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**CIRCULATE TO**  
*Chris Fenton*

**NATIONAL MUSEUMS OF SCOTLAND**

**STATEMENT OF ACCOUNTS**

For the year ended 31 March 2004

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# REPORT OF THE BOARD OF TRUSTEES INCORPORATING FOREWORD

## 1. History of Body

The National Museums of Scotland (NMS) was set up on 1 October 1985 by the amalgamation of the National Museum of Antiquities of Scotland (NMA) and the Royal Scottish Museum (RSM). Prior to this date the NMA was a body funded by the then Scottish Office Education Department (SOED) under a separate Vote while the RSM was for funding and administrative purposes a part of SOED.

## 2. Statutory background

The NMS and its activities are controlled primarily by the terms of the National Heritage (Scotland) Act 1985.

## 3. Legal and administrative information

NMS has been granted charitable status; the charity number is SC 011130 and the principal place of business is Chambers Street, Edinburgh EH1 1JF. NMS's banker is the Royal Bank of Scotland, 6-8 George Street Edinburgh EH2 2SA. The external auditor is PricewaterhouseCoopers, under contract to Audit Scotland, 18 George Street, Edinburgh EH2 2QU. Legal advice is provided primarily by Dundas & Wilson, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

## 4. Principal functions of NMS and its activities during the year

The functions of the NMS are, as set out in section 2(1) of the 1985 Act, to:

- (a) care for, preserve and add to the objects in their collections,
- (b) secure that the objects are exhibited to and interpreted for the public,
- (c) secure that the objects are available to persons seeking to inspect them in connection with study or research,
- (d) generally promote the public's awareness, appreciation and understanding of matters agricultural, archaeological, architectural, artistic, cultural, environmental, historical, industrial, military, scientific and social both by means of the Board's collections and by such other means, including collaboration with other institutions, as they consider appropriate, and
- (e) provide education, instruction and advice and carry out research.

NMS contributes to the cultural wealth and knowledge of Scotland by:

- (a) the preservation of material and natural objects;

- (b) providing displays to illuminate for the public Scottish and international aspects of man's culture and the natural world;
- (c) encouraging research on its collections; and
- (d) providing an education service for the interpretation of its collections.

Commercial interests of NMS are promoted by NMS Enterprises Ltd, the aims of which are:

- to exploit commercial hall hire and catering activities on behalf of NMS;
- to operate the shops in NMS's museums;
- to publish books;
- to exploit commercially NMS's photographic records.

The Board of NMS controls NMS Enterprises Ltd.

## 5. Activities in the field of research and development

During the year ended 31 March 2004, 100 significant research articles and books by NMS staff members were accepted for publication (2003- 96). During the same period, 64 loans were made from the collections for research purposes to universities, museums, zoos and research institutes both in the UK and abroad (2003- 83).

## 6. Recent developments in NMS's activities

The review of NMS's organisation continued throughout 2003/04, resulting in changes to roles and structures to enable NMS to meet the demands of the new vision and strategy. In addition, a change programme was established, led by teams of staff, which is expected to produce significant improvements in efficiency and effectiveness in the future.

In March 2004 the Trustees agreed to develop proposals for the extensive redevelopment of the Royal Museum and at Granton over the next decade. The proposed development will improve access, renew exhibition space, and ensure that the Royal Museum complies fully with current fire regulations. The enabling phase of this work is expected to be completed in 2006/07 at a cost of £9.1 million. While funding of £4.3 million has been made available by the SEED, the balance of the costs will be met from NMS's own resources, including the Board Reserve, and from disposals.

During the winter of 2003/04 detailed plans were laid for the transportation of Concorde from its former British Airways base at Heathrow, to the Museum of Flight. Extensive work is now taking place at the Museum of Flight to restore buildings and to improve exhibition, storage and workshop facilities. SEED have made £2m available for this project with any additional costs to be met from NMS's own resources.

For the above projects and for other capital projects (see below) approved by the Trustees, NMS transferred a further £0.5 million to the Board Reserve at 31 March 2004.

## 7. Financial results and appropriations

The combined financial results and appropriations are shown in the Consolidated Income and Expenditure Account on page 7. The accounts consolidate the results of NMS's wholly-owned trading subsidiaries. An Income and Expenditure Account for NMS alone is included at page 11.

NMS is required to operate within the financial limits prescribed in the Financial Memorandum, and to follow the recommendations of Government Accounting. Thus NMS is generally not permitted to borrow funds, and its powers to invest are circumscribed.

The Consolidated Income and Expenditure account reports an operating surplus of £0.01 million, which together with the release from the revaluation reserve of £0.47 million gives a retained surplus of £0.48 million. The retained surplus in NMS is exceptional, being due to delayed recruitment, and a delayed start to the Royal Museum and Granton developments. The entire surplus has been transferred to the Board Reserve for application to these developments and other capital projects identified by the Board.

The commercial company's turnover in 2003/04 was £1.4 million (2002/03 £1.6 million). The company made trading profits of £0.26 million (2003 £0.34 million) and paid gift aid to NMS amounting to £0.27 million (2003 £0.36 million).

Receipts and expenditure for the NMS group during the year to 31 March 2004 (2003) were as follows:

	2004	2003
	£000	£000
<b>Grant-in-aid:</b>		
-Income and Expenditure account	16,535	15,187
-Fixed asset investment	1,050	855
-Collection purchases	510	510
<b>Other income:</b>		
-Release from deferred income	3,496	3,259
-Trading companies	1,431	1,496
-Other	1,053	1,516
-Revenue-earning activities	8	26
-Grant-aided activities	65	106
-Interest income	68	73
<b>Other capital receipts</b>	<b>36</b>	<b>137</b>
<b>Expenditure:</b>		
-Staff costs	10,631	9,710
-Other operating charges	8,023	8,207
-Depreciation and permanent diminution in value	3,992	3,736

## 8. The status of land and buildings

NMS holds title to properties at Granton, the Museum of Flight, Leith Custom House and the former Dental Hospital. Title to the Royal Museum, the Museum of Scotland and property at Port Edgar is held by Scottish Ministers. NMS has full operational use of these assets and is responsible for their upkeep and maintenance, and there has been no change in this position during the year.

## 9. Significant changes to fixed assets

In the period, the group acquired tangible and intangible assets at a cost of £1.5 million, while Bristo Church, with a book value of £0.68 million, was sold. The disposal proceeds will be used to fund future development of the Royal Museum and the storage and workshop facilities at Granton. The sum of £0.95 million was spent on permanent galleries, £0.4 million on buildings, £0.09 million on equipment purchases, £0.09 million on intangible assets, and £0.58 million on additions to the collections.

## 10. Important events which have occurred since the financial year-end

No important event has occurred since 1 April 2004 to have a material effect on these accounts.

