

NATIONAL MUSEUMS SCOTLAND
ANNUAL REPORT AND ACCOUNTS
CHARITY NUMBER : SC 011130

FOR THE YEAR ENDED 31 MARCH 2009

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ANNUAL REPORT OF THE BOARD OF TRUSTEES

REPORT OF THE BOARD OF TRUSTEES

1. The Organisation

National Museums Scotland operates five museums: the National Museum of Scotland on Chambers Street in Edinburgh, the National War Museum in Edinburgh Castle, the National Museum of Flight in East Lothian, the National Museum of Rural Life near East Kilbride, and the National Museum of Costume near Dumfries. We are currently further developing the National Museums Collection Centre in Granton, north Edinburgh, as the main location for our stored collections and conservation facilities.

Our principal place of business is Chambers Street, Edinburgh EH1 1JF.

National Museums Scotland has been granted charitable status: the charity number is SC 011130.

The organisation was created on 1 October 1985 by the amalgamation of the National Museum of Antiquities of Scotland and the Royal Scottish Museum. Our activities are now defined primarily by the terms of the National Heritage (Scotland) Act 1985. In October 2006 the organisation adopted a new operational name, National Museums Scotland, and changed the names of some of its museums. This was part of a wider programme of strategic change and improved communications, and these names are used throughout this report. Our statutory name, 'The Board of Trustees of the National Museums of Scotland', is retained for use on legal and contractual documents.

2. The Board of Trustees

Our Trustees are appointed by Scottish Ministers for a single four-year term, with the possibility of reappointment for a second term. An induction programme is given to all Trustees, with ongoing support and formal training as required. All Board members are appraised by the Chairman, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland. The following were members of the Board during the period covered by this Annual Report and Accounts:

- Sir Angus Grossart CBE, LLD, DLitt, Advocate, FRSE, DL, MA, LLB, CA, DBA, FCIBS (Chairman) - appointed 1 February 2006
- James Fiddes OBE, DUniv, MA, FRICS - second term extended by 18 months from 1 April 2009
- Lesley Hart MBE, MA, MSc - reappointed 1 October 2007
- Michael Kirwan FCA - reappointed 1 January 2009
- Professor Michael Lynch PhD, FSA(Scot) - reappointed 1 October 2006
- Sir Neil McIntosh CBE, JP, DL – extended second term completed 30 September 2008
- Professor Malcolm McLeod, CBE, MA, BLitt(Oxon), FRSE - reappointed 1 April 2009
- Neena Mahal MA, DCG - second term extended by 18 months from 1 April 2008
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA - reappointed 1 April 2009
- Ian Ritchie CBE, FEng, FRSE, FBCS - reappointed 1 October 2006
- Sir John Ward CBE, CA, FRSE, FRSA, FIET - reappointed 1 January 2009
- Iain Watt BSc, FCIBS – appointed 1 February 2007

The following served as members of the Audit Committee during the year: Sir John Ward (Chairman), Sir Neil McIntosh, Michael Kirwan, Ian Ritchie and Sir Angus Grossart (ex officio).

The National Museums maintain a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the register within 28 days of a change to their registerable interests. The Register is available on our website www.nms.ac.uk and for inspection at the National Museum of Scotland on application to the Head of Corporate Policy and Performance.

Trustees are responsible for determining vision and strategy for the organisation and for monitoring progress to achieve these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over) and acceptance of gifts or donations of £1 million and over. The management team is responsible for the implementation of strategy and policy, and for operational management and decisions.

3. Related Organisations

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited, which operates commercial services (hospitality, retail, publishing and image management) at our sites. Profits are covenanted to National Museums Scotland through Gift Aid.

The NMS Charitable Trust is an independent body whose purpose is to aid any objects deemed legally charitable, giving preference to those which are directly or indirectly of benefit or assistance to National Museums Scotland. The Trust manages income received from donations, grants and bequests. Most of these funds are restricted and may only be applied for the purposes for which they were established. There is also a General Fund from which the Trustees may make discretionary grants.

National Museums Scotland works closely with the Scottish Government as its principal funder, and collaborates on efficient government initiatives with the other two National Collections Institutions: the National Galleries of Scotland and National Library of Scotland.

We work in partnership with a number of private and public sector organisations to support the delivery of our objectives. Formal partnerships include the National Trust for Scotland for the operation of the National Museum of Rural Life, and the National Piping Centre in Glasgow which the organisation has supported with major collection loans and curatorial advice. We have developed formal partnerships with three regional museum services across Scotland to give strategic focus to our support for the sector: East Ayrshire Museum Service, Western Isles Museum Service, and Shetland Amenities Trust. These partnerships focus on sharing knowledge, skills development and loans from our collections. We have also developed an extremely popular programme of knowledge exchange workshops for the sector.

The organisation's banker is The Royal Bank of Scotland, 6-8 George Street, Edinburgh EH2 2SA. The external auditor is Audit Scotland, Osborne House, 1/5 Osborne Terrace, Edinburgh EH12 5HG. Legal advice is provided primarily by Dundas & Wilson, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

4. The Principal Functions of National Museums Scotland

The principal functions of the organisation are as set out in Section 2(1) of the 1985 Act, to:

- a) care for, preserve and add to the objects in our 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.

National Museums Scotland has defined its vision to be 'a world class museums service that informs, educates and inspires'. The mission of National Museums Scotland is to 'preserve, interpret and make accessible for all, the past and present of Scotland, of other nations and cultures, and of the natural world'.

We achieve our goals through a structured system of planning and performance management. This is based on the identification of strategic aims within the vision and mission, which cascade into SMART objectives at directorate, departmental and personal level and a set of KPI measures. National Museums Scotland publishes a Strategic Plan, currently covering 2006-2012, which is distributed to all staff and key stakeholders and appears on our website. In addition, an annual Operating Plan defines the key objectives and actions for the current financial year. Performance is reported in quarterly updates to the Operational Plan, in this Annual Report & Accounts, and the Annual Review. There is also a Personal Performance Development and Review system for all staff.

Our commercial interests are promoted by NMS Enterprises Ltd, the aims of which are to:

- exploit commercial facility hire and catering activities on behalf of National Museums Scotland
- operate the shops in our museums
- publish books
- exploit commercially our intellectual property

The National Museums Scotland Board controls NMS Enterprises Ltd.

5. Organisational Structure and Staff

The Corporate Management Team (CMT) is the senior executive decision-making body, reporting through the Director to the Board of Trustees. The CMT comprises:

Dr Gordon Rintoul, Director
Fiona Bell, Director of Estates and Facilities Management
Jane Carmichael, Director of Collections
Catherine Holden, Director of Marketing and Development
Sally Manuireva, Director of Public Programmes
Andrew Patience, Director of Finance and Resources
Peter Williamson, Director of Visitor Operations – contracted from NMSE on a part time basis

Julie Brown, Head of Corporate Policy and Performance, acts as the Secretary to the CMT. Peter Williamson, who is also Managing Director of NMSE, represents the interest of NMSE to the CMT.

National Museums Scotland has an equal opportunities policy which states that it is unlawful to discriminate, directly or indirectly, in recruitment or employment on grounds of sex, disability, age, gender reassignment, pregnancy, colour, race, nationality, ethnic or national origins, sexual orientation or religion or belief, or because someone is married or is a civil partner. We welcome formal applications from all sectors of the community.

National Museums Scotland has introduced a Sustainable Development Strategy as a commitment to improve a wide range of environmental impacts. The main objectives are:

- To set best practice standards, meet or exceed requirements of environmental legislation and commit to a process of continual environmental improvement.
- To develop and implement best practice utilities management, to control cost and consumption of natural resources.
- To minimise the production of waste and ensure that the maximum amount is either reused or recycled.

Details of environmental management in year one under this strategy are included in the performance indicators at item 6 below. Other environmental, social and community objectives will also be included in the strategy which will be further developed over the course of the next year.

Details of pension schemes available to National Museum Scotland staff are disclosed in the Remuneration Report and the accounting policy note 1(q).

Corporate information is shared with staff through the publication of plans and minutes; circulation of the Annual Review; our quarterly magazine *Explorer* a monthly staff newsletter; quarterly presentations across our sites; departmental meetings and monthly team briefings; formal staff notices; and our intranet. This is supported by a network of Internal Communications Champions across the organisation. The management team regularly meet staff representatives from the three Trade Unions, under a new Partnership Agreement agreed in 2005.

During the year the number of working days lost per employee was 9.7 days (2007/8 10.8 days). There were no Personal Data related incidents during the year.

