



National
Museums
Scotland

Annual Report and Accounts

For the year ended 31 March 2011



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

FOR THE YEAR ENDED 31 MARCH 2011

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TRUSTEES ANNUAL REPORT

TRUSTEES ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2011

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 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 provided to new 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, DL, LLD, DLitt, DBA, FRSE, MA, LLB, CA, FCIBS, Advocate (Chairman) - reappointed 1 February 2010
- Dr Isabel Bruce OBE, PhD, BA, MRTPI, MCIPS, FRSSA - appointed 1 April 2009
- James Fiddes OBE, DUniv, MA, FRICS – extended second term completed 30 September 2010
- Dr Anna Gregor CBE, FRCR, FRCP - appointed 1 April 2009
- Lesley Hart MBE, MA, MSc - reappointed 1 October 2007
- Andrew Holmes MSc, MICE - appointed 1 April 2009
- Michael Kirwan FCA - reappointed 1 January 2009
- Professor Michael Lynch PhD, FSA(Scot) - second term completed 30 September 2010
- Miller McLean, FCIBS, FIB – appointed 1 October 2010
- Professor Malcolm McLeod CBE, MA, BLitt(Oxon), FRSE - reappointed 1 April 2009
- Bruce Minto – appointed 1 October 2010
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA, FRSE - reappointed 1 April 2009
- Ian Ritchie CBE, FEng, FRSE, FBCS, CEng, BSc - second term completed 30 September 2010
- James Troughton DipArch, MA Cantab, RIBA – appointed 1 October 2010
- Sir John Ward CBE, CA, FRSE, FRSA, FIET - reappointed 1 January 2009
- Iain Watt BSc, FCIBS – reappointed 1 February 2011

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

National Museums Scotland 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 registered interests and they review their details annually. This information 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 the vision and overall strategic direction of the organisation and for monitoring progress toward achieving these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over). The management team is responsible for the implementation of strategy, 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 National Museums Scotland 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 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 'inspiring people, connecting Scotland to the world and the world to Scotland'. 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 2011-2015, 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, with an organisation wide bonus scheme based on performance.

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 – resigned 30 June 2011

Jane Carmichael, Director of Collections

Catherine Holden, Director of Marketing and Development

Sally Manuireva, Director of Public Programmes – resigned 7 September 2011

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 job 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 two of this strategy are included in the performance indicators at item 6 below. Other environmental, social and community objectives will be included as the strategy develops further over the course of the year.

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

Corporate information is shared with staff through the publication of plans and minutes; circulation of the Annual Review; our quarterly magazine *Explorer* a bi-monthly staff newsletter *Exchange*; quarterly presentations at all 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 Partnership Agreement agreed in 2005. Under this agreement the organisation has worked successfully with the Trade Unions to reduce its working days lost per employee. We will continue to work together to maintain and if possible reduce this number. During the year the number of working days lost per employee was 5.8 days (7.8 days in 2009/10).

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 around 300 volunteers (300 in 2009/10) during the year.

6. Key Achievements in 2010/11

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 our Strategic Plan 2011-2015, available on our website.

Our key performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis. New key performance indicators introduced from 1 April 2011 only show targets for 2012 below. We achieved all our targets for 2011 with the exception of learning participation numbers as certain large scale events planned for the winter had to be cancelled due to poor weather

	2012 Target	2011 Results	2011 Target	2010 Results
Performance Indicators				
Total Visitor numbers	1.92m	1.32m	1.29m	1.26m
Total number of website visits	0.8m	0.9m	0.7m	0.7m
Total learning participation	170k	154k	180k	179k
Visitor satisfaction (out of 10)	8.8	8.5	8.5	8.5
% Collections storage meeting appropriate standards	60%	65%	62%	62%
Total number of loans	1,600	2,269	1,600	2,207
Total number of academic publications	100	115	100	110
External participation in our annual programme	150	153	150	162
Absence levels – working days lost per employee	7.5	5.8	7.5	7.8
Total CO2 emissions – improvement from baseline	5%	-	-	-
% of estate in condition category B or better	63%	-	-	-

The key achievements under our Strategic Plan were as follows:

- We exceeded our planned visitor numbers (physical and virtual), and attracted new and different audiences.
- We significantly improved our public offer including special exhibitions, new and revamped displays, events, the redeveloped website and a broadened digital offer.
- We made significant acquisitions and improved the care of our collections.
- We completed the building works and commenced the installation of the new galleries relating to our internationally important £47 million Royal Museum Project to transform and integrate the National Museum of Scotland.
- We exceeded our fundraising target for this project.
- We enhanced and re-launched our National Museum of Flight.
- We developed the National Museums Collection Centre as the main location for our stored collections and conservation facilities.
- We increased our national role through formal partnerships, and the provision of training and support to the Scottish museum sector.
- We revitalised our international links and profile, and planned future joint activities and exhibitions.
- We continued to progress our long term agenda to improve the efficiency and effectiveness of our services and operations, and increase joint working with other organisations.

Our major priority has been the Royal Museum Project – the £47m transformation of the Victorian part of the National Museums of Scotland – which reopened on 29 July 2011. This ambitious project has been supported by a grant of £18m from the Heritage Lottery Fund and £16m from the Scottish Government. The £13m balance of funding came from private and public sources, together with a contribution from our Board Reserves. At 31 March 2011 we had secured commitments totalling £12.1m, of which £10.2m had been received. Our project has created 16 new galleries and a much larger space for international touring exhibitions. There are much improved facilities for schools and adult learners, including discovery centres to inspire visitors of all ages. Moving around the building is easier with a new welcoming entrance hall at street level, central glass lifts and new escalators.

We have sustained visitor numbers during the partial closure of the National Museum of Scotland at a higher level than anticipated, and attendances have grown each year during this period. This is the result of our investment in exhibitions, events and active marketing communications. We welcomed 1.32 million visitors to our sites in 2010/11, which was 2.3% ahead of forecast.

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). The allocation for financial year 2010/11 was £200k. During the year, 68 payments totalling £158k were made to 28 organisations, to obtain objects with a purchase value of £393k.