## 11. Names of Board members during the year

The Trustees of the National Museums are appointed by Scottish Ministers. The following were members of the Board during the period covered by these Accounts:

James A.G. Fiddes OBE, DUniv, MA, FRICS appointed 1 April 2001  
Lesley Hart MBE MA MSc appointed 1 October 2003  
Grenville S Johnston OBE, TD, KCSG, DL, CA reappointed 1 April 2002  
Professor Michael Lynch PhD, FRSE, FSA (Scot) appointed 1 October 2002  
Christina Macaulay MA reappointed 1 April 2003  
Sir Neil McIntosh CBE, JP, DL reappointed 1 April 2003  
Anne Maclean BA, DipAss, Home Office Letter of Registration in Child Care appointed 1 April 2001  
Neena Mahal MA, DCG reappointed 1 April 2004  
Professor Aubrey Manning OBE, DPhil, FRSE, FIBiol reappointed 1 April 2001  
Professor James Murray BSc, ARCST, CEng, FIMechE, FIEE, FIMgt reappointed 1 April 2001  
Ian Ritchie CBE, FEng, FRSE, FBCS appointed 1 October 2002  
Ian Smith FFA, FCIA reappointed 1 April 2003  
Lord Wilson of Tillyorn KT, GCMG, PhD, FRSE (Chairman since 1 April 2002)

The following served as members of the Audit Committee during the year: Grenville Johnston (Chairman), Sir Neil McIntosh, Ian Ritchie, and Lord Wilson (ex officio).

The Personnel and Remuneration Committee of the Board of Trustees considers senior staff remuneration issues. The following were members of the Committee during the year: Sir Neil McIntosh (Chairman), Professor James Murray and Christina Macaulay.

## 12. Appointment of auditors

The firm of PricewaterhouseCoopers has been appointed external auditor by Audit Scotland.

## 13. Disabled Employees

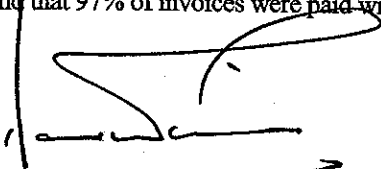
The NMS adopts a positive attitude towards the employment of disabled persons both in recruitment and in the provision of suitable working conditions. Every encouragement is given to disabled staff to develop their skills.

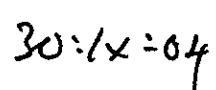
## 14. Employee Consultation

The Management of NMS communicates with staff representatives on the various Trade Unions both directly and through the mechanism of the Whitley Council and its sub-committees. Staff information is distributed by way of notices, circulars and meetings.

## 15. Prompt Payment Code

NMS's payment policy is to comply with Government accounting rules, which stipulate that payments to suppliers must be made within 30 days of receipt of invoice. A random sample of invoices taken during 2003/04 showed that, on average, NMS paid suppliers 15 days after receipt of invoice, and that 97% of invoices were paid within 30 days of receipt.

  
CHAIRMAN

  
DATE

## STATEMENT OF BOARD'S AND DIRECTOR'S RESPONSIBILITIES

Under schedule 1, section 9 of the National Heritage (Scotland) Act 1985, the Board of NMS is required to prepare in accordance with best commercial practice a statement of accounts for each financial year in the form and on the basis determined by Scottish Ministers. The accounts are prepared on an accruals basis and must show a true and fair view of the state of affairs of NMS and of NMS consolidated with NMS Enterprises Ltd. (the group) at the year end, and of the income and expenditure and cash flows of the group for the financial year.

In preparing the accounts the Board is required to:

- observe the accounts direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

- make estimates and judgements on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the group will continue in operation.

The Accountable Officer for the Scottish Executive Education Department has designated the Director of the National Museums of Scotland as Accountable Officer for NMS. His or her relevant responsibilities as Accountable Officer, including his or her responsibility for the propriety and regularity of the public finances for which he or she is answerable and for the keeping of proper records, are set out in the financial memorandum of the National Museums of Scotland, the letter of appointment to the Director and the Memorandum to Accountable Officers issued by the Principal Accountable Officer.

## STATEMENT ON INTERNAL CONTROL

As Accountable Officer of the National Museums of Scotland, I have responsibility for maintaining a sound system of internal control that supports the achievement of NMS's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. NMS works closely with the Scottish Executive Education Department (SEED) in developing overall financial strategies, and NMS informs SEED of issues relating to internal control, including reports of internal audit and of fraud, whether incurred or not.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of NMS's policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them effectively, efficiently and economically. The system of internal control has been in place in NMS for the year ended 31 March 2004 and up to the date of approval of the Statement of Accounts, and accords with Treasury guidance.

The Corporate Management Team reviews the risk register regularly, to consider its completeness, to assess the materiality of the risks, and to consider the likelihood that the events will arise. Where staff training needs are identified in relation to the risk process, these are taken forward in the NMS staff training plans. These are designed to meet the

identified needs of the staff, appropriate to their level of responsibility and duties.

Risks are identified also at departmental level, and are evaluated for materiality and probability. Control mechanisms are identified and reviewed for effectiveness, and "ownership of the risks is assigned to individual managers.

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers in NMS who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

During the year the following processes were in place in NMS:

- Regular reports by internal audit, to standards defined in the Government Internal Audit Manual,, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of NMS's system of internal control together with recommendations for improvement;
- Implementation of a robust prioritisation methodology based on risk ranking;
- Maintenance of an organisation-wide risk register;
- establishment of key performance indicators;
- as appropriate, formal project management disciplines.

DIRECTOR.....

**To the members of National Museums of Scotland, the Scottish Parliament and the Auditor General for Scotland**

We have audited the financial statements on pages 7 to 31 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 to 16.

This report is made solely to the bodies to whom it is addressed, and not to individual members, in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General and for no other purpose, as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies prepared by Audit Scotland, dated July 2001. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Respective responsibilities of the Board, the Director and Auditor**

As described on page 3, the Board and the Director are responsible for the preparation of the financial statements in accordance with schedule 1, section 9 of the National Heritage (Scotland) Act, the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers and for ensuring the regularity of financial transactions. The Board and the Director are also responsible for the preparation of the other contents of the Annual Report. Our responsibilities, as independent auditors, are established by the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, and guided by the auditing profession's ethical guidance.

We report our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder and whether, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. We also report if, in our opinion, the Foreword is not consistent with the financial statements, if the National Museums of Scotland has not kept proper accounting records, or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Report of the Board of Trustees and consider whether it is consistent with the financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

We review whether the statement on pages 3 and 4 complies with Scottish Executive guidance on statements on the system of internal control. We report if, in our opinion, it does not comply with the guidance, or if the statement is misleading or inconsistent with other information we are aware of from our audit. We are not required to consider whether the statement covers all risks and controls, or to form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

**Basis of audit opinions**

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We conducted our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and the Code of Audit Practice approved by the Auditor General for Scotland, which requires compliance with relevant United Kingdom Auditing Standards issued by the Auditing Practices Board.