The organisation has strong relationships with volunteers who support the organisation in a variety of ways, including leading guided tours and assisting with curatorial and conservation activity. We benefited from the support of over 300 volunteers during the year.

6. Key Achievements in 2008/09

We have made progress towards all of our strategic aims during the year, with the main developments and achievements being noted below. Further details are provided in Section 3 of the Strategic Plan 2006-2012, available on our website: www.nms.ac.uk/about_us/about_us/corporate_information/strategic_plan.aspx

Our key performance indicators are provided in Section 7 of the Strategic Plan. These performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis.

	2009 Results	2009 Target
Performance Indicators		
Visits to National Museums Scotland	1.15 m	1.08 m
Web pages viewed	3.10 m	3.20 m
Learning participation	178k	123k
Overall satisfaction rating of visit out of 10	8.3	7.0
% Collections storage meeting appropriate standards	60%	70%
Loans for display (new and long term loans)	1,348	1,200
Academic Publications	118	60
Number of strategic partnerships in place	5	4
Environmental management - utilities (KWH) million	19.1	22.7
- recycled waste (kg) thousands	65.0	66.7
- non-recycled waste (kg) thousands	579	550

Our major priority is the Royal Museum Project – the £46.4m transformation of our landmark Victorian building. This ambitious project has been supported by a grant of £17.8 million from the Heritage Lottery Fund and £16million from the Scottish Government. The £12.6m balance of funding will come from private and public sources, together with a contribution from our Board Reserves. At 31 March 2009 we have secured commitments totalling £8.5 million, of which £5.2m has been received, meaning we are over 90% of the way towards meeting our full costs. Having created two new buildings at our Collection Centre in support of the project and undertaken significant "enabling works" to the east and west wings of the buildings in Chambers Street, positive progress continued in 2008/09. Plans for 16 new exhibitions are well advanced, and in late April 2008 we closed part of the complex to enable the commencement of the main building works while a full public programme is maintained in the rest of the site.

We attracted a total of 1.15 million visits to our museums, 12% higher than our forecast, plus 3.1 million web page visits.

Many visitors came to see our successful special exhibitions programme, which again brought new topics to our museums. At the National Museum of Scotland our major exhibitions included: *Scotland: A Changing Nation*, which traces the varied experiences of people living and working in Scotland from the First World War to the present day; *Treasured: Wonderful Things, Amazing Stories*, which presents a fascinating mix of collections related to the new galleries being created for the Royal Museum Project and *Jean Muir: A Fashion Icon*, which showcased the designer's unique collection donated to the National Museums Scotland. Having attracted over 41,000 visitors, *Jean Muir* has now moved to the National Museum of Costume to succeed their 2008 exhibition *Hip Knits*. At the National Museum of Rural Life we hosted the internationally-renowned annual *Wildlife Photographer of the Year* exhibition; its popularity has assured its return in 2009. At the National War Museum, *Call to Arms* told the story of four archetypal Scottish warriors, from 14th Century 'Galloglass' mercenaries to today's modern Scottish soldier. This was followed in February by *Helmand; Faces of Conflict*, featuring the photography of Robert Wilson, war artist with Edinburgh's 52 Infantry Brigade.

A total of 177,648 people participated in learning programmes. We developed a new series of digital learning resources giving greater access to the National Collections across Scotland.

Our work across Scotland covers a wide range of activity, including formal partnerships, touring exhibitions, informal collaborations, knowledge exchange, and the provision of advice and support. We made a total of 1,348 loans for display. Our research collaborations extend to most of the countries of Western Europe with a particular emphasis on France and the Netherlands, in addition to Russia, Japan, North America, Zambia, Kenya, Costa Rica and Panama. We are continuing to work with GRASAC (the Great Lakes Research Alliance for the Study of Aboriginal Cultures) in North America and with the National Museum of Japanese History as one of six partners in a project exchanging knowledge around collections. We also shared our expertise with the National Museums of Kenya advising on the development of their new exhibitions.

It has been a notable year for significant acquisitions. For example, we successfully secured a major work from the Arts and Crafts movement, an overmantle entitled *The Garden of the Hesperides* by Alexander Fisher. We also saved a painting from export with the purchase of Thomas Seton's portrait of Alexander Dalrymple, the first hydrographer to the Navy and inventor of the Admiralty chart.

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). The allocation for financial year 2008/9 was £200k. During the year, 94 payments totalling £202k were made to 38 separate organisations. The total purchase value of the objects to which the Fund contributed was just under £744k.

7. Research Activities

During the year ended 31 March 2009, 118 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures through exhibitions and public events.

Our Research Programme is based on four themes: collectors and collecting; understanding the natural world; material culture creation and use; and identities and cultural contacts.

8. Future Plans

We play a key role as a national centre of excellence, providing access to our own collections nationally and internationally and supporting the museum community across Scotland. Over the next few years we will continue to provide enhanced public benefit, and promote excellence and innovation through an increased programme of collaboration.

As noted above our major priority remains the Royal Museum Project. The Project will restore a beautiful heritage building and transform our exhibitions and public facilities. Together with the Museum of Scotland building, this will create an integrated and truly world class National Museum of Scotland. Creating 16 new exhibitions and a much larger gallery for international touring exhibitions, the Project will bring thousands of objects into public view which have not been seen for generations. There will be much improved facilities for schools and adult learners, and moving around the building will be much easier with a welcoming arrival hall at street level, escalators and panoramic glass lifts. The project continues to receive tremendous support from the Scottish Government, the Heritage Lottery Fund and a wide range of generous private supporters, as well as Trustees, staff, members of the public, and the heritage community. Raising the final £3.5m of our target is challenging, given the current very testing economic climate and strong competition from other cultural and charitable campaigns. However progress has been good to date and the Project remains on track for completion in 2011.

While half of the National Museum of Scotland is closed to the public, the rest of the building remains very much "open for business." We will continue to stage a changing programme of exhibitions, learning activities and events across all our sites.

We will continue to develop the care of our collections by improving storage and environmental conditions, and providing new facilities for conservation. The National Museums Collection Centre is now our main location for object storage and care with some of the best conservation facilities in the UK. The remaining significant challenge is to maintain, upgrade and replace other facilities to provide appropriate standards for long term preservation and access. We will continue to explore opportunities for shared developments on or around our main storage site with the other National Collections Institutions.

With regard to other capital developments in 2008/9, we completed the first phase of our development plan for the National Museum of Flight, re-launching the site with two new exhibitions in April 2009.

As the steward of many of Scotland's nationally important collections and as an international centre of excellence, we have to provide access to our own collections and support the work of museums across Scotland. Our national partnership strategy will ensure that we contribute to Scottish Government and UK-wide initiative for culture and tourism, including Homecoming Scotland in 2009. We are part of a group which is developing the UK-wide Cultural Olympiad to accompany the London Olympics in 2012. We are also supporting The City of Glasgow's Commonwealth Games in 2014 through our Scottish Sports Hall of Fame.

National Museums Scotland has an international reputation based on its collections, expertise, services and activities. We aim to further enhance our reach and have developed an International Strategy which sets out the scope of our activities, now and in the future, considers how we can close any gaps, and looks at how best to engage international audiences.

We received less funding than we sought for the next two years from the Scottish Government in the 2007 Spending Review. We will continue to scrutinise our own operations for efficiency and effectiveness, and take forward joint working with our fellow National Collections, building on the significant collaboration which already exists.

In March 2009 we secured capital funding of £2.1m over the next two years from the Scottish Government to vacate storage areas in the former National Museum of Antiquities in Edinburgh. This is to enable the National Galleries of Scotland to proceed with their re-development of the Scottish National Portrait Gallery.

An existing building at the National Museums Collection Centre will be extended to accommodate the material.

Maintenance of high quality premises is a critical dependency for our continued success – to enable staff to work effectively, visitors to enjoy our museums in comfort and safety, and to safeguard priceless national collections for future generations. We currently face a significant backlog maintenance bill, resulting from many years of under-investment in the estate due to funding restrictions. We have developed a new Estate Strategy, based on an independent and comprehensive condition survey at all sites. The survey identified a required investment of £16.3 million over the next ten years to bring the existing building stock up to an acceptable condition. External consultants have recommended that £4.7 million be invested in Year 1 (2009/10), to address priority maintenance. However, as a result of the Spending Review 2007, funding restrictions, and the removal of our £1.2 million annual capital block grant from the then Scottish Executive a few years ago, we can only fund £0.5 million of major estate projects per annum. We will be unable to meet the recommendations of our expert advisors without significant funding of around £1.2m per annum. This matter will be discussed with the Scottish Government in due course. It represents a significant risk issue for the organisation and for Scotland's priceless National Collections, and potential future risk for health and safety.