During the year ended 31 March 2011, 115 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.

7. Future Plans

We have reviewed our long term vision and strategic framework, which will help us to clarify our ambitions and strengthen our role for the future. Our revised Strategic Plan for 2011-2015 focuses on four themes essential for our work – our collections, audiences, national and international connections, and our people and resources.

Our objectives and intended outcomes are to:

Collections

- Focus development of the collections through significant acquisitions and effective management.
- Increase access to and improved understanding of the collections through digital platforms, access to stored collections and public programmes.
- Develop and implement a programme of collections-based research, integrated with public programmes and partnerships.
- Enhance storage facilities for the long term preservation of and access to the collections.
- Improve conservation and care of the collections.

Audiences

- Establish the revitalised National Museum of Scotland as a must-see and must-do destination for visitors.
- Develop the National Museum of Flight as a place for discovery and enjoyment.
- Establish creative collaborations for activities, events, and learning and interpretation resources at all sites.
- Reach more people across Scotland through programmes of touring exhibitions, learning and digital offerings.
- Grow community engagement through partnerships and external support.
- Raise our profile nationally and internationally through transforming the National Museums Scotland website.
- Develop and implement a programme of engaging, audience-focused, digital content made available via a variety of different platforms.

Connections

- Strengthen our position as a national museum and a recognised ambassador for Scotland.
- Strengthen our collections knowledge and expertise nationally through our collections-based training and professional exchange.
- Increase physical and virtual access to our collections through working in partnership on programmes of loans, exhibitions and research.

People and Resources

- Meet our organisational needs through an employee engagement strategy and programme.
- Increase visitor income through donation boxes and charged services.
- Increase income through sponsorship, donations, grants and memberships.
- Increase Gift Aid income from National Museums Scotland Enterprises Limited.
- Consolidate the estates in line with the existing estate strategy by disposal/demolition and new build at the National Museum Collection Centre.
- Develop retained sites to be fit for purpose.
- Reduce our carbon footprint and made improvements across a range of environmental impacts.
- Communicate our sustainability commitments, achievements and programmes.

Funding Issues - Capital

A major challenge, and significant risk for the organisation, relates to historic Government underfunding of the renewal and maintenance of our Estates and Facilities. This amounts to over **£54m** of required work as amplified below.

Maintenance of premises which are fit for purpose is a critical dependency for our continued success. We need to enable staff to work effectively to ensure our visitors can enjoy our museums in comfort and safety, and to safeguard the priceless National Collections for future generations. Our Estate Strategy includes an assessment of the current estate, its condition and its performance. We have a significant backlog maintenance liability of **£19.1m** - an increase of £2.8m from 2009/10. Independent advisors recommended that £4.6m be invested in 2011/2 (Year 1) to address priority maintenance required for statutory compliance, and to ensure that the buildings are wind and water-tight. As a result of the Spending Review 2008-2011, funding restrictions, and the removal of our £1.2m annual capital block grant from the then Scottish Executive in 2008/09, we do not receive any funding from Government to deal specifically with this significant problem. We are only able to fund a very limited amount of work from current resources, which is not enough to keep pace with the rate of deterioration. We are committed to seeking additional Government funding to improve and maintain our estate to a sound, operationally safe condition.

In addition to a backlog in estates maintenance, we also have a range of buildings which require comprehensive renewal or wholesale replacement. Again, this position is a result of long term underinvestment by Government in the estate. Due to this historic shortfall we continue to face serious deficiencies in the storage of the National Collections, with some 40% of our internationally important objects in accommodation below acceptable levels. There is, therefore, a significant risk that the Trustees of National Museums Scotland will be unable to fulfil their statutory duty to care for the collections. The estimated cost of remedying this position is in the region of **£25m**. This position is unacceptable and requires urgent Government investment. We are discussing with Government the creation of a new storage building at our Collection Centre to house objects currently stored at Port Edgar and Leith Customs House.

Despite the significant developments we have initiated in recent years across a number of sites, we also face a serious backlog in renewal of our public displays - again due to a long term lack of investment by Government. At the National Museums of Scotland alone, a further **£10m** is needed beyond the current development project to complete its transformation and consistently meet modern visitor expectations.

Funding Issues – Revenue Grant in Aid Cut

The Scottish Government's budget for 2011/12 was announced in November 2010, with National Museums Scotland receiving a greater than expected cut to its funding of 4.2%, or £885k. As a result of this significant cut, requirements relating to pay and other cost pressures, a savings programme of £1,140k is required in 2011/12. In order to achieve these savings, voluntary exit schemes costing £522k were implemented in the year – see Note 4 to the accounts.

At present we have received no indication of our level of Grant in Aid for the period beyond 2011/12. Managing with a static or reduced Grant in Aid for the next three years will bring significant challenges as we will need to self-fund any pay reviews and any unavoidable increases in operational costs. Any cut in our Grant in Aid will bring consequences which may include all or some of the following:

- Further redundancies on our workforce, even though we have already run two voluntary redundancy programs in the last year,
- Site closures in whole or part with staffing implications,
- Other significant reductions in the level of service to the public.

We have brought these matters to the attention of the Scottish Government to ensure that they are aware of the consequences of any further reduction in our grant in aid.

8. Scottish Government Priorities

The overall Purpose of the Scottish Government's programme is: *"To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing economic growth."*

To achieve this, the Scottish Government has been aligned to deliver on five overarching Strategic Objectives. These aim to make Scotland: wealthier and fairer; healthier; safer and stronger; smarter; and greener.

The Scottish Government has adopted an Outcomes-Based Approach to performance. Its National Performance Framework aims to demonstrate the Government's performance and provide a focus for public services on the delivery of the Government's programme and priorities. The Framework is supported by 15 National Outcomes which describe what the Government wants to achieve over the next ten years.

There are no specific National Outcomes or associated National Indicators in the National Performance Framework that directly relate to culture. Nevertheless the activities of National Museums Scotland make a contribution towards all 15 Outcomes, to a greater or lesser extent, with the closest link to the following five:

- 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 to contribute to these and other National Outcomes under our new Strategic Plan.

