

Annual Report and Accounts
For the year ended 31 March 2019

Charity Number: SC011130

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TRUSTEES' ANNUAL REPORT

1. Our objectives and activities

National Museums Scotland is one of the leading museum groups in Europe. Millions of local and international visitors enjoy our four museums each year, and we care for one of the most diverse collections in the world. The largest of our museums, the National Museum of Scotland was again the most visited tourist attraction outside London.

Our Vision is *Inspiring People, Connecting Scotland to the World and the World to Scotland.*

Public Benefit

National Museums Scotland successfully delivers cultural, social, educational and economic impact across Scotland, and has a growing reputation internationally. Our diverse collection is an important resource historically, culturally and intellectually which we seek to share as widely as possible. We care for internationally significant collections of natural sciences, decorative arts, design and fashion, world cultures, science and technology, and Scottish history and archaeology. These collections span thousands of years and we use them to engage the public in exploring and celebrating the world around us – past present and future.

We make the collections available and promote public awareness through our four museums: the National Museum of Scotland in Edinburgh, the National War Museum within Edinburgh Castle, the National Museum of Flight in East Lothian and the National Museum of Rural Life near East Kilbride. The National Museum of Scotland's galleries are available online via Google Arts and Cultures Museum View experience with users able to move through the permanent galleries at the click of a button, viewing around 20,000 objects on display. We make some of the most significant objects in our collections available digitally via our website, with over 683,000 objects accessible at the end of 2018/19.

We reach out across Scotland, the UK and internationally in many ways. Loans and touring exhibitions help ensure our collections reach as many people as possible. We work closely with other Scottish museums on partnership projects that can raise their profile and enable wider public access to the collections. We also offer advice and support to museums across Scotland, enhancing and developing collections expertise through training, targeted projects and partnerships. Our work has an impact across the world. Our international programme and partnerships aim to widen engagement and knowledge of the nation's collection.

The National Museums Collection Centre in Granton, north Edinburgh, is an internationally significant centre for collections research, access and storage. It provides a focal point for cutting-edge collection-based research, interdisciplinary study, specialist training and advanced teaching, and underpins our national and international activities.

Our Mission is to preserve, interpret and make accessible for all, the past and present of Scotland, other nations and cultures and the natural world.

Status

We are a Scottish Charity and a Non-Departmental Public Body (NDPB) sponsored and supported through Grant-in- Aid by the Scottish Government, governed by an independent Board of Trustees. The principal functions of the organisation are, as set out in Section 2(1) of the National Heritage (Scotland) Act 1985, 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 collections and by such other means, including collaboration with other institutions, as we consider appropriate
- e) Provide education, instruction and advice and carry out research.

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited, the aims of which are to:

- Manage commercial facility hire and catering activities
- Operate the shops in our museums
- Publish books
- Develop commercially our intellectual property.

All profits are distributed to National Museums Scotland. The activities of National Museums Scotland and NMS Enterprises are consolidated in the accounting statements and together are referred to as the Group.

2. Achievement and performance

This is the third year of delivery of our Strategic Plan 2016-20. We have achieved a great deal through the completion of a major capital redevelopment and enhancing our partnerships with other museums, higher education institutions and a wide range of community-based groups.

Early 2019 saw the completion of the fourth and final stage of our 15-year transformation of the National Museum of Scotland. The final three new galleries - dedicated to our ancient Egypt, East Asia, and Ceramics collections - opened to the public on budget and as planned on 08 February 2019. We thank all our donors who helped make this possible.

Across our museums, we welcomed 3.2 million visitors in 2018-19, a 3% increase on the previous year. The National Museum of Scotland alone welcomed over 2.2 million visitors, three and a half times the number of annual visits before the onset of the redevelopment programme. We had over 2.3m visits to our website, an increase of 4.7% on 2017-18. The National Museum of Scotland is once again the most visited museum or attraction in the UK outside London.

Exhibitions

We put on a number of temporary displays during the year in our Special Exhibition Galleries, including:

- *Rip It Up: The Story of Scottish Pop* was a critical success and was accompanied by a three-part BBC TV series, a four-part BBC Radio series and a very successful book of the same name.
- *Embroidered Stories: Scottish Samplers* offered a unique insight into the lives of children in the 18th and 19th centuries through a superb collection of Scottish samplers on loan from American collector Leslie B. Durst.
- *Scotland's Early Silver*, which opened at the National Museum of Scotland, toured to Stornoway, Banff and Kirkcudbright. This was funded through a renewed 3-year funding partnership with The Glenmorangie Company.
- Our first major international touring exhibition, *Monkeys! A Primate Story* continued its successful travels. Following its opening in Brussels in 2017, it went to Brisbane in 2018, and will then go on to Barcelona in 2019 and Finland in 2020.

Significant Acquisitions

We continually look for items which will enhance our collections. The following are examples of some key acquisitions in 2018-19.

- A British Aerospace Hawk T1A has enhanced our aviation collection. The Hawk, which was flown by the Royal Air Force Aerobatic Team the Red Arrows, is the only Red Arrows Hawk on display in any UK museum. The iconic aircraft was donated by the Ministry of Defence through RAF Heritage as part of the RAF100 anniversary and is on permanent display at the National Museum of Flight.

- A rare Charles Rennie Mackintosh Washstand, a highly significant example of Scottish 20th-century design was added to the permanent displays at the National Museum of Scotland to mark the 150th Anniversary of Mackintosh's birth.
- The 17th-century Bruce-Oosterwijck pendulum sea clock, which played an important role in the search for a means to determine longitude at sea.

Nationally

We continue to share our collections, expertise and programmes with museums and local communities across Scotland through our National Strategy. In the past year:

- National Programme activities reached each of Scotland's 32 local authorities
- 97 museums were supported through training, loans, acquisitions, touring and community engagement projects
- 4,828 objects were loaned to 72 organisations across Scotland, including loans to 4 new venues
- 10,784 people engaged through outreach programmes beyond our sites
- ScottishPower funded Powering Up national programme has reached 44 primary schools, 4,899 pupils and 374 adults across 5 local authorities.
- 58 acquisitions were supported by the National Fund for Acquisitions with a total purchase price of £520,282, helping to develop and enhance the collections of 26 organisations in 17 local authorities across Scotland.

New in 2018

During 2018, we developed a strategic framework for establishing National Museums as a leader in STEM engagement, using our collections as the basis for building on our existing highly-regarded STEM activity (much of it supported by the ScottishPower Foundation). We were also commissioned by the Scottish Government to develop and deliver Maths Week across Scotland for the next three years.

In the 'Year of Young People 2018', we were awarded funding from The National Lottery to lead an ambitious three year project called *Scotland 365*, which aims to inspire young people to engage with their heritage. Our project partners are Young Scot, Project Scotland and Impacts Arts.

Our Team

Our latest Staff Survey was completed in 2018. There was a high response rate (79%) and it showed very positive results, with continuing improvement across a range of areas. In addition, our newly introduced Visitor Experience Modern Apprenticeship scheme was nominated for an award by the Scottish Training Foundation (STF), in particular noting the support and encouragement that National Museums Scotland gives to the young people recruited to the scheme.

Volunteers

We have strong relationships across our organisation with volunteers who support us in a variety of different ways, including leading guided tours, assisting staff with curatorial and conservation tasks, enabling events like the annual Airshow and undertaking research activities. Last year we benefited from the support of 195 volunteers on a continuing basis (214 in 2017/18) and 250 volunteers on a short-term basis (353 in 2017/18). In total we gained support from over 445 volunteers in the last year (567 in 2017/18), representing 26,700 volunteer hours per annum (34,020 in 2017/18), which is equivalent to approximately 14 full-time staff (18 in 2017/18).

