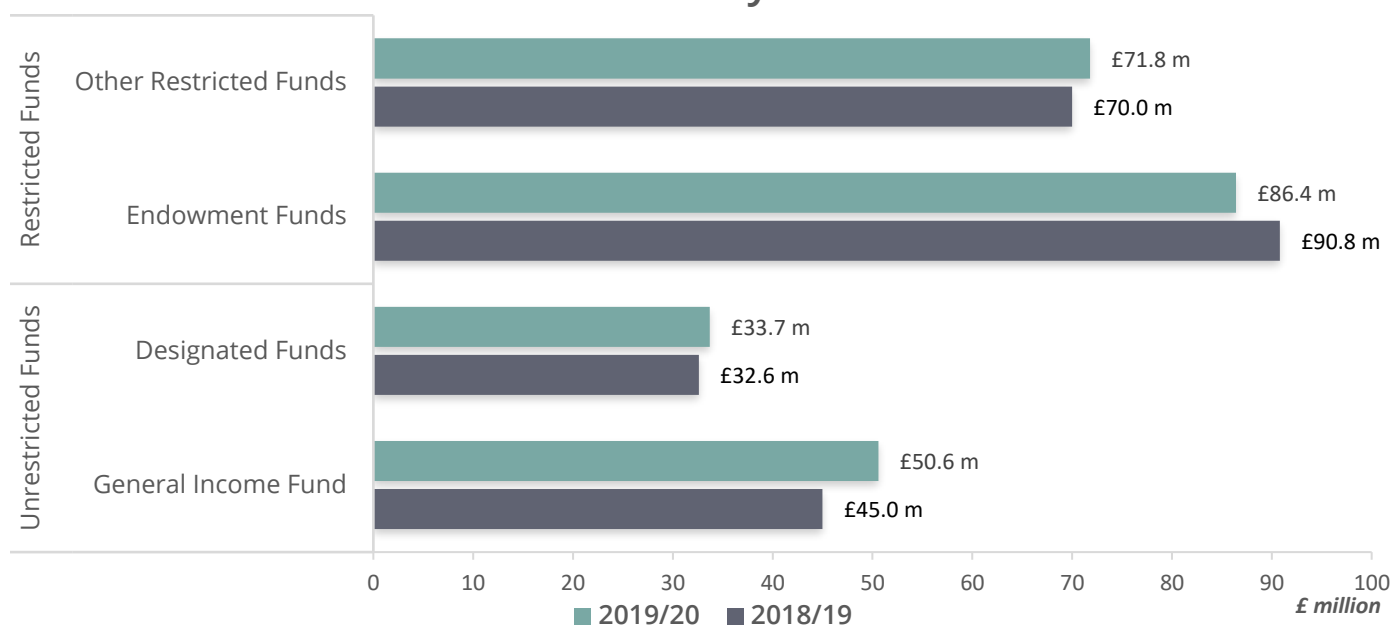
Reserves are an inherent part of risk management and the need for reserves will vary depending on the Trust's financial position and an assessment of risks faced at a particular time. The situation that we are currently faced with, as a result of the COVID-19 pandemic, is a good example of why reserves are needed, to help ensure that the organisation can continue to operate when faced with much lower levels of income. Since the pandemic outbreak in March, we have reviewed our financial plans and assumptions to understand the impact of lost income on our reserves in the short, medium and longer term. We have modelled a number of options based on different scenarios and have identified a number of actions that we can take to limit the impact on the reserves which enable the Trust to continue to operate as a going concern and we will continue to monitor progress against these actions and the reserves available to support the operations on a regular basis as well as part of the usual annual planning and budgeting cycle.

### *Required Level of Unrestricted Reserves*

The Trust aims to maintain its total reserve level, i.e. General Income Fund (GIF), above £23 million. This threshold has been set by the Board following an assessment of the financial support to properties with operational deficits, conservation projects and central infrastructure and the availability of Restricted Funds. The balance of £23 million is assessed to be sufficient to meet six months of budgeted operational costs for properties without sufficient reserves themselves plus the estimated costs of major conservation, repair and improvement projects during the year where no restricted funds are available. The General Income Fund balance has increased to £50.6 million at the end of February 2020 and although this is now considerably higher than the previously stated target level of £23 million, the reserves will be required to fund deficits resulting from lost income as a consequence of government restrictions and property closures due to the COVID-19 pandemic. The Board will continue to review the level of GIF and the target level required.

Designated Funds are funds which have been identified by the Trustees to be used for a specific purpose but which are not legally restricted to this use. Trustees may choose to set aside unrestricted funds to be used for a particular project or commitment but must disclose the nature and timing of such spend. The total value of the Trust's charity funds is shown graphically overleaf:

## Total Charity Funds



Designated Funds include £28.3m funds used for fixed assets (2018/19: £27.5m) and as such are not available for other uses. Endowment funds cannot be utilised and are invested to generate income that can be utilised. The decline in value in the year to 29 February 2020 is due to investment losses as outlined in Note 5.2, further analysis of the funds of the charity can be found in Notes 27 to 31.



## Structure, Governance and Management 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** (known as the National Trust for Scotland) 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 can be summarised as the promotion of the preservation of, access to and enjoyment of places of historic interest or natural beauty.

The Trust has a wholly owned subsidiary, National Trust for Scotland Enterprises Ltd ('Enterprises'). It is incorporated in Scotland (SC095585) and its results are consolidated within the group results of the National Trust for Scotland. Enterprises' principal activities are the running of retail, catering and other commercial activities. Further information can be found in Note 8 of the financial statements.

### President

Neil Oliver is the current President of the Trust but has chosen not to seek renewal of the role with effect from September 2020 following completion of a three-year term. The post holder does not sit on the Board and the role's purpose is purely ambassadorial to promote the charitable purposes of the Trust.

## Board of Trustees and Statement of Trustees Responsibilities

The Trustees are responsible for the Trust's strategic direction. The Board of Trustees meets at least six times per year. The Trustees are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and 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 judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Board of the Trust was constituted on 1 March 2011 and comprises up to fourteen Trustees.

The current Chairman of the Board is Sir Mark Jones, and the Deputy Chairs are David Mitchell and Jayne MacLennan. Sir Moir Lockhead retired as Chairman and Trustee on 8 August 2019 and was replaced by Sir Mark Jones, who was co-opted by the Board of Trustees.

Ten of the Trustees are elected by the membership of the National Trust for Scotland. The remaining four trustees (including the Chairman) are co-opted by invitation because of the specific skills and experience they bring. The process for the appointment of Trustees is detailed in the section *Appointment, Induction and Training of Trustees* below.

In addition to the Chairman and Deputy Chairs, the Trustees on the Board during the year ending 29 February 2020 were:

<b>Current Trustees:</b>		
Caroline Borwick	Dr James Fenton	David Caldwell
David Leslie	Steve Langmead	Wendy Corrigan <i>(appointed 21/9/19)</i>
Penny Martin <i>(appointed 21/9/19)</i>	Kevin McCormick	Stephen Mitchell <i>(appointed 11/12/19)</i>
Michael Spence <i>(appointed 1/9/18)</i>	Graham Sword <i>(retired 11/12/19)</i>	Professor Murray Pittock <i>(appointed 21/9/19)</i>
<b>Trustees who retired at the AGM on 21 September 2019 were:</b>		
Benjamin Tindall	Jill Carrick	Veronica Morriss

Members of the Trust's Executive Committee and the President do not serve on the Board of Trustees.

## Appointment, Induction and Training of Trustees

Our Trustees are drawn from a wide range of backgrounds and locations across Scotland as it is important that the Board reflects the broad range of the Trust's activities. We are also keen to ensure that our Board of Trustees reflects our diverse membership.

Trustees are appointed for an initial four-year term. 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.

All candidates for appointment or election to the Board of Trustees undergo an assessment exercise conducted by the Trust's Nominations Committee before they may proceed to co-option or election. The exercise assesses the candidates' technical and leadership experience. Skills 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 Nominations Committee identifies and recommends candidates for election to the Board of Trustees through an open and transparent recruitment process. The Committee's role in the process involves agreeing the assessment criteria, assessing the application forms, and interviewing candidates against these agreed criteria. Only those candidates who successfully complete the Nominations Committee assessment process will be proposed for election to the membership of the Trust. The candidates with the largest number of votes in each of the categories are elected to the Board of Trustees. The election process is conducted by the Trust Secretary and the Nominations Committee.

All members of the Board of Trustees receive an induction detailing Trustees' roles and responsibilities and attend face-to-face briefings with senior management. The induction process begins in advance of appointment. 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.

Independent members of the Trust's Committees also require specific skills and experience relevant to their appointments and the functions of the relevant Committee. The Nominations Committee assesses candidates for these roles before recommending their appointment to the Board of Trustees.

## Board Effectiveness

The Board of Trustees and its sub-committees are supported by the Trust Secretary and the Governance Manager, who support and advise on proper process, the conduct of the meetings and ensure that these are properly recorded.

Good governance underpins the Trust's effectiveness and is also the best way to protect and enhance our reputation. To reinforce this, the Trust has its own Code of Good Governance, which each member of the Board of Trustees has accepted and which sets out the standard of conduct expected of our Trustees. Principle 7 of this Code is a requirement on Trustees to always observe high ethical standards in the discharge of their duties on the Board and associated sub-committees. This includes the requirement to identify, disclose and manage conflicts of interest.

A full independent and external review of the effectiveness of the Board is carried out every three to five years. An external review was carried out as part of the internal auditor's work. This review reported to the Audit and Risk Management Committee and Board in June 2019. The Board has accepted the recommendations of the review and has a plan in place to implement those recommendations.

*The Scottish Governance Code for the Third Sector* (the Governance Code) was launched in November 2018 and is a statement of best practice for organisations where the purpose is to serve beneficiaries as best as they can. The Governance Code sets out the five core principles and key elements of good governance for boards of charities, of which equality and diversity is an overarching element.

These core principles for a well-run board are:

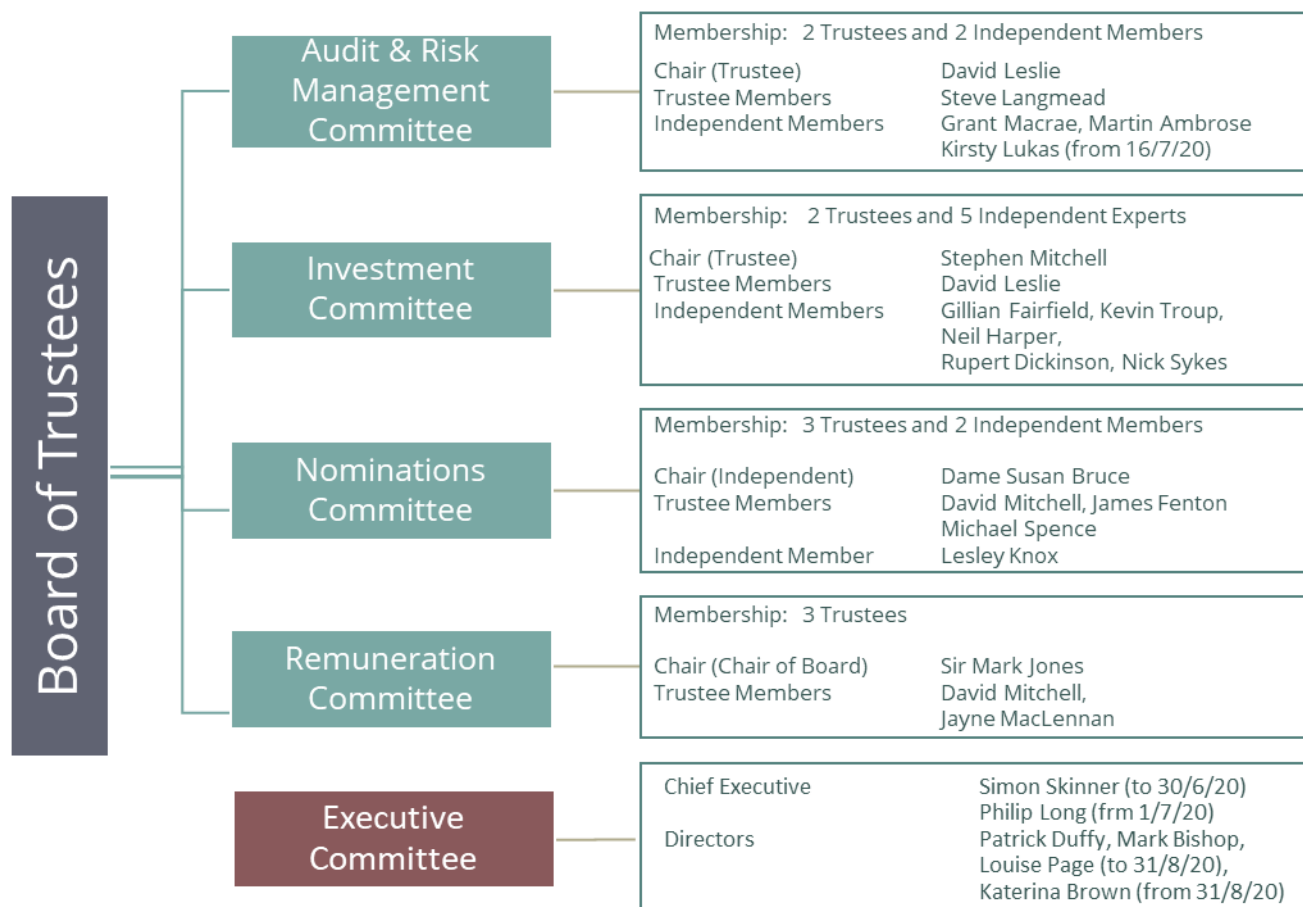
Organisational Purpose	Leadership	Board Behaviour	Control	Effectiveness
<ul style="list-style-type: none"> <li>Clarity of purpose and values of the organisation and how it will achieve these.</li> </ul>	<ul style="list-style-type: none"> <li>Clarity about its role and responsibilities, provides strategic direction in line with the purpose, vision and values.</li> </ul>	<ul style="list-style-type: none"> <li>Collectively and individually embraces and demonstrates mutual respect, integrity, openness and accountability.</li> </ul>	<ul style="list-style-type: none"> <li>Develops and implements appropriate controls to direct and oversee progress and performance of the organisation.</li> </ul>	<ul style="list-style-type: none"> <li>Understands its role, powers and duties and works collectively and proactively, to achieve its organisational purpose.</li> </ul>

The Board intends that future reviews of Board effectiveness will fully comply with the Governance Code and performance against these five core principles.



## Board Sub-Committees

There are four sub-committees of the Board to advise it on various areas of the Trust's activities and these have specific responsibilities to attend to matters devolved by Trustees and to make recommendations to assist with strategic direction and decision making. The Board is also supported by its Executive Committee.



The remit of the sub-committees are set out in the paragraphs below.

### *Audit & Risk Management Committee*

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.

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 meeting of the Committee.

The Committee has been established and operates in accordance with current best practice relating to corporate governance. The Committee meets quarterly.

## *Investment Committee*

The Trust holds substantial funds for a variety of purposes and the Board of Trustees is assisted by the Investment Committee on the management of the 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 [Board of Trustees] shall, in their absolute discretion, think fit'. The strategic asset allocation of the investments is considered by the Committee and the Committee reports to the Board of Trustees on a quarterly basis.

In April 2020, Martin Currie resigned as investment managers to the Trust and Rathbones were appointed to provide that service on an interim basis. In addition, Consultants have been appointed to assist the Committee in a process to review the asset allocation of the Trust's investment portfolio and carry out a full tender for the permanent appointment of investment managers. Those processes are currently underway.

## *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.

The main focus of the Committee's work during the past year was the assessment of candidates for elections to the Board and the conduct of elections, the recommendation of a new Chairman of the Board of Trustees, and the recommendation of a new Chief Executive.

## *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 main task of the Committee during the year was consideration of the annual staff pay awards.

## *Executive Committee*

The responsibility for managing the operations of the Trust in accordance with the Board's policies lies with the Chief Executive and the Executive Committee who report regularly to the Board of Trustees.

The Executive Committee comprises:

- ❖ Philip Long, Chief Executive (appointed 1 July 2020);
- ❖ Simon Skinner, Chief Executive (resigned 30 June 2020);
- ❖ Mark Bishop, Director of Customer & Cause;
- ❖ Patrick Duffy, Chief Operating Officer;
- ❖ Katerina Brown, Chief Financial Officer and Director of Corporate Services (appointed 31 August 2020); and
- ❖ Louise Page, Chief Financial Officer and Director of Corporate Services (resigned 31 August 2020)

Further reference and administrative details are provided on page 78.

## Risk Management and Internal Controls

### Risk Management

The Trust's risk management is overseen by the Board of Trustees, and risk management is a standing item on the Board agenda. The Audit and Risk Management Committee supports the Board by receiving quarterly reports from the Executive Committee on the most significant risks and how these are being managed.

Our risk management system identifies and manages those risks likely to have a significant adverse impact on delivering our charitable purpose, or our supporting commercial operations. A dedicated Risk Management Officer facilitates compliance monitoring and reporting of risk monitoring.

Risks are arranged into two categories:

**Strategic risks** – the overarching risks that could threaten the long-term survival or performance of the Trust, overseen by the Executive Committee. These currently include Confidence and Trust, Recruitment and Retention, Financial Management, and Safe, Efficient and Effective Operations.

**Operational risks** – a larger number of risks relating to particular organisational functions, and grouped by division: Operations, Customer & Cause, Corporate Services, People Services and Conservation & Policy.

For each risk, there is an agreed risk appetite, based on anticipated likelihood and impact, a risk owner and a series of controls and assurances to reduce the inherent risk level to the desired, residual risk level.

There are a number of risk areas of particular importance to our operations:

#### Health and safety

The safety of our visitors, our staff and our volunteers is of paramount concern to the Trust. A new Safety, Health and Environment (SHE) system was introduced last year and has been performing well – with good uptake, integration and streamlined reporting.

#### Relevance to visitors

The Trust depends on its visitors to support our conservation work and our mission to provide access, learning and enjoyment. For the Trust, the risk is that we fail to provide excellent visitor experiences, leading to a fall in numbers, income and support. A rolling visitor satisfaction survey was introduced last year and is now providing real-time intelligence on how well properties are performing. The survey provides our managers with data on how different visitors are experiencing our properties, where we are performing well and areas to improve.

#### Conservation objectives

Conservation of our natural and cultural heritage is at the heart of the Trust's work. Maintaining and improving the condition of our heritage assets is a constant effort only made possible by the support of our members, visitors and donors. To help manage our conservation risks, we employ a measurement of conservation condition, allowing us to track progress across all types of heritage: archaeological, built, collections and interiors, gardens and designed landscapes, and natural heritage. This represents a shift from tracking inputs – the amount spent on conservation – to measuring outcomes, the actual change in condition of our heritage assets. This Conservation Performance Index is an established key performance indicator, reported quarterly to the Executive Committee and Board.

#### Financial management

As a self-supporting charity, the Trust requires careful financial management to ensure we live within our means. We therefore need good financial intelligence to support forecasting and budget management. Reporting at a property, regional and divisional level is enabling greater insight and informing management and strategic decisions.

### Data protection

The Trust holds large amounts of personal data, required to provide services to members and to visitors. We have always taken our data protection responsibilities seriously, and we have systems and processes in place to ensure compliance with the General Data Protection Regulation.

### COVID-19

Concern over the potential impacts of a global pandemic emerged towards the end of the financial year. As a result, the Trust undertook some preparatory work to model potential impacts on operations and finances. Working groups were convened to update the Trust's disaster recovery plan, which provided the framework for business continuity planning. As a result, action was undertaken to accelerate provision for remote working.

The scale of impact did not materialise until after the end of this reporting period and the Trust was forced to close its offices and sites following the government restrictions imposed in March 2020. The Trust has implemented a number of response measures to the pandemic including operational measures to reduce costs and project spend, maximising the use of the Job Retention Scheme and a redundancy consultation exercise involving over 400 staff.

## Internal Control Framework

The Board of Trustees, with the support of the Audit and Risk Management Committee, receive regular reports from the Trust's external and internal auditors (who are currently RSM UK Audit LLP and Grant Thornton UK LLP respectively) in order to monitor and evaluate the effectiveness of the Trust's internal control framework.

The Board of Trustees, with the support of the Audit and Risk Management Committee, consider reports from the Trust's external auditors, including the audit plan for 2019/20 and the audit findings report that documented key findings arising from the audit of the year-end financial statements.

The Audit and Risk Management Committee consider areas of focus for internal audit during the year and receive reports from the internal auditors which highlight the effectiveness of internal controls and risk mitigation measures in those areas and recommendations for improvement. The Audit & Risk Management Committee monitors the implementation of internal audit recommendations and provides regular updates after each meeting to the Board of Trustees.

The Audit and Risk Management Committee continue 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.

The Board of Trustees and Audit and Risk Management 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 Trustees confirm that, as far as they are aware, there is no relevant audit information of which the auditors are unaware and, with the benefit of advice from the Audit and Risk Management Committee, is satisfied that:

- the range of assurances and evidence of effective internal controls supplied to the Committee is robust, have integrity and are sufficiently reliable to provide overall assurance and support to the Board of Trustees in its financial stewardship responsibilities.
- that appropriate action plans are in place to address any weaknesses identified.
- it is appropriate for the financial statements to be prepared on a going concern basis as detailed in Note 1 of the financial statements.



## Related Parties

The National Trust for Scotland consolidates the results of its wholly owned subsidiary undertaking, National Trust for Scotland Enterprises Ltd into these financial statements. The company's principal activities are the running of retail, catering, holiday cottages, cruises, hospitality and other sundry trading activities at National Trust for Scotland properties. Other related parties with which the Trust has transacted during the year are listed in Note 35.

Approved by the Board of Trustees on 03 September 2020 and signed on its behalf by:



Sir Mark Jones,  
Chairman  
September 2020

# Independent Auditor's Report to the Board of Trustees

## Opinion

We have audited the financial statements of the National Trust for Scotland (the 'charity') and its subsidiaries (the 'group') for the year ended 29 February 2020 which comprise the Consolidated Statement of Financial Activities, the Trust Statement of Financial Activities, the Consolidated Balance Sheet, the Trust Balance Sheet, the Consolidated and Trust Cash Flow Statement 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 the charity's affairs as at 29 February 2020 and of the group's and the 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 as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under that Act.