9. Financial Review

The combined financial results and appropriations are shown in full in the Consolidated Income and Expenditure Account on page 19. 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 25.

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.

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. Other income, including income from NMSE, decreased due to lower trading income as a result of partial closure of the National Museum of Scotland, and from lower revenue grants received from HLF expensed in year.

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

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

	2011	2010
	£m	£m
Income		
Grant in aid received	21.9	21.3
Other income	2.3	2.4
Income transferred to Capital Reserves (for capital projects)	(1.0)	(0.7)
Depreciation release from capital, donated assets and revaluation reserves	5.9	5.0
Total Income	29.1	28.0
Expenditure		
Staff Costs	14.6	13.7
Other Operating Charges	8.7	8.7
Depreciation (incl. impairments)	5.9	5.0
Total Expenditure	29.2	27.4
Adjusted Operational Result	(0.1)	0.6

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 (FRoM), and credited directly to the general fund in the year in which it is received.

Reserves available for use by National Museums Scotland Board Reserve Fund

	2011	2010
	£m	£m
Unutilised Board Reserve Fund at 31 March	3.1	3.3
Commitments made :		
Revenue projects in progress	(1.7)	(0.8)
Capital projects committed	(0.1)	(1.0)
Royal Museum Project – HLF Stage 2	-	(0.5)
Total commitments	(1.8)	(2.3)
Uncommitted reserves at 31 March	1.3	1.0

10. Principal Risks

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. The top 4 risks identified and addressed in 2010/11 were: the Royal Museum Project fundraising falling short of target; the Royal Museum Project failing to be delivered on time or budget; a major fall in Grant-in-Aid or a major increase in cost; buildings in terms of collections not meeting appropriate standard and/or not fit for staff to occupy due to historic underfunding of our estate.

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

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

National Museums Scotland holds title to the National Museum of Scotland on Chambers Street, the National Museums Collection Centre at Granton in north Edinburgh, 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 at each site. 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 £17.9m. The sum of £13.4m was spent on buildings, £4m on permanent galleries and £0.5m on equipment purchases. There were no additions to leasehold improvements or intangible assets.

12. 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. The average number of payment days during 2010/11 showed that on average we paid 81% of invoices within 30 days (09/10 86%).

In October 2008, the first Minister announced that the Scottish Government would aspire to a ten day payment target. This revised target is not practically achievable for National Museums Scotland within available resources.

13. External Audit

The consolidated accounts are audited by Audit Scotland, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2010/11 of £22k (2009/10 £22k). 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.

14. 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 30 September 2011

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 Lesley Hart (Chairman), Dr Isobel Bruce, Professor Stuart Monro and Anna Gregor. The Director, the Director of Finance and Resources, the Head of Human Resources and the Head of Employee Relations and 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. 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):

	2011	2010	Accrued annual pension payable 31 March 2011	Increase in accrued pension since 31 March 2010	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV funded by NMS
	Salary (Bonus) £000	Salary (Bonus) £000	(1) £000	(2) £000	£000	(3) £000	£000
Director							
Gordon	105-110	105-110	20-25	0-2.5	376	328	19
Rintoul	-	(5-10)					
Director of Estates and Facilities Management							
Fiona Bell	70-75	65-70	5-10	0-2.5	61	43	11
	(0-5)						
Director of Collections							
Jane Carmichael	75-80	70-75	40-45	0-2.5	809	752	-
Director of Marketing and Development							
Catherine Holden	75-80	70-75	15-20	0-2.5	225	197	10
		(0-5)	(4) plus lump sum 45-50	(4) plus lump sum 0-2.5			
Director of Public Programmes							
Sally Manuireva	65-70	60-65	5-10	0-2.5	70	55	10
Director of Finance & Resources							
Andrew Patience	75-80	70-75	10-15	0-2.5	217	188	10
Director of Visitor Operations (5)							
Peter Williamson	25-30	25-30	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) The factors used in the CETV calculation have been revised during the year, mainly to account for the change from the use of RPI to CPI to calculate future pensions increase. Consequently, the CETV at 31/3/10 is different to the closing value in the 2009/10 accounts to reflect this change
- 4) Lump sum is payable to one PCS Classic pension scheme member, Catherine Holden.
- 5) 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.
- 6) The details included in this table are subject to audit.

Salaries in the above table are the amount earned in the financial year. Overtime is not paid to senior management. Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are disclosed for the year in which they are paid to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10, and the comparative bonuses reported for 2009-10 relate to the performance in 2008-09. Bonuses are shown separately in the table and are excluded from the salary figures disclosed.

There were three other employees with emoluments above £60,000 employed during the year, all within the banding of £60,000 - £70,000.

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 30 September 2011

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 2011 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 4 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 4 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 4 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.

As noted in the Report of the Board of Trustees, National Museums Scotland has identified a significant risk to Scotland's priceless national collections as a result of a maintenance backlog of £19.3m. 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 funding 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..... 30 September 2011

CHAIRMAN..... 

DATE..... 30 September 2011

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 National Museums Scotland for the year ended 31 March 2011 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements 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 and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 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

As explained more fully in the Statement of Board of Trustees' and Director's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and receipts. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and receipts.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and receipts in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on 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 the body's affairs as at 31

March 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Opinion on regularity

In my opinion in all material respects the expenditure and receipts in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Trustees Annual Report included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit; or
- the Statement on Internal Control does not comply with Scottish Government guidance.

I have nothing to report in respect of these matters.