Sustainability

We are proud to have retained Green Tourism Awards for all of our museums, with the National Museum of Rural Life and the National Museum of Flight attaining Gold awards this year. We continue to work to reduce our carbon footprint, for example through introducing LED lighting and controls, monitoring of energy meters and replacing chillers with new highly efficient plant, leading to a reduction of over 1,400 tonnes of CO₂ over previous year.

KPIs

Our Key Performance Indicators are reported at each Trustee meeting and to the Scottish Government on a quarterly basis.

	2017/18 Results	2018/19 Plan	2018/19 Results
Key Performance Indicators			
Total number of on-site physical visits	3.1m	3.3m	3.2m
Total number of digital visits	2.2m	2.4m	2.3m
Total on-site learning participation	271k	245k	273k
Total visits to NMoS Exhibitions	229k	162k	202k
Total value of commercial income	£5.5m	£6.3m	£6.8m
Total value of philanthropic income	£2m	£3.8m	£3.8m
Visitor satisfaction *	8.7	87%	85%
% Collections storage meeting appropriate standards	71%	71%	71%
Total number of object records online	662k	682k	683k
Non-government income as % of total income	25%	31%	32%

*The measure for this KPI has changed from a mean score to a percentage in 2018/19. This reflects the percentage of visitors surveyed rating their overall visit 8-10 out of 10.

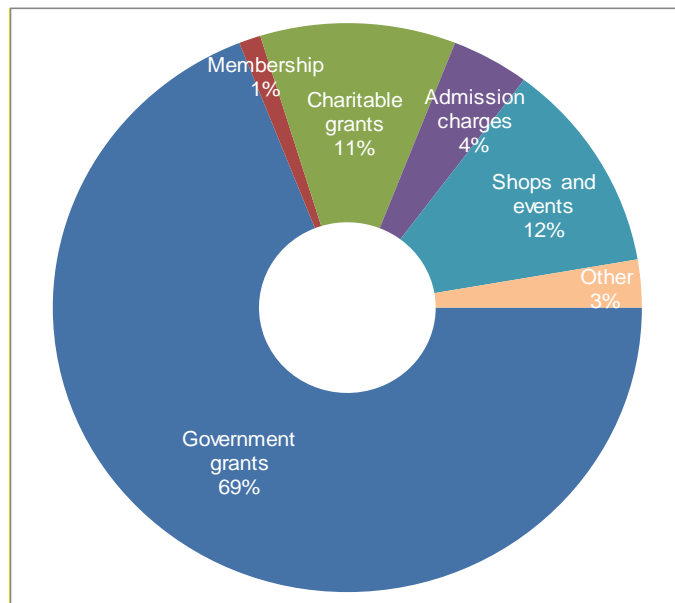
The total number of physical visits was down on target by 1%. By comparison with the previous year, however, 2018-19 performed exceptionally well with total attendance up 3%. The effect of particularly good weather in June and July 2018 had a negative impact on the final year figures. The target for digital visits was missed by 70,267, however website visits were up 5% year on year. Our Visitor Satisfaction scores also did not meet target, with the figure being pulled down by Quarter 3 scores which saw unusually high levels of non-completion of this question in the exit survey.

3. Financial review

National Museums Scotland is required to operate within the financial limits prescribed in the Framework Document laid down by the Scottish Government and to follow the Scottish Public Finance Manual unless it is in conflict with the Charity SORP. We are not permitted to borrow funds and our ability to retain unrestricted reserves is heavily curtailed. Our operational financial strategy is to break even as we continue through a period of major investment in our displays, facilities and estate.

Income

We receive the majority of our revenue funding from the Scottish Government in the form of a Grant-in-Aid (GiA). Our total income for the year was £32.4m (£31.5m in 2017/18) of which £22.4m was in GiA (£22m in 2017/18).

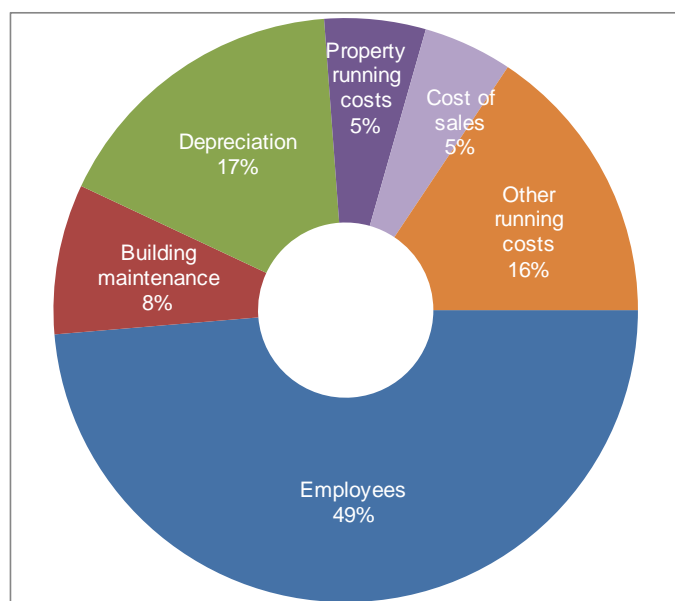


We charge for admission at the National Museums of Flight and Rural Life. We do not charge for admission at the National War Museum, although visitors cannot access the Museum unless they pay Historic Environment Scotland for admission to Edinburgh Castle. Admission to the National Museum of Scotland is free with the exception of the main Special Exhibition Gallery. Increases in visits in 2018-19 resulted in a 19% growth in our visitor income compared to 2017-18. The increase in visitor income was helped by the Soyuz Exhibition and the increased popularity of the Special Exhibitions this year at the National Museum of Scotland.

We had another successful year securing substantial non-government income to invest in our museum displays and facilities. This investment underpins our delivery this year and in the future. It is vital in enabling us to build our reputation, reach and revenue in the short, medium and long-term.

Our Shop and Event income comes from NMS Enterprises which manages retail and venue hires, offering spectacular events in our unique and versatile sites across National Museums Scotland. A record number of events and increased visitor numbers have helped grow revenue by over 6.5% year on year.

Costs



The most significant part of our funding is used to employ the people we need to operate and develop the national museums. Payroll costs increased during the year due to the implementation of the Scottish

Government Pay Policy, along with additional fixed term contract staff required during the installation of the new galleries.

Operating our buildings (maintenance, heat and light) takes another large part of our budget. Investment to reduce energy consumption and our carbon footprint has been successful but has been offset by price increases.

Depreciation is the cost of using our capital assets gradually over many years. We continually invest to build up our capital base of buildings, facilities and displays.

Cost of sales is principally the value of stock sold in our shops and the cost of commercial events.

Other running costs include a wide range of collections care and conservation costs, exhibition and display costs and the administrative costs of running the organisation.

Major Investment Projects

During 2018-19 we completed the fourth and final phase of our £80 million, 15 year redevelopment of the National Museum of Scotland. In February 2019 we opened the final three galleries focusing on our world-class collections of Ancient Egypt, East Asia and Ceramics.

Alterations to Building 14 at the National Museums Collection Centre have allowed us to move the remainder of our collections out of commercial storage to this site. Work continues on planning for a new hangar at the National Museum of Flight so that our largest aircraft, some of which are currently outdoors, can be preserved for future generations and better interpreted for our visitors.

We carried out a refurbishment of offices and back of house areas in the National Museum of Scotland. This allowed us to relocate team members from offices in the Old Dental Hospital which we successfully sold in March 2019.

Work continues on the backlog of property maintenance works. This level of backlog maintenance has been flagged as a continuing significant risk by our Audit and Risk Committee. Broadly speaking, the level of budget available for planned maintenance and periodic renewal is insufficient given the size and complexity of the Estate. New maintenance liabilities continue to emerge over time and a significant liability remains to be funded. At a time when Government Grant for both capital and revenue funding is reducing in real terms, and potentially even in cash terms, this remains a serious risk.