The non-cash elements of grant-in-aid being cost of capital and depreciation will also need further discussion with the Scottish Government to ensure we are operating, allowing for anticipated changes, within budgetary restrictions whether on an individual or portfolio (with other related culture bodies) basis.

9. Scottish Government Priorities

The Scottish Government document *Principles and Priorities: the Government's Programme for Scotland* sets out legislative and policy priorities with the overall purpose 'to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'.

To achieve this, the Scottish Government have five overarching strategic objectives which aim to make Scotland: wealthier and fairer; healthier; safer and stronger; smarter; and greener. National Museums Scotland already contributes to the achievement of these five objectives in a range of ways.

In November 2007, the Scottish Government launched its new *National Performance Framework* in the Spending Review 2008-2011. The Framework reflected the Government's aim for the public sector in Scotland to move to an outcomes-based approach to performance.

In 2008/09, public bodies, including National Museums Scotland, commenced work on linking their contribution to the Government's overall purpose in the following ways:

- The alignment between their corporate objectives and the relevant National Outcomes in the National Performance Framework;
- Collaborative working with other public bodies; and
- Links with Local Authority Single Outcome Agreements.

Although there are no specific National Outcomes or associated National Indicators in the Framework that directly relate to culture, what we do at National Museums Scotland makes a contribution towards all 15 National Outcomes to a greater or lesser extent. However, our work and the services we provide link most closely to the following five Outcomes:

- *National Outcome 1:* we live in a Scotland that is the most attractive place for doing business in Europe.
- *National Outcome 4:* our young people are successful learners, confident individuals, effective contributors and responsible citizens.
- *National Outcome 13:* we take pride in a strong, fair and inclusive national identity.
- *National Outcome 14:* we reduce the local and global environmental impact of our consumption and production.
- *National Outcome 15:* our public services are high quality, continually improving, efficient and responsive to local people's needs.

We will continue work on the outcomes-based approach to performance over the coming year.

10. Financial Review

The combined financial results and appropriations are shown in full in the Consolidated Income and Expenditure Account on page 18. The accounts consolidate the results of National Museums Scotland's wholly-owned trading subsidiary NMS Enterprises Ltd (NMSE). An Income and Expenditure Account for National Museums Scotland alone is included on page 24.

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, and in accordance with directions given by Scottish Ministers. They also comply with SORP 2005, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

The summary operational results and reserves for National Museums Scotland and NMSE combined (described as 'the group') were as follows:

	2009 £m	2008 £m
Income		
Grant in aid received	21.1	20.3
Other income	3.3	4.6
Income transferred to Capital Reserves (for capital projects)	-	(1.6)
Depreciation release from capital, donated assets and revaluation reserves	6.4	5.4
Total Income	30.8	28.7
Expenditure		
Staff Costs	13.5	13.7
Other Operating Charges	10.5	9.1
Depreciation (incl. impairments)	6.4	5.4
Total Expenditure	30.4	28.2
Adjusted Operational Result	0.4	0.5

The result for 2008/09 has been transferred to the Board Reserve Fund.

Reserves available for use by National Museums Scotland Board Reserve Fund

	2009 £m	2008 £m
Unutilised Board Reserve Fund at 31 March	2.6	2.2
Commitments made :		
Revenue projects in progress	(0.4)	(0.4)
Capital projects in progress	-	(0.2)
Royal Museum Project – HLF Stage 2	(0.2)	-
Total commitments	(0.6)	(0.6)
Uncommitted reserves at 31 March	2.0	1.6

Our principal funding is grant-in-aid from the Scottish Government. The release from capital, donated assets and revaluation reserves matches our depreciation charges as they both relate to fixed assets. The £1m increase in depreciation over the prior year is due to an impairment charge on the periodic revaluation of the estate at 31 March 2009 but is matched with a release from the capital reserve. Other income, including income from NMSE, decreased due to lower trading income as a result of partial closure of the National Museum of Scotland. Staff costs also decreased due to lower staff numbers from the partial closure. Operating costs were higher due to delayed revenue projects from 2008.

National Museums Scotland is required to operate within the financial limits prescribed in the Financial Memorandum issued by the Scottish Government sponsor directorate, and to comply with the Scottish Public Finance Manual. Thus we are generally not permitted to borrow funds, and our powers to invest are circumscribed.

Operating surpluses which derive from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, may be taken to the Board Reserve Fund, which can be used at the Board's discretion. Operating deficits or surpluses which are not taken to the Board Reserve Fund are transferred to the

General Fund. Reserves are reviewed on an annual basis and appropriate levels agreed based on current requirements and circumstances.

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

11. Principal Risks

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. As part of this process the top 5 risks identified and addressed in 2008/9 were: Royal Museum Project fundraising falls short of target; Royal Museum Project fails to be delivered on time or budget; major fall in income or major increase in cost; failure to recruit and retain key staff; failure or delay in implementing Information Technology plans

Control mechanisms to minimise or mitigate risks were identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Director. Further detail on risk management is provided in The Statement of Internal Control.

12. Status of Land and Buildings and Significant Changes to Fixed Assets

National Museums Scotland holds title to the National Museum on Chambers Street, the National Museums Collection Centre at Granton, the National Museum of Flight in East Lothian, Leith Custom House and the former Dental Hospital in Chambers Street. Title to the property at Port Edgar is held by Scottish Ministers. The National Museum of Costume was gifted to Scottish Ministers, with a reversion clause to the original owners if the property ceases to be used as a museum. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland; and the premises of the National War Museum at Edinburgh Castle are in the care of Historic Scotland. National Museums Scotland owns the museum displays and other fittings and facilities. We have full operational use of these assets and are responsible for their upkeep and maintenance.

In the period, the group acquired tangible and intangible assets at a cost of £8.15m. The sum of £0.67m was spent on permanent galleries, £6.64m on buildings, £0.07m on equipment purchases and £0.77m on collection additions. There were no additions to leasehold improvements or intangible assets.

13. Prompt Payment Code

National Museums Scotland's payment policy is to comply with Scottish Government guidelines, which stipulate that payments to suppliers must be made within 30 days of receipt of invoice. A random sample of invoices taken during 2008/09 showed that on average we paid 98% of invoices within 30 days.

A revised target of 10 days was announced by Scottish Government in October 2008 for the public sector. This target is aspirational, and not practically achievable within available resources. The average number of payment days since October 2008 has been 17 days.

14. External Audit

The consolidated accounts are audited by Audit Scotland, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2008/9 of £21k (2007/8 £21k). There were no other payments to Audit Scotland.

So far as the Board of Trustees of National Museums Scotland is aware, there is no relevant audit information of which the auditors are unaware. The Board of Trustees have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that National Museums Scotland auditors are aware of that information.

15. Post Balance Sheet Events

There were no material post balance sheet events prior to the date of issue of the Annual Report and Accounts.

CHAIRMAN



DATE 11 September 2009

REMUNERATION REPORT

Remuneration Policy

The remuneration of the Director is set by the Board of Trustees but requires the agreement of the Scottish Government. This remuneration is reviewed annually by the Board of Trustees. The Chairman of the Personnel and Remuneration Committee and the Chairman of the Audit Committee provide advice to the Chairman of the Board of Trustees on the salary and reward structure for the Director.

The remuneration of the senior management (Corporate Management Team) is reviewed annually and agreed by the Personnel and Remuneration Committee (PARC) on the advice of the Director working within the approved pay agreement from the Scottish Government. A formal annual performance review process is in place for all staff, including senior management.

The PARC consists of a number of Trustees. During the year these were Sir Neil McIntosh (Chairman), Lesley Hart, and Professor Stuart Monro. The Director, the Director of Finance and Resources and the Head of Human Resources also attend the meetings. As part of its advisory and review role, the PARC considers the following:

- The need to recruit, retain and motivate suitably able and qualified people;
- Government policies for improving the public services; and
- The affordability of recommendations for salary review.

Service Contracts

Although senior management are not civil servants, National Museums Scotland follows the principles of the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition.

Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach the current normal retiring age of 65. Early termination, other than for misconduct, could result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salary and pension entitlements

The following section provides detail of the remuneration and pension entitlement of the senior management (Corporate Management Team) :

	2009	2008	Accrued annual pension payable 31 March 2009 (1)	Increase in accrued pension since 31 March 2008 (2)	CETV at 31/3/09	CETV at 31/3/08	Real increase in CETV funded by NMS
	Salary	Salary					
	£000	£000	£000	£000	£000	£000	£000
Director							
Gordon Rintoul	105-110	100-105	15-20	0-2.5	291	257	14
Director of Estates and Facilities Management							
Fiona Bell	65-70	60-65	0-5	0-2.5	32	19	9
Director of Collections							
Jane Carmichael	70-75	75-80	35-40	0-2.5	701	651	5
Director of Marketing and Development							
Catherine Holden	75-80	70-75	10-15 (3) plus lump sum 40-45	0-2.5 (3) plus lump sum 2.5-5.0	194	175	5
Director of Public Programmes							
Sally Manuireva	60-65	55-60	0-5	0-2.5	10	1	7
Director of Finance & Resources							
Andrew Patience	70-75	70-75	10-15	0-2.5	159	146	1
Director of Visitor Operations (4)							
Peter Williamson	25-30	10-15	n/a	n/a	n/a	n/a	n/a

Notes

- 1) Pension figures above are provided by the Department for Work & Pensions.
- 2) The increase in accrued pension is discounted for the effect of inflation.
- 3) Lump sum is payable to one PCS classic pension scheme member, Catherine Holden.
- 4) Peter Williamson is employed by NMSE Ltd, and contracted on a part time basis to National Museums Scotland as Director of Visitor Operations. He is a member of the NMSE Group Personal Pension Plan, a defined contribution scheme. The figures above reflect payments made to NMSE to cover the cost for this service.
- 5) The details included in this table are subject to audit.

Salaries in the above table are the amount earned in the financial year and include performance bonuses. Overtime is not paid to senior management.

There were no other employees with emoluments above £60,000 employed during the year.

Benefits in kind

No benefit in kind was received by National Museums Scotland senior management during the year.

Corporate Management Team Pensions

Pension benefits are provided to the corporate management team on the same basis as all other National Museums Scotland staff through the Principal Civil Service Pension Scheme (PCSPS).

Prior to 30 July 2007 it operated three defined benefit schemes, and a defined contribution scheme ("Partnership") under the Stakeholder pension framework. The newer defined benefit scheme, "Premium" was introduced in 2002, while the older scheme, "Classic" remained open only to existing members as at 1 October 2002. Since 30 July 2007 all new staff joining the Civil Service defined contribution scheme may only join the new scheme, "Nuvos".

The "Nuvos" scheme provides benefits on an 'average salary' basis, while "Premium" & "Classic" provide benefits on a 'final salary' basis, all at normal retirement age of 60. Benefits in the "Nuvos" and "Premium" schemes accrue at the rate of 1/60th of pensionable salary for each year of service. Members pay contributions of 3.5% of pensionable earnings. The defined benefit schemes are unfunded, the cost of benefits being voted by Parliament each year. Benefits in the "Classic" scheme accrue at the rate of 1/80th of pensionable salary for each year of service. Members pay contributions of 1.5 % of pensionable earnings. Under all schemes, a lump sum equivalent to 3 years' pension is payable on retirement.

Pensions in all schemes increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse ("Classic") or partner ("Nuvos" & "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.

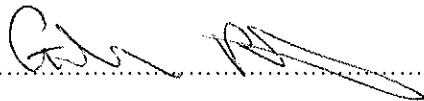
The Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is effectively the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee and is worked out using common market valuation factors for the start and end of the period.

DIRECTOR.....



DATE 11 September 2009

ACCOUNTS

STATEMENT OF BOARD OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

Under the National Heritage (Scotland) Act 1985, paragraph 9(3) schedule 7, Scottish Ministers have directed National Museums Scotland to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end both for National Museums Scotland and National Museums Scotland consolidated with NMS Enterprises Ltd ('the group'), and of our income and expenditure, recognised gains and losses and cash flows for the financial year.

In preparing the Accounts, the Accountable Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by the Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

The Principal Accountable Officer for the Scottish Government has appointed the Director of National Museums Scotland as Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding our assets, are set out in the Accountable Officer's Memorandum published by the Scottish Ministers.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer and Trustees of the National Museums Scotland, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to us.

The Accountable Officer works closely with the Scottish Government and Ministers where relevant in developing overall financial strategies, and informs the Scottish Government of issues relating to internal control, including reports of internal audit and of fraud, whether incurred or not.

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

Purpose of the System of Internal Control

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

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

The system within the organisation accords with the SPFM and has been in place for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts, and accords with guidance from the Scottish Ministers.

Risk and Control Framework

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

The Corporate Management Team reviews its risk register formally every six months at March and September each year by reassessing its 20 key risks through a process of probability and impact assessment. The top 5 key risks are reported upon at each audit committee in detail as to current status with any significant changes in these risks reported to the Board. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Director. Any training required is identified and taken forward as relevant.

More generally, the organisation is committed to a process of continuous development and improvement: developing systems in response to any relevant reviews and developments in best practice in this area. The organisation has completed the leadership and management development training of its senior management team, and begun training and development for its middle management tier over the next two years.

Review of Effectiveness

As Accountable Officer and Trustees we also have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by:

- the corporate management team within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;

- comments made by the external auditors in their management letters and other reports.

The Board of Trustees at each meeting receive an update on key operational matters from the Director. They also receive a report from the chairman of the Audit Committee on any significant issues with any matters affecting the top 5 risks on the risk register being brought to the Trustees attention.

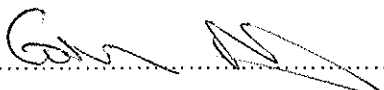
The Audit Committee receive an update at each four monthly meeting on key business issues, a report on progress on the top 5 risks on the risk register, and any significant issues affecting the other risks identified in the risk register. Regular reports are provided to each audit committee meeting by 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 the system of internal control together with recommendations for improvement. The external auditors also provide reports to the audit committee with comments on the internal control environment as appropriate.

The Corporate Management Team formally reviews its risk register twice a year with any significant issues being reported on and discussed at each fortnightly meeting. Quarterly performance indicators are also reviewed at these meetings to ensure they are in line with targets prior to submission to the Scottish Government. Any matters of significance affecting the business, such as Human Resources (recruitment, attendance, training), project assurance (key projects meeting targets), monthly management accounts (budget/actual review and revised forecasts), operational plan updates and forward reviews, are reviewed and discussed with appropriate action taken forward.

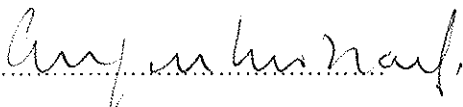
Internal Audit has provided adequate assurance that the systems of internal control have operated effectively throughout the year. The Corporate Management Team and Internal Audit have identified Business Continuity and Disaster Recovery as requiring development, as only limited procedures are in place. The organisation has commenced this work by preparing a Business Continuity Strategy and is currently working on a Business Continuity Plan with a target completion date of 30 September 2009.

As noted in the Report of the Board of Trustees, NMS has identified a significant risk to Scotland's priceless national collections as a result of a maintenance backlog of £16.3m. Discussions are ongoing with the Scottish Government to secure funds to address this issue.

The Royal Museum Project which received Heritage Lottery and Scottish Government approval in the year is of crucial importance going forward due to the size of staff resource and finance required. The project has its own Executive committee which includes Trustee representation. Any variations above a certain level on this project require formal Heritage Lottery and Trustee approval.

DIRECTOR.....

DATE 11 September 2009

CHAIRMAN.....

DATE 11 September 2009

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF THE NATIONAL MUSEUMS SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of the National Museums Scotland for the year ended 31 March 2009 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Financial Activities, the Income & Expenditure Account, the Balance Sheet and related Notes to the Accounts. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Trustees, Accountable Officer and Auditor

The Board of Trustees and Accountable Officer are responsible for preparing the Annual Report, which includes that Remuneration Report, and the financial statements in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006. I also report to you whether, in my opinion, the information which comprises the Report of the Board of Trustees, included in the Annual Report, is consistent with the financial statements. I also report 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.

In addition, I report to you if, in my opinion, any information contained in the statement of accounts is inconsistent with the trustees' Annual Report, if the body has not kept proper accounting records, if the charity's statement of accounts is not in agreement with these accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, of the state of affairs of the National Museums Scotland as at 31 March 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information contained in the Report of the Board of Trustees included in the Annual Report is consistent with the financial statements.

Regularity

In my opinion 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.