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An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts shown in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board and Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Board's circumstances, consistently applied and adequately disclosed. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error, and that, in all material respects, the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### Opinions

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the National Museums of Scotland at 31 March 2004 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder;
- in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP  
Erskine House  
68-73 Queen Street  
Edinburgh

30 September 2004

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Income and Expenditure Account for the year ended 31 March 2004

	Notes	Continuing activities	
		2004	2003
Income		£000	£000
Grant-in-aid received	2	18,095	16,552
Other grants	3	36	137
Less grants transferred to capital reserve, donated assets, and purchase fund	3	(1,596)	(1,502)
Net grant		<u>16,535</u>	<u>15,187</u>
Net surplus from revenue-earning activities	4	8	26
Gross income from grant-aided activities	5	65	106
Release from capital reserve and capital donations	19,20	3,496	3,259
Other income	6	1,053	1,516
Bank interest		68	73
Income received by NMS subsidiaries	28	1,431	1,496
		<u>22,656</u>	<u>21,663</u>
<b>Expenditure</b>			
Staff costs	7	10,631	9,710
Other operating charges	8	8,023	8,207
Depreciation and permanent diminution in value	1c, 10, 12	3,992	3,736
		<u>22,646</u>	<u>21,653</u>
<b>Operating surplus</b>		10	10
Notional cost of capital	30	(4,389)	(6,787)
<b>Deficit for the year before taxation</b>	31	<u>(4,379)</u>	<u>(6,777)</u>
Taxation	1h	0	0
<b>Deficit for the year after taxation</b>		<u>(4,379)</u>	<u>(6,777)</u>
Reversal of notional cost of capital	30	4,389	6,787
Release from revaluation reserve	23	468	408
<b>Retained surplus for the year</b>		<u>478</u>	<u>418</u>
Transfer to Board Reserve	22	477	833
NMS Enterprises Ltd profit/(loss)		1	(415)
		<u>478</u>	<u>418</u>

The notes on pages 13 to 32 form part of these accounts.



**NATIONAL MUSEUMS OF SCOTLAND**

**Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 2004**

		<b>2004</b>	<b>2003</b>
	Notes	<b>£000</b>	<b>£000</b>
Deficit for the year		(4,379)	(6,777)
Reversal of notional cost of capital		4,389	6,787
Unrealised gain on revaluation of fixed assets	10,23	<u>1,752</u>	<u>26,140</u>
Total recognised gains and losses during the year		<u><u>1,762</u></u>	<u><u>26,150</u></u>

The notes on pages 13 to 32 form part of these accounts.

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Balance Sheet as at 31 March 2004

	Notes	2004 £000	2003 £000
<b>Fixed Assets</b>			
Tangible assets			
Collections	10	138,559	139,941
Intangible assets	11	1,638	1,055
Investments	12	131	99
	13	<u>1</u>	<u>1</u>
		<u>140,329</u>	<u>141,096</u>
<b>Current Assets</b>			
Stocks	14	304	272
Debtors	15	2,040	864
Cash at bank and in hand	16	<u>2,799</u>	<u>1,614</u>
		<u>5,143</u>	<u>2,750</u>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	17	<u>(2,276)</u>	<u>(641)</u>
<b>Net Current assets</b>		<u>2,867</u>	<u>2,109</u>
<b>Total Assets Less Current Liabilities</b>		143,196	143,205
Creditors: Amounts falling due after more than one year	17	0	(31)
Provisions for liabilities and charges	18	<u>(200)</u>	<u>0</u>
<b>Total Net Assets</b>		<u><u>142,996</u></u>	<u><u>143,174</u></u>
Financed by:			
<b>Capital and Reserves</b>			
<b>Unrestricted funds:</b>			
Capital reserve	19	56,465	57,680
Donated assets reserve	20	15,158	15,807
General Fund	21	446	446
Board Reserve Fund	22	2,686	2,209
NMS Enterprises Ltd	28	<u>(247)</u>	<u>(247)</u>
		<u>74,508</u>	<u>75,895</u>
<b>Restricted funds:</b>			
Revaluation reserve	23	68,378	67,094
Purchase Fund	24	<u>110</u>	<u>185</u>
		<u>68,488</u>	<u>67,279</u>
		<u><u>142,996</u></u>	<u><u>143,174</u></u>

  
Accountable Officer

  
Date

The notes on pages 13 to 32 form part of these accounts.

**NATIONAL MUSEUMS OF SCOTLAND**

**Consolidated Cash Flow Statement for the year ended 31 March 2004**

		2004	2003
	Notes	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	25	<u>1,084</u>	<u>57</u>
<b>Returns on Investments and servicing of finance</b>			
Interest received		<u>68</u>	<u>73</u>
<b>Taxation:</b>			
Corporation tax	1(h)	0	0
<b>Capital expenditure and financial investment:</b>			
Payments from purchase fund	24	(621)	(620)
Payments to acquire tangible and intangible fixed assets	10,12	(1,542)	(907)
Receipts from sale of tangible and intangible fixed assets		<u>600</u>	<u>0</u>
<b>Total capital expenditure and financial investment</b>		<u>(1,563)</u>	<u>(1,527)</u>
<b>Cash outflow before financing</b>		(411)	(1,397)
<b>Financing:</b>			
Government grants	19	1,050	854
Purchase fund	24	<u>546</u>	<u>647</u>
		<u>1,596</u>	<u>1,501</u>
<b>Increase in cash in the period</b>	26	<u>1,185</u>	<u>104</u>

The notes on pages 13 to 32 form part of these accounts.

**NATIONAL MUSEUMS OF SCOTLAND**

**Income and Expenditure Account for the year ended 31 March 2004**

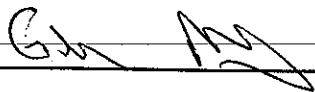
	Notes	Continuing activities	
		2004	2003
		£000	£000
<b>Income</b>			
Grant-in-aid received	2	18,095	16,552
Other grants	3	36	137
Less grants transferred to capital reserve, donated assets, and purchase fund	3	(1,596)	(1,502)
Net grant		<u>16,535</u>	<u>15,187</u>
Net surplus from revenue-earning activities	4	8	26
Gross income from grant-aided activities	5	65	106
Release from capital reserve and capital donations	19,20	3,496	3,259
Bank interest		54	69
Other income	6	<u>1,323</u>	<u>1,871</u>
		<u>21,481</u>	<u>20,518</u>
<b>Expenditure</b>			
Staff costs	7	10,187	9,259
Other operating charges	8	7,312	7,128
Depreciation and permanent diminution in value	1c, 10,12	<u>3,973</u>	<u>3,706</u>
		<u>21,472</u>	<u>20,093</u>
<b>Operating surplus</b>		9	425
Notional cost of capital	30	<u>(4,389)</u>	<u>(6,787)</u>
<b>Deficit after charging notional costs</b>	31	<u>(4,380)</u>	<u>(6,362)</u>
Reversal of notional cost of capital	30	4,389	6,787
Release from revaluation reserve	23	<u>468</u>	<u>408</u>
		<u>477</u>	<u>833</u>
Transfer to Board Reserve	22	<u>477</u>	<u>833</u>

The notes on pages 13 to 32 form part of these accounts.