In the period, the Group acquired tangible assets at a cost of £4.2m (2017-18 £2.6m), including £4m (2017-18 £2.5m) on buildings and £0.2m (2017-18 £0.1m) on equipment purchases.

Reserves

Reserves are reviewed regularly by the Board of Trustees and appropriate levels agreed based on current requirements and forward plans. As our most significant funder, the Scottish Government requires us to spend all the Grant-in-Aid received and not to hold material unrestricted reserves.

Restricted reserves principally represent the capital value of our assets, which will be written down in future years as that value is consumed. These resources are restricted to this purpose and cannot be used in any other way.

The Board Reserve held in both the charity and its subsidiary (NMS Enterprises) is available for use and is held at not less than £250,000.

Full details of our reserves can be found in Note 16 of the Accounts.

Planning ahead

The Board of Trustees was unable to approve the final budget for 2019-20 for the beginning of the Financial Year due to lack of clarity on funding from the Scottish Government on additional employers' pension costs. In February 2019 the Cabinet Office confirmed increases in employer contributions into the Civil Service Pension Scheme of which all employees are members. This created a shortfall of £770k in the budget for 2019-20 and a similar sum for subsequent years.

The Board, as Trustees of a Charity, have a responsibility to ensure we have sufficient funds to fulfil our charitable objectives. Until our Grant-in-Aid funding from the Scottish Government was finalised the Board approved our interim budget on a quarterly basis. Additional funding was confirmed by the Scottish Government in July and the Board approved the 2019-20 Budget on 18 September 2019. The additional funding was for 2019-20 only and is a considerable future financial risk should it not be made permanent.

Assuming that the Employers pension funding continues the outlook for the next 3 years is challenging as demonstrated in the table below.

	2018/19	2019/20	2020/2021	2021/2022
	Actual	Budget	Plan	Plan
	£000	£000	£000	£000
Income				
Grant-in-Aid	22,160	23,442	22,617	22,617
Other income	10,035	7,730	7,217	7,057
Total Income	32,195	31,172	29,834	29,674
Operational Expenditure				
Salaries	16,944	17,829	18,146	18,716
Operational Costs	11,604	11,900	11,781	11,794
Total	28,548	29,729	29,927	30,510
Major Projects Expenditure	3,647	1,438	350	350
Surplus/(Deficit)	-	5	(443)	(1,186)

Apart from salary increases, our budgets have remained static for a number of years and have therefore been significantly reduced in real terms due to inflation. Our non-government income grew from £5.4m in 2013-14 to £10m in 2018-19, which includes a £1.9m increase in the income for capital projects. Further significant growth in such income is likely to be in relation to additional capital or project funding rather than for our ongoing day to day activities.

In recent years GiA has been static, apart from increases which have funded the majority of the costs of implementing the Scottish Government Pay Policy. Our operational budgets are already under strain from standstill funding – especially our maintenance costs; the current position regarding estate maintenance and renewal means that our level of backlog maintenance is increasing. The increased popularity of our free admission museums has led to additional pressure on our budgets as no additional funding had been made available for the resultant increases in operational costs. The table above assumes no additional funding or costs in relation to maintenance spend which will mean the estate will continued to deteriorate.

A UK Government Spending Review is currently planned for the period from April 2021. If this takes place it may have implications for the budget of the Scottish Government and hence our own Grant-in-Aid. In addition, the Scottish Government has indicated that it will be undertaking a Spending Review even if the UK Review does not take place. At present, there is currently no information available from the Scottish Government on the likely level of Grant in future years, which makes NMS unable to plan securely. We are currently assuming that the Scottish Government Public Sector Pay Remit is likely to involve pay increases at the same levels as the past two years. Unless such increases are fully funded by Government then there would be a very significant financial challenge for the organisation.

There are continuing significant challenges due to the very large proportion of our budget which is taken up by staff costs and unavoidable operational costs. Without adequate future funding we would have to make visible changes to our operations and the impact we make.

Risk and uncertainty

In support of delivering our operations and plans for the future, National Museums Scotland maintains a Strategic Risk Register of major risks which is reviewed and updated regularly by the Executive Team and the Audit and Risk Committee. The current register identifies the following as the key risks:

A real-terms or cash fall in GIA income.	High
Buildings not meeting appropriate legislative standard OR uneconomic to repair, OR not fit to be occupied by staff or collections.	High
Failure to recruit and retain staff in business critical posts resulting in the organisation not having the right skills and experience	High

Each Strategic Risk is assigned an owner from the Executive Team who puts in place plans or control mechanisms to reduce the risk. Even with controls in place these risks remain high as they are associated with our relationship with the Scottish Government and the constrained financial position.

The risks which are deemed high are in relation to our funding, particularly with regards to increased costs in both maintenance and pay.

Our existing level of funding is insufficient to enable us to maintain our estate effectively. Government Grant in Aid had been at a standstill for 10 years while our visitor numbers have trebled and inflation has been over 30%. In practical terms this means that in many cases we are reactive to priority maintenance issues instead of proactively dealing with potential issues before problems arise. In addition, the level of capital funding made available is insufficient to enable us to properly plan to renew or upgrade existing buildings or major plant.

The Scottish Government Pay Policy and additional Employers Pension costs are further strains on our financial resources. Without having confirmed ongoing funding of the Pension cost increases and full funding for future Pay Policy impacts some of our activities and the services we offer would require to be curtailed.

Although significant uncertainties remain as to the outcome of Brexit, we have reviewed the impact on each risk and have arrived at the conclusion that Brexit-related risks are manageable.

4. Plans for the future

Our Strategic Plan for 2016-20 sets out our values, aims and priorities for the years ahead:

Our Values

Our values describe how we want to operate – with each other and externally:

- *Creative*: we are innovative and thrive on good ideas
- *Generous*: we are open, friendly and enabling
- *Collaborative*: we are enquiring, receptive and well connected
- *Forward-Thinking*: we look for the big picture as well as the detail

We capture all of the above in our brand, “*Real Things, Revealing Stories*”, which is at the heart of how we communicate and engage with people at our museums and beyond.

Our Aims

These four aims direct our priorities, activities and actions:

- *Put People First*
Create inspiring experiences that help our audiences’ understanding of themselves and the world around them
- *Value our Collections*
Preserve, interpret, share and make them accessible for all
- *Increase our Reputation and Reach*
Connect more with people locally, nationally and internationally
- *Transform our Organisation*

Develop our people and work together to deliver our ambitions and increase our income.

Our Priorities

- Creating inspiring visitor experiences at our museums and elsewhere.
- Developing, preserving and increasing access to the National Collections.
- Strengthening and sharing collections knowledge and research.
- Reaching out to people across Scotland and the world.
- Transforming our digital engagement.
- Valuing, supporting and developing our people and empowering them to work together in new ways.
- Growing and diversifying our income.

Our Aims and Priorities are translated into a set of Key Performance Indicators and an annual Operational Plan, which together help us track how well we are doing and focus on critical actions which have to be completed to achieve the Plan.

During 2019-20 strategically important activities include:

- Approval of a new Strategic Plan for 2020-22.
- At the National Museum of Flight we made a National Lottery Heritage Fund (NLHF) Stage 1 submission in August 2019 for the third phase of development at the museum. The building of a new hangar is a critically important element of a broader transformation of the site. This project will rescue aircraft at risk, significantly enhance the visitor experience, and improve the appreciation of the historic site itself. Support would be sought from the Scottish Government and private sources.
- At the National Museums Collection Centre, we are planning to:
 - Conclude the acquisition of land adjacent to the entrance to NMCC
 - Develop a shared storage model with other partners at Granton
 - Work with partners to progress the strategy for Granton Waterfront.
- Developing an interim brief to produce a Masterplan for the long term renewal of our Scotland galleries at the National Museum of Scotland.
- Through the National Programme, raising the profile of Ancient Egypt and East Asia collections in museums across Scotland. As part of this, our *Discovering Ancient Egypt* exhibition opened at Hawick Museum before going on to tour at Montrose Museum and The Baird Institute, Cumnock.