Signature: 

Ruth Brown CPFA
Senior Audit Manager
Audit Scotland
Osborne House
1-5 Osborne Terrace
Edinburgh
EH12 5HG

Date: 5 October 2011

NATIONAL MUSEUMS SCOTLAND

Consolidated Income and Expenditure Account for the Year Ended 31 March 2011

		Continuing Activities	
		2011 £000	2010 £000 (Restated)
All operations are continuing			
	<i>Notes</i>		
Income			
Income received from trading activities		1,293	1,216
Entrance charges		401	414
Miscellaneous grants		90	129
Other income	3	563	631
		2,347	2,390
Expenditure			
Staff costs	4	14,641	13,654
Other operating charges	5	8,605	8,689
Depreciation and permanent diminution in value	1c,6,8	5,923	5,031
		29,169	27,374
Excess of expenditure over income before interest		(26,822)	(24,984)
Interest receivable		9	10
Excess of expenditure over income after interest		(26,813)	(24,974)
Taxation	23	-	-
Excess of expenditure over income for the year before reserve movements		(26,813)	(24,974)
Capital Reserve release	15	2,244	1,425
Capital Donations release	15	1,400	1,382
Revaluation Reserve release	15	2,256	2,200
Excess of expenditure over income for the year		(20,913)	(19,967)
Transfer to General Fund	15	(20,896)	(19,952)
NMS Enterprises Ltd profit/(loss) net of gift aid	18	(17)	(15)
		(20,913)	(19,967)

The notes on Pages 27 to 44 form part of these accounts.

The result including grant income is a deficit of £63k (2009/10 surplus of £632k) 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 2011

		2011	2010
		£000	£000
	Notes		
Excess of expenditure over income		(20,913)	(19,967)
Unrealised gain/(fall) on revaluation of fixed assets	15	(9,941)	(1,965)
Donated asset receipts	15	11,529	7,482
Total recognised gains and losses during the year		(19,325)	(14,450)

The notes on Pages 27 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Balance Sheet for the Year Ended 31 March 2011

		2011 £000	2010 £000
	Notes		
Fixed Assets			
Tangible assets	6	202,736	200,692
Heritage Assets	7	5,722	4,832
Intangible assets	8	-	-
Investments	9	1	1
Total Fixed Assets		208,459	205,525
Current Assets			
Stocks	10	382	396
Debtors	11	6,258	4,842
Cash at bank and in hand	12	2,855	3,118
Total Current Assets		9,495	8,356
Current Liabilities			
Creditors: amounts falling due within one year	13	(4,351)	(3,572)
Net current assets		5,144	4,784
Total assets less current liabilities		213,603	210,309
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(984)	(447)
Total net assets		212,619	209,862
Financed by:			
Capital and reserves			
Unrestricted funds:			
Capital reserve	15	79,128	74,952
General fund	15	274	320
Board reserve fund	15	3,085	3,301
NMS Enterprises Ltd	18	(277)	(260)
		82,210	78,313
Restricted funds:			
Collections & Donated assets reserve	15	34,805	23,786
Revaluation reserve	15	95,273	107,470
Purchase Fund	15	212	254
Designated Funds	15	119	39
		130,409	131,549
Total Funds		212,619	209,862

The Accountable Officer authorised these financial statements for issue on 5th October 2011


Director

30 September 2011
Date

The notes on Pages 27 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Cash Flow Statement for the Year Ended 31 March 2011

		2011 £000	2010 £000
	Notes		
Net cash inflow/(outflow) from operating activities	16	180	(744)
Returns on investments and servicing of finance			
Interest Received		9	10
Taxation:			
Corporation Tax	23	-	-
Capital expenditure and financial investment:			
Payments from Purchase Fund	15	(890)	(617)
Payments from Designated Fund	15	(10)	-
Payments from NFA Fund	22	(158)	(230)
Payments to acquire tangible and intangible fixed assets		(17,231)	(12,754)
Total capital expenditure and financial investment		(18,289)	(13,601)
Cash outflow before financing		(18,100)	(14,335)
Financing:			
Government grants	2	5,170	4,706
Capital grants received	15	11,529	7,482
NFA Fund received	22	200	200
Purchase Fund	15	848	550
Designated Fund	15	90	-
		17,837	12,938
Increase/(decrease) in cash in the period	16	(263)	(1,397)

The notes on Pages 27 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities for the Year Ended 31 March 2011

		2011 Unrestricted Funds £000	2011 Restricted Funds £000	2011 Total £000	2010 Total (Restated) £000
Incoming resources	Notes				
Income resources from generated funds					
Voluntary income					
Grant-in-aid	2	27,054	594	27,648	26,518
Capital grants received		-	4,693	4,693	5,070
Donations	3 & 15	247	254	501	264
Other grants received		90	90	180	129
Activities for generating funds					
Activities in the furtherance of the charity's objectives	3	585	-	585	728
Capital donations received		-	6,836	6,836	2,411
Membership income	3	132	-	132	132
Activities for generating funds	18	1,294	-	1,294	1,216
Investment income					
Gift aid from Subsidiary	18	-	-	-	92
Interest income		9	-	9	10
Total incoming resources		29,411	12,467	41,878	36,570
Resources expended					
Cost of generating funds					
Development	5	661	-	661	667
NMSE Ltd – Cost of goods sold	18	548	-	548	509
NMSE Ltd – Admin costs	18	763	-	763	630
NMSE Ltd – Gift aid	18	-	-	-	92
Charitable expenditure					
Charitable activities	5 & 15	26,962	900	27,862	26,149
Governance costs					
Governance activities	5	236	-	236	249
Total resources expended		29,170	900	30,070	28,296
Net (outgoing)/Incoming resources before revaluation, collections capitalisation and reversal of notional costs		241	11,567	11,808	8,274
Revaluation of fixed assets	15	-	(9,941)	(9,941)	(1,966)
Capitalisation of collections purchases	15	-	890	890	617
Release from revaluation reserve	15	2,256	(2,256)	-	-
Release from donated asset reserve	15	1,400	(1,400)	-	-
Net movement in funds		3,897	(1,140)	2,757	6,925
Total funds brought forward		78,313	131,549	209,862	202,937
Total funds carried forward		82,210	130,409	212,619	209,862

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2011

	2011 Unrestricted Funds £000	2011 Restricted Funds £000	2011 Total £000	2010 Total £000
Total fund balances comprise:				
Fixed assets	78,380	130,078	208,458	205,525
Net current assets	4,814	331	5,145	4,784
Creditors due after more than one year	-	-	-	-
Provisions for liabilities and charges	(984)	-	(984)	(447)
	82,210	130,409	212,619	209,862