Signature:



Lorna Meahan CA
Assistant Director of Audit
Audit Scotland
Osborne House
1-5 Osborne Terrace
Edinburgh
EH12 5HG

Date:

30 September 2009

NATIONAL MUSEUMS SCOTLAND

Consolidated Income and Expenditure Account for the Year Ended 31 March 2009

		Continuing Activities	
		2009 £000	2008 £000
All operations are continuing			
	<i>Notes</i>		
Income			
Income received from trading activities		1,243	1,926
Entrance charges		346	617
Miscellaneous grants		1,126	541
Other income	3	571	1,264
		3,286	4,348
Expenditure			
Staff costs	4	13,532	13,691
Other operating charges	5	10,485	9,084
Depreciation and permanent diminution in value	1(c), 6, 8	6,403	5,442
		30,420	28,217
Excess of expenditure over income before interest		(27,134)	(23,869)
Notional Cost of capital	20	(5,651)	(5,022)
Interest receivable		141	218
Excess of expenditure over income after interest		(32,644)	(28,673)
Taxation	24	-	-
Excess of expenditure over income after taxation		(32,644)	(28,673)
Add back notional cost of capital	20	5,651	5,022
Excess of expenditure over income for the year before reserve movements		(26,993)	(23,651)
Board Reserve release	15	-	23
Capital Reserve release	15	2,830	1,756
Capital Donations release	15	1,337	1,331
Revaluation Reserve release	15	2,210	2,333
Excess of expenditure over income for the year		(20,616)	(18,208)
Transfer to General Fund	15	(20,601)	(18,203)
NMS Enterprises Ltd profit/(loss) net of gift aid	18	(15)	(5)
		(20,616)	(18,208)

The notes on Pages 26 to 40 form part of these accounts.

The result including grant income is a surplus of £433k (2007/8 £471k) as explained further in Note 2 to the accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2009


		2009	2008
		£000	£000
	<i>Notes</i>		
Excess of expenditure over income		(20,616)	(18,208)
Unrealised gain on revaluation of fixed assets	15	13,888	16,822
Donated asset receipts	15	2,123	1,135
Total recognised gains and losses during the year		(4,605)	(251)

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Balance Sheet
for the Year Ended 31 March 2009

		2009 £000	2008 £000
	<i>Notes</i>		
Fixed Assets			
Tangible assets	6	194,421	179,509
Collections	7	4,215	3,442
Intangible assets	8	31	80
Investments	9	1	1
Total Fixed Assets		198,668	183,032
Current Assets			
Stocks	10	370	351
Debtors	11	2,882	2,053
Cash at bank and in hand	12	4,515	5,214
Total Current Assets		7,767	7,618
Current Liabilities			
Creditors: amounts falling due within one year	13	(3,185)	(3,415)
Net current assets		4,582	4,203
Total assets less current liabilities		203,250	187,235
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(313)	(287)
Total net assets		202,937	186,948
Financed by:			
Capital and reserves			
Unrestricted funds:			
Capital reserve	15	71,182	67,767
General fund	15	320	320
Board reserve fund	15	2,654	3,276
NMS Enterprises Ltd	18	(245)	(230)
		73,911	71,133
Restricted funds:			
Collections & Donated assets reserve	15	17,069	15,510
Revaluation reserve	15	111,636	99,958
Purchase fund	15	321	347
		129,026	115,815
Total Funds		202,937	186,948


Director

11 September 2009
Date

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Cash Flow Statement for the Year Ended 31 March 2009

		2009 £000	2008 £000
	<i>Notes</i>		
Net cash inflow/(outflow) from operating activities	16	(817)	1,879
Returns on investments and servicing of finance			
Interest Received		141	218
Taxation:			
Corporation Tax	24	-	-
Capital expenditure and financial investment:			
Payments from Purchase Fund	15	(773)	(452)
Payments from NFA Fund	23	(203)	(234)
Payments to acquire tangible and intangible fixed assets	6,8	(7,378)	(7,170)
Receipts from sale of tangible and intangible fixed assets		-	-
Total capital expenditure and financial investment		<u>(8,354)</u>	<u>(7,856)</u>
Cash outflow before financing		<u>(9,030)</u>	<u>(5,759)</u>
Financing:			
Government grants	2	5,261	5,100
Capital grants received	15	2,123	1,250
NFA Fund received	23	200	200
Purchase Fund	15	747	510
		<u>8,331</u>	<u>7,060</u>
Increase/(decrease) in cash in the period	16	<u>(699)</u>	<u>1,301</u>

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities for the Year Ended 31 March 2009

	2009 Unrestricted Funds £000	2009 Restricted Funds £000	2009 Total £000	2008 Total £000
Incoming resources				
Income resources from generated funds				
Voluntary income				
Grant-in-aid	26,339	747	27,086	24,939
Other grants	1,011	2,124	3,135	2,189
Donations	153	-	153	222
Membership income	140	-	140	138
Activities for generating funds				
Activities in the furtherance of the charity's objectives	625	-	625	2,062
Activities for generating funds	1,242	-	1,242	1,926
Investment income				
Gift aid from Subsidiary	150	-	150	419
Interest income	141	-	141	218
Other income				
Proceeds on disposal of fixed asset	-	-	-	-
Total incoming resources	29,801	2,871	32,672	32,113
Resources expended				
Cost of generating funds				
Development	530	-	530	549
NMS Enterprises Ltd – Cost of goods sold	506	-	506	790
NMS Enterprises Ltd – Admin costs	622	-	622	764
NMS Enterprises Ltd – Gift aid	150	-	150	419
Charitable expenditure				
Curatorial	4,705	-	4,705	4,389
Conservation and Collections	2,185	-	2,185	2,012
Exhibitions	6,099	-	6,099	6,095
Security and Support Services	1,850	-	1,850	1,934
Marketing	1,119	-	1,119	1,044
Management and Administration	6,218	-	6,218	5,158
Estates and Buildings	6,356	-	6,356	5,250
Fieldwork and Acquisitions	-	774	774	452
Governance costs				
Staff costs	184	-	184	177
Trustees expenditure	12	-	12	20
Internal audit	14	-	14	14
External audit	21	-	21	21
Total resources expended	30,571	774	31,345	29,088
Notional cost of capital	5,651	-	5,651	5,022
Total resources expended including notional costs	36,222	774	36,996	34,110
Net (outgoing)/Incoming resources before revaluation, collections capitalisation and reversal of notional costs				
	(6,421)	2,097	(4,324)	(1,997)
Revaluation of fixed assets	-	13,888	13,888	16,821
Capitalisation of collections purchases	-	774	774	452
Release from revaluation reserve	2,209	(2,209)	-	-
Release from donated asset reserve	1,338	(1,338)	-	-
Reversal of notional cost of capital	5,651	-	5,651	5,022
Net movement in funds	2,777	13,212	15,989	20,298
Total funds brought forward	71,133	115,815	186,948	166,650
Total funds carried forward	73,910	129,027	202,937	186,948

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2009

	2009 Unrestricted Funds £000	2009 Restricted Funds £000	2009 Total £000	2008 Total £000
Total fund balances comprise:				
Fixed assets	69,962	128,706	198,668	183,032
Net current assets	4,261	321	4,582	4,203
Creditors due after more than one year	-	-	-	-
Provisions for liabilities and charges	(313)	-	(313)	(287)
	73,910	129,027	202,937	186,948

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department and of NMS Enterprises Ltd. 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.

All activities included in the above statement are continuing, and all recognised gains and losses have been included.

The notes on Pages 26 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Income and Expenditure Account for the Year Ended 31 March 2009

		Continuing Activities	
		2009 £000	2008 £000
All operations are continuing			
	<i>Notes</i>		
Income			
Entrance charges		347	617
Gift aid from subsidiary		150	419
Miscellaneous grants		1,126	541
Other income	3	571	1,264
		<u>2,194</u>	<u>2,841</u>
Expenditure			
Staff costs	4	13,023	13,159
Other operating charges	5	9,892	8,089
Depreciation and permanent diminution in value	1(c), 6, 8	6,378	5,415
		<u>29,293</u>	<u>26,663</u>
Excess of expenditure over income before interest		(27,099)	(23,822)
Notional Cost of capital	20	(5,651)	(5,022)
Interest receivable		121	176
Excess of expenditure over income after interest		<u>(32,629)</u>	<u>(28,668)</u>
Taxation	24	-	-
Excess of expenditure over income after taxation		<u>(32,629)</u>	<u>(28,668)</u>
Add back notional cost of capital	20	5,651	5,022
Excess of expenditure over income for the year before reserve movements		<u>(26,978)</u>	<u>(23,646)</u>
Board Reserve release	15	-	23
Capital Reserve release	15	2,830	1,756
Capital Donations release	15	1,337	1,331
Revaluation Reserve release	15	2,210	2,333
Excess of expenditure over income for the year transferred to General Fund	1(u), 15	<u>(20,601)</u>	<u>(18,203)</u>

The notes on Pages 26 to 40 form part of these accounts.