5. Structure, governance and management

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 annually by the Chairman, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland.

The Board of Trustees delegates some authority to various sub-committees. The following were members of the Board who served during the year and up to the date of approval of these financial statements:

- | | |
|------------------------------|--|
| • Bruce Minto OBE (Chairman) | • Dr Catriona Macdonald |
| • Ann Allen MBE | • Miller McLean (retired 30 Sept 18) |
| • Professor Mary Bownes OBE | • Professor Walter Nimmo CBE |
| • Adam Bruce | • Ian Russell CBE (appointed 1 Oct 18) |
| • Gordon Drummond | • Janet Stevenson |
| • Chris Fletcher | • James Troughton (retired 30 Sept 18) |
| • Dr Brian Lang CBE | • Eilidh Wiseman |
| • Lynda Logan | • Laura Young MBE (appointed 1 Oct 18) |

The Board meets 5 times a year and the committees meet on a regular basis reporting to the Board of Trustees. Terms of Reference clearly define the remit and responsibilities of each committee.

Audit & Risk – ensure there is an effective framework of audit, risk management and internal control.

Acquisition – reviews collections development activity and makes decisions regarding the purchase of significant acquisitions.

Estates – approves and oversees the implementation of the National Museums Scotland Estate Strategy and also approves the acquisition and disposal of land and property (with consent of the Scottish Government).

Finance – provides an oversight of, and assurance on, financial matters across the organisation and significant projects.

Nominations and Governance – reviews the effectiveness and efficiency of the Board of Trustees and its Committees.

Personnel & Remuneration – reviews the pay remit for National Museums Scotland staff, approves the implementation of the National Museums Scotland Human Resources Strategy and ensures the general well-being of staff and maintenance of human resources and performance.

National Museums Scotland maintains 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 towards these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over). Dr Gordon Rintoul, the Director (Chief Executive and Accountable Officer), and the Executive Team are responsible for advising on the development of strategy and its implementation through operational management.

The National Museums of Scotland Charitable Trust is wholly independent of National Museums Scotland, with its own Board of Trustees. Their 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 a principal funder, and collaborates on government initiatives with the other National Collections Institutions.

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 & Risk Committee provide advice to the Chairman of the Board of Trustees on the salary and reward structure for the Director.

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

6. Reference and administrative details

The organisation's operational name is National Museums Scotland. Our statutory name, 'Board of Trustees of the National Museums of Scotland', is retained for use on legal and contractual documents. Our registered address and principal place of business is Chambers Street, Edinburgh EH1 1JF.

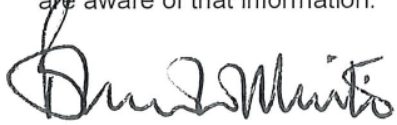
National Museums Scotland has been granted charitable status: the charity number is SC011130.

The organisation's banker is The Royal Bank of Scotland, St Andrew Square, Edinburgh EH2 1AF.

Legal advice is provided primarily by CMS, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

The external auditor as appointed by the Auditor General for Scotland for the period of five years from 2016-17 is Audit Scotland, 4th Floor, South Suite, The Athenaeum Building, 8 Nelson Mandela Place, Glasgow G2 1BT.

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



CHAIRMAN
Bruce Minto

DATE 18 September 2019

GOVERNANCE

STATEMENT OF THE ACCOUNTABLE OFFICER'S RESPONSIBILITIES

ACCOUNTABLE OFFICER'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 appended to these accounts.

Section 2 of the Direction requires that we must account in accordance with the Government Financial Reporting Manual (FReM). The FReM is updated each year and section 1.4.1 of the 2018/19 FReM requires that as a charity we "*should comply with regulations issued under charities legislation and, where applicable, the Statement of Recommended Practice (SORP) Accounting by Charities issued by the Charity Commission*".

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 ('the Charity') and National Museums Scotland consolidated with NMS Enterprises Limited ('the Group') and of our income and expenditure, Statement of Financial Activities 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:

- Select suitable accounting policies and apply them consistently.
- 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
- Prepare the accounts on a going concern basis.
- Confirm that that Annual Report and Accounts as a whole are fair, balanced and understandable.

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 National Museums Scotland's and the Group's assets, are set out in the Accountable Officer's Memorandum published by the Scottish Ministers.

DIRECTOR.....



Date

18 September 2019

GOVERNANCE

GOVERNANCE STATEMENT

Introduction

National Museums Scotland is committed to best practice in all aspects of corporate governance and this statement describes the principal governance provisions which presently apply. The Board of Trustees keeps these provisions under review to take into account developing practice.

Legislation/Governing Body

The legislation that governs the Board of Trustees of the National Museums of Scotland is the National Museums (Scotland) Act 1985 as amended by the Museums and Galleries Act 1992:

<http://www.legislation.gov.uk/ukpga/1985/16>. The Board is statutorily responsible for the care of the collections, and for the overall performance of National Museums Scotland. So far as practicable and subject to the provisions of the Act, the Board's general functions are to:

- Care for, preserve and add to the objects in their collections
- Secure that the objects are exhibited to and interpreted for the public
- Secure that the objects are available to persons seeking to inspect them in connection with study or research
- 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
- Provide education, instruction and advice and carry out research.

The responsibilities of the Board cover the following main areas:

- Strategy, Planning and Performance Review
- Commitment and Deployment of financial, human and other resources
- Acquisitions for and Disposals from the Collections
- Ensuring operation within the limits of statutory authority, complying with delegated authority agreed with the Scottish Government and set out in the Management Statement and Financial Memorandum, and adherence to conditions relating to the use of public funds
- Representing the interests of stakeholders and furthering relationships with them
- Ensuring that appropriate standards of corporate governance and personal conduct on the part of Trustees and staff are maintained
- Preparation of the Annual Report and Accounts.

These responsibilities are detailed in the *Board of Trustees of National Museums Scotland: Roles and Responsibilities* guidance document which is provided to all Trustees on appointment.

To discharge these responsibilities:

- The Board meets formally five times per annum. At each meeting, the Board of Trustees receives a written report on: key operational matters from the Director; a financial report; minutes of sub-committees of the Board; an update of relevant issues relating to National Museums Scotland Enterprises; and reports on specific topics as necessary. Risk-related issues are highlighted as necessary within these agenda items. The Board may also meet outside the normal Board meeting cycle to consider specific matters such as the development of strategy.
- The Board maintains six sub-committees, whose terms of reference and members are agreed by the Board.
- The Audit & Risk Committee meets at least three times per annum. It considers and approves the Internal Audit plan for each year. At each meeting, it receives: an update on key business issues; a report on progress on the key risks in the organisation's risk register and any significant issues affecting the other risks identified in the risk register; and reports from Internal and External Auditors. It also reviews the draft annual accounts on behalf of the Board.

Further details of the structure of the Board and its work are included in section 5 of the Trustees Annual Report.

Risk Management and Internal Controls

Scope of Responsibility

The Accountable Officer and Trustees have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's strategies and intended outcomes, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to the organisation.

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 sound 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 on-going process designed to identify the risks to the achievement of the organisation's strategies and intended outcomes; 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 2019 and up to the date of approval of the financial statements, 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 National Museums Scotland Executive Team reviews the Risk Register formally every six months by reassessing risk through a process of probability and impact assessment. The key risks are reported upon at each Audit & Risk Committee meeting in detail as to current status, with any significant changes in these risks reported to the Board of Trustees. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership" of the risks is assigned to the relevant Executive Team member. 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.