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 27 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Income and Expenditure Account for the Year Ended 31 March 2011

	Notes	Continuing Activities	
		2011 £000	2010 £000 (Restated)
All operations are continuing			
Income			
Entrance charges		401	414
Gift aid from subsidiary		-	92
Miscellaneous grants		90	129
Other income	3	563	631
		1,054	1,266
Expenditure			
Staff costs	4	14,095	13,165
Other operating charges	5	7,864	8,062
Depreciation and permanent diminution in value	1c,6,8	5,900	5,007
		27,859	26,234
Excess of expenditure over income before interest		(26,805)	(24,968)
Interest receivable		9	9
Excess of expenditure over income after interest		(26,796)	(24,959)
Taxation	23	-	-
Excess of expenditure over income after taxation before reserve movements		(26,796)	(24,959)
Board Reserve release	15	-	-
Capital Reserve release	15	2,244	1,425
Capital Donations release	15	1,400	1,382
Revaluation Reserve release	15	2,256	2,200
Excess of expenditure over income for the year transferred to General Fund	15	(20,896)	(19,952)

The notes on Pages 27 to 44 form part of these accounts.

The result including grant income is a deficit of £46k (2009/10 surplus of £647k) as explained further in Note 2 to the accounts.

NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2011

		2011 £000	2010 £000
	Notes		
Fixed Assets			
Tangible Assets	6	202,636	200,625
Heritage Assets	7	5,722	4,832
Intangible Assets	8	-	-
Investment in Subsidiary	9	500	500
Total Fixed Assets		208,858	205,957
Current Assets			
Debtors receivable within 12 months	11	6,501	5,219
Cash at Bank and in Hand	12	2,712	2,803
Total Current Assets		9,213	8,022
Current Liabilities			
Creditors: Amounts falling due within one year	13	(4,191)	(3,410)
Net current assets		5,022	4,612
Total assets less current liabilities		213,880	210,569
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(984)	(447)
Total net assets		212,896	210,122
Financed by:			
Capital and Reserves			
Unrestricted funds:			
Capital Reserve	15	79,128	74,952
General Fund	15	274	320
Board Reserve Fund	15	3,085	3,301
		82,487	78,573
Restricted Funds:			
Collections & Donated Assets Reserve	15	34,805	23,786
Revaluation Reserve	15	95,273	107,470
Purchase Fund	15	212	254
Designated Funds	15	119	39
		130,409	131,549
Total Funds		212,896	210,122


Director

30 September 2011
Date

The notes on Pages 27 to 44 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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 (FRM).

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
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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) 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. These funds are shown in the Designated Funds reserve.

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

j) Subsidiary companies

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

k) Investments

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

NATIONAL MUSEUMS SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

l) 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.

m) 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.

n) 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.

o) Heritage Assets

A Heritage Asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Artefacts 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 and the objects are not revalued.

The trustees believe that the collection of National Museums Scotland is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. It is truly "priceless" in that it cannot be valued meaningfully. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection, so that reliable cost or valuation information cannot be obtained.

Our policies for the acquisition, preservation, management and disposal of heritage assets is available on our website www.nms.ac.uk. Our collections are on display in public museums, or can be accessed in store by request. Access to the stores is facilitated by the relevant member of staff, so that visitors are accompanied, to maintain security, ensure health and safety rules are met, and to provide wider context and knowledge about the collections.

p) 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.

q) 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.

r) 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).

NATIONAL MUSEUMS SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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.

s) *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.

t) *Government Funding*

Government funding is accounted for in accordance with guidance contained in the Financial Reporting Manual (FReM). 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.

u) *Financial Instruments*

Financial Instruments are disclosed in line with Cash, Trade Debtors and Trade Creditors policies.

v) *Designated Funds*

Where funding for specific stated purposes is received and remains unspent at the year end, this is disclosed as restricted designated funds.

w) *Third Party Assets*

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, but have no impact on the other financial statements. Separate accounting arrangements are made for the fund.

x) *Prior Year Adjustments*

HM Treasury, under the Clear Line of Sight (Alignment Project) removed the cost of capital charge from budgets and accounts from 1 April 2010. The cost of capital charge is therefore no longer applicable. The removal of the cost of capital charge is a change in accounting policy under IAS 8. Applying paragraph 31 of IAS 1 and, noting that the removal of the cost of capital charge has no effect on the balance sheets, a specific disclosure is not required. The impact on the prior year outturn statement is £Nil.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

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

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.

	GROUP AND NMS	
	2011	2010
	£000	£000
Grant-in-aid received:		
Running Costs	21,884	21,302
Major Capital	5,170	4,706
	27,054	26,008
Purchase Grant	594	510
Total received during year	27,648	26,518

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 outturn lower than 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 2009-10 or 2010-11 will be clawed back in respect of this.

	2011	
	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	21,884	21,924
Purchase Grant (Note 7)	594	594
Capital for Royal Museum Project	3,330	3,330
Capital for West Granton project	1,600	1,600
Capital for various projects	240	240
	27,648	27,688
National Fund for Acquisitions (Note 23)	200	200
	27,848	27,888
Non Cash Items (Notional)		
Depreciation incl. permanent diminution in value	4,207	4,254
	32,055	32,142

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

For the purposes of the above comparison to the Grant in Aid Offer letter the Depreciation figure is shown adjusted for those assets not funded by the Scottish Government (e.g. 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	
	2011	2010	2011	2010
		£000		£000
Reported Deficit	(20,913)	(19,967)	(20,896)	(19,952)
Add: Grant-in-aid received	21,884	21,302	21,884	21,302
Less: Transferred to capital reserve	(1,034)	(703)	(1,034)	(703)
Result including grant income	(63)	632	(46)	647

3. Income

Income & Expenditure Account Other Income	GROUP AND NMS	
	2011	2010
	£000	£000
Gift Aid from Membership	64	71
NMS Charitable Trust donations	111	75
Other donations	72	39
Donations	247	185
Provision of Services	50	45
Misc Sponsorship	17	133
Revenue Earning Activities	14	1
Grant Aided Activities	8	5
Other	95	130
Charitable activities	184	314
Membership Scheme	132	132
	563	631

Statement of Financial Activities Activities for Generating Funds	GROUP AND NMS	
	2011	2010
	£000	£000
Charitable activities	184	314
Entrance charges	401	414
Activities in furtherance of charity's objectives	585	728

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 2011**

4. Employees

No remuneration was paid to members of the Board of Trustees during 2010/11 (2009/10 - nil). During 2010/11 National Museums Scotland paid a total of £2,826 in reimbursement of travel expenses to 6 Trustees for attending meetings at National Museums Scotland, while in 2009/10, a total of £1,368 was reimbursed to 4 Trustees. No benefit in kind accrued to Trustees during the year.