The result including grant income is a surplus of £448k (2007/8 £476k) as explained further in Note 2 to the accounts.

NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2009

		2009 £000	2008 £000
	<i>Notes</i>		
Fixed Assets			
Tangible Assets	6	194,331	179,394
Collections	7	4,215	3,442
Intangible Assets	8	31	80
Investment in Subsidiary	9	500	500
Total Fixed Assets		199,077	183,416
Current Assets			
Debtors receivable within 12 months	11	3,159	2,384
Cash at Bank and in Hand	12	4,229	4,663
Total Current Assets		7,388	7,047
Current Liabilities			
Creditors: Amounts falling due within one year	13	(2,970)	(2,998)
Net current assets		4,418	4,049
Total assets less current liabilities		203,495	187,465
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(313)	(287)
Total net assets		203,182	187,178
Financed by:			
Capital and Reserves			
Unrestricted funds:			
Capital Reserve	15	71,182	67,767
General Fund	15	320	320
Board Reserve Fund	15	2,654	3,276
		74,156	71,363
Restricted Funds:			
Collections & Donated Assets Reserve	15	17,069	15,510
Revaluation Reserve	15	111,636	99,958
Purchase Fund	15	321	347
		129,026	115,815
Total Funds		203,182	187,178


 Director

11 September 2009
 Date

The notes on Pages 26 to 40 form part of these accounts.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

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 2005, the Statement of Recommended Practice on the preparation of accounts of charitable organisations, and with the accounting principles and disclosure requirements of the government Financial Reporting Manual (FRoM)

b) Basis of Consolidation

The accounts consolidate those of the National Museums Scotland and its subsidiary company, NMS Enterprises Ltd. The accounts are consolidated on a line by line basis for assets and liabilities.

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

c) Tangible Fixed Assets and Depreciation

Land and buildings are valued every five years by a professional valuer and revalued annually using appropriate indices. 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:

Equipment	3 years to 7 years
Buildings	up to 50 years
Leasehold improvements	5 years to 15 years
Permanent Galleries	15 years

Items costing less than £5,000 are written off in the year of purchase.

Where assets are sold or written off they are shown as disposals in the accounts. Impairment reviews are undertaken when necessary to ensure that the service of potential assets remains undiminished.

Further information about capitalisation and valuation is included at Note 6.

d) Intangible Assets

Intangible assets are revalued annually using appropriate indices less depreciation. Depreciation is calculated to write off the assets in equal annual instalments over their useful economic lives.

Intangible Assets	3 to 7 years
--------------------------	---------------------

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

e) Government Grants

Government grants are accounted for in the year that they are received. Revenue grant-in-aid is credited to the general fund. Grant-in-aid 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.

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

The revaluation reserve was created following the revaluation of the land and buildings occupied. As National Museums Scotland 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.

i) Notional Costs

In accordance with accounting requirements, the Income and Expenditure Accounts include notional costs to reflect the full costs of our activities. The calculation of the notional cost of capital is explained in note 20.

j) Income

Operating income is credited to the Income and Expenditure Account on an accruals basis. Amounts applied to the acquisition of fixed assets are credited to an appropriate reserve.

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

Donations are recognised in the financial statements only when received. Donations received for the general purposes of the charity are credited to Unrestricted Funds. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding, except that any amounts required to be retained as capital in accordance with the donor's wishes are accounted for instead as endowments

Receipts from outside bodies in relation to specific projects received prior to any project spend being incurred, may where it is regarded as material to the financial report be deferred to the year in which the spend takes place.

Annual membership income is accounted for over the period of membership.

k) Subsidiary companies

National Museums Scotland owns the share capital of five subsidiary companies. All but one, NMS Enterprises Ltd, are dormant.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

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

Finance leases are capitalised in the Balance Sheet along with the corresponding liability for future payments. Operating leases are charged directly to the Income and Expenditure Account as incurred.

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

Heritage Assets forming part of the National Museums Scotland collections as at 1 April 2001 or objects gifted are not included in the balance sheet due to data not being available to cover that period. Objects purchased since 1 April 2001 are included in the balance sheet at cost. Depreciation is not charged.

q) 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. National Museums Scotland recognises the expected cost of providing pensions on a systematic and rational basis over the period during which the organisation 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 4.

r) Grants to Outside Bodies

National Museums Scotland makes limited sums available to outside bodies whose objectives coincide with ours, or if the work will result in additions to our collections. These are recognised on payment.

s) Statement of Financial Activities

Within the statement of financial activities the expenditure categories development, and the work of NMS Enterprises, have been separated from the other categories as they are deemed to be activities for generating funds. Staff and operating costs incurred in relation to governance are shown separately. The other categories of expenditure are deemed to be activities in the furtherance of our objectives. Indirect costs between expenditure categories are allocated on the basis of staff numbers in each category. (see Note 4).

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department and of NMS Enterprises Ltd. 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.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

t) Liabilities and Provisions

Liabilities and provisions are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure.

u) Government Funding

Government funding is accounted for in accordance with guidance contained in the Financial Reporting Manual (FRM). Government funding for revenue purposes is regarded as contributions from controlling parties and is credited directly to the General Fund. Government funding for capital purposes is credited either to the Capital Reserve or to the Deferred Income Account depending on the nature of the funding. There is no indication that government funding is likely to be withdrawn therefore the accounts are prepared on a going concern basis.

**2. Government Grant-In-Aid
(See Notes 1(e) & 15)**

	GROUP AND NMS	
	2009	2008
	£000	£000
Grant-in-aid received:		
Running Costs	21,078	20,278
Major Capital	5,261	5,100
	26,339	25,378
Purchase Grant	510	510
Total received during year	26,849	25,888

Grants and grants-in-aid for revenue purposes are regarded as contributions from controlling parties and accounted for as financing by crediting them direct to the General Fund. Such grants are therefore not accounted for as income. Government funding for capital purposes is credited to a capital reserve and released to the income and expenditure account over the useful life of the asset.

The table below shows the outturn for the year against our grant-in-aid offer letter. The excess of outturn against the offer letter arose on non cash (notional) items mainly as a result of adjustments arising from the revaluation of National Museums Scotland properties during the year. Non-cash items are not paid out by the Scottish Government but we are expected to have resource budget cover for these items. This has been funded within the Culture resource budget by the Scottish Government and no grant-in-aid for 2008-9 or 2009-10 will be clawed back in respect of this.

	2009	
	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	21,078	21,078
Purchase Grant (Note 7)	510	510
National Fund for Acquisitions (Note 23)	200	200
Capital for Royal Museum Project	4,261	4,261
Capital for Museum of Flight project	1,000	1,000
	27,049	27,049

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

Non Cash Items (Notional)

Cost of Capital (Note 20)	5,651	5,372
Depreciation incl. permanent diminution in value	4,718	4,128
	10,369	9,500
Total Grant-in-Aid	37,418	36,549

In relation to the non-cash items, a letter of support covering the shortfall of £869k is in place with the Scottish Government providing assurance to the National Museums Scotland that there will be no recovery of the excess non-cash items against the cash items in the 2009/10 year. For the purposes of the above comparison to the Grant in Aid Offer letter the Cost of Capital and Depreciation figures are shown adjusted for those assets not funded by the Scottish Government (eg Donated Assets)

The table below shows the result for the year compared to what it would be if such grants were accounted for as income.