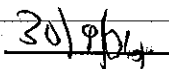
**NATIONAL MUSEUMS OF SCOTLAND**

**Balance Sheet as at 31 March 2004**

		2004	2003
		£000	£000
<b>Fixed Assets</b>			
Tangible assets	10	138,522	139,919
Collections	11	1,638	1,055
Intangible assets	12	131	99
Investment in subsidiary	13	500	63
		<u>140,791</u>	<u>141,136</u>
<b>Current Assets</b>			
Stocks	14	0	7
Debtors:			
- Receivable within 12 months	15	2,443	1,508
- Receivable after 12 months	15	0	88
Cash at bank and in hand	16	2,283	1,275
		<u>4,726</u>	<u>2,878</u>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	17	<u>(2,074)</u>	<u>(562)</u>
<b>Net Current assets</b>		<u>2,652</u>	<u>2,316</u>
<b>Total Assets Less Current Liabilities</b>		143,443	143,452
<b>Creditors: Amounts falling due after more than one year</b>	17	0	(31)
<b>Provisions for liabilities and charges</b>	18	<u>(200)</u>	<u>0</u>
<b>Total Net Assets</b>		<u>143,243</u>	<u>143,421</u>
Financed by:			
<b>Capital and Reserves</b>			
<b>Unrestricted funds:</b>			
Capital reserve	19	56,465	57,680
Donated assets reserve	20	15,158	15,807
General Fund	21	446	446
Board Reserve Fund	22	2,686	2,209
		<u>74,755</u>	<u>76,142</u>
<b>Restricted funds:</b>			
Revaluation reserve	23	68,378	67,094
Purchase Fund	24	110	185
		<u>68,488</u>	<u>67,279</u>
		<u>143,243</u>	<u>143,421</u>



Accountable Officer



Date

The notes on pages 13 to 32 form part of these accounts.

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**1. ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The accounts have been prepared under the historical cost convention modified by the revaluation of fixed assets and stocks and by the inclusion of notional costs and are in accordance with directions given by Scottish Ministers in accordance with the National Heritage (Scotland) Act 1985. The Accounts Direction is reproduced as an appendix to the accounts.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2000, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

**(b) Basis of Consolidation**

The accounts consolidate those of the National Museums of Scotland (NMS) and its subsidiary company, NMS Enterprises Ltd.

The National Museums of Scotland Charitable Trust ("The Charitable Trust") exists to assist NMS and other bodies or persons in the furtherance of museum-related activities. NMS cannot exercise control over the Charitable Trust, and the accounts of the Charitable Trust are not consolidated with those of NMS.

**(c) Tangible Fixed Assets and Depreciation**

Title to most of the NMS estate is held in the name of Scottish Ministers. Nevertheless, on the direction of Scottish Ministers, all land and buildings administered by the Board are valued every five years by a professional valuer and revalued annually using appropriate indices and included in the Balance Sheet. The method of valuation for specialised properties, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties are valued at open market value for existing use. Equipment is valued at current replacement cost less depreciation.

Depreciation is not provided on land or on buildings under construction, while depreciation is provided in equal annual instalments on the current cost of all other tangible fixed assets over their estimated useful lives, or the expected remaining useful lives of revalued assets. These are principally:

<b>Equipment</b>	<b>3 years to 7 years</b>
<b>Buildings</b>	<b>19 years to 62 years</b>
<b>Permanent galleries</b>	<b>15 years</b>

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Items costing less than £2000 are written off in the year of purchase.

**(d) Intangible Assets**

Intangible assets are valued at their purchase price less depreciation. Depreciation is calculated to write off the assets in equal annual instalments over their useful economic lives.

<b>Intangible assets</b>	<b>3 years</b>
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**1. ACCOUNTING POLICIES (continued)**

**(e) Government Grants**

Grant-in-aid is credited to income in the year in which it is received. Any portion relating to the acquisition of tangible fixed assets, intangible fixed assets or investments is credited to the capital reserve, which is written down over the expected useful lives of the assets acquired. The full amount of purchase grant is transferred to the purchase fund.

**(f) Stocks**

Stocks are stated at the lower of cost or net replacement cost (or historical cost if this is not materially different) and net realisable value.

**(g) Board Reserve Fund**

The net proceeds derived from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, may be taken to the Board Reserve Fund. These funds shall be used at the Board's discretion.

**(h) Taxation**

NMS has been granted charitable status by the Inland Revenue.

In respect of 2003/04 the subsidiary companies will pay £270k by Gift Aid to NMS, thereby eliminating any liability of the subsidiaries to Corporation Tax in that year.

**(i) Notional Costs**

In accordance with accounting requirements, the Income and Expenditure Accounts include notional costs to reflect the full costs of NMS's activities. The calculation of the notional cost of capital is explained in note 30.

**(j) Capital Receipts**

Donations, Lottery and other non-government receipts are credited to income in the year in which they are received. Any portion which is applied to capital expenditure is credited to the donated assets reserve and amortised over the expected useful lives of the assets acquired and released to the Income and Expenditure Account over the corresponding period.

**(k) Other Receipts**

Donations are recognised in the financial statements only when received.

**NATIONAL MUSEUMS OF SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**1. ACCOUNTING POLICIES (continued)**

**(l) Investments**

Investments in subsidiary companies represent the value at cost of assets transferred to the companies at the time of incorporation.

**(m) Foreign exchange gains and losses**

Amounts held in foreign currency are translated to the Sterling equivalent at the Balance Sheet date. Gains and losses on translation are taken to the Income and Expenditure Account.

**(n) Finance leases and operating leases**

NMS did not hold any finance lease during 2003/04. Various operating leases exist, principally for the rental of computer equipment over a three-year period. Such equipment is not included in the balance sheet.

**(o) Non-recoverable VAT**

Non-recoverable VAT is recorded as an expense as it is incurred and is attributed to the activity on which it was incurred.

**(p) Collections acquisitions**

Objects forming part of NMS's collections as at 1 April 2001 are not included in the balance sheet. Objects purchased since 1 April 2001 are included in the balance sheet at cost. Depreciation is not charged.

**(q) Receipts**

All income is credited to the income and expenditure account. Amounts applied to the acquisition of fixed assets are transferred from the income and expenditure account to an appropriate reserve, as described in note 1(e) and 1(j) above.

**(r) Pension contributions**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and largely non-contributory. NMS recognises the expected cost of providing pensions on a systematic and rational basis over the period during which NMS benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. Further information about the pension schemes is disclosed in note 7.

**(s) Grants to outside bodies**

NMS makes limited sums available to outside bodies whose objectives coincide with those of NMS, or if the work will result in additions to NMS's collections.

**(t) Funds structure**

Grant-in-aid received for collections purchases cannot be applied to any other purpose. The incoming resource is recorded as a restricted fund.