Staff Costs during the Year:

	GROUP		NMS	
	2011	2010	2011	2010
	£000	£000	£000	£000
Salaries	11,240	10,829	10,764	10,405
Social Security Costs	804	767	766	735
Pension Costs	1,913	1,832	1,881	1,799
Early Retirement	684	226	684	226
Total	14,641	13,654	14,095	13,165

Staff numbers are disclosed as the average FTE number of staff employed at the start and end of the reported year. Vacant posts are not included, so any fall in vacancy levels, and in particular the filling of previously vacant posts in the run up to the reopening of the refurbished National Museums of Scotland, has a significant effect on staff numbers reported.

Average full-time equivalent number of employees by Directorate:

	GROUP		NMS	
	2011	2010	2011	2010
Directorate	13	12	13	12
Finance and Resources	25	30	25	30
Estates and Facilities Management	88	87	88	87
Collections	121	116	121	116
Public Programmes (including Visitor Services)	128	129	128	129
Marketing and Development	14	17	14	17
NMS Enterprises Ltd	17	16	-	-
Total	406	407	389	391

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

	GROUP		NMS	
	2011	2010	2011	2010
Permanent Contract	369	376	360	369
Temporary Contract	37	31	29	22
Total	406	407	389	391

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).

For 2010-11, employers' contributions of £1,881k were payable to the PCSPS (2009-10 £1,799k) at one of four rates in the range of 16.7% to 24.3% per cent of pensionable pay, based on salary bands (the rates in 2009-10 were between 16.7% and 24.3%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

meet the cost of the benefits accruing during 2010-11 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 £27k (2009-10 £18k) 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 441 staff during 2010/11 (2009/10 = 450 staff), while benefits accrued under defined contribution schemes to 13 staff during 2010/11 (2009/10 = 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 2010-11, employers' contributions of £32k were payable (2009-10 £33k)

Civil Service and other compensation schemes – exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirement, the additional costs are met by the National Museums Scotland and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. Voluntary exit schemes run in 2010/11 have been funded by additional grant in aid from Scottish Government.

Exit package cost band	No of Voluntary Redundancies under CSCS Scheme to December 2010		No of Voluntary Redundancies under CSCS Scheme from January 2011		Total number of exit packages by cost band	
	2011	2010	2011	2010	2011	2010
< £10,000	1	-	-	-	1	-
£10,000 - £25,000	2	1	4	-	6	1
£25,000 - £50,000	1	-	6	-	7	-
£50,000 - £100,000	2	-	-	-	2	-
£100,000 - £150,000	-	-	-	-	-	-
£150,000 - £200,000	-	1	-	-	-	1
Total number of exit packages	6	2	10	-	16	2
Total resource cost (£000)	225	216	297	-	522	216

The terms for the Principal Civil Service Compensation Scheme for compulsory and voluntary retirement and severance were changed in December 2010. For departures on terms prior to that date National Museums Scotland is obliged to pay the costs of the enhanced early leaving benefits. These include capitalised payment for early payment of pensions and accrual for pension contributions up to and beyond pension age. The cost of these schemes is included in the table above marked – Number of Voluntary Redundancies under CSCS Scheme to December 2010. From January 2011 the terms were changed so that all voluntary exits would be made by

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

compensation payments only as there would be no pension enhancement. The cost of these schemes is included in the table above marked – Number of Voluntary Exits under CSCS Scheme from January 2011

There were no compulsory redundancies in 2010/11 (2009/10 Nil)

5. Expenditure

Income & Expenditure Account	GROUP		NMS	
Other Operating Charges	2011	2010	2011	2010
	£000	£000	£000	£000
Board Expenses	2	8	2	8
Expenses - Staff	209	234	203	227
Administration Expenses	1,260	854	1,203	803
Internal Audit	11	12	11	12
Other External Charges	1,487	1,532	873	1,008
Professional Services:				
– Directorate & Resources	73	97	40	67
– Estates	2	27	2	27
– Collections	-	56	-	56
– Public Programmes	81	173	81	173
- Marketing & Development	119	210	119	210
Advertising	134	139	134	139
Fuel and Utilities	967	1,153	967	1,153
Rents and Rates	198	324	196	324
Furniture and Furnishings	116	113	96	107
Repairs and Renewals	3,915	3,726	3,915	3,726
Audit Fee	31	31	22	22
Total	8,605	8,689	7,864	8,062

Statement of Financial Activities	2011	2011	2011	2011	2010
Resources Expended	Staff	Operating	Depreciation	Total	Total
	£000	£000	£000	£000	£000
Development	340	236	85	661	667
Cost of generating funds	340	236	85	661	667
Curatorial	3,958	762	1,379	6,099	5,740
Conservation & Collections	2,054	523	895	3,472	2,621
Exhibitions	3,680	1,333	1,760	6,773	7,196
Security and Support Services	1,919	548	1,018	3,485	2,064
Marketing	450	576	164	1,190	1,047
Estates and Buildings	1,498	3,845	600	5,943	6,650
Charitable Activities	13,559	7,587	5,816	26,962	25,318
Trustee Expenditure	-	9	-	9	17
Staff costs	194	-	-	194	198
Internal audit	-	11	-	11	12
External audit	-	22	-	22	22
Governance activities	194	42	-	236	249
Total	14,093	7,865	5,901	27,859	26,234