	GROUP		NMS	
	2009	2008	2009	2008
	£000	£000	£000	£000
Reported Deficit	(20,616)	(18,208)	(20,601)	(18,203)
Add: Grant-in-aid received	21,078	20,278	21,078	20,278
Less: Transferred to capital reserve	(29)	(949)	(29)	(949)
Less: Transferred to unutilised capital	-	(650)	-	(650)
Result including grant income	433	471	448	476

3. Other Income

	GROUP AND NMS	
	2009	2008
	£000	£000
Provision of Services	22	48
Membership Scheme	140	138
Gift Aid from Membership	11	61
NMS Charitable Trust	123	139
Misc Sponsorship	71	62
Donations	20	22
Revenue Earning Activities	(2)	21
Grant Aided Activities	13	12
Proceeds from legal claim	-	650
Other	173	111
	571	1,264

Entry to the National Museum in Chambers Street is free, made possible by additional grant-in-aid for the purpose provided by the Scottish Government. Entry to the National War Museum is also free, although an entrance fee is charged by Historic Scotland for entry to Edinburgh Castle. Entrance charges are retained at other museums.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

4. Employees

Staff Costs during the Year:

	GROUP		NMS	
	2009	2008	2009	2008
	£000	£000	£000	£000
Salaries	10,726	10,913	10,287	10,453
Social Security Costs	785	798	748	760
Pension Costs	1,886	1,911	1,853	1,877
Early Retirement	135	69	135	69
Total	13,532	13,691	13,023	13,159

Average full-time equivalent number of employees by Directorate:

	GROUP		NMS	
	2009	2008	2009	2008
Directorate	12	13	12	13
Finance and Resources	31	31	31	31
Estates and Facilities Management	87	93	87	93
Collections	116	115	116	115
Public Programmes (including Visitor Services)	131	150	131	150
Marketing and Development	17	17	17	17
NMS Enterprises Ltd	16	19	-	-
Total	410	438	394	419

Average full-time equivalent number of employees by contract type :

	GROUP		NMS	
	2009	2008	2009	2008
Permanent Contract	377	405	370	395
Temporary Contract	33	33	24	24
Total	410	438	394	419

No remuneration was paid to members of the Board of Trustees during 2008/2009 (2007/08 - nil). During 2008/09 National Museums Scotland paid a total of £2,344 in reimbursement of travel expenses to 7 Trustees for attending meetings at National Museums Scotland, while in 2007/08, a total of £2,830 was reimbursed to 8 Trustees. No benefit in kind accrued to Trustees during the year.

Pension Costs

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

For 2008-09, employers' contributions of £1,853k were payable to the PCSPS (2007-08 £1,877k) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2007-08 were between 16.2% and 24.6%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2008-09 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Senior management and all other staff can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1k (2007-08 £1k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Defined contribution scheme pension contributions were not paid in respect of staff earning more than £50,000. Retirement benefits accrued under the defined benefit schemes to 450 staff during 2008/09 (2007/08 = 450 staff), while benefits accrued under defined contribution schemes to 6 staff during 2008/09 (2007/08 = 6 staff).

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 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. For 2008-09, employers' contributions of £33k were payable (2007-08 £34k)

5. Other Operating Charges

	GROUP		NMS	
	2009	2008	2009	2008
	£000	£000	£000	£000
Board Expenses	12	7	12	7
Expenses - Staff	315	280	306	272
Administration Expenses	840	802	794	740
Internal Audit	14	14	14	14
Other External Charges	1,699	1,847	1,188	1,006
Professional Services:				
– Directorate & Resources	105	151	76	126
– Estates	67	92	67	92
– Collections	79	80	79	80
– Public Programmes	288	178	288	178
– Marketing & Development	163	158	163	158
Advertising	144	243	144	243
Fuel and Utilities	1,277	1,118	1,277	1,118
Rents and Rates	266	311	266	309
Furniture and Furnishings	134	69	124	52
Repairs and Renewals	5,051	3,665	5,071	3,634
Operating Leases	2	39	2	39
Audit Fee	29	30	21	21
Total	10,485	9,084	9,892	8,089

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

6. Fixed Assets (See note 1[c])

GROUP

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Equipment	Totals
1 April 2008	180,362	15,652	2,554	26,814	1,982	227,364
Additions	351	6,289	-	671	67	7,378
Transfers	3,535	(5,015)	104	693	683	-
Disposals	-	-	-	-	(96)	(96)
Revaluations	<u>14,219</u>	-	<u>(31)</u>	<u>(1,612)</u>	-	<u>12,576</u>
31 March 2009	198,467	16,926	2,627	26,566	2,636	247,222
Depreciation						
1 April 2008	30,115	-	401	16,092	1,247	47,855
Charge for year	3,226	-	53	1,834	162	5,275
Transfers	(157)	-	5	152	-	-
Disposals	-	-	-	-	(96)	(96)
Impairments	1,052	-	-	-	27	1,079
Revaluations	<u>(352)</u>	-	<u>(5)</u>	<u>(955)</u>	-	<u>(1,312)</u>
31 March 2009	33,884	-	454	17,123	1,340	52,801
Net Book Value						
31 March 2009	<u>164,583</u>	<u>16,926</u>	<u>2,173</u>	<u>9,443</u>	<u>1,296</u>	<u>194,421</u>
1 April 2008	<u>150,247</u>	<u>15,652</u>	<u>2,153</u>	<u>10,722</u>	<u>735</u>	<u>179,509</u>

NATIONAL MUSEUMS SCOTLAND

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Equipment	Totals
1 April 2008	180,362	15,652	2,554	26,814	1,680	227,062
Additions	351	6,289	-	671	67	7,378
Transfers	3,535	(5,015)	104	693	683	-
Disposals	-	-	-	-	-	-
Revaluations	<u>14,219</u>	-	<u>(31)</u>	<u>(1,612)</u>	-	<u>12,576</u>
31 March 2009	198,467	16,926	2,627	26,566	2,430	247,016
Depreciation						
1 April 2008	30,115	-	401	16,092	1,060	47,668
Charge for year	3,226	-	53	1,834	137	5,250
Transfers	(157)	-	5	152	-	-
Disposals	-	-	-	-	-	-
Impairments	1,052	-	-	-	27	1,079
Revaluations	<u>(352)</u>	-	<u>(5)</u>	<u>(955)</u>	-	<u>(1,312)</u>
31 March 2009	33,884	-	454	17,123	1,224	52,685
Net Book Value						
31 March 2009	<u>164,583</u>	<u>16,926</u>	<u>2,173</u>	<u>9,443</u>	<u>1,206</u>	<u>194,331</u>
1 April 2008	<u>150,247</u>	<u>15,652</u>	<u>2,153</u>	<u>10,722</u>	<u>620</u>	<u>179,394</u>

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

To comply with the requirements of the Government FREM National Museums Scotland includes its fixed assets at their value to the business by reference to current costs as at 31 March 2009. All the properties, with the exception of the Royal Museum Building have been valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2009. The Royal Museum Building was valued at 31 March 2007, and revalued at 31 March 2009 using appropriate indices. The valuations have been undertaken on the undernoted bases in accordance with the RICS Valuation Standards 6th Edition. Properties regarded by NMS as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost (DRC) subject to the prospect and viability of the occupation and use. The Valuation Report also includes a statement confirming that an open market valuation (allowing for alternative uses) for those properties valued on a DRC basis will produce amounts significantly lower than the DRC figures. The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the Annual Report and Accounts. The valuation figures in the Annual Report and Accounts are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

Equipment was valued at current replacement cost using appropriate indices. As we are 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.

Donated Assets are amortised in line with Fixed Assets above. At 31 March 2009 Fixed Assets included donated assets at an amortised value of £12,854k made up by:

	2009 £000	2008 £000
Land and Buildings	9,468	9,097
Leasehold Improvement	1,299	1,354
Permanent Galleries	2,087	1,618
	12,854	12,069

The charge for depreciation and diminution in value comprises:

	2009 £000	2008 £000
National Museums Scotland except as stated		
Tangible assets depreciation	5,250	5,366
Intangible assets depreciation (Note 8)	43	52
Permanent diminution in value – tangible assets	1,079	(3)
Permanent diminution in value – intangible assets	6	-
NMS Enterprises tangible assets depreciation	25	27
	6,403	5,442

7. Collections
(See Note 1[p])

National Museums Scotland 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. National Museums Scotland is required 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. National Museums Scotland considers that valuation of the 4 million objects in the collections would be impracticable.