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 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 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 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 other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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) require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' annual report; or
- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities set out on page 27 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's and 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 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*

**RSM UK Audit LLP**

**Statutory Auditor, Chartered Accountants**

First Floor, Quay 2, 139 Fountainbridge, EDINBURGH EH3 9QG

**September 2020**

*RSM UK Audit LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006*

# Financial Statements for 2019/20

## Consolidated Statement of Financial Activities

for the year ended 29 February 2020

	Notes	Unrestricted Funds		Restricted Funds		Total
		General Funds	Designated Funds	Restricted Funds	Endowment Funds	2019/20
		£000s	£000s	£000s	£000s	£000s
<i>Income and endowments from:</i>						
Donations and legacies						
Donations from membership subscriptions		12,920	-	-	-	12,920
Appeals and donations	3	1,231	-	1,473	-	2,704
Legacies	4	5,726	-	627	-	6,353
Investment income	5	1,605	151	6,582	-	8,338
Income from charitable activities						
Income from membership subscriptions		3,845	-	-	-	3,845
Grants	6	36	-	1,213	-	1,249
Property and other income	7	8,553	-	31	-	8,584
Income from other trading activities						
Commercial activities	8	13,520	-	-	-	13,520
Other income						
Gain on sale of assets	9	2,189	-	-	-	2,189
<b>Total income and endowments</b>		<b>49,625</b>	<b>151</b>	<b>9,926</b>	<b>-</b>	<b>59,702</b>
<i>Expenditure on:</i>						
Cost of raising funds						
Membership and recruitment		1,050	-	-	-	1,050
Publicity and fundraising	10	4,668	11	249	215	5,143
Commercial activities	8	11,475	-	-	-	11,475
Expenditure of charitable activities						
Membership and recruitment		307	-	-	-	307
Property operating expenditure	11	23,261	2,781	5,579	-	31,621
Conservation, repairs and improvements	12	2,723	(4)	5,243	-	7,962
Other expenditure	14	694	-	16	-	710
<b>Total expenditure</b>		<b>44,178</b>	<b>2,788</b>	<b>11,087</b>	<b>215</b>	<b>58,268</b>
Net income/(expenditure) before investment gains						
		5,447	(2,637)	(1,161)	(215)	1,434
Net gains/(losses) on investment assets	5	971	74	5,758	(4,316)	2,487
Net income/(expenditure) before transfers						
Transfers between funds	31	(836)	3,634	(2,873)	75	-
<b>Net movement funds</b>		<b>5,582</b>	<b>1,071</b>	<b>1,724</b>	<b>(4,456)</b>	<b>3,921</b>
<i>Reconciliation of funds:</i>						
Total funds brought forward 1 March 2019		45,036	32,617	70,040	90,811	238,504
<b>Total funds carried forward at 29 February 2020</b>		<b>50,618</b>	<b>33,688</b>	<b>71,764</b>	<b>86,355</b>	<b>242,425</b>

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 on page 39 and in the notes to the Financial Statements on Pages 45 to 77 which form part of these Financial Statements.

## Consolidated Statement of Financial Activities

*for the year ended 28 February 2019*

	Notes	Unrestricted Funds		Restricted Funds		2018/19 Total £000s
		General Funds	Designated Funds	Restricted Funds	Endowment Funds	
		£000s	£000s	£000s	£000s	
<i>Income and endowments from:</i>						
Donations and legacies						
Donations from membership subscriptions		12,227	-	-	-	12,227
Appeals and donations	3	830	-	1,510	-	2,340
Legacies	4	6,456	-	1,212	-	7,668
Investment income	5	1,879	-	6,515	-	8,394
Income from charitable activities						
Income from membership subscriptions		3,596	-	-	-	3,596
Grants	6	-	-	1,565	-	1,565
Property and other income	7	7,696	60	1	-	7,757
Income from other trading activities						
Commercial activities	8	13,439	-	-	-	13,439
Other income						
Gain on sale of assets	9	112	-	844	-	956
Total income and endowments		46,235	60	11,647	-	57,942
<i>Expenditure on:</i>						
Cost of raising funds						
Membership and recruitment		1,205	-	-	-	1,205
Publicity and fundraising	10	4,989	-	186	218	5,393
Commercial activities	8	12,230	-	-	-	12,230
Expenditure on charitable activities						
Membership and recruitment		408	-	-	-	408
Property operating expenditure	11	21,635	2,369	7,412	-	31,416
Conservation, repairs and improvements	12	3,293	79	4,666	-	8,038
Other expenditure	14	4,198	-	-	-	4,198
Total expenditure		47,958	2,448	12,264	218	62,888
Net (expenditure) before investment gains						
		(1,723)	(2,388)	(617)	(218)	(4,946)
Net gains/(losses) on investment assets	5	49	785	1,617	(1,374)	1,077
Net (expenditure) before transfers						
		(1,674)	(1,603)	1,000	(1,592)	(3,869)
Transfers between funds	31	1,669	2,479	(4,345)	197	-
Net movement funds		(5)	876	(3,345)	(1,395)	(3,869)
<i>Reconciliation of funds:</i>						
Total Funds brought forward 1 March 2018		45,041	31,741	73,385	92,206	242,373
Total funds carried forward at 28 February 2019		45,036	32,617	70,040	90,811	238,504



## Trust Statement of Financial Activities

for the year ended 29 February 2020

	Notes	Unrestricted Funds		Restricted Funds		2019/20 Total
		General Funds	Designated Funds	Restricted Funds	Endowment Funds	
		£000s	£000s	£000s	£000s	£000s
<i>Income and endowments from:</i>						
Donations and legacies						
Donations from membership subscriptions		12,920	-	-	-	12,920
Appeals and donations	3	1,231	-	1,473	-	2,704
Legacies	4	5,726	-	627	-	6,353
Investment income	5	2,338	151	6,582	-	9,071
Income from charitable activities						
Income from membership subscriptions		3,845	-	-	-	3,845
Grants	6	36	-	1,213	-	1,249
Property and other income	7	9,245	-	31	-	9,276
Other income						
Gain on sale of assets	9	2,189	-	-	-	2,189
Total income and endowments		37,530	151	9,926	-	47,607
<i>Expenditure on:</i>						
Cost of raising funds						
Membership and recruitment		1,050	-	-	-	1,050
Publicity and fundraising	10	4,668	11	249	215	5,143
Expenditure on charitable activities						
Membership and recruitment		307	-	-	-	307
Property operating expenditure	11	23,261	2,781	5,579	-	31,621
Conservation, repairs and improvements	12	2,723	(4)	5,243	-	7,962
Other expenditure	14	694	-	16	-	710
Total expenditure		32,703	2,788	11,087	215	46,793
Net income/(expenditure) before investment gains		4,827	(2,637)	(1,161)	(215)	814
Net gains/(losses) on investment assets	5	971	74	5,758	(4,316)	2,487
Net income/(expenditure) before transfers		5,798	(2,563)	4,597	(4,531)	3,301
Transfers between funds	31	(836)	3,634	(2,873)	75	-
Net movement in funds		4,962	1,071	1,724	(4,456)	3,301
<i>Reconciliation of funds:</i>						
Total funds brought forward 1 March 2019		44,305	32,617	70,040	90,811	237,773
Total funds carried forward at 29 February 2020		49,267	33,688	71,764	86,355	241,074

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 on page 41 and in the notes to the Financial Statements on Pages 45 to 77 which form part of these Financial Statements.

## Trust Statement of Financial Activities

*for the year ended 28 February 2019*

	Notes	Unrestricted Funds		Restricted Funds		2018/19 Total
		Restated General Funds	Designated Funds	Restricted Funds	Endowment Funds	
		£000s	£000s	£000s	£000s	£000s
<b>Income and endowments from:</b>						
<b>Donations and legacies</b>						
Donations from membership subscriptions		12,227	-	-	-	12,227
Appeals and donations	3	830	-	1,510	-	2,340
Legacies	4	6,456	-	1,212	-	7,668
Investment income	5	2,708	-	6,515	-	9,223
<b>Income from charitable activities</b>						
Income from membership subscriptions		3,596	-	-	-	3,596
Grants	6	-	-	1,565	-	1,565
Property and other income	7	8,174	60	1	-	8,235
<b>Other income</b>						
Gain on sale of assets	9	112	-	844	-	956
<b>Total income and endowments</b>		<b>34,103</b>	<b>60</b>	<b>11,647</b>	<b>-</b>	<b>45,810</b>
<b>Expenditure on:</b>						
<b>Cost of raising funds</b>						
Membership and recruitment		1,205	-	-	-	1,205
Publicity and fundraising	10	4,989	-	186	218	5,393
<b>Expenditure on charitable activities</b>						
Membership and recruitment		408	-	-	-	408
Property operating expenditure	11	21,635	2,369	7,412	-	31,416
Conservation, repairs and improvements	12	3,293	79	4,666	-	8,038
Other expenditure	14	4,198	-	-	-	4,198
<b>Total expenditure</b>		<b>35,728</b>	<b>2,448</b>	<b>12,264</b>	<b>218</b>	<b>50,658</b>
<b>Net (expenditure) before investment gains</b>		<b>(1,625)</b>	<b>(2,388)</b>	<b>(617)</b>	<b>(218)</b>	<b>(4,848)</b>
Net gains/(losses) on investment assets	5	49	785	1,617	(1,374)	1,077
<b>Net income/(expenditure) before transfers</b>		<b>(1,576)</b>	<b>(1,603)</b>	<b>1,000</b>	<b>(1,592)</b>	<b>(3,771)</b>
Transfers between funds	31	1,669	2,479	(4,345)	197	-
<b>Net movement in funds</b>		<b>93</b>	<b>876</b>	<b>(3,345)</b>	<b>(1,395)</b>	<b>(3,771)</b>
<b>Reconciliation of funds:</b>						
Original reserves brought forward		45,041	31,741	73,385	92,206	242,373
Prior period adjustment	36	(829)	-	-	-	(829)
<b>Total funds brought forward 1 March 2018 restated</b>		<b>44,212</b>	<b>31,741</b>	<b>73,385</b>	<b>92,206</b>	<b>241,544</b>
<b>Total funds carried forward at 28 February 2019</b>		<b>44,305</b>	<b>32,617</b>	<b>70,040</b>	<b>90,811</b>	<b>237,773</b>

The Statement of Financial Activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

## Consolidated Balance Sheet

as at 29 February 2020

Note	2019/20		2018/19	
	£000s	£000s	£000s	£000s
<b>Fixed Assets</b>				
20	Tangible Assets	27,612	27,260	
21	Heritage Assets	271	150	
22	Intangible Assets	367	521	
5	Investment Assets	192,836	201,532	
	<b>Total Fixed Assets</b>	<b>221,086</b>	<b>229,463</b>	
<b>Current Assets</b>				
23	Stock	1,695	1,482	
24	Debtors	13,707	8,415	
34	Cash and Bank	15,021	12,039	
	<b>Total Current Assets</b>	<b>30,423</b>	<b>21,936</b>	
25	Creditors: Amounts falling due within one year	(7,909)	(11,638)	
	<b>Net Current Assets</b>	<b>22,514</b>	<b>10,298</b>	
	<b>Total Assets less Current Liabilities</b>	<b>243,600</b>	<b>239,761</b>	
25	Creditors: Amounts falling due after more than one year	(1,175)	(1,257)	
27	<b>Net Assets</b>	<b>242,425</b>	<b>238,504</b>	
<b>The Funds of the Group</b>				
<b>Restricted Funds</b>				
28	Endowments	86,355	90,811	
29	Other Restricted Funds	71,764	70,040	
	<b>Total Restricted Funds</b>	<b>158,119</b>	<b>160,851</b>	
<b>Unrestricted Funds</b>				
30	Designated – Tangible Fixed Assets	28,250	27,456	
	Other Designated Funds	5,438	5,161	
	<b>Total Designated Funds</b>	<b>33,688</b>	<b>32,617</b>	
	General Income	50,618	45,036	
	<b>Total Unrestricted Funds</b>	<b>84,306</b>	<b>77,653</b>	
	<b>The Funds of the Group</b>	<b>242,425</b>	<b>238,504</b>	

The Financial Statements were approved by the Board of Trustees on 03 September 2020 and signed on behalf and authorised for issue by:



**Sir Mark Jones,**  
**Chairman, September 2020**

## Trust Balance Sheet as at 29 February 2020

Note	2019/20		2018/19	
	£000s	£000s	£000s	£000s
	<b>Fixed Assets</b>			
20	Tangible Assets	27,612	27,260	
21	Heritage Assets	271	150	
22	Intangible Assets	367	521	
5	Investment Assets	192,836	201,532	
	<b>Total Fixed Assets</b>	<b>221,086</b>	<b>229,463</b>	
	<b>Current Assets</b>			
23	Stock	116	124	
24	Debtors	12,624	10,206	
34	Cash and Bank	14,956	9,588	
	<b>Total Current Assets</b>	<b>27,696</b>	<b>19,918</b>	
25	Creditors: Amounts falling due within one year	(6,567)	(10,373)	
	<b>Net Current Assets</b>	<b>21,129</b>	<b>9,545</b>	
	<b>Total Assets less Current Liabilities</b>	<b>242,215</b>	<b>239,008</b>	
25	Creditors: Amounts falling due after more than one year	(1,141)	(1,235)	
27	<b>Net Assets</b>	<b>241,074</b>	<b>237,773</b>	
	<b>The Funds of the Group</b>			
	<b>Restricted Funds</b>			
28	Endowments	86,355	90,811	
29	Other Restricted Funds	71,764	70,040	
	<b>Total Restricted Funds</b>	<b>158,119</b>	<b>160,851</b>	
	<b>Unrestricted Funds</b>			
	Designated – Tangible Fixed Assets	28,250	27,456	
30	Other Designated Funds	5,438	5,161	
	<b>Total Designated Funds</b>	<b>33,688</b>	<b>32,617</b>	
36	General Income	49,267	44,305	
	<b>Total Unrestricted Funds</b>	<b>82,955</b>	<b>76,922</b>	
36	<b>The Funds of the Trust</b>	<b>241,074</b>	<b>237,773</b>	

The Financial Statements were approved by the Board of Trustees on 03 September 2020 and signed on behalf and authorised for issue by:



Sir Mark Jones,  
Chairman, September 2020

## Consolidated and Trust Cash Flow Statement for year ending 29 February 2020

Notes		Group		Trust	
		2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
33	Cash used in operating activities	(15,627)	(10,032)	(13,974)	(11,463)
	<i>Cash flows from investing activities:</i>				
	Purchase of assets	(3,101)	(2,747)	(3,101)	(2,747)
	Returns from investments	8,338	8,394	9,071	9,223
	Receipts from sales of assets	2,189	956	2,189	956
	Purchase of investments	(31,285)	(45,030)	(31,285)	(45,030)
	Sale of investments	42,468	45,320	42,468	45,320
	Reclassification of Investments to Cash	-	12,501	-	12,501
	<b>Cash provided by investing activities</b>	<b>18,609</b>	<b>19,394</b>	<b>19,342</b>	<b>20,223</b>
	<i>Cash flows from financing activities:</i>				
	Repayment of borrowings	-	-	-	-
	<b>Cash used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
34	<b>Increase in cash in the year</b>	<b>2,982</b>	<b>9,362</b>	<b>5,368</b>	<b>8,760</b>
	Cash and cash equivalents at beginning of year	12,039	2,677	9,588	828
34	<b>Cash and cash equivalents at end of year</b>	<b>15,021</b>	<b>12,039</b>	<b>14,956</b>	<b>9,588</b>

The Notes on pages 45 to 77 form part of these Financial Statements.



# Notes to the Financial Statements

## 1. Accounting Policies

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 its principal office and place of business at Hermiston Quay, 5 Cultins Road, Edinburgh, EH11 4DF. The charitable purpose 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, 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 and included in note 2:

### Basis of Preparation

The accounts (Financial Statements) have been prepared in accordance with the Statement of Recommended Practice: Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and related information sheets and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and sections 6 & 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 in £ sterling and rounded to the nearest whole £1,000 except when otherwise indicated.

### Going Concern

The financial statements are prepared on a going concern basis under the historical cost convention (as modified by the revaluation of investment properties and listed investments to market value) and in accordance with applicable accounting standards in the United Kingdom, which have been consistently applied. The going-concern basis is considered appropriate due to the strength of the Trust's balance sheet, which would allow the Trust to continue to operate in the event that there was either a significant reduction in income or an unexpected increase in costs, or both.

The Board is required to assess the Trust's viability over a period greater than 12 months, and in keeping with the way that the Board views the development of the Trust over the long term, a period of three years is considered appropriate for business planning, measuring performance and remunerating at a senior level. Our assessment of viability therefore continues to align with this three-year outlook. Given the global political and economic uncertainty resulting from the COVID-19 pandemic, we expect to see significant volatility and business disruption reducing our expected performance in 2020/21.

During the next financial year, income is projected to fall by up to £30 million which is equivalent to approximately 50% of the budgeted levels. In response to the fall in income, the Trust has implemented a number of response measures including (i) operational measures to reduce costs and project spend, (ii) maximising the use of the Job Retention Scheme, (iii) a redundancy consultation exercise affecting over 400 staff, (iv) the release of the Trust's remaining designated funds, (v) a process of disposal of non-core assets, (vi) a public appeal, and (vii) applications to funders including Scottish Government for financial assistance.

The fall in income has primarily arisen due to the closure during government restrictions of the Trust's visited properties and the consequent falls in visitor and membership income. The Trust's invested funds have also fallen in value as a result of the recent falls in stock market values and the income derived from those funds is projected to fall by up to 50%. The loss of income will lead to a reduction in the Trust's general reserves in the year ended 28 February 2021 and, without steps being taken, further reductions in the Trust's general reserves are anticipated during the year ended 28 February 2022.

Reserves are an inherent part of risk management and the need for reserves will vary depending on the Trust's financial position and an assessment of risks faced at a particular time. The situation that we are currently faced with, as a result of the COVID-19 pandemic, is a good example of why reserves are needed, to help ensure that the organisation can continue to operate when faced with much lower levels of income. Since the pandemic outbreak in March, we have reviewed our financial plans and assumptions to understand the impact of lost income on our reserves in the short, medium and longer term and we have modelled the impact on the Trust's cash position. We have modelled a number of options based on different scenarios and have identified a number of actions that we can take to limit the impact on the reserves and the cash position which enable the Trust to continue to operate as a going concern. We will continue to monitor progress against these actions to ensure that cash and reserves are available to support the operations on a regular basis as well as part of the usual annual planning and budgeting cycle.

On 16 August 2020, Scottish Government announced a support package worth £3.8 million is to be made available to the Trust to aid the heritage organisation's recovery from the impacts of COVID-19. The funding will help secure nearly 200 critical jobs, support project expenditure and enable the Trust to open or partially open more properties than originally hoped. The Trust expects to make approximately 188 compulsory redundancies, in addition to 44 voluntary redundancies, as a result of the severe impacts of COVID-19.

### Basis of Consolidation

The Trust holds 100% of the issued share capital of National Trust for Scotland Enterprises Limited. The results include those of the National Trust for Scotland, and those of National Trust for Scotland Enterprises Ltd (Enterprises), the wholly-owned subsidiary of the Trust. Uniform accounting policies are adopted throughout the group and any profits or losses arising on intra-group transactions are eliminated in the Consolidated Statement of Financial Activities.

### Income Recognition

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.

### Membership Subscription Income

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.

#### *Appeals and Donations*

Appeals and donations are recognised as income when the donated cash is received or when receipt of the donation meets the Charities SORP (FRS102) tests of entitlement, probability and measurement. Donations of non-cash assets and investments are included in as income when title to these assets transfers to the Trust, and income is recognised at the appropriate fair value at the point of transfer of title. Gift Aid thereon is accounted for on a receivable basis and is added to restricted funds or unrestricted funds as appropriate.

Where the use of the income has been restricted in accordance with the donor's wishes, appeals and donations income is credited to an appropriate fund (see Accounting Policy for Funds and Reserves on pages 25-26) until it can be spent for the purpose for which it was given. No value is placed on heritage assets gifted to the Trust in accordance with the National Trust's policy on heritage assets.

#### *Grants*

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Trust 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*

Legacies are accounted for as income either upon receipt or when receipt of the legacy is meets the Charities SORP (FRS102) tests of entitlement, probability and measurement. Pecuniary legacies are recognised following formal notification from the Estate, whereas residuary legacies are only recognised in line with the following assessments:

- *Entitlement* to a legacy is evidenced when a charity has sufficient evidence that a gift has been left to them and the executor of the estate is satisfied that the assets in question will not be required to satisfy claims in the estate.
- Receipt is normally *probable* when:
  - i) There is a grant of probate;
  - ii) The executors have established that there are sufficient assets in the estate, after settling any liabilities, to pay the legacy; and
  - iii) Any conditions attached to the legacy have been fulfilled or are within the charity's control.
- The legacy should be recognised at the *estimate of fair value* of the legacy income receivable based on the income available. If there is uncertainty as to the amount of the legacy and it cannot be reliably estimated then it is held as a contingent asset until all the conditions for income recognition can be fulfilled.

Where the use of the income has been restricted in accordance with the benefactor's wishes, legacies income is credited to an appropriate fund (see Accounting Policy for Funds and Reserves on pages 25-26) until it can be spent for the purpose for which it was given. No value is placed on heritage assets bequeathed to the Trust in accordance with the National Trust's policy on heritage assets.

#### *Investment income*

Investment income is recorded in the period in which it is earned.

The Trust's investment income includes the distribution of earnings from Enterprises which pays all its taxable profits for the reporting period to its parent charity (i.e. the Trust) under the Gift Aid Scheme. In line with the amended FRS 102, this Gift Aid income is only recognised on receipt of this distribution or when there is a legal obligation established.

### *Property and other income*

Income reported under this heading includes charitable trading activities (catering, holidays and car parks), rents and admission fees, all of which are recognised in the period to which they relate. Admission fees are included based on the point at which the sale is made.

### **Expenditure**

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Depending on the nature of the related expenditure, irrecoverable VAT is either charged to the appropriate expenditure heading or it is capitalised.

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. The Consolidated Statement of Financial Activities defines costs in four specific categories:

- *Cost of raising funds* - 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 support costs
- *Expenditure on charitable activities* - 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* - items not falling into any other heading. Examples of this will be the cost of restructuring or significant investment on back office system and process (e.g. Transforming the Trust project - Phase 2) which are anticipated to significantly change the support operating model.

### **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. Governance costs are those costs associated with meeting the constitutional and statutory requirements of the charity and costs linked to its strategic management. 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.

### **Pension schemes**

The Trust operates a defined contribution scheme through a Group Personal Pension Scheme and National Employment Savings Trust (NEST) and are charged in the year they are incurred. Further detail is provided in Note 16.

### **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.

### **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 16.

## 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.

## 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.

## 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 for UK taxation on any of its income or capital gains in respect of charitable activities.

The trading activities of the Trust are undertaken by Enterprises which then gift aids its taxable surpluses in the form of a distribution to the Trust and hence no taxation is incurred.

## Tangible Fixed Assets

A fixed asset is typically something long lasting and owned by the Trust. A Tangible Fixed Asset is an asset that has a physical form e.g. machinery, buildings and land.

### Recognition of a Tangible Fixed Asset

Tangible Fixed Assets are assets that will be:

- i) used by the Trust in the **generation of income for more than one year** and
- ii) the purchase cost and/or the total costs incurred to produce the asset **are more than £5,000**

Where these criteria are met the purchase costs and/or costs incurred to produce the asset will be recorded in the balance sheet of the Trust rather than in operational or conservation costs.

Where refurbishment and major repair costs are incurred for the purpose of income generation the criteria noted above are considered to determine if the costs should be capitalised on the balance sheet.

### Valuation and depreciation of Tangible Fixed Asset

Tangible Fixed Assets are recorded at the historic purchase cost or costs of production less accumulated depreciation. Tangible Fixed Assets costs are depreciated on a straight-line basis in line with their estimated useful lives to ensure their values are accurately reflected in the financial statements.

Capital asset category	Expected useful life
Buildings	30 years
Renewable energy equipment*	20 years
Building fit-outs	10 – 15 years
Fixtures and fittings*	5 -20 years
Plant & Equipment	5-20 years
Motor vehicles	4 years
Computer equipment	4 years

*\*Included in Fixtures & fittings in note 20*

**Depreciation** is first charged in the calendar month of acquisition or on the bringing into use of the asset, whichever is the later.