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

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

GROUP

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2010	196,179	28,934	2,596	26,665	2,609	256,983
Additions	1,634	15,754	-	-	520	17,908
Transfers	306	(306)	-	-	-	-
Disposals	-	-	-	-	(65)	(65)
Revaluations	<u>(12,189)</u>	=	<u>(161)</u>	<u>354</u>	=	<u>(11,996)</u>
31 March 2011	185,930	44,382	2,435	27,019	3,064	262,830
Depreciation						
1 April 2010	36,419	-	501	18,106	1,265	56,291
Charge for year	3,051	-	49	1,865	328	5,293
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(64)	(64)
Impairments	599	-	-	-	31	630
Revaluations	<u>(2,265)</u>	=	<u>(31)</u>	<u>240</u>	=	<u>(2,056)</u>
31 March 2011	37,804	-	519	20,211	1,560	60,094
Net Book Value						
31 March 2011	<u>148,126</u>	<u>44,382</u>	<u>1,916</u>	<u>6,808</u>	<u>1,504</u>	<u>202,736</u>
1 April 2010	<u>159,760</u>	<u>28,934</u>	<u>2,095</u>	<u>8,559</u>	<u>1,344</u>	<u>200,692</u>

NATIONAL MUSEUMS SCOTLAND

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2010	196,179	28,934	2,596	26,665	2,403	256,777
Additions	1,634	15,754	-	-	463	17,851
Transfers	306	(306)	-	-	-	-
Disposals	-	-	-	-	(65)	(65)
Revaluations	<u>(12,189)</u>	=	<u>(161)</u>	<u>354</u>	=	<u>(11,996)</u>
31 March 2011	185,930	44,382	2,435	27,019	2,801	262,567
Depreciation						
1 April 2010	36,419	-	501	18,106	1,126	56,152
Charge for year	3,051	-	49	1,865	305	5,270
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(65)	(65)
Impairments	599	-	-	-	31	630
Revaluations	<u>(2,265)</u>	=	<u>(31)</u>	<u>240</u>	=	<u>(2,056)</u>
31 March 2011	37,804	-	519	20,211	1,397	59,931
Net Book Value						
31 March 2011	<u>148,126</u>	<u>44,382</u>	<u>1,916</u>	<u>6,808</u>	<u>1,404</u>	<u>202,636</u>
1 April 2010	<u>159,760</u>	<u>28,934</u>	<u>2,095</u>	<u>8,559</u>	<u>1,277</u>	<u>200,625</u>

NATIONAL MUSEUMS SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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 2011. All the properties, with the exception of the Royal Museum Building and our recently completed extension to a storage facility at the National Museums Collections Centre, 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 2010 using appropriate indices. The storage facility was valued at 31 March 2011. 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 2011 Fixed Assets included donated assets at an amortised value of £29,084k made up by:

	2011	2010
	£000	£000
Land and Buildings	26,019	15,582
Leasehold Improvement	1,191	1,245
Permanent Galleries	1,874	2,127
	29,084	18,954

The charge for depreciation and diminution in value comprises:

National Museums Scotland except as stated	2011	2010
	£000	£000
Tangible assets depreciation	5,270	5,086
Intangible assets depreciation (Note 8)	-	39
Permanent diminution in value – tangible assets	630	(110)
Permanent diminution in value – intangible assets	-	(8)
NMS Enterprises tangible assets depreciation	23	24
	5,923	5,031

7. Heritage Assets (See Note 1[o])

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.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

	GROUP AND NMS				
	2011	2010	2009	2008	2007
	£000	£000	£000	£000	£000
1 April	4,832	4,215	3,442	2,990	2,471
Purchase Fund Utilised in Year	636	576	536	452	439
NMS Charitable Trust	-	41	150	-	59
Art Fund	100	-	85	-	-
National Heritage Memorial Fund	154	-	-	-	21
Others	-	-	2	-	-
31 March	5,722	4,832	4,215	3,442	2,990

8. Intangible Assets

	GROUP AND NMS	
	2011	2010
	£000	£000
1 April	306	306
Revaluation	-	-
31 March	306	306
Amortisation:		
1 April	306	275
Charge for the Year	-	39
Impairment	-	(8)
31 March	306	306
Net Book Value:		
31 March	-	-

Intangible assets held by National Museums Scotland consist solely of software licences. No licenses/trademarks, patents or goodwill are held.

9. Investments

	GROUP		NMS	
	2011	2010	2011	2010
	£000	£000	£000	£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	
	2011	2010	2011	2010
	£000	£000	£000	£000
Stocks Held for Resale	382	396	-	-

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

11. Debtors

	GROUP		NMS	
	2011	2010	2011	2010
	£000	£000	£000	£000
		(Restated)		(Restated)
Receivable Within 1Year:				
Prepayments	432	302	349	266
Sundry Debtors	4,427	3,331	4,427	3,331
Trade Debtors	304	247	129	95
Less:				
Provision for Amounts not recoverable	(16)	(18)	(13)	(14)
Subsidiary Company	-	-	497	561
VAT Recoverable	1,111	980	1,112	980
	6,258	4,842	6,501	5,219
Intra Governmental Balances	GROUP	2010	NMS	2010
	2011	£000	2011	£000
	£000		£000	
Central Government	2,367	2,212	2,356	2,208
Local Government	3	1	3	1
NHS Trusts	-	-	-	-
Public Corporations	1	2	-	-
Bodies External to Government	3,887	2,627	4,142	3,010
	6,258	4,842	6,501	5,219

12. Cash at Bank and in Hand

	GROUP		NMS	
	2011	2010	2011	2010
	£000	£000	£000	£000
Cash and commercial accounts	2,776	3,082	2,633	2,767
Funds held for third parties	79	36	79	36
	2,855	3,118	2,712	2,803