Review of Effectiveness

The Accountable Officer and Trustees have responsibility for reviewing the effectiveness of the system of internal control. Their review is informed by:

- The Executive Team, who have responsibility for the development and maintenance of the internal control framework
- The work of the Internal Auditors, who submit regular reports to the Audit & Risk Committee which include the Internal Auditors' 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.

As noted above, the Executive Team formally reviews the Risk Register twice a year, with any significant issues being reported on and discussed at its fortnightly meetings as required. Quarterly updates on progress towards the achievement of Performance Indicators and the Strategic Actions in our Operational Plan are also both reviewed at these meetings to ensure they are in line with targets prior to communication to the Board and 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 progress, are reviewed and discussed, with appropriate action taken forward.

For 2018-19 the Internal Auditors have concluded that significant (with minor improvement opportunities) assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. The Governance structure audit in 2017-18 concluded that governance structures and practices were strong and effective.

In the year 2018-19 the Internal Auditors examined Payroll, GDPR Compliance and Estates Management. There were no reportable Personal Data-related incidents during the year.

As outlined in section 3 of the Trustees Annual Report, the organisation continues to manage significant levels of risk, particularly in the following areas:

- A real-terms or cash reduction in Grant-in-Aid income from the Scottish Government
- Buildings not meeting appropriate legislative standards; not fit to be occupied by the public, staff or collections; or uneconomic to refurbish and requiring replacement
- Difficulties in recruiting and retaining staff in vital posts.

The Accountable Officer and Trustees consider that these risks have increased over the last year. If such growth continues, this may compromise our ability to fulfil our statutory and charitable obligations, and our ability to sustain an effective system of internal control.

CHAIRMAN		DIRECTOR	
Date	18 September 2019	Date	18 September 2019

Independent auditor's report to the members of National Museums Scotland, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

I have audited the financial statements in the annual report and accounts of National Museums Scotland and its group for the year ended 31 March 2019 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 Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers of the state of affairs of the body and its group as at 31 March 2019 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.

Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 18 July 2016. The period of total uninterrupted appointment is 3 years. I am independent of the body and its group in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body or its group. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the ability of the body and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

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 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Asif A Haseeb OBE
Audit Scotland
4th Floor
8 Nelson Mandela Place
Glasgow
G2 1BT

19 September 2019

Asif A Haseeb OBE is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated Statement of Financial Activities for the Year Ended 31 March 2019

Group	Notes	2019	2019	2019	2018
		Unrestricted Funds £000	Restricted Funds £000	Total £000	Total £000
Income from:					
Donations and legacies	3	23,286	2,964	26,250	25,950
Charitable activities	3	2,076	-	2,076	1,785
Other trading activities	3	4,063	-	4,063	3,744
Investments	3	6	-	6	2
Other	3	-	-	-	-
Total		29,431	2,964	32,395	31,481
Expenditure on:					
Charitable activities	5	24,260	6,556	30,816	28,772
Raising funds (including Cost of Sales)	5	3,793	-	3,793	3,479
Other	5	-	95	95	9
Total		28,053	6,651	34,704	32,260
Net income/(expenditure)		1,378	(3,687)	(2,309)	(779)
Tax reclaimable	19	245	-	245	-
Net Income (Expenditure) After Tax		1,623	(3,687)	(2,064)	(779)
Transfers between funds	16	(1,663)	1,663	-	-
Gains/(losses) on revaluation of fixed assets	16	-	(10,544)	(10,544)	15,880
Net movement in funds		(40)	(12,568)	(12,608)	15,101
Reconciliation of funds:					
Total funds brought forward	16	546	195,885	196,431	181,330
Total funds carried forward	16	506	183,317	183,823	196,431

The notes on Pages 22 to 36 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Balance Sheets for the Year Ended 31 March 2019

	Notes	Group		Charity	
		2019 £000	2018 £000	2019 £000	2018 £000
Fixed Assets					
Tangible assets	6	171,606	184,707	171,538	184,616
Heritage assets	8	10,951	10,707	10,951	10,707
Investments	11	1	1	200	200
Total Fixed Assets		182,558	195,415	182,689	195,523
Current Assets					
Stocks	12	742	721	-	-
Debtors	13	2,774	1,631	2,534	1,443
Cash at bank and in hand		1,290	2,431	965	2,120
Total Current Assets		4,806	4,783	3,499	3,563
Current Liabilities					
Creditors: amounts falling due within one year	14	(3,342)	(3,533)	(3,140)	(3,352)
Net current assets		1,464	1,250	359	211
Total assets less current liabilities		184,022	196,665	183,048	195,734
Provisions	15	(199)	(234)	(199)	(234)
Net assets		183,823	196,431	182,849	195,500
Financed by:					
Restricted funds:	16	183,317	195,885	183,317	195,885
Unrestricted Funds:	16	506	546	(468)	(385)
Total Funds		183,823	196,431	182,849	195,500

The Board approved these financial statements on and the Accountable Officer authorised them for issue on the same date.

CHAIRMAN  DIRECTOR 

Date: 18 September 2019

Date

18 September 2019

The notes on Pages 22 to 36 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated Statement of Cash Flows for the Year Ended 31 March 2019

Group		2019	2018
		£000	£000
	<i>Notes</i>		
Cash flows from operating activities			
Net cash generated by operating activities		2,477	6,087
Cash flows from investing activities			
Purchase of property, plant & equipment	6	(4,232)	(2,625)
Proceeds from the sale of property, plant & equipment		852	-
Purchase of heritage assets	8	(244)	(2,396)
Interest Received		6	2
Net cash used in investing activities		(3,618)	(5,019)
Cash flows from financing activities		-	-
Change in cash in the year		(1,141)	1,068
Cash at the beginning of the year		2,431	1,363
Cash at the end of the year		1,290	2,431

Reconciliation of net income/(expenditure) to net cash flow from operating activities

Group		2019	2018
		£000	£000
Net income/(expenditure) for the reporting period (as per the Consolidated Statement of Financial Activities)		(2,064)	(779)
Adjustments for:			
Depreciation charges	6	5,842	5,792
Interest received		(6)	(2)
Loss/(profit) on the sale of property, plant & equipment		95	9
(Increase)/decrease in stocks	12	(21)	7
(Increase)/decrease in debtors	13	(1,143)	1,478
Increase/(decrease) in creditors	14	(191)	(331)
Increase/(decrease) in provisions	15	(35)	(87)
Net cash provided by (used in) operating activities		2,477	6,087

National Museums Scotland has no current asset investment and no net borrowing or finance lease obligations, and accordingly no cash flows from financing activities.

The notes on Pages 22 to 36 form part of these accounts.

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 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 Charities Accounts (Scotland) Regulations 2006, the Charities and Trustee Investment (Scotland) Act 2005 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2015, the Statement of Recommended Practice on the preparation of accounts of charitable organisations based upon FRS102, and with the accounting principles and disclosure requirements of the government Financial Reporting Manual (FRM).

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and accounting policies have been consistently applied from year to year.

b) Basis of Consolidation

The accounts consolidate those of National Museums Scotland and its subsidiary company, NMS Enterprises Limited. The accounts are consolidated on a line by line basis for assets and liabilities. Uniform accounting policies are used across the group, and intra-group transactions are eliminated upon consolidation.

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) Statement of Financial Activities

Within the Statement of Financial Activities the development activity and the work of NMS Enterprises have been separated from the other categories as they are deemed to be activities intended to raise funds. The other

categories of expenditure are deemed to be activities in the furtherance of our objectives.

Support costs are allocated between activities on the basis of gross expenditure in each category.

Costs of raising funds are defined as the salaries, operating costs and overheads of the Development department and of NMS Enterprises Limited.

d) Income

Income is recognised on an accruals basis.

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 would be accounted for instead as endowments.