	GROUP AND NMS	
	2009 £000	2008 £000
1 April	3,442	2,990
Purchase Fund	536	452
Others (Art Fund, NMS Charitable Trust)	237	-
31 March	4,215	3,442

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

8. Intangible Assets

	GROUP AND NMS	
	2009 £000	2008 £000
1 April	306	317
Revaluation	-	(11)
31 March	306	306
Amortisation:		
1 April	226	180
Charge for the Year	43	52
Impairment	6	-
Revaluation	-	(6)
31 March	275	226
Net Book Value:		
31 March	31	80

9. Investments

	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Opening & Closing Balance	1	1	500	500

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

10. Stocks
(See Note 1[f])

	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Stocks Held for Resale	370	351	-	-

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

11. Debtors

	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Receivable Within 1Year:				
Prepayments	298	371	256	263
Sundry Debtors	1,603	873	1,603	874
Season Ticket Advances	11	11	12	11
Trade Debtors	315	327	149	130
Less:				
Provision for Amounts not recoverable	(40)	(47)	(1)	(8)
Subsidiary Company	-	-	445	596
VAT Recoverable	695	518	695	518
	2,882	2,053	3,159	2,384

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

Intra Governmental Balances	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Central Government	65	861	61	859
Local Government	-	2	-	1
NHS Trusts	-	-	-	-
Public Corporations	1	1	-	1
Bodies External to Government	2,816	1,189	3,098	1,523
	2,882	2,053	3,159	2,384

12. Cash at Bank and in Hand

	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Cash and commercial accounts	4,446	5,127	4,160	4,576
Funds held for third parties	67	70	67	70
Paymaster General Account	2	17	2	17
	4,515	5,214	4,229	4,663

13. Creditors

	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Amounts falling due within one year:				
Trade Creditors	168	212	66	10
Other Creditors	402	499	383	479
Accruals	2,447	2,647	2,353	2,452
Deferred Income	168	57	168	57
	3,185	3,415	2,970	2,998
Amounts Falling Due After More than One Year:				
Creditors > 1 Year	-	-	-	-

Intra Governmental Balances	GROUP		NMS	
	2009 £000	2008 £000	2009 £000	2008 £000
Central Government	3	-	2	-
Local Government	-	-	-	-
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	3,182	3,415	2,968	2,998
	3,185	3,415	2,970	2,998

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

14. Provision for liabilities and charges

	GROUP AND NMS	
	2009	2008
	£000	£000
Restructure & injury benefit costs		
Opening Balance 1 April	287	457
Add: Restructure & Injury Benefit Provisions	70	60
Less: Restructure & Injury Benefits Paid During Year	(44)	(230)
Closing Balance 31 March	313	287

Restructure & injury benefits of £48k (2007/08 £94k) are payable within 12 months of the year end.

15. Reserves

NMS £000	General Fund	Board Reserve Fund See Note 1[g]	Capital Reserve See Note 1[e]	Collection & Donated Assets Reserve See Note 1[j]	Revaluation Reserve See Note 1[h]	Purchase Fund See Note1[p]	Total
Opening Balance 1 April 2008	320	3,276	67,767	15,510	99,958	347	187,178
Revaluation gains	-	-	-	-	13,888	-	13,888
Release (to)/from I&E	-	-	(2,830)	(1,337)	(2,210)	-	(6,377)
Utilised in year	-	-	-	-	-	(773)	(773)
Utilised Board Reserve	-	(1,070)	1,070	-	-	-	-
Government funding & donation (note 2)	21,078	-	5,261	-	-	510	26,849
Capitalisation of Collection Purchases	-	-	-	773	-	-	773
Other donations & transfers	-	-	(115)	2,123	-	237	2,245
Transfers							
GIA to Capital	(29)	-	29	-	-	-	-
Surplus to Board	(448)	448	-	-	-	-	-
Deficit for year	(20,601)	-	-	-	-	-	(20,601)
Closing Balance 31 March 2009	320	2,654	71,182	17,069	111,636	321	203,182

of which:

Capital Reserve	
Utilised	69,858
Unutilised	1,324
	<u>71,182</u>

Collection & Donated Assets Reserve

Collection Assets	4,215
Donated Assets	12,854
	<u>17,069</u>

Revaluation Reserve

All Assets (excl Donated Assets)	95,300
Donated Assets	16,336
	<u>111,636</u>

National Museums Scotland is permitted to credit to the Board Reserve Fund sums earned through its own revenue raising activities. The unutilised Capital Reserve is designated to be spent on the Royal Museum refurbishment project

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

**16. Reconciliation of Operating Deficit to Net Cash
Outflow from Operating Activities**

	GROUP	
	2009 £000	2008 £000
Net outgoing resources before revaluation ,collections capitalisation and reversal of notional costs	(4,324)	(1,997)
Reversal of Notional Cost of Capital	5,651	5,022
Grant-in-Aid – Major Capital	(5,261)	(5,100)
Other Capital Grants	(2,123)	(2,199)
Interest Received	(141)	(218)
Depreciation, permanent diminution in value and loss on disposal	6,403	5,443
Transfer to capital	56	949
Movement in restricted funds	(26)	58
Other movements in capital	-	(72)
(Increase)/decrease in stocks	(19)	61
(Increase) in Debtors	(829)	(1,280)
(Decrease)/increase in Creditors	(230)	1,382
Increase/(decrease) in Provisions for Liabilities and Charges	26	(170)
Net Cash Inflow from Operating Activities	(817)	1,879

Analysis of changes in net funds in the year

National Museums Scotland 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	
	2009 £000	2008 £000
Opening Cash Balance	5,214	3,913
Change in Year	(699)	1,301
Closing Cash Balance	4,515	5,214

17. Commitments

	GROUP	
	2009 £000	2008 £000
Contracted but not provided for in the Accounts		
Capital Commitments:		
Royal Museum Project – Main Works	21,200	0
Royal Museum Project – Consultants	2,800	3,500
Other capital projects	200	2,600
	24,200	6,100
Operating Commitments	457	427
Total Commitments	24,657	6,527

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

18. Subsidiary Company

NMS Enterprises Ltd, a company registered in Scotland, is a wholly owned subsidiary of National Museums Scotland set up to promote and develop our commercial activities. The results for the year to 31 March are summarised in the following table:

	2009	2008
	£000	£000
Trading profits from continuing operations	115	372
Gift aid to National Museums Scotland	(150)	(419)
Profit/(loss) after gift aid	(35)	(47)
Interest Income	20	42
Profit/(Loss) reported in Consolidated I&E Account	(15)	(5)
Reserves at 1 April	(230)	(225)
Transferred from Income and Expenditure Account	(15)	(5)
Reserves at 31 March	(245)	(230)

19. Related Party Transactions

National Museums Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government which is regarded as a related party. During the year National Museums Scotland has had various material transactions with the Scottish Government. None of the Trustees, members of key management staff or other related parties has entered into any material transaction with National Museums Scotland during the year. In addition, National Museums Scotland has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

The National Museums 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 James Fiddes and Iain Watt, trustees of National Museums Scotland, were also trustees of NMSCT. National Museums Scotland received £778k in grants and donations from NMSCT during the year (2007/08 £255k).

The following trustees were also members of the NMS Enterprises Board: Sir Angus Grossart and Michael Kirwan.

20. Cost of Capital

The Cost of Capital charge is based on the average relevant balance sheet values over the year.

	2009	2008
	£000	£000
Average Balance During the Year	161,453	143,493
Notional Interest at 3.5% (2007 =3.5%)	5,651	5,022

Guidance on appropriate rates is contained in the publication "Financial Reporting Manual". The rate of 3.5% (2007/08 - 3.5%) is suggested as being appropriate to NDPBs which are not engaged in activities which compete directly with the private sector.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

21. Leases

National Museums Scotland has no finance leases. We lease the farm buildings and land at the National Museum of Rural Life under an operating lease. Future rental commitments at 31 March were as follows:

Land & Buildings	GROUP AND NMS	
	2009	2008
	£000	£000
Lease expiring after more than 5 years	23	23

22. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2009.

23. National Fund for Acquisitions

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds held by National Museums Scotland for the NFA are included in the Balance Sheet under both Cash at Bank and Sundry Creditors. Separate accounting arrangements are made for the fund.

	2009	2008
	£000	£000
Balance at 1 April	70	104
Grant Received	200	200
Disbursements	(203)	(234)
Balance at 31 March	67	70

24. Taxation

National Museums Scotland has been granted charitable status by the Inland Revenue.

In respect of 2008/09 NMS Enterprises Ltd will pay £125k (2007/08 £419k) by Gift Aid to National Museums Scotland, thereby eliminating any liability of the subsidiaries to Corporation Tax in that year.

25. Date of Issue of Accounts

The accounts are authorised for issue on the date they are signed by the external auditor and must be laid before Parliament before being released.

26. Post Balance Sheet Events

There were no material post balance sheet events prior to the date of issue of the Annual Report and Accounts.

27. Financial Instruments

National Museums Scotland does not hold any Financial Instruments (2007/08 £Nil)

NATIONAL MUSEUMS SCOTLAND
APPENDIX TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009

FINANCIAL MEMORANDUM: APPENDIX 2



NATIONAL MUSEUMS OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 9(3) of Schedule 1 to the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 21 November 2002 is hereby revoked.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