**(u) Statement of Financial activities**

Within the statement of financial activities the expenditure categories development and the work of NMS Enterprise have been separated from the other categories as they are



**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**1. ACCOUNTING POLICIES (continued)**

deemed to be activities for generating funds. The other categories of expenditure are deemed to be activities in the furtherance of the museums objectives.

Indirect costs between expenditure categories are allocated on the basis of staff numbers in each category

**2. GOVERNMENT GRANT-IN-AID**  
(See Notes 1(e), 18 & 23)

	Group and NMS	
	2004 £000	2003 £000
<b>Grant-in-aid received:</b>		
Running Costs	16,535	15,592
Major Capital	<u>1,050</u>	<u>450</u>
	17,585	16,042
Purchase Grant	<u>510</u>	<u>510</u>
Total received during year	<u>18,095</u>	<u>16,552</u>

**3. OTHER GRANTS**

	Group and NMS	
	2004 £000	2003 £000
<b>Other grants received:</b>		
Purchase fund receipts	<u>36</u>	<u>137</u>
<b>Total grants transferred:</b>		
Grant-in-aid transferred (see note 2):		
Capital reserve (note 18)	1,050	855
Purchase fund (note 23)	<u>510</u>	<u>510</u>
	<u>1,560</u>	<u>1,365</u>
Other grants transferred:		
Purchase fund	<u>36</u>	<u>137</u>
Total grants transferred to reserves	<u>1,596</u>	<u>1,502</u>

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**4. REVENUE-EARNING ACTIVITIES**

	Group and NMS	
	2004 £000	2003 £000
Sales	8	36
Cost of sales	-	<u>10</u>
Net surplus	<u>8</u>	<u>26</u>

Stocks at Shambellie and at the Museum of Flight were transferred to NMS Enterprises Ltd on 1 April 2004.

**5 GRANT-AIDED ACTIVITIES**

	Group and NMS	
	2004 £000	2003 £000
Rental of facilities etc	<u>65</u>	<u>106</u>

**6 OTHER INCOME**

	Group		NMS	
	2004 £000	2003 £000	2004 £000	2003 £000
Provision of services, by department	140	180	140	180
Membership scheme	49	56	49	56
Entrance Charges	238	371	238	371
Gift Aid from subsidiary companies	-	-	270	355
NMS Charitable Trust	20	85	20	85
Misc Sponsorship	263	356	263	356
Misc Grants	275	268	275	268
Other	<u>68</u>	<u>200</u>	<u>68</u>	<u>200</u>
	<u>1,053</u>	<u>1,516</u>	<u>1,323</u>	<u>1,871</u>

Entry to the Museums in Chambers Street is free, made possible by additional grant in aid for the purpose provided by the Scottish Executive Education Department. Entrance charges are retained at other museums.

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**7 EMPLOYEES**

Staff costs during the year:

	Group		NMS	
	2004	2003	2004	2003
	£000	£000	£000	£000
Salaries	8,725	8,138	8,318	7,750
Social Security Costs	591	521	570	489
Pension Costs	1,047	1,008	1,031	977
Restructuring costs	200	-	200	-
Early Retirement	<u>68</u>	<u>43</u>	<u>68</u>	<u>43</u>
Total	<u>10,631</u>	<u>9,710</u>	<u>10,187</u>	<u>9,259</u>

Pension benefits are provided to NMS staff through the Principal Civil Service Pension Scheme, which operates two defined benefit schemes, and a defined contribution scheme ("Partnership") under the Stakeholder pension framework. Staff of NMS Enterprises Ltd are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan, a defined contribution scheme.

The defined benefit schemes provide benefits on a 'final salary' basis at normal retirement age of 60. The newer scheme, "Premium" was introduced in 2002, while the older scheme, "Classic" remains open only to existing members as at 1 October 2002. Benefits in the Premium scheme accrue at the rate of 1/60<sup>th</sup> of pensionable salary for each year of service. Members pay contributions of 3.5% of pensionable earnings.

Benefits in the Classic scheme accrue at the rate of 1/80<sup>th</sup> of pensionable salary for each year of service. Members pay contributions of 1½ % of pensionable earnings. Under both schemes, a lump sum equivalent to 3 years' pension is payable on retirement.

Pensions in both schemes increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse (Classic) or partner (Premium) at the rate of half the member's pension. On death in service, the schemes pay a lump sum benefit of twice pensionable pay and also provide a service enhancement on computing the spouse's (partner's) pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health.

Pension contributions are paid to the Paymaster General at rates determined by the Government Actuary and advised by the Treasury. For 2003/04, these rates were 12% to 18.5% (2002/03: 12% to 18.5%).

The Partnership scheme is a defined contribution arrangement that conforms to the stakeholder framework. NMS contributes an amount between 3% and 12.5% of pensionable earnings, depending on age. In addition, NMS makes a contribution matching that of the employee, up to a limit of 3% of salary.

NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

7 EMPLOYEES (continued) The NMS Enterprises Group Personal Pension Plan is a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age.

Money purchase pension contributions were not paid in respect of staff earning more than £50,000. Retirement benefits accrued under the defined benefit schemes to 437 staff during 2003/04 (2002/03 435 staff), while benefits accrued under money purchase schemes to 6 staff during 2003/04 (2002/03 7 staff)

No remuneration was paid to members of the Board of Trustees during 2003/2004 (2002/03 - nil). During 2003/2004 NMS paid a total of £5,374 in reimbursement of travel expenses to 6 Trustees for attending meetings at the National Museums of Scotland, while in 2002/03 a total of £8,451 was reimbursed to 8 Trustees. No benefit in kind accrued to Trustees during the year.

Salary and pension entitlement of senior management during the year are noted below:  
No benefit in kind was receivable by any staff during the year.

		2004	2003	Accrued annual pension payable at age 60	Increase in accrued pension since
	Age	Salary £000	Salary £000	31 March 2004 £000	31 March 2003 (1) £000
Gordon Rintoul	49	85-95	80-90	3	2
Mary Bryden	54	55-65	50-60	19 (2) plus a lump sum 55-60	13 (2) plus a lump sum 35-40
Jane Carmichael (from 1 July 2003)	52	40-50 (55-65 full year equivalent)	-	1	-
Stephen Elson	55	55-65	50-60	14 (2) plus a lump sum 40-45	5 (2) plus a lump sum 25-30
Catherine Holden (from 8 March 2004)	39	0-10 (55-65 full year equivalent)	-	-	-
Andrew Patience (from 2 June 2003)	45	45-55 (55-65 full year equivalent)	-	1	-

(1) The increase in accrued pension is discounted for the effect of inflation.

(2) Lump sum is payable to PCS classic pension scheme members, being Mary Bryden and Stephen Elson.