Income may be received associated with an activity or event in a future financial year. This will be carried forward as part of creditors.

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

e) Government Grants

Government grant in aid is unrestricted and accounted for in the year that it is received. Grant-in-aid relating to the acquisition of tangible fixed assets, intangible fixed assets or investments is ultimately credited to the Government Capital Reserve, which funds depreciation over the expected useful lives of the assets acquired. Grant-in-aid received for collections purchases is ultimately credited to the Heritage Assets Fund.

There is no indication that government funding is likely to be withdrawn therefore the accounts are prepared on a going concern basis.

f) Pension Contributions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme. National Museums Scotland recognises the expected cost of providing pensions on a systematic and rational basis

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

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.

g) Grants to Outside Bodies

National Museums Scotland may make grants available to outside bodies whose objectives coincide with ours, or if the work will result in additions to our collections. These would be recognised on payment.

h) 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.

i) Tangible Fixed Assets and Depreciation

Land and buildings are valued every five years by a professional valuer. Buildings are re-valued annually using appropriate indices, unless a formal valuation has taken place. 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 accumulated depreciation.

Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use.

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:

Land & Buildings	up to 60 years
Permanent Galleries	15 years
Leasehold improvements	up to 50 years
Plant & Equipment	3 to 7 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 potential of assets remains undiminished.

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

j) 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 valuation data not being available.

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 are 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 collection.

k) Investments

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

l) Subsidiary companies

The Board of Trustees of the National Museums Scotland owns the share capital of one subsidiary company, NMS Enterprises Limited.

m) Finance Leases and Operating Leases

Operating leases are charged directly to the Income and Expenditure Account as incurred and are payable on a straight line basis over the lease term. We currently hold no Finance Leases which would be capitalised in the Balance Sheet along with the corresponding liability for future payments.

n) Stocks

Stocks are stated at the lower of cost or net realisable value, based on the first-in-first-out (FIFO) method of valuation, after making due allowance for obsolete or slow moving stock.

o) Financial Instruments

Cash is made up by balances held with the Royal Bank of Scotland which are available on demand and petty cash and float balances at our sites. Trade debtors are made up by balances due from customers at the year end, less any specific doubtful debt provided for. Trade Creditors are disclosed in line with the Liabilities and Provisions policy.

p) Foreign Exchange Gains and Losses

Any funds held in foreign currency would be translated to the Sterling equivalent at the Balance Sheet date. Gains and losses on translation would be taken to the Income and Expenditure Account.

q) 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.

r) Board Reserve Fund

The net proceeds derived from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, are taken to the Board Reserve Fund. The Board Reserve includes the accumulated profits retained by NMS Enterprises Limited. These funds are available for use at the Board's discretion.

s) Revaluation Capital Reserve

The revaluation reserve records changes in the value of the land and buildings occupied. A full revaluation is undertaken every five years, most recently as at 31 March 2019, with indexation applied each intervening year. These funds are not supported by cash and are not available for use.

t) Designated Funds

The operation of the accounting policies for tangible assets necessitates the creation of designated capital reserves, which are not supported by cash and are not available for use.

u) Agency Arrangements

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds, income and expenditure associated with the NFA are excluded from the consolidated accounts.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

2. Government Grant-In-Aid (See Notes 1.e & 4)

Our largest source of funding is government grant-in aid. In Charity Accounting this accounted for as part of donations and legacies income.

Group and Charity	2019	2018
	£000	£000
Grant-in-aid received:		
Revenue	21,035	20,417
Capital	1,125	1,255
	22,160	21,672
Purchase Grant	200	350
Total received during year	22,360	22,022

The table below shows the outturn for the year against our final grant-in-aid offer letter.

Current year	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	21,035	21,072
Purchase Grant	200	200
Capital Grant	1,125	1,125
	22,360	22,397
National Fund for Acquisitions (Note 23)	150	150
	22,510	22,547
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,764	3,273
	26,274	25,820

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 (i.e. excluding depreciation funded from the Board Capital Reserve).

3. Income (See Note 1.d)

Our main sources of income are grants from government and other bodies which support charitable activity. Entry to the National Museum of Scotland in Chambers Street is free, which is made possible by grant-in-aid provided by the Scottish Government. Entry to the National War Museum is also free, although an entrance fee is charged by Historic Environment Scotland for entry to Edinburgh Castle. Entrance charges are retained at other museums.

Significant trading income is generated by our subsidiary NMS Enterprises Limited.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

Group	2019			2018		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£000	£000	£000	£000	£000	£000
Donations and legacies						
Government grants	22,360	-	22,360	22,022	-	22,022
Charitable grants	515	2,964	3,479	367	3,205	3,572
Donations	411	-	411	356	-	356
Total	23,286	2,964	26,250	22,745	3,205	25,950
Charitable activities						
Admission charges	1,385	-	1,385	1,164	-	1,164
Memberships	388	-	388	358	-	358
Provision of services	152	-	152	150	-	150
Other	151	-	151	113	-	113
Total	2,076	-	2,076	1,785	-	1,785
Other trading activities						
Shops and events	3,904	-	3,904	3,659	-	3,659
Sponsorship	159	-	159	85	-	85
Total	4,063	-	4,063	3,744	-	3,744
Investments	6	-	6	2	-	2
Other	-	-	-	-	-	-
Total Income	29,431	2,964	32,395	28,276	3,205	31,481

4. Trustee and Staff Remuneration (See Note 1.f)

Trustee remuneration

No remuneration or benefit in kind was paid to members of the Board of Trustees during 2018-19 (2017-18 - nil).

During 2018-19 National Museums Scotland paid a total of £4,781 reimbursement of travel expenses to 5 Trustees, while in 2017-18 a total of £500 was reimbursed to 4 Trustees.

Staff costs and employee benefits

Staff Costs during the Year

	Group		Charity	
	2019	2018	2019	2018
	£000	£000	£000	£000
Salaries	13,194	12,262	12,247	11,390
National Insurance Costs	1,185	1,116	1,108	1,047
Pension Costs	2,559	2,358	2,472	2,288
Early Retirement	6	11	6	11
Total	16,944	15,747	15,833	14,736

Termination payments

During the year there were no staff redundancies (2017/18: nil) or other departures which resulted in Termination payments (2017/18: nil)

Numbers of employees

In the year the average staff head count was 526 staff (2017-18 517), which includes many part-time staff. The full-time equivalent staff numbers are shown below analysed by the activity categories shown in Note 5.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

	Group		Charity	
	2019	2018	2019	2018
Curatorial	85	90	85	90
Conservation & Collections Management	51	46	51	46
Public displays & events	157	176	157	176
Security and Support Services	95	82	95	82
Marketing	10	10	10	10
Estates and Buildings	10	10	10	10
Governance	5	5	5	5
Development	7	8	7	8
NMSE	15	14	-	-
Total	435	441	420	427

Number of FTE Staff at 31st March 2019

In the year 11 employees were paid more than £60,000 (2017-18 11), as shown in the table below:

Group	Number of staff	
	2019	2018
£60,000 to £69,999	5	5
£70,000 to £79,999	2	3
£80,000 to £89,999	3	2
£90,000 to £99,999		
£100,000 to £109,999		
£110,000 to £119,999	1	1
Total	11	11

Key management personnel

The key management personnel are considered to be The Director (Chief Executive Officer) and the senior managers who are line managed by The Director. This staff group comprises:

- Dr Gordon Rintoul, Director
- Ruth Gill, Director of Public Programmes
- Helen Ireland, Director of External Relations
- Xerxes Mazda, Director of Collections
- Keith Pentland, Director of Finance and Planning
- Fiona Stewart, Director of Estates and Facilities
- Sheilagh Stewart, Head of Human Resources
- Peter Williamson, Managing Director of NMS Enterprises and Director of Visitor Operations

The total cost of remuneration (excluding pensions) to these key management personnel in the year was £652k (2017-18 £633k), which is included in the table above.