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



## 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 Trust's charitable purpose is to promote the preservation of, and access to Scotland's Heritage and as a result, a large majority of assets held may fall under the definition of heritage assets.

The Trust accounts for its heritage assets in line with FRS 102 and these fall into two categories:

### *Land and buildings*

Heritage Assets in the form of land and buildings are not generally capitalised on the balance sheet. Following the introduction of FRS102, The Board of the National Trust for Scotland reviewed the position and confirmed that the capitalisation of heritage assets at that point 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 more than be offset by a liability, being the obligation to maintain them.

Many of the Trust's Heritable Land and Building Assets have been gifted or bequeathed since the inception of the Trust and as a result it is not possible to establish a cost or valuation for these assets and these are therefore not recorded on the balance sheet.

Where refurbishment and major repairs costs are incurred predominantly for conservation of Heritable Assets and/or to improve access to the Heritable Asset these costs will not be capitalised and instead will appear as conservation and repairs costs in the SOFA in the financial year in which the expenditure was incurred. In most cases the original cost is not capitalised and to capitalise the conservation of these costs would result in a distorted view of the Trust's financial position.

When a new Heritable Asset is purchased and it has a cost of acquisition these acquisition costs will be recognised on the Balance Sheet if they meet the criteria for capitalisation of Tangible Fixed Assets, otherwise they will appear as expenses in the SOFA. Heritage land and buildings are not depreciated.

Any acquisition of new land or buildings should follow the Trust's *Conservation Property Acquisition and Disposals Policy*, a copy of which is available on request.

Any disposals of land and buildings must be considered by the Disposals Committee and the Board of Trustees and any proceeds from the disposal of a Heritable Asset should be recognised through the gains and losses within the SOFA, together with the derecognition of any carrying amount in the balance sheet.

### *Collections*

Over time the Trust has amassed various collections of furniture, paintings, books, fine china and artefacts. These collections, of substantial heritage significance, are generally recorded within a database which is updated as new collections are acquired. As these items have accumulated over a considerable period of time, it is not possible to establish a cost or valuation for these assets and these are therefore not recorded on the balance sheet.

In accordance with FRS102 and the SORP the Trust does not carry out valuations of the Collections. There are around 350,000 individual items. When a new Heritable Asset in the form of a Collection is purchased, its costs will be recognised on the Balance Sheet at this amount if it meets the criteria for capitalisation of Tangible Fixed Assets, otherwise they will appear as expenses in the SOFA.

The purchase or disposal of collections must be in line with the policies outlined in the Trust's *Developing Collections: A Policy to Reflect and Enrich Lives* and any proceeds from the disposal of a Heritage Asset would be recognised through the gains and losses within the SOFA, together with the derecognition of any carrying value in the balance sheet.

Where refurbishment and major repairs costs are incurred predominantly for conservation of Heritage Assets to improve access to the Heritage Asset these costs will not be capitalised in line with the Heritage Assets Policy.

Where refurbishment and major costs to a Heritage Asset are incurred predominantly to increase income generation the costs are capitalised despite the work being carried out on a Heritage Asset. An example could be when the interior of holiday cottages or commercial operations such as retail or catering outlets are refurbished. These units are often located in heritage assets which themselves are not capitalised in line with the Heritage Asset policy. However, since the primary purpose of these refurbishments is income generation the costs of the refurbishments (if in excess of £5,000) are capitalised.

### Intangible Fixed Assets

Intangible assets are non-monetary assets which are without physical substance that are controlled by the Trust and are transferrable. Examples include computer software, trademarks and internet domains. Intangible Fixed Assets are Intangible Assets that will be:

- i) used by the Trust in the generation of income for more than one year; and
- ii) the purchase cost and/or the total costs incurred to produce the asset are more than £5,000.

Where these criteria are met the purchase costs and/or costs incurred to produce the asset will be recorded in the balance sheet of the Group rather than in operational or conservation costs.

### Valuation and amortisation of Intangible Fixed Assets

Intangible Fixed Assets are stated at their historical cost and amortised on a straight-line basis over their expected useful lives with adjustments made for impairment as required.

Capital asset category	Expected useful life
Website development	4 years

Amortisation is first charged in the calendar month of acquisition or on the bringing into use of the asset, whichever is the later, and amortisation is charged to publicity and fundraising costs, as the asset relates to the Trust website.

Costs associated with software with annual licence or subscriptions are not capitalised as they will provide no benefit to the Trust without incurring the next years licence or subscription being paid.

### Investments

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.

Investments are shown at fair value which is normally the bid price for quoted investments. Unquoted investments are shown at the Board of Trustees' valuation on advice. Investment properties are included at valuation based on a comparable, open market, existing-use. A quinquennial external desktop valuation cycle is in place (last external valuation March 2018). Between the external valuations, an annual valuation review is undertaken by the Trust's own professionally qualified surveyors. These valuations have been assessed based on trends and known changes in occupation and in line with RICS assumptions. Additions are shown at cost with the exception of gifts which are shown at valuation on the date of gift.

The movement in valuation of investments is shown in the Consolidated Statement of Financial Activities and comprises both realised and unrealised gains and losses.

The investment held in the subsidiary (National Trust for Scotland Enterprises Limited) is held at cost.

### Stock

Stock is stated at the lower of purchase cost or net realisable value other than farm stocks which are stated at valuation. In relation to retail stock that is deemed to be end of life and not sellable at any price, the stock is written off and disposed of. Stock consists of retail and catering trading stock, livestock, publications and raw materials. Stock is valued on a first-in first-out (FIFO) basis.

### Cash and Cash Equivalents

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

### 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.

### 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.

## Funds and reserves

The Trust's **Charity Funds** are a consolidation of around 400 individual funds and are divided into two distinct categories: Unrestricted and Restricted as set out below:

### Charity Funds

#### Unrestricted Funds

The use of these funds has not been restricted to a particular purpose by donors or their representatives.

#### General Income Fund (GIF)

To provide a reserve to finance central infrastructure, provide access to large project funding for properties with insufficient reserves themselves.

This fund may also provide working capital for properties with no restricted funds of their own with operational deficits and provide financial protection against uncertainty or unexpected events and is available to use at the discretion of the Trustees in furtherance of the Trusts objectives.

#### Designated Funds

Have been allocated by the Trustees for particular purposes.

Where specific planned activities are identified as requiring significant funding, proposals will be made to the Board to designated Unrestricted Funds for use for a particular project or commitment.

These include the Fixed Asset Reserve.

#### Restricted Funds

These funds have been restricted to a particular purpose by donors.

#### Endowment Funds

Typically arise when donors or grant giving bodies provide funds on the condition that they must be retained in order to generate investment income for the long term needs of the property or the restricted activity that the endowment is provided for.

Income arising on endowment funds is generally expendable and is distributed as income to funds in order to be spent.

#### Other Restricted Funds

These include gifts and legacies which have been given or bequeathed to the Trust to be used in accordance with the conditions of donors. Both the capital and the income may only be applied for the purpose for which the funds were donated.

A number of the Trust's properties held for conservation have established Restricted Funds that have been given to the Trust either by donors or grant-making bodies. The existence of these Restricted Funds places less reliance on Reserve requirements to maintain these properties and the Trust's policy is to seek adequate endowments for new acquisitions.

### *Transfers between Funds*

Transfers may be made between funds for the following reasons:

- From restricted to unrestricted funds when restricted funds may be lawfully released (i.e. permission for the release has been given by the donor, or OSCR or Court approval has been given to release historic funds).
- Transfers from General Income Fund to Designated funds to support properties conservation and improvement requirements, as approved by the Board.
- Transfers from Designated to General Income Fund where previously Designated Funds are no longer required for the designated purpose, as approved by the Board.
- From unrestricted to restricted funds to cover a deficit on a restricted fund that may for example have been caused by investment losses.
- To reflect the increase in the book value of tangible fixed assets without specific designated or restricted funding.
- Transfers to reflect assets purchased with restricted funds, but not held for a restricted purpose.

The Board has adopted a formal **Reserves Policy**. "Free Reserves" are reserves available to spend freely on any charitable purpose. These are represented by Unrestricted Funds less Designated Funds, less Fixed Assets.

In the case of the Trust, free reserves are represented by the General Income Fund ("GIF") disclosed on the Trust's Balance sheet. Reserves do not include Endowment Funds, Restricted Funds or Designated Funds.

### **Comparative financial information**

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



## 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 areas that are deemed to be material for these financial statements are as follows:

- Accruing for income derived from legacies where complicated issues surrounding the measurement or the entitlement to income existed at the year-end in line with the accounting policy on legacies (page 47).

## 3. Appeals & donations

The income from appeals and donations was £2,704k (2018/19: £2,340k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total
	General Fund	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	£000s
2020	1,231	-	1,473	-	2,704
2019	830	-	1,510	-	2,340

## 4. Legacies

The income from legacies was £6,353k (2018/19: £7,668k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	£000s
2020	5,726	-	627	-	6,353
2019	6,456	-	1,212	-	7,668

## 5. Investments and investment income

### 5.1 Reconciliation of Movement in Investments by Asset Class:

Group and Trust	Investment Asset Class						Total £000s
	UK Fixed and Variable Interest Stock	UK Equities	Unit Trust and Open-Ended Securities	Overseas Investment	Deposits and Cash	Net Property Investments	
	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Market Value as at 28 February 2018</b>	<b>9,513</b>	<b>76,079</b>	<b>42,505</b>	<b>61,081</b>	<b>21,584</b>	<b>2,484</b>	<b>213,246</b>
Additions at cost	1,010	11,531	63	32,426	-	-	45,030
Disposal proceeds	-	(6,674)	-	(35,494)	-	-	(42,168)
Capital Events, Transfers & Movements	(950)	356	-	-	(15,059)	-	(15,653)
Realised gain/(loss)	10	1,576	-	13,260	2	-	14,848
Unrealised gain/(loss)	(357)	(4,591)	753	(9,643)	-	67	(13,771)
<b>Market Value as at 28 February 2019</b>	<b>9,226</b>	<b>78,277</b>	<b>43,321</b>	<b>61,630</b>	<b>6,527</b>	<b>2,551</b>	<b>201,532</b>
Additions at cost	9,714	11,016	68	10,487	-	-	31,285
Disposal proceeds	-	(7,773)	-	(28,339)	-	(1,251)	(37,363)
Capital Events, Transfers & Movements	(1,250)	-	-	-	(3,855)	-	(5,105)
Realised gain/(loss)	(76)	1,878	-	8,416	158	656	11,032
Unrealised gain/(loss)	483	(7,874)	(318)	(879)	-	43	(8,545)
<b>Market Value as at 29 February 2020</b>	<b>18,097</b>	<b>75,524</b>	<b>43,071</b>	<b>51,315</b>	<b>2,830</b>	<b>1,999</b>	<b>192,836</b>

5.2 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:

Group and Trust	Unrestricted Funds				Restricted Funds				Total	
	General Funds		Designated Funds		Restricted Funds		Endowment Funds			
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
Unrealised gain/(loss) on investment revaluation	315	(99)	-	22	(3,088)	(9,466)	(5,772)	(4,228)	(8,545)	(13,771)
Realised gain/(loss) on investment disposal	656	148	74	763	8,846	11,083	1,456	2,854	11,032	14,848
<b>Net gain/(loss) on investment assets</b>	<b>971</b>	<b>49</b>	<b>74</b>	<b>785</b>	<b>5,758</b>	<b>1,617</b>	<b>(4,316)</b>	<b>(1,374)</b>	<b>2,487</b>	<b>1,077</b>

## 5. Investments and investment income (continued)

5.3 The following is a summary of the income arising from the Trust investments:

	Investment Income			
	Group		Trust	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
<i>Income from Listed Investments:</i>				
UK Fixed and Variable Interest Stock	568	406	568	406
UK Equities	4,330	4,231	4,330	4,231
Unit Trust and Open Ended Securities	2,075	2,271	2,075	2,271
Overseas Investment	1,260	1,441	1,260	1,441
Total Income from Listed Investments	8,233	8,349	8,233	8,349
Interest on Deposits and Cash	105	45	105	45
Distribution from Enterprises	-	-	733	829
<b>Total Investment Income</b>	<b>8,338</b>	<b>8,394</b>	<b>9,071</b>	<b>9,223</b>

### 5.4 Distribution from Enterprises

The Trust receives a distribution of earnings from its trading activities which are undertaken by National Trust for Scotland Enterprises Ltd SC095585 (Enterprises), its subsidiary undertaking, arising from an investment of £2 held within the National Trust for Scotland. This investment income is in the form of Gift Aid on taxable surpluses made by Enterprises.