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**7 EMPLOYEES (continued)**

Other employee costs: Emoluments (£000s)	Number of Employees	
	2004	2003
60-70	2	-
50-60	3	6

The average full-time equivalent number of employees was:

	Group		NMS	
	2004	2003	2004	2003
Directorate	12	10	12	10
Finance & Resources	21	19	21	19
Facilities Management and Projects	105	103	105	103
Collections	106	105	106	105
Public programmes (including Visitor Services)	152	148	152	148
Marketing & Development	13	12	13	12
NMS Enterprises Ltd	<u>18</u>	<u>17</u>	<u>-</u>	<u>-</u>
	<u>427</u>	<u>414</u>	<u>409</u>	<u>397</u>

**8. OTHER OPERATING CHARGES**

	Group		NMS	
	2004 £000	2003 £000	2004 £000	2003 £000
Board expenses	15	17	15	17
Expenses – staff	247	235	247	235
Administration expenses	617	622	545	552
Internal audit	19	11	19	11
Other external charges	2,926	3,040	2,290	2,268
Loss on disposal of TMT	-	233	-	-
Fuel and utilities	694	582	694	582
Rents and rates	234	279	234	279
Furniture and Furnishings	119	40	119	40
Repairs and renewals	2,972	3,040	2,972	3,040
Operating leases	107	87	107	87
Loss on disposal of Bristo Church	52	-	52	-
Audit Fee	<u>21</u>	<u>21</u>	<u>18</u>	<u>17</u>
	<u>8,023</u>	<u>8,207</u>	<u>7,312</u>	<u>7,128</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

9. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(see note 1(t))

	Unrestricted Funds 2004 £000	Restricted Funds 2004 £000	Total 2004 £000	
			2004 £000	2003 £000
<b>Incoming resources</b>				
<b>Donations, legacies and grants</b>				
Grant-in-Aid	17,585	510	18,095	16,552
Other grants	0	36	36	137
Donations			0	0
<b>Incoming resources from operating activities</b>				
Activities in the furtherance of the charity's objectives	2,971		2,971	1,648
Activities for generating funds	1,486		1,486	1,496
<b>Investment income</b>				
Interest income	68		68	73
<b>Total incoming resources</b>	<b>22,110</b>	<b>546</b>	<b>22,656</b>	<b>19,906</b>
<b>Resources expended</b>				
<b>Cost of generating funds</b>				
Development	341	-	341	422
Trading subsidiaries	1,445	-	1,445	1,915
<b>Charitable expenditure</b>				
Curatorial	3,684	-	3,684	4,385
Conservation & Documentation Services	1,441	-	1,441	1,592
Exhibitions	4,718	-	4,718	4,433
Security	1,741	-	1,741	1,292
Marketing	694	-	694	0
Management and administration	4,451	-	4,451	2,154
Estates and Buildings	6,033	-	6,033	5,302
Fieldwork and Acquisitions	-	621	621	620
<b>Total resources expended</b>	<b>24,548</b>	<b>621</b>	<b>25,169</b>	<b>22,115</b>
<b>Net outgoing resources before revaluation and collections capitalisation</b>	<b>(2,438)</b>	<b>(75)</b>	<b>(2,513)</b>	<b>(2,209)</b>
Revaluation of fixed assets	-	1,752	1,752	26,140
Capitalisation of collections purchases	583	-	583	586
Release from revaluation reserve	468	(468)	-	-
<b>Net movement in funds</b>	<b>(1,387)</b>	<b>1,209</b>	<b>(178)</b>	<b>24,517</b>
<b>Total funds brought forward</b>	<b>75,895</b>	<b>67,279</b>	<b>143,174</b>	<b>118,657</b>
<b>Total funds carried forward</b>	<b>74,508</b>	<b>68,488</b>	<b>142,996</b>	<b>143,174</b>
<b>Total fund balances comprise:</b>				
Fixed assets	71,951	68,378	140,329	141,096
Current assets	2,757	110	2,867	2,109
Creditors due after more than one year	0	-	0	(31)
Provisions for liabilities and charges	(200)	-	(200)	-
	<b>74,508</b>	<b>68,488</b>	<b>142,996</b>	<b>143,174</b>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

9. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (continued)

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department. Depreciation has been allocated to activities in proportion to the staff numbers involved. Administrative costs are defined as staff and operational costs of the Directorate and the Finance and Resources departments.

10. FIXED ASSETS

(See note 1(c))

Group

	Buildings	Leasehold Improvements	Permanent Galleries	Equipment	Totals
	£000	£000	£000	£000	£000
Cost or valuation					
1 April 2003	132,852	1,789	21,149	3,930	159,720
Additions	411		950	91	1,452
Disposals	(709)				(709)
Revaluations	2,873	42	(126)	(111)	2,678
31 March 2004	135,427	1,831	21,973	3,910	163,141

Depreciation

1 April 2003	9,850	107	6,437	3,385	19,779
Charge for year	2,176	37	1,468	218	3,899
Disposals	(28)				(28)
Revaluations	1,045	3	(38)	(77)	933
31 March 2004	13,043	147	7,867	3,526	24,583

Net Book Value

31 March 2004	122,384	1,684	14,106	384	138,558
1 April 2003	123,002	1,682	14,712	545	139,941

NMS

	Buildings	Leasehold Improvements	Permanent Galleries	Equipment	Totals
	£000	£000	£000	£000	£000
Cost or valuation					
1 April 2003	132,852	1,789	21,149	3,797	159,587
Additions	411		950	58	1,419
Disposals	(709)				(709)
Revaluations	2,873	42	(126)	(111)	2,678
31 March 2004	135,427	1,831	21,973	3,744	162,975

Depreciation

1 April 2003	9,850	107	6,437	3,274	19,668
Charge for year	2,176	37	1,468	199	3,880
Disposals	(28)	0	0	0	(28)
Revaluations	1,045	3	(38)	(77)	933
31 March 2004	13,043	147	7,867	3,396	24,453

Net Book Value

31 March 2004	122,384	1,684	14,106	348	138,522
1 April 2003	123,002	1,682	14,712	523	139,919

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**10. FIXED ASSETS (continued)**

To comply with the requirements of "Executive NDPBs Annual Reports and Accounts Guidance," Scottish Ministers directed NMS to include its fixed assets at their value to the business by reference to current costs for the year ended 31 March 2003. This replaced the previous requirement to include assets at historical cost. Accordingly, NMS instructed the Valuation Office, an executive agency of the Inland Revenue, to undertake a valuation of the estates and other assets in accordance with RICS Appraisal and Valuation manual. The more specialised buildings were valued at depreciated replacement cost while the remainder were valued at open market value. The Royal Museum, the Museum of Scotland, and the Museum of Costume, all having useful lives in excess of 50 years, were again valued at 31 March 2004. The remaining valuations obtained as at 31 March 2003 have been revised in 2004 using appropriate indices.

Equipment was valued at current replacement cost using appropriate indices. As NMS is generally unable to dispose of the properties and apply the proceeds for charitable purposes, the revaluation reserve in respect of the land and buildings is treated as a restricted fund under the charities SORP.

The charge for depreciation and diminution in value comprises:

	2004	2003
	£000	£000
NMS tangible assets depreciation	3,880	3,649
NMS intangible assets depreciation (note 12)	52	17
NMS Permanent diminution in value – tangible assets	34	40
NMS Permanent diminution in value – intangible assets	7	-
NMS Enterprises tangible assets depreciation	<u>19</u>	<u>30</u>
	<u>3,992</u>	<u>3,736</u>

**11. COLLECTIONS**  
(see note 1p)

NMS and its predecessor bodies have acquired objects for the collections over the previous two centuries. The collections cover geological, archaeological, scientific, engineering, artistic, historic and cultural subjects. Treasury guidance requires NMS to capitalise the cost of artefacts acquired since 1 April 2001. Artefacts acquired in the centuries prior to 1 April 2001 are excluded because reliable cost information is not available. NMS considers that valuation of the 3 million objects in the collections would be impracticable.

	Group and NMS	
	2004	2003
	£000	£000
1 April	1,055	469
Additions	<u>583</u>	<u>586</u>
31 March	<u>1,638</u>	<u>1,055</u>



**NATIONAL MUSEUMS OF SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**12. INTANGIBLE ASSETS**

	Group and NMS	
	2004	2003
	£000	£000
1 April	120	21
Software acquired during year	91	100
Revaluation	(15)	(1)
31 March	<u>196</u>	<u>120</u>
Amortisation:		
1 April	21	5
Charge for the year	52	17
Revaluation	(8)	(1)
31 March	<u>65</u>	<u>21</u>
Net Book Value:		
31 March	<u>131</u>	<u>99</u>

**13. INVESTMENTS**

	Group		NMS	
	2004	2003	2004	2003
	£000	£000	£000	£000
Opening balance 1 April	1	1	63	63
Repayment of initial capital investment	-	-	(63)	-
Issue of additional share capital	-	-	500	-
Closing balance 31 March	<u>1</u>	<u>1</u>	<u>500</u>	<u>63</u>

NMS Enterprises, a wholly-owned subsidiary of NMS, holds 600 ordinary shares of £1 each in the Scottish Book Source.

In March 2004, NMS increased its investment in NMS Enterprises to £0.5 million by the purchase of 499,998 shares of £1 each. At the same time the initial capital investment of stock worth £63,000 was repaid to NMS.

**14. STOCKS**  
 (see Note 1(f))

	Group		NMS	
	2004	2003	2004	2003
	£000	£000	£000	£000
Stocks held for resale	<u>304</u>	<u>272</u>	<u>-</u>	<u>7</u>

The current cost value of stocks is not materially different from historical cost and, accordingly, no adjustment has been made to reflect current cost.

NATIONAL MUSEUMS OF SCOTLAND  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

15. DEBTORS

	Group		NMS	
	2004 £000	2003 £000	2004 £000	2003 £000
Receivable within 1 year:				
Prepayments and sundry debtors	147	121	147	121
Pay bureau deposit	850	-	850	-
Season Ticket Advances	14	18	14	18
Trade debtors	665	433	182	188
Less: provision for amounts not recoverable	(13)	(40)	(13)	(40)
Subsidiary company	-	-	636	889
Loan to NMS Enterprises	-	-	250	-
VAT recoverable	<u>377</u>	<u>332</u>	<u>377</u>	<u>332</u>
	<u>2,040</u>	<u>864</u>	<u>2,443</u>	<u>1,508</u>
Receivable after more than 1 year:				
Loan to NMS Enterprises Ltd	-	-	-	88

NMS Enterprises Limited operates the trading activities of NMS. In order to fund working capital, NMS has advanced £0.25 million to NMS Enterprises Ltd. The loan is repayable on demand (2003 -12 months notice). Interest is chargeable on the loan at base rate.

16. CASH AT BANK AND IN HAND

	Group		NMS	
	2004 £000	2003 £000	2004 £000	2003 £000
Cash and commercial accounts	2,793	1,606	2,277	1,267
Paymaster General account	<u>6</u>	<u>8</u>	<u>6</u>	<u>8</u>
	<u>2,799</u>	<u>1,614</u>	<u>2,283</u>	<u>1,275</u>

17. CREDITORS

	Group		NMS	
	2004 £000	2003 £000	2004 £000	2003 £000
Amounts falling due within one year:				
Trade creditors	973	48	846	-
Other creditors	49	86	25	69
Accruals	1,225	494	1,174	480
Deferred income	<u>29</u>	<u>13</u>	<u>29</u>	<u>13</u>
	<u>2,276</u>	<u>641</u>	<u>2,074</u>	<u>562</u>
Amounts falling due after more than one year:				
-Early retirement deferred costs	-	31	-	31

**NATIONAL MUSEUMS OF SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**18. PROVISION FOR LIABILITIES AND CHARGES**

	Group and NMS	
	2004	2003
	£000	£000
Restructuring costs	<u>200</u>	—
	<u>200</u>	—

**19. CAPITAL RESERVE**  
(See Notes 1(e) and 2)

	Group and NMS			
	2004	2004	2004	2003
	£000	£000	£000	£000
	Utilised	Unutilised	Total	Total
Opening Balance 1 April	57,680	-	57,680	58,857
Grant-in-aid transferred	1,050	-	1,050	854
Asset disposal	(201)	201	-	-
Released in year	<u>(2,265)</u>	—	<u>(2,265)</u>	<u>(2,031)</u>
Closing Balance 31 March	<u>56,264</u>	<u>201</u>	<u>56,465</u>	<u>57,680</u>

Assets having a historic net book value of £0.652 million were sold during the year and replaced with assets costing £0.451 million. The balance of the net book value of the assets sold, £0.201 million, is available for future fixed asset acquisitions.

**20. DONATED ASSET RESERVE**  
(see Notes 1(j))

	Group and NMS	
	2004	2003
	£000	£000
Opening Balance 1 April	15,807	16,449
Capitalisation of collection purchases	582	586
Released in year	<u>(1,231)</u>	<u>(1,228)</u>
Closing Balance 31 March	<u>15,158</u>	<u>15,807</u>

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 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

21. GENERAL FUND

	Group and NMS	
	2004 £000	2003 £000
Balance at 1 April 2003 and 31 March 2004	<u>446</u>	<u>446</u>

22. BOARD RESERVE FUND

	Group and NMS			
	2004 £000	2004 £000	2004 £000	2003 £000
	Revenue	Capital	Total	Total
Balance at 1 April	1,603	606	2,209	1,376
Transfer from Income and Expenditure Account	<u>477</u>	<u>-</u>	<u>477</u>	<u>833</u>
Balance at 31 March	<u>2,080</u>	<u>606</u>	<u>2,686</u>	<u>2,209</u>

NMS is permitted to credit to the Board Reserve Fund sums earned through its own revenue-raising activities. The capital element has been applied to the acquisition of fixed assets.