Public sector reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the workforce. The midpoint for the banded remuneration of the highest paid director was £115k (2017-18 £115k). This was 5.0 times the median remuneration of the workforce (2017-18: 5.07 times) at the reporting period end date, which was £23k (2017-18 £22.4k).

Pension Costs

We operate a range of pension provision for our staff, including both defined benefit and defined contribution schemes.

Defined Benefit

Most staff are members of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi-employer defined benefit scheme run by the UK Government. Our share of the underlying assets and liabilities has not been identified, which means we have to account for this scheme as if it is a defined contribution scheme. You can find further information in the resource accounts of the Cabinet Office (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

Retirement benefits accrued under the defined benefit schemes to 466 staff in the year (2017-18 462 staff). For 2018-19, employers' contributions of £2,439k were payable to the PCSPS (2017-18 £2,275k) at one of four rates in the range of 20.0% to 24.5% per cent of pensionable pay, based on salary bands (the rates in 2017-18 were between 20.0% and 24.5%).

The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires, and not the benefits paid during this period to existing pensioners. The rates are periodically reviewed by the UK Government and we are liable to pay whatever contribution rate is set. Due to demographic factors, we are therefore exposed to the risk of regular cost increases that we cannot reduce other than by employing fewer staff. There is no liability for any other employer's obligations arising from this scheme.

Defined Contribution

Charity employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £22k (2017-18 £14k) 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. Benefits accrued under defined contribution schemes to 9 staff during 2018-19 (2017-18 = 7 staff).

NMS Enterprises operates a defined contribution pension scheme for the benefit of its employees. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contribution to this scheme during the year was £87k (2017-18 £70k).

Trade Unions

National Museums Scotland (NMS) acknowledges its obligations in respect of the Trade Union (Facility Time Publication Requirements) Regulations 2017.

NMS recognises three trade unions as follows:

- FDA
- Prospect
- Public & Commercial Services Union (PCS)

There were 23 employees (FTE 20.93) who were relevant union officials during the period.

The % of time spent on union activities can be split as follows:

Percentage of time	Number of employees
0%	16 *
1-50%	7
51%-99%	-
100%	-

* includes those who have spent less than 1% on Facility Time

The total cost of Facility Time was £9,066 from a total pay bill of £15.8m = 0.06%

Out of the total paid Facility Time, 29% was spent by employees who were relevant union officials on paid trade union activities the remaining 71% was spent on trade union duties.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

5. Expenditure

Group - Unrestricted	2019			2018		
	Direct Cost £000	Support Cost £000	Total £000	Direct Cost £000	Support Cost £000	Total £000
Charitable activities						
Curatorial	4,138	452	4,590	3,726	430	4,156
Conservation & Collections Management	1,904	208	2,112	1,793	207	2,000
Public displays & events	7,751	847	8,598	6,874	792	7,666
Security and Support Services	2,258	247	2,505	2,122	245	2,367
Marketing	1,047	114	1,161	1,037	120	1,157
Estates and Buildings	4,483	490	4,973	4,504	519	5,023
Governance costs	289	32	321	354	41	395
Total	21,870	2,390	24,260	20,410	2,354	22,764
Raising funds (including Cost of Sales)						
Development	690	75	765	577	67	644
Trading: cost of goods sold and other costs	3,028	-	3,028	2,835	-	2,835
Total	3,718	75	3,793	3,412	67	3,479
Total Expenditure	25,588	2,465	28,053	23,822	2,421	26,243

Group - Restricted	2019			2018		
	Direct Cost £000	Support Cost £000	Total £000	Direct Cost £000	Support Cost £000	Total £000
Charitable activities						
Curatorial	282	-	282	286	-	286
Conservation & Collections Management	4	-	4	1	-	1
Public displays & events	2,221	-	2,221	1,850	-	1,850
Estates and Buildings	4,049	-	4,049	3,871	-	3,871
Total	6,556	-	6,556	6,008	-	6,008
Other	95	-	95	9	-	9
Total Expenditure	6,651	-	6,651	6,017	-	6,017

No grant funding has been provided to third parties.

6. Tangible Assets (See Note 1.i)

National Museums Scotland holds title to the National Museum of Scotland main building on Chambers Street with the exception of the extension, which is still held in the name of the Scottish Ministers. It also holds title to the National Museums Collection Centre at Granton in north Edinburgh and the National Museum of Flight in East Lothian. 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 Environment 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.

To comply with the requirements of the Government Financial Reporting Manual (FRM) National Museums Scotland includes its fixed assets at their value to the business by reference to current costs, indexed to the Royal College of Chartered Surveyors (RICS) BICS indexation. Every 5 years properties are valued by External Valuers. All the properties were valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2019. The valuations have been undertaken on the undernoted bases in accordance with the RICS Valuation – Global Standards 2017

Properties regarded by National Museums Scotland 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 subject to the prospect and viability of the occupation and use.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

Group						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	
1 April 2018	218,307	560	3,617	40,527	4,534	267,545
Additions	926	3,104	-	-	202	4,232
Transfers	1,474	(3,129)	-	1,655	-	-
Disposals	(1,276)	-	-	-	(74)	(1,350)
Revaluations	433	-	91	-	-	524
31 March 2019	219,864	535	3,708	42,182	4,662	270,951
Accumulated Depreciation						
1 April 2018	52,375	-	1,181	25,296	3,986	82,838
Charge for year	3,975	-	74	1,528	265	5,842
Disposals	(329)	-	-	-	(74)	(403)
Revaluations	11,038	-	30	-	-	11,068
31 March 2019	67,059	-	1,285	26,824	4,177	99,345
Net Book Value						
31 March 2019	152,805	535	2,423	15,358	485	171,606
1 April 2018	165,932	560	2,436	15,231	548	184,707

Charity						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	-
1 April 2018	218,307	560	3,617	40,527	4,105	267,116
Additions	926	3,104	-	-	196	4,226
Transfers	1,474	(3,129)	-	1,655	-	-
Disposals	(1,276)	-	-	-	(74)	(1,350)
Revaluations	433	-	91	-	-	524
31 March 2019	219,864	535	3,708	42,182	4,227	270,516
Accumulated Depreciation						
1 April 2018	52,375	-	1,181	25,296	3,648	82,500
Charge for year	3,975	-	74	1,528	236	5,813
Disposals	(329)	-	-	-	(74)	(403)
Revaluations	11,038	-	30	-	-	11,068
31 March 2019	67,059	-	1,285	26,824	3,810	98,978
Net Book Value						
31 March 2019	152,805	535	2,423	15,358	417	171,538
1 April 2018	165,932	560	2,436	15,231	457	184,616

The charge for depreciation and diminution in value comprises:

Group and Charity	2019	2018
	£000	£000
Tangible assets depreciation	5,813	5,754
NMS Enterprises tangible assets depreciation	29	38
	5,842	5,792

The External Valuation at 31 March 2019 reduced the revaluation reserve by £10.5m to £55.8m.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

7. Commitments

Committed but not provided for in the Accounts	GROUP	
	2019	2018
	£000	£000
Capital expenditure:		
Museum renewal (National Museum of Scotland)	14	847
Museum renewal (National Museum of Flight)	-	100
Other capital projects	-	1
	14	948
Operational expenditure	640	497
Total Commitments	654	1,445

8. Heritage Assets (See Note 1.j)

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 and are used for the purposes outlined in the Trustees' Annual Report.

National Museums Scotland has been 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. As the collection is held and cared for in perpetuity depreciation and impairment does not arise.

National Museums Scotland considers that valuation of the 12 million objects in the collections would be impracticable and would have no beneficial purpose commensurate with the cost of valuation.

The cost of acquisitions and the source of funding over the last five years are summarised below. No assets have been disposed of, depreciated or impaired.