5.5 Of the total group investment income of £8,338k (2018/19: £8,394k), £1,605k was unrestricted (2018/19: £1,879k), £151k was designated (2018/19: £0k), £6,582k was restricted (2018/19: £6,515k) and £0k was related to endowments (2018/19: £0k).

5.6 At the year end, the Trust held property deemed not to be 'of heritage significance'. In line with FRS 102 these properties have been included within Property investments above at a fair value of £1,999k (2018/19: £2,551k) as per internal valuations conducted by the Trust's National Estates Manager, at 29 February 2020, in line with the Trust's accounting policies (see page 51). Included in investment properties is property with a value of £650k for which the Trust has granted an irrevocable undertaking to retain the property.

## 6. Grants

The trust received grants from the following bodies:

Group and Trust	2019/20 £000s	2018/19 £000s
Scottish Government	501	357
Historic Environment Scotland	320	256
Scottish Natural Heritage	273	417
Local Authorities and Enterprise companies	152	532
European Regional Development Fund	3	3
<b>Total for year ending 29 February</b>	<b>1,249</b>	<b>1,565</b>

Of the total grants received of £1,249k (2018/19: £1,565k), £1,213k were restricted (2018/19: £1,565k).

## 7. Property and other income

Group	Unrestricted Funds				Restricted Funds				Total	
	General Funds		Designated Funds		Restricted Funds		Endowment Funds			
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Admissions	4,886	4,592	-	-	-	-	-	-	4,886	4,592
Rents	1,804	1,911	-	60	-	1	-	-	1,804	1,972
Other	1,863	1,193	-	-	31	-	-	-	1,894	1,193
Property & Other Income	8,553	7,696	-	60	31	1	-	-	8,584	7,757

Trust	Unrestricted Funds				Restricted Funds				Total	
	General Funds		Designated Funds		Restricted Funds		Endowment Funds			
	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Admissions	4,886	4,592	-	-	-	-	-	-	4,886	4,592
Rents	1,804	1,911	-	60	-	1	-	-	1,804	1,972
Other	2,555	1,671	-	-	31	-	-	-	2,586	1,671
Property & Other Income	9,245	8,174	-	60	31	1	-	-	9,276	8,235

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 in the group accounts.

Enterprises' principal activities are the running of retail, catering, holiday cottages, 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 a gift aid scheme, the whole of its surpluses to the Trust.

A management charge of £694k (2018/19: £478k) was charged by the National Trust for Scotland for management services provided to Enterprises.

The Turnover and Net Contributions to Trust funds were:

Group	Turnover		Costs		Contribution	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
Retail	6,194	5,225	4,991	3,990	1,101	1,235
Catering	5,351	4,801	4,733	4,814	589	(13)
Holiday cottages	1,078	1,128	773	759	306	369
Cruises	(20)	1,602	12	1,499	(32)	103
Functions	482	542	698	658	(181)	(116)
Other income and events	435	141	268	510	262	(369)
<b>Total</b>	<b>13,520</b>	<b>13,439</b>	<b>11,475</b>	<b>12,230</b>	<b>2,045</b>	<b>1,209</b>

The Net Assets of Enterprises are summarised as follows:

Enterprise Net Assets	2019/20 £000s	2018/19 £000s
Stock	1,578	1,358
Debtors	1,085	132
Amount due from parent	757	-
Cash and bank	65	2,451
Creditors	(2,134)	(1,294)
Amounts due to parent	-	(1,914)
<b>Net Assets</b>	<b>1,351</b>	<b>733</b>

After deduction of the Management Charge of £694k, the taxable profit in the year for Enterprises of £1,351k will be paid over as gift aid to the Trust within 9 months of this year end.



## 9. Other income

Other income, being gain on sale of assets was £2,189k (2018/19: £956k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	
2020	2,189	-	-	-	2,189
2019	112	-	844	-	956

## 10. Publicity and fundraising

Expenditure on publicity and fundraising was £5,143k (2018/19: £5,393k). Detailed comparative information for each separate class of fund is set out below:

Group and Trust	2019/20 £000s	2018/19 £000s
Salaries and wages	1,106	1,153
Marketing & Publications	2,400	1,936
Consultants and professional fees	555	689
Maintenance and equipment	55	59
Travel and subsistence	35	36
Other overheads (including depreciation)	239	882
Support costs (Note 13)	646	493
Governance costs (Note 13)	107	145
<b>Total publicity and fundraising Expenditure</b>	<b>5,143</b>	<b>5,393</b>

The total publicity and fundraising expenditure can be analysed by fund as follows:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	
2020	4,668	11	249	215	5,143
2019	4,989	-	186	218	5,393

## 11. Property operating expenditure

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

Group and Trust	2019/20 £000s	2018/19 £000s
Salaries and wages	12,899	12,620
Other overheads (including depreciation)	4,936	4,584
Utilities	1,868	2,040
Maintenance and equipment	3,883	4,718
Insurance	815	846
Travel and subsistence	368	463
Support costs (Note 13)	6,401	5,523
Governance costs (Note 13)	451	622
<b>Total Property Operating Expenditure</b>	<b>31,621</b>	<b>31,416</b>

The total property operating expenditure can be analysed by fund as follows:

Group and Trust	Unrestricted Funds		Restricted Funds		Total £000s
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	
2020	23,261	2,781	5,579	-	31,621
2019	21,635	2,369	7,412	-	31,416

## 12. Conservation, repairs and improvements

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

Group and Trust	2019/20 Total £000s	2018/19 Total £000s
Major projects	2,247	2,402
Routine conservation & repairs	3,038	3,537
Vision & Master Planning	243	-
Support costs (Note 13)	2,107	1,714
Governance costs (Note 13)	327	385
<b>Total Conservation, Repairs &amp; Improvements</b>	<b>7,962</b>	<b>8,038</b>

The total Conservation, Repairs and Improvements Expenditure can be analysed by fund as follows:

	Unrestricted Funds		Restricted Funds		Total
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	£000s
<b>2020</b>	<b>2,723</b>	<b>(4)</b>	<b>5,243</b>	<b>-</b>	<b>7,962</b>
2019	3,293	79	4,666	-	8,038

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	2019/20					2018/19
	Admin & Other	Human Resources	Finance	ICT <sup>2</sup>	Total	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Membership and recruitment	34	189	66	95	384	356
Publicity and fundraising	200	17	335	94	646	493
Property operating expenditure	3,863	888	1,081	569	6,401	5,523
Conservation, repairs and improvements	1,529	103	333	142	2,107	1,714
Governance	748	43	190	47	1,028	1,441
<b>Total Support &amp; Governance Cost</b>	<b>6,374</b>	<b>1,240</b>	<b>2,005</b>	<b>947</b>	<b>10,566</b>	<b>9,527</b>

<sup>2</sup> ICT stands for Information and Communications Technology.

Governance	2019/20	2018/19
	£000s	£000s
Membership and recruitment <sup>3</sup>	143	289
Publicity and fundraising	107	145
Property operating expenditure	451	622
Conservation, repairs and improvements	327	385
<b>Total Governance Cost Allocation</b>	<b>1,028</b>	<b>1,441</b>

<sup>3</sup> 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. Other expenditure

The Trust's Transforming the Trust Programme continued into early 2019/20 resulting in the investment of £710k (2018/19: £4,198k) in improving systems and processes including expenditure and supporting organisational change.

## 15. 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 £23k (2018/19: £19k) were reimbursed to 16 (2018/19: 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.

## 16. Analysis of staff costs and remuneration of key management personnel

16.1 The average number of employees on permanent and fixed term contracts was 545 (2018/19: 552). On a full-time equivalent basis this becomes 497 (2018/19: 510). The average number of seasonal employees was 729 (2018/19: 668). On a full-time equivalent basis this becomes 261 (2018/19: 253). The peak number of staff employed during the year was 1,429 (2018/19: 1,339). All employees are employed by the Trust and costs relating to commercial activities are charged to the subsidiary company.

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

Group	2019/20			2018/19		
	Permanent Staff	Seasonal Staff	Total	Permanent Staff	Seasonal Staff	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Gross pay	15,974	6,167	22,141	16,300	5,694	21,994
Employers NI	1,627	257	1,884	1,559	234	1,793
Employers pension	793	65	858	774	56	830
Agency staff costs	15	0	15	22	28	50
<b>Total</b>	<b>18,409</b>	<b>6,489</b>	<b>24,898</b>	<b>18,655</b>	<b>6,012</b>	<b>24,667</b>

Trust	2019/20			2018/19		
	Permanent Staff	Seasonal Staff	Total	Permanent Staff	Seasonal Staff	Total
	£000s	£000s	£000s	£000s	£000s	£000s
Gross pay	15,974	6,167	22,141	16,300	5,694	21,994
Employers NI	1,627	257	1,884	1,559	234	1,793
Employers pension	793	65	858	774	56	830
Agency staff costs	15	0	15	22	28	50
<b>Total Staff Costs</b>	<b>18,409</b>	<b>6,489</b>	<b>24,898</b>	<b>18,655</b>	<b>6,012</b>	<b>24,667</b>
Less: Recharge to NTSE	(1,683)	(2,673)	(4,356)	(1,622)	(2,769)	(3,941)
<b>Total</b>	<b>16,726</b>	<b>3,816</b>	<b>20,542</b>	<b>17,033</b>	<b>3,243</b>	<b>20,276</b>

16.2 Total pension contributions paid during the year for the Group were £655k (2018/19: £700k) to the defined contribution scheme and £203k (2018/19: £130k) to the National Employment Savings Trust (NEST) scheme. Total contributions paid during the year for the Trust were £592k (2018/19: £642k) to the defined contribution scheme and £184k (2018/19: £120k) to the National Employment Savings Trust (NEST) scheme. Pension contributions are treated as an operating cost and allocated by employee activity.

16.3 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 retail, events, gardening and learning through to environmental work like Ranger and footpath work.

During the year to 29 February 2020 these volunteers carried out a total of 168,448 hours (2018/19: 159,954 hours) of work which is a 5.3% increase on the previous year. This increase reflects the completion of Transforming the Trust at certain properties. 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 £1.7m (2018/19: £1.6m).

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.

16.4 The Trust considers its key management personnel to be the Executive Committee (as shown on page 32) comprising the Chief Executive Officer, the Chief Financial Officer, the Chief Operating Officer and the Director of Customer & Cause. The employee benefits (exclusive of pension contribution) of key management personnel were £502k (2018/19: £491k). Pension contributions were £39k for these members of key management personnel.

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

	2020			2019		
	Number of Employees		Employers Pension Contribution	Number of Employees		Employers Pension Contribution
	(A)	(B)	(A)	(A)	(B)	(A)
Between £60,000 and £69,999	8	8	£41,944	13	12	£49,949
Between £70,000 and £79,999	5	5	£20,569	4	4	£28,205
Between £80,000 and £89,999	7	7	£29,530	6	6	£32,017
Between £90,000 and £99,999	1	1	£7,787	1	1	£8,146
Between £100,000 and £109,999	1	1	£110	1	1	-
Between £110,000 and £119,999	-	-	-	1	1	£10,642
Between £120,000 and £129,999	2	2	£21,958	1	1	£10,899
Between £130,000 and £139,999	-	-	-	-	-	-
Between £140,000 and £149,999	-	-	-	1	1	£16,814
Between £150,000 and £159,999	1	1	£17,142	-	-	-

**Notes:**

(A) Including termination payments

(B) Excluding termination payments

16.5 Redundancy and termination payments of £308k (2018/19: £409k) 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.

## 17. Operating lease commitments

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

	2019/20		2018/19	
	Land & Buildings	Other Assets	Land & Buildings	Other Assets
	£000s	£000s	£000s	£000s
Within one year	228	57	286	57
Between one and five years	1,392	130	1,421	187
After five years	386	-	386	-
<b>Total</b>	<b>2,006</b>	<b>187</b>	<b>2,093</b>	<b>244</b>

During the year expenses incurred of £414k (2018/19: £352k) were made in respect of operating leases.

## 18. Auditor's remuneration

Remuneration for audit services for the year to 29 February 2020 was £65k (2018/19: £53k) for the Group and £54k (2018/19: £43k) for the Trust. £4k was paid to entities related to RSM UK Audit LLP for other compliance services (2018/19: £2k).

## 19. Non-audit services

In common with many other organisations of a similar size, entities related to the Trust's auditors prepare and submit corporation tax and other related returns to the tax authorities. They have also provided services in connection with Making Tax Digital, gift aid and a review of payroll services. In addition, RSM Risk Assurance Services LLP, a firm related to RSM UK Audit LLP, has been assisting the Trust to implement a Board Assurance Framework and Insight4GRC. Total fees for non-audit, one-off services at 29 February 2020 amounted to £29k (2018/19: £52k).



## 20. Tangible fixed assets

Group and Trust	Tangible Fixed Assets						Total £000s
	Assets under Construction	Motor Vehicles	Buildings	Building Fit-Outs	Computer Equipment	Fixtures & Fittings	
	£000s	£000s	£000s	£000s	£000s	£000s	
<b>Cost and Valuation</b>							
as at 1 March 2019	2,944	2,716	24,482	10,586	4,181	5,942	50,851
Additions	2,793	57	-	-	-	130	2,980
Disposals	-	(39)	-	-	-	-	(39)
Transfers (note 21/22)	(5,516)	-	-	5,180	-	336	-
<b>At 29 February 2020</b>	<b>221</b>	<b>2,734</b>	<b>24,482</b>	<b>15,766</b>	<b>4,181</b>	<b>6,408</b>	<b>53,792</b>
<b>Cumulative Depreciation</b>							
At 1 March 2019	-	2,313	6,854	6,589	4,125	3,709	23,590
Charge for the Period	-	213	816	1,153	44	403	2,629
Disposals	-	(39)	-	-	-	-	(39)
<b>At 29 February 2020</b>	<b>-</b>	<b>2,487</b>	<b>7,670</b>	<b>7,742</b>	<b>4,169</b>	<b>4,112</b>	<b>26,180</b>
<b>Net Book Value at 29 February 2020</b>	<b>221</b>	<b>247</b>	<b>16,812</b>	<b>8,024</b>	<b>12</b>	<b>2,296</b>	<b>27,612</b>
<b>Net Book Value at 28 February 2019</b>	<b>2,944</b>	<b>403</b>	<b>17,628</b>	<b>3,995</b>	<b>56</b>	<b>2,234</b>	<b>27,260</b>

The Trust had Capital Commitments of £0m against Assets at the financial year end (2019: £2.2m).

## 21. Heritage assets

21.1 At 29 February 2020 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, unless purchased.

### 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 £1,227 million.

## 21. *Heritage assets (continued)*

### **Collections**

The museum collections are extensive and include furniture, paintings, porcelain, domestic items, decorative arts, costume and social history collections. Many of our properties also hold extensive library collections, and some have historic archives. The Trust also cares for its own corporate archive.

The Trust estimates that these collections contain around 350,000 individual items acquired at various points during its 89 year history. The bulk of the art, objects and books collections are on display in the properties run by the Trust, whilst the archives and some more delicate items are in storage. 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 around 140,500 different entries approximately 8,400 of which are on loan to the Trust. The database holds a valuation figure for approximately 27,700 of the remaining 132,100 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 104,400 records that lack valuation 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 £137 million. This figure remains the same as last financial year as there has been no active programme of valuing collections this year.

## 21. Heritage assets (continued)

21.2 The value of Heritage Assets included in the Balance Sheet, and associated in year movements are set out in the table below:

Group and Trust	Heritage Assets	
	Property	Total
	£000s	£000s
<b>Cost and Valuation</b>		
As at 1 March 2019	150	150
Additions	121	121
<b>At 29 February 2020</b>	<b>271</b>	<b>271</b>

21.3 The Trust has acquired new items in accordance with its acquisition policy and also disposed of assets too. In the last 5 years the costs of acquisitions and values of disposals have been as follows:

	Acquisitions		Disposals	
	Land and Buildings	Collections	Land and Buildings	Collections
	£000s	£000s	£000s	£000s
2019/20	121	-	2,174	-
2018/19	-	-	847	-
2017/18	150	-	434	-
2016/17	-	18	859	-
2015/16	-	100	1,422	-

21.4 The Trust has made the following disposals of heritage assets during the year:

	2019/20 £000s	2018/19 £000s
<b>Land and Buildings</b>		
Falkland Town House, Falkland	165	-
House of Dun, Dun Farm	2,000	-
Mote of Mark, Rockliffe	9	-
Iona Village Hall	-	24
Balmacara Steading	-	819
Crofts at Balmacara	-	4
<b>Total Disposals of Heritage Assets</b>	<b>2,174</b>	<b>847</b>

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

## 22. Intangible fixed assets

### Group and Trust

#### Cost and Valuation

As at 1 March 2019

At 29 February 2020

#### Cumulative Depreciation

At 1 March 2019

Charge for the Period

At 29 February 2020

Net Book Value at 29 February 2020

Net Book Value at 28 February 2019

Web & Digital Development	Total
£000s	£000s
616	616
616	616
95	95
154	154
249	249
367	367
521	521

## 23. Stock

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Retail stocks	1,579	1,356	-	-
Farm stocks	116	124	116	124
Raw materials	-	2	-	-
<b>Total Stock as at 29 February</b>	<b>1,695</b>	<b>1,482</b>	<b>116</b>	<b>124</b>

The value of stocks expensed during the year was £8k (2018/19: £5k). The value of stock written off during the year was £84k (2018/19: £100k).

## 24. Debtors

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Trade debtors	969	698	177	585
Other debtors including tax recoverable	4,968	2,511	4,965	2,520
Prepayments and accrued income and deferred expenditure	7,770	5,206	7,482	5,187
Amounts due from subsidiary undertakings	-	-	-	1,914
<b>Total Debtors as at 29 February</b>	<b>13,707</b>	<b>8,415</b>	<b>12,624</b>	<b>10,206</b>

Trade debtors are stated net of specific provisions of £227k (2018/19: £137k) for debts where there is significant uncertainty over collection. In addition, £9k (2018/19: £44k) was written off during the year in respect of debtors where collection was not possible or was uneconomic.

## 25. Creditors

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
Trade creditors	895	2,459	768	2,248
Other creditors	326	316	326	265
Taxation and social security	485	451	485	451
Accruals	4,483	6,638	2,930	5,934
Deferred income	1,589	1,642	1,170	1,343
Life members account	131	132	131	132
Amount owed to subsidiary undertakings	-	-	757	-
<b>Creditors: amounts falling due within one year</b>	<b>7,909</b>	<b>11,638</b>	<b>6,567</b>	<b>10,373</b>
Other creditors	21	24	21	24
Deferred income	255	289	221	267
Life members account	899	944	899	944
<b>Creditors: amounts falling due after more than one year</b>	<b>1,175</b>	<b>1,257</b>	<b>1,141</b>	<b>1,235</b>

The Creditors: amounts falling due after more than one year are further analysed as follows:

	Group		Trust	
	2019/20	2018/19	2019/20	2018/19
	£000s	£000s	£000s	£000s
<b>Between one and two years</b>				
Life members account	123	124	123	124
Other creditors	21	24	21	24
Deferred income	82	47	48	47
<b>Between two and five years</b>				
Life members account	320	324	320	324
Deferred income	141	163	141	141
<b>Between five and fifteen years</b>				
Life members account	456	496	456	496
Deferred Income	32	79	32	79
<b>Total as at 29 February</b>	<b>1,175</b>	<b>1,257</b>	<b>1,141</b>	<b>1,235</b>

## 26. Deferred income

26.1 Deferred income, for the purpose of this note, is calculated as follows:

	Group		Trust	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
<b>Creditors : Amounts falling due within one year</b>				
Deferred income	1,589	1,642	1,170	1,343
Life members account	131	132	131	132
<b>Creditors : Amounts falling after more than one year</b>				
Deferred income	255	289	221	267
Life members account	899	944	899	944
<b>Total Deferred Income as at 29 February</b>	<b>2,874</b>	<b>3,007</b>	<b>2,421</b>	<b>2,686</b>

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, and prepaid income in relation to holidays, cruises and functions.

26.2 The movements in Deferred Income can be analysed as follows, noting that Membership for the purpose of this table is the combination of deferred annual membership income and the Life members account income:

	Membership Income		Deferred Income		Total	
	Group £000s	Trust £000s	Group £000s	Trust £000s	Group £000s	Trust £000s
<b>As at 1 March 2019</b>	<b>2,116</b>	<b>2,116</b>	<b>891</b>	<b>570</b>	<b>3,007</b>	<b>2,686</b>
Amounts released during the year	(1,172)	(1,172)	(802)	(502)	(1,974)	(1,674)
Amounts deferred during the year	1,178	1,178	663	231	1,841	1,409
<b>As at 29 February 2020</b>	<b>2,122</b>	<b>2,122</b>	<b>752</b>	<b>299</b>	<b>2,874</b>	<b>2,421</b>



## 27. Analysis of net assets among funds

Group fund balances at 29 February 2020 are represented by:

Group	Unrestricted Funds		Restricted Funds		Total
	General Income Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	£000s
Fixed Assets	-	28,250	-	-	28,250
Investments	32,169	5,427	68,888	86,352	192,836
Net current assets	19,624	11	2,876	3	22,514
Creditors due after more than one year	(1,175)	-	-	-	(1,175)
<b>At 29 February 2020</b>	<b>50,618</b>	<b>33,688</b>	<b>71,764</b>	<b>86,355</b>	<b>242,425</b>
<i>Fixed Assets</i>	-	27,931	-	-	27,931
<i>Investments</i>	39,783	5,156	66,475	90,118	201,532
<i>Net current assets</i>	6,510	(470)	3,565	693	10,298
<i>Creditors due after more than one year</i>	(1,257)	-	-	-	(1,257)
<b>At 28 February 2019</b>	<b>45,036</b>	<b>32,617</b>	<b>70,040</b>	<b>90,811</b>	<b>238,504</b>

Trust fund balances at 29 February 2020 are represented by:

Trust	Unrestricted Funds		Restricted Funds		Total
	General Income Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	£000s
Fixed assets	-	28,250	-	-	28,250
Investments	32,169	5,427	68,888	86,352	192,836
Net current assets	18,239	11	2,876	3	21,129
Creditors due after more than one year	(1,141)	-	-	-	(1,141)
<b>At 29 February 2020</b>	<b>49,267</b>	<b>33,688</b>	<b>71,764</b>	<b>86,355</b>	<b>241,074</b>
<i>Fixed assets</i>	-	27,931	-	-	27,931
<i>Investments</i>	39,783	5,156	66,475	90,118	201,532
<i>Net current assets - restated</i>	5,757	(470)	3,565	693	9,545
<i>Creditors due after more than one year</i>	(1,235)	-	-	-	(1,235)
<b>At 28 February 2019</b>	<b>44,305</b>	<b>32,617</b>	<b>70,040</b>	<b>90,811</b>	<b>237,773</b>