23. REVALUATION RESERVE

	Group and NMS	
	2004 £000	2003 £000
Balance at 1 April	67,094	41,362
Revaluation of buildings, leasehold improvements and permanent galleries, net of backlog depreciation	1,752	26,140
Release to Income & Expenditure Account	<u>(468)</u>	<u>(408)</u>
Balance at 31 March	<u>68,378</u>	<u>67,094</u>

The revaluation reserve was created following the revaluation of the land and buildings occupied by NMS. As NMS is generally unable to dispose of the properties and apply the proceeds for charitable purposes, the revaluation reserve is treated as a restricted fund under the Charities Statement of Recommended Practice.

**NATIONAL MUSEUMS OF SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004**

**24. PURCHASE FUND**

(see notes 2 and 3)

	Group and NMS	
	2004	2003
	£000	£000
<b>Income</b>		
Balance at 1 April	185	158
Scottish Executive Education Dept	510	510
Other contributions	<u>36</u>	<u>137</u>
	<u>731</u>	<u>805</u>
<b>Expenditure</b>		
Purchases	582	586
Fieldwork etc	<u>39</u>	<u>34</u>
	<u>621</u>	<u>620</u>
Balance at 31 March	<u>110</u>	<u>185</u>

**25. RECONCILIATION OF OPERATING DEFICIT TO NET CASH  
OUTFLOW FROM OPERATING ACTIVITIES**

	Group	
	2004	2003
	£000	£000
Operating surplus	10	10
Interest received	(68)	(73)
Depreciation, permanent diminution in value and loss on disposal	4,042	3,791
Transfer from Donated Asset reserve and Capital reserve	(3,496)	(3,259)
Surrender of group tax relief	-	159
(Increase)/decrease in stocks	(32)	46
(Increase) in debtors	(1,176)	(187)
Increase/(decrease) in creditors	1,604	(430)
Increase in provisions for liabilities and charges	<u>200</u>	<u>0</u>
Net cash inflow from operating activities	<u>1,084</u>	<u>57</u>

NATIONAL MUSEUMS OF SCOTLAND  
 NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2004

26. RECONCILIATION OF OPERATING DEFICIT TO NET CASH  
 OUTFLOW FROM OPERATING ACTIVITIES (continued)

Analysis of changes in net funds in the year

NMS has no current asset investment and no net borrowing or finance lease obligation, and accordingly the Group net funds as defined in Financial Reporting Standard 1 (revised) are equal to its cash balance. The movement in the cash balance during the year was as follows:

	Group	
	2004	2003
	£000	£000
Opening cash balance	1,614	1,510
Change in year	<u>1,185</u>	<u>104</u>
Closing cash balance	<u>2,799</u>	<u>1,614</u>

27. CAPITAL COMMITMENTS

	Group and NMS	
	2004	2003
	£000	£000
Contracted but not provided for in the accounts	<u>381</u>	<u>88</u>

28. SUBSIDIARY COMPANY

NMS Enterprises Ltd, a company registered in Scotland, is a wholly-owned subsidiary of NMS set up to promote and develop NMS's commercial activities. The results for the year to 31 March are summarised in the following table; the comparative figures for 2003 include The Multimedia Team Ltd until its disposal on 31 January 2003. Income received by NMS Enterprises Ltd amounted to £1.43 million (2002/03 £1.50 million).

	2004	2003
	£000	£000
Trading profits from continuing operations	256	341
Gift aid to NMS	<u>(270)</u>	<u>(355)</u>
Profit/(loss) after gift aid	(14)	(14)
Loss by TMT	-	(172)
Loss on disposal of TMT	-	(233)
Interest income	<u>14</u>	<u>4</u>
Profit/(loss) reported in consolidated income and expenditure account	<u>1</u>	<u>(415)</u>
Reserves at 1 April	(247)	168
Transferred from income and expenditure account	-	<u>(415)</u>
Reserves at 31 March	<u>(247)</u>	<u>(247)</u>

**29. RELATED PARTY TRANSACTIONS**

The National Museums of Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Executive Education Department (SEED) which is regarded as a related party. During the year NMS has had various material transactions with SEED. None of the Trustees, members of key management staff or other related parties has entered into any material transaction with NMS during the year.

The National Museums of Scotland Charitable Trust ("NMSCT") exists, inter alia, to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific, and social. During the year the following trustees of NMS were also trustees of NMSCT: Professor James Murray and James Fiddes. NMS received £85k in grants and donations from NMSCT during the year (2003 £85k).

The following trustees were also members of the NMS Enterprises Board: Lord Wilson and Grenville Johnston.

**30. COST OF CAPITAL**

Notional interest is based on the following balances in respect of grant-aided activities at a rate of 3.5% (2002/03- 6%) applied to the average balance during the year.

	2004 £000	2003 £000
General fund	446	446
Capital reserve	56,465	57,680
Purchase fund	110	185
Revaluation reserve	<u>68,378</u>	<u>67,094</u>
	<u>125,399</u>	<u>125,405</u>
Average balance during the year	<u>125,402</u>	<u>113,113</u>
Notional interest at 3.5% (2003- 6%)	<u>4,389</u>	<u>6,787</u>

Guidance on appropriate rates is contained in the publication "Executive non-departmental public bodies: annual reports and accounts guidance". The rate of 3.5% is suggested as being appropriate to NDPBs which are not engaged in activities which compete directly with the private sector.

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**31. LOSS AFTER NOTIONAL COSTS**

In accordance with requirements, the loss for the year is stated after charging the notional cost capital (see note 30). As there is no matching funding of this notional cost, the loss for the year after notional costs is not indicative of the financial result for the year.

The result for the year is as follows:

	Group		NMS	
	2004	2003	2004	2003
	£000	£000	£000	£000
Surplus before notional costs	10	10	9	425
Notional cost of capital (note 30)	<u>(4,389)</u>	<u>(6,787)</u>	<u>(4,389)</u>	<u>(6,787)</u>
Deficit after notional costs	<u>(4,379)</u>	<u>(6,777)</u>	<u>(4,380)</u>	<u>(6,326)</u>

**32. LEASES**

NMS operates computer equipment under rental agreements. Future rental commitments at 31 March were as follows:

	Group and NMS	
	2004	2003
	£000	£000
Payable within one year	<u>80</u>	<u>168</u>
Payable after one year	<u>57</u>	<u>262</u>

**33. CONTINGENT LIABILITIES**

A member of staff is seeking compensation for injuries sustained in a fall whilst on duty. NMS does not consider itself liable, and is contesting the claim.



**NATIONAL MUSEUMS OF SCOTLAND**  
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**34. NATIONAL FUND FOR AQUISITIONS**

NMS administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds held by NMS for the NFA are not available for NMS's purposes and are not included in the Balance Sheet. Separate accounting arrangements are made for the fund.

	2004	2003
	£000	£000
Balance at 1 April	194	241
Grant received	200	200
Disbursements	<u>(302)</u>	<u>(247)</u>
Balance at 31 March	<u>92</u>	<u>194</u>