Group and Charity	2019	2018	2017	2016	2015
	£000	£000	£000	£000	£000
Opening balance	10,707	8,311	7,929	7,529	6,963
Government Grant	113	457	149	247	364
NMS Charitable Trust	48	382	54	135	94
Art Fund	48	457	34	-	107
National Heritage Memorial Fund	35	1050	145	-	-
Others	0	50	-	18	1
Closing balance	10,951	10,707	8,311	7,929	7,529

9. Intangible Assets

No intangible assets are held by National Museums Scotland.

10. Leases (See Note 1.m)

National Museums Scotland has no finance leases. The Exhibition Building at National Museum of Rural Life is leased from the National Trust for £1 per annum. The farm buildings and land are under an operating lease. Payments under this are shown as rent of £23k in the accounts (£23k 2017/18). Future rental commitments at 31 March were as follows:

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

Land & Buildings	GROUP AND NMS	
	2019	2018
	£000	£000
Not later than one year	23	23
Later than one year and not later than five years	90	90
Later than five years	1,713	1,735

11. Investments (See Notes 1.k & 1.l)

	Group		Charity	
	2019	2018	2019	2018
	£000	£000	£000	£000
Opening & Closing Balance	1	1	200	200

NMS Enterprises Limited, a wholly-owned subsidiary of National Museums Scotland, holds 600 ordinary shares of £1 each in the Scottish Book Source Ltd. The trustees believe that the carrying value of the investments is supported by their underlying assets.

The Board of Trustees of the National Museums Scotland owns 200,000 £1 shares in NMS Enterprises Limited.

12. Stocks (See Note 1.n)

	Group		Charity	
	2019	2018	2019	2018
	£000	£000	£000	£000
Stocks Held for Resale	742	721	-	-

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

13. Debtors (See Note 1.o)

Receivable Within 1Year:	Group		Charity	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade Debtors	394	485	143	295
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	1,517	526	1,517	526
Subsidiary Company	-	-	7	2
VAT Recoverable	579	198	638	280
Prepayments	288	426	229	340
	2,774	1,631	2,534	1,443

14. Creditors: amounts falling due within one year (See Note 1.q)

	Group		Charity	
	2019	2018	2019	2018
	£000	£000	£000	£000
Trade creditors	(915)	(674)	(859)	(649)
Accrued expenditure	(1,614)	(1,989)	(1,566)	(1,929)
Taxation and social security	(304)	(286)	(274)	(257)
Income received in advance	(509)	(584)	(441)	(517)
	(3,342)	(3,533)	(3,140)	(3,352)

15. Provisions (See Note 1.q)

These costs are likely to be incurred after the balance sheet date but the precise value and timing of payment is not known at that date. Early retirement costs are due and paid monthly under the Civil Service Classic pension scheme until the relevant members reach retirement age. Injury benefit costs

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

are due to three individuals for life. Costs associated with voluntary exits have been provided based on the estimated actual cost of exit. Provisions have been made based on the current rates payable.

Group and Charity	Early Retirement	Injury Benefit	Voluntary Exit Scheme	2019 Total	2018 Total
	£000	£000	£000	£000	£000
Opening balance 1 April	-	(191)	(43)	(234)	(321)
Add: Provisions During Year	-	(6)	-	(6)	4
Less: Released During Year	-	-	-	-	-
Less: Paid During Year	-	34	7	41	83
Closing Balance 31 March 19	-	(163)	(36)	(199)	(234)

16. Reserves – Restricted and Unrestricted (See Notes 1.r, 1.s & 1.t)

	Fund brought forward	Income	Expenditure	Transfers between funds	Gains and losses	Fund carried forward
	£000	£000	£000	£000	£000	£000
Restricted						
Board Capital Reserve	40,543	2,097	(2,275)	323	-	40,688
Government Capital Reserve	77,972	-	(3,764)	1,125	-	75,333
Revaluation Capital Reserve	66,369	-	-	-	(10,544)	55,825
Heritage Assets Fund	10,740	135	-	200	-	11,075
Other Restricted Funds	261	731	(611)	15	-	396
Total	195,885	2,963	(6,650)	1,663	(10,544)	183,317
Unrestricted						
<i>Designated</i>						
Board Capital Reserve	457	-	(236)	196	-	417
Board Reserve - NMS	(842)	24,446	(24,789)	300	-	(885)
General Fund	-	1,325	-	(1,325)	-	-
Total - Charity	(385)	25,771	(25,025)	(829)	-	(468)
Board Reserve - NMSE	931	3,905	(3,028)	(834)	-	974
Total - Group	546	29,676	(28,053)	(1,663)	-	506
Total Reserves	196,431	32,639	(34,703)	-	(10,544)	183,823

There are three types of restricted fund:

a) *Capital Reserves*

These funds represent funding for expenditure which has been capitalised as Tangible Assets in the balance sheet where either the funds received were subject to restrictions (e.g. Heritage Lottery Fund receipts held in the Board Capital Reserve) or the funds were used to create assets the uses of which are themselves subject to restrictions (e.g. capital grant in aid held in the Government Capital Reserve). These will fund the future depreciation costs arising from those assets.

The Revaluation Capital Reserve represents the difference between the current and historic value of the Tangible Assets subject to disposal restrictions. Current valuations are subject to annual indexation and a full independent review every five years. The full review was carried out on the 31 March 19, which resulted in a £10.5m reduction in the reserve. The fund will be used to offset part of future depreciation costs or future reductions in valuation arising from reviews.

b) *Acquisitions for the collection*

The Heritage Assets Fund represents funding for capitalised expenditure on the items added to the Collection since 2001, the disposal of which is subject to legal restriction. These funds come from various sources (e.g. Heritage Lottery Fund, Art Fund) and may be subject to further restrictions tied to the funding received.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

c) *Other Restricted Funds*

Other restricted funds are maintained when funding is being held for a donor specified future purpose. These funds have not yet been used and are available to meet future restricted expenditure.

There are three types of unrestricted fund:

a) *Designated Funds*

The Board Reserve is partly used to fund Tangible Assets that are not subject to restrictions and which are therefore unrestricted. The designated Board Capital Reserve represents expenditure which has been capitalised as Tangible Assets in the balance sheet where there are no funding or disposal restrictions. It will fund future depreciation costs arising from those assets.

b) *Available Funds*

The only reserves which are directly available to support the future delivery of charitable activities are the General Fund, which is now held at zero, and the Board Reserve - NMS, which holds the accumulated surplus or deficit through the non-government revenue raising activities of the charity. These are maintained at a low level as part of operating within the government financial framework.

c) *NMS Enterprises Limited*

This represents the accumulated profits of the subsidiary company which either support the ongoing operations of the company or will be distributed to NMS as the parent organisation. In effect these are part of the Board Reserve and should be considered as available funds alongside the Board Reserve – NMS.

17. Net Assets held in Reserves

GROUP AND NMS	Restricted Funds	Designated Capital Reserves	Board Reserve	Total	NMS Enterprises Limited	Group Total
	£000	£000	£000	£000	£000	£000
Tangible assets	171,121	417	-	171,538	68	171,606
Heritage assets	10,951	-	-	10,951	-	10,951
Investments	-	-	200	200	(199)	1
Current Assets	1,245	-	2,254	3,499	1,307	4,806
Current Liabilities	-	-	(3,140)	(3,140)	(202)	(3,342)
Long-term liabilities	-	-	(199)	(199)	-	(199)
Balance at 31 March 19	183,317	417	(885)	182,849	974	183,823

18. Related Party Transactions

National Museums Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government (Culture and Historic Environment division). During the year National Museums Scotland received material levels of income from the Scottish Government as disclosed in Note 2.

The National Museums of Scotland Charitable Trust (“NMSCT”) exists