## 28. Endowment funds

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

Group & Trust	2018/19	Resources Expended	Changes in Fair Value	Transfers	2019/20
Fund	£000s	£000s	£000s	£000s	£000s
Mar Lodge Estate	17,947	(42)	(853)	-	17,052
Newhailes	9,186	(22)	(435)	-	8,729
Threave	5,325	(13)	(253)	-	5,059
Fyvie Castle	4,586	(11)	(217)	-	4,358
Other funds	53,767	(127)	(2,558)	75	51,157
<b>At 29 February</b>	<b>90,811</b>	<b>(215)</b>	<b>(4,316)</b>	<b>75</b>	<b>86,355</b>

Group & Trust	2017/18	Resources Expended	Changes in Fair Value	Transfers	2018/19
Fund	£000s	£000s	£000s	£000s	£000s
Mar Lodge Estate	18,247	(43)	(257)	-	17,947
Newhailes	9,340	(22)	(132)	-	9,186
Threave	5,414	(13)	(76)	-	5,325
Fyvie Castle	4,663	(11)	(66)	-	4,586
Other funds	54,542	(129)	(843)	197	53,767
<b>At 28 February</b>	<b>92,206</b>	<b>(218)</b>	<b>(1,374)</b>	<b>197</b>	<b>90,811</b>

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

## 29. Other restricted funds

The Trust has over 150 specifically restricted funds other than endowments and property reserves. The following restricted funds individually exceed 5% of the total of such funds:

Group & Trust	2018/19	Incoming Resources	Resources Expended	Changes in Fair Value	Transfers	2019/20
Fund	£000s	£000s	£000s	£000s	£000s	£000s
The Fawcitt Fund	3,557	107	(12)	297	-	3,949
Alexander Bequest	3,955	119	(204)	330	-	4,200
Other funds	62,528	9,700	(10,871)	5,131	(2,873)	63,615
<b>At 29 February</b>	<b>70,040</b>	<b>9,926</b>	<b>(11,087)</b>	<b>5,758</b>	<b>(2,873)</b>	<b>71,764</b>

Transfers predominantly relate to capitalised expenditure which is transferred to Designated Funds. Further details of the transfers are shown in Note 31.

Group & Trust	2017/18	Incoming Resources	Resources Expended	Changes in Fair Value	Transfers	2018/19
Fund	£000s	£000s	£000s	£000s	£000s	£000s
<i>The Fawcitt Fund</i>	4,080	106	(795)	166	-	3,557
<i>Alexander Bequest</i>	4,073	106	(285)	61	-	3,955
<i>Other funds</i>	65,232	11,435	(11,184)	1,390	(4,345)	62,528
<i>At 28 February</i>	<b>73,385</b>	<b>11,647</b>	<b>(12,264)</b>	<b>1,617</b>	<b>(4,345)</b>	<b>70,040</b>

The Fawcitt Fund is "for the provision and support of properties of great natural beauty in Scotland to be preserved for the nation in precious memory of Norman and Ethel Fawcitt."

The Alexander Bequest is "to be used for the acquisition, curatorship, and management of the National Trust for Scotland's collections." It is anticipated that both of these funds will be utilised by the Trust as part of the programme of investment to deliver the 5-year Strategy.

## 30. Designated funds

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

Group & Trust	2018/19	Incoming Resources	Resources Expended	Changes in Fair Value	Transfers	2019/20
Fund	£000s	£000s	£000s	£000s	£000s	£000s
Fixed Asset Reserve	27,456	-	(2,781)	-	3,575	28,250
St Kilda Sinking Fund	1,858	54	(4)	27	-	1,935
Other funds	3,303	97	(3)	47	59	3,503
<i>At 29 February</i>	<b>32,617</b>	<b>151</b>	<b>(2,788)</b>	<b>74</b>	<b>3,634</b>	<b>33,688</b>

Group & Trust	2017/18	Incoming Resources	Resources Expended	Changes in Fair Value	Transfers	2018/19
Fund	£000s	£000s	£000s	£000s	£000s	£000s
<i>Fixed Asset Reserve</i>	26,626	-	(2,295)	-	3,125	27,456
<i>St Kilda Sinking Fund</i>	1,447	60	-	351	-	1,858
<i>Other funds</i>	3,668	-	(153)	434	(646)	3,303
<i>At 28 February</i>	<b>31,741</b>	<b>60</b>	<b>(2,448)</b>	<b>785</b>	<b>2,479</b>	<b>32,617</b>

The Fixed asset fund relates to assets that have been capitalised and are included in Notes 20 - 22. Movements on the fund reflect additions, disposals and depreciation charged during the year. The St Kilda Sinking Fund is "...for the reinstatement of St Kilda at the end of the Ministry of Defence lease of facilities". The fund was created in case the Trust needed to reinstate the site after the termination of the lease. The current end date for this lease is in 2028 with the option to end the lease at two years' notice. On termination of the lease reinstatement costs could materialise at which these funds would be utilised. In June 2020, the Trust approved the release of the designation on 5 funds including the St Kilda Sinking Fund as explained in Note 36 on page 77.

## 31. 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	Unrestricted Funds		Restricted Funds		Total
	General Funds	Designated Funds	Restricted Funds	Endowment Funds	
	£000s	£000s	£000s	£000s	
Capitalisation of Project Expenditure	(712)	3,577	(2,865)	-	
Transfer to/ (from) designated funds	(124)	57	(8)	75	
<b>Net Transfers At 29 February 2020</b>	<b>(836)</b>	<b>3,634</b>	<b>(2,873)</b>	<b>75</b>	<b>-</b>
<i>Net Transfers at 28 February 2019</i>	<i>1,669</i>	<i>2,479</i>	<i>(4,345)</i>	<i>197</i>	<i>-</i>

## 32. Financial instruments

The carrying amount of the Group's financial instruments at 29 February 2020 were:

	Group		Trust	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
<b>Financial Assets:</b>				
Debt instruments measured at amortised cost <sup>1</sup>	12,794	6,863	11,715	7,189
Equity instruments measured at fair value	188,007	192,454	188,007	192,454
<b>Total Financial Assets at 29 February</b>	<b>200,801</b>	<b>199,317</b>	<b>199,722</b>	<b>199,643</b>
<b>Financial Liabilities:</b>				
Measured at amortised cost	5,543	9,302	4,682	9,300
<b>Total Financial Liabilities at 29 February</b>	<b>5,543</b>	<b>9,302</b>	<b>4,682</b>	<b>9,300</b>

### 33. Reconciliation of net movement in funds to net cashflow from operating activities

	Group		Trust	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
Net expenditure before gains and losses on investment assets	1,434	(4,946)	814	(4,848)
Add back depreciation	2,783	2,437	2,783	2,437
Deduct net gain on disposal of assets	(2,189)	(956)	(2,189)	(956)
Deduct returns from investments (within investing activities)	(8,338)	(8,394)	(9,071)	(9,223)
(Increase)/ decrease in stock	(213)	(595)	8	(11)
(Increase)/ decrease in debtors	(5,292)	(1,881)	(2,418)	(920)
Increase/(decrease) in creditors	(3,812)	4,303	(3,901)	2,058
<b>Net cash used in operating activities</b>	<b>(15,627)</b>	<b>(10,032)</b>	<b>(13,974)</b>	<b>(11,463)</b>

### 34. Analysis of cash and cash equivalents and net debt

The following table provides an analysis of cash and cash equivalents:

	Group		Trust	
	2019/20 £000s	2018/19 £000s	2019/20 £000s	2018/19 £000s
Cash in hand	15,021	12,039	14,956	9,588
Overdraft facility repayable on demand	-	-	-	-
<b>Total cash and cash equivalents as at 29 February</b>	<b>15,021</b>	<b>12,039</b>	<b>14,956</b>	<b>9,588</b>

The following table provides a breakdown of net debt:

Group	As at 1 March 2019 £000s	Cashflows £000s	Fair Value Movements £000s	As at 29 February 2020 £000s
Cash	12,039	2,982	-	15,021
Overdraft facility repayable on demand	-	-	-	-
Loans	-	-	-	-
<b>Total Net Debt</b>	<b>12,039</b>	<b>2,982</b>	<b>-</b>	<b>15,021</b>

Trust	As at 1 March 2019 £000s	Cashflows £000s	Fair Value Movements £000s	As at 29 February 2020 £000s
Cash	9,588	5,368	-	14,956
Overdraft facility repayable on demand	-	-	-	-
Loans	-	-	-	-
<b>Total Net Debt</b>	<b>9,588</b>	<b>5,368</b>	<b>-</b>	<b>14,956</b>

## 35. 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 without conditions made by Trustees to the Trust during the year were £6.5k (2018/19: £0.4k). There are no outstanding amounts due.

- David Leslie, a Trustee and member of the Audit & Risk Management Committee and the Investment Committee is also a consultant to the Emtec Group. Emtec Group was a registered supplier of the Trust during 19/20. There were no transactions in this financial year and no outstanding balance.

The above transactions are on an arms-length basis with no unusual terms/conditions and no guarantees.

In 2020 the following transactions took place between the Trust and Enterprises, its wholly owned subsidiary:

- The provision of management services by the Trust covering payroll, finance, back office support, legal and managerial support of £694k (2018/19: £478k).
- 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 £256k (2018/19: £262k).
- The payment of gift aid of £732k from Enterprises to the Trust being Enterprises taxable profit for the financial year 2018/19.

The Trust provides a treasury function for Enterprises though due to foregoing transactions, an amount of £757k was owed at the reporting date to Enterprises by the Trust. In 2018/19 £1,914k was due to the Trust from Enterprises, at the reporting date.

The Chief Executive of the National Trust for Scotland is ex officio a member of the Board of the National Trust for Scotland USA Foundation. During the year the National Trust for Scotland USA Foundation made donations to the National Trust for Scotland of £274,750.

The above transactions are on an arms-length basis with no unusual terms/conditions and no guarantees.

## 36. Post Balance Sheet Event

Given the global political and economic uncertainty resulting from the COVID-19 pandemic, we have seen volatility in the markets during March and April 2020 which resulted in a reduction in the market value of investments. The most recent valuation of the portfolio at 30 June 2020 reflected an investment value of £186.1 million compared to the value of £192.8 million at 29 February 2020, a fall of 3.5% in value.

In March 2020, the Trust sold bonds to the value of £3.2 million and transferred them to Cash.

In June 2020, the Trust approved the release of the designation of 5 funds to unrestricted funds (St Kilda Sinking Fund, Horlick Fund, Maitland-Tennent Fund, Conservation & Specific Maintenance Fund, and a Properties Maintenance Fund) that were valued at £5.4 million at 29 February 2020.



## Reference and Administrative Details

### Head Office

Hermiston Quay  
5 Cultins Road  
Edinburgh  
EH11 4DF

### Independent External Auditors

RSM UK Audit LLP  
First Floor, Quay 2  
139 Fountainbridge  
Edinburgh  
EH3 9QG

### Internal Auditors

Grant Thornton UK LLP  
7 Exchange Crescent  
Conference Square  
Edinburgh  
EH3 8AN

### Investment Managers

Martin Currie Investment Management  
Saltire Court  
20 Castle Terrace  
EDINBURGH  
EH1 2ES (resigned 30 April 2020)

Rathbone Investment Management  
28 St Andrew Square  
Edinburgh  
EH2 1AF (appointed 30 April 2020)

### Bankers

The Royal Bank of Scotland plc  
West End Office  
142/144 Princes Street  
Edinburgh  
EH2 4EQ