13. Creditors

	GROUP		NMS	
	2011	2010	2011	2010
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade Creditors	177	186	77	87
Other Creditors	1,207	919	1,207	907
Accruals	2,930	2,432	2,870	2,381
Deferred Income	37	35	37	35
	4,351	3,572	4,191	3,410
Amounts Falling Due After More than One Year:				
Creditors > 1 Year	-	-	-	-

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

Intra Governmental Balances	GROUP		NMS	
	2011 £000	2010 £000	2011 £000	2010 £000
Central Government	-	1	-	-
Local Government	1	-	1	-
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	4,350	3,571	4,190	3,410
	4,351	3,572	4,191	3,410

14. Provision for liabilities and charges

	GROUP AND NMS				2011 £000 Total	2010 £000
	£000 Early Retirement	£000 Injury Benefit	£000 Voluntary Exit Scheme	£000 Other Provisions		
Opening Balance 1 April	257	190	-	-	447	313
Add: Provisions During Year	107	-	517	60	684	226
Less: Paid During Year	(127)	(16)	(4)	-	(147)	(92)
Closing Balance 31 March	237	174	513	60	984	447

Restructure & injury benefits of £585k (2009/10 £91k) are payable within 12 months of the year end.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

15. Reserves – Restricted and Unrestricted

NMS				<i>Restricted</i>	<i>Restricted</i>	<i>Restricted</i>	<i>Restricted</i>	
£000	General Fund	Board Reserve Fund See Note 1[g]	Capital Reserve See Note 1[e]	<i>Collections & Donated Assets Reserve</i> See Note 1[i]	<i>Revaluation Reserve</i> See Note 1[h]	<i>Purchase Fund</i> See Note 1[o]	<i>Designated Funds</i> See Note 1[j]	Total
Opening Balance 1 April 2010	320	3,301	74,952	23,786	107,470	254	39	210,122
Revaluation movement	-	-	-	-	(9,941)	-	-	(9,941)
Release (to)/from I&E	-	-	(2,244)	(1,400)	(2,256)	-	-	(5,900)
Utilised in year	-	-	-	-	-	(890)	(10)	(900)
Utilised Board Reserve	-	(216)	216	-	-	-	-	-
Government funding & donation (note 2)	21,884	-	5,170	-	-	594	-	27,648
Capitalisation of Collection Purchases	-	-	-	890	-	-	-	890
Other donations & transfers	-	-	-	11,529	-	254	90	11,873
Transfers	-	-	-	-	-	-	-	-
GIA to Capital	(1,034)	-	1,034	-	-	-	-	-
Deficit for year	(20,896)	-	-	-	-	-	-	(20,896)
Closing Balance 31 March 2011	274	3,085	79,128	34,805	95,273	212	119	212,896

of which:

Capital Reserve
 Utilised
 Unutilised

78,265
 863
79,128

Collection & Donated Assets Reserve
 Collection Assets
 Donated Assets

5,721
 29,084
34,805

Revaluation Reserve
 All Assets (excl Donated Assets)
 Donated Assets

81,370
 13,903
95,273

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 2011

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

	GROUP	
	2011	2010
	£000	Restated £000
Net outgoing resources before revaluation ,collections capitalisation and reversal of notional costs	11,808	8,274
Grant-in-Aid – Major Capital	(5,170)	(4,706)
Other Capital Grants	(11,529)	(7,482)
Interest Received	(9)	(10)
Depreciation, permanent diminution in value and loss on disposal	5,923	5,031
Transfer to capital	(1,034)	(703)
Movement in restricted funds	(38)	67
Movement in unrestricted funds	315	250
(Increase)/decrease in stocks	14	(26)
(Increase) in Debtors	(1,416)	(1,960)
Increase/(decrease) in Creditors	779	387
Increase in Provisions for Liabilities and Charges	537	134
Net Cash Inflow/(outflow) from Operating Activities	180	(744)

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	
	2011	2010
	£000	£000
Opening Cash Balance	3,118	4,515
Change in Year	(263)	(1,397)
Closing Cash Balance	2,855	3,118

17. Commitments

	GROUP	
	2011	2010
	£000	£000
Contracted but not provided for in the Accounts		
Capital Commitments:		
Royal Museum Project – Main Works	1,200	10,000
Royal Museum Project – Gallery Fit Out	2,200	-
Royal Museum Project – Consultants	1,100	1,700
Other capital projects	651	165
	5,151	11,865
Operating Commitments	690	179
Total Commitments	5,841	12,044

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

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:

	2011	2010
	£000	£000
Turnover	1,294	1,216
Cost of goods sold	(548)	(509)
Administrative costs	(763)	(630)
Trading profits from continuing operations	(17)	77
Gift aid to National Museums Scotland	-	(92)
Profit/(loss) after gift aid	(17)	(15)
Interest Income	-	-
Profit/(Loss) reported in Consolidated I&E Account	(17)	(15)
Reserves at 1 April	(260)	(245)
Transferred from Income and Expenditure Account	(17)	(15)
Reserves at 31 March	(277)	(260)

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 £6.8m in grants and donations from NMSCT during the year (2009/10 £2.4m).

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

20. 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. Payments under this are shown as rent in the accounts. Future rental commitments at 31 March were as follows:

	GROUP AND NMS	
	2011	2010
	£000	£000
Lease expiring after more than 5 years	23	23

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2011.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011**

22. National Fund for Acquisitions
(See Notes 1(x))

	2011	2010
	£000	£000
Balance at 1 April	37	67
Grant Received	200	200
Disbursements	(158)	(230)
Balance at 31 March	79	37

23. Taxation

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

In respect of 2010/11 NMS Enterprises Ltd will pay £Nil (2009/10 £92k) by Gift Aid to National Museums Scotland. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year.

24. 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.

25. Post Balance Sheet Events

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

26. Financial Instruments

As the cash requirements of National Museums Scotland are met through grant in aid, provided by Scottish Government, financial instruments play a limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contract to buy non financial items in line with National Museums Scotland's expected purchase and usage requirements and the National Museums Scotland is therefore exposed to little credit, liquidity or market risk. As National Museums Scotland does not face significant medium to long-term financial risks further disclosure is deemed unnecessary.

**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.

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

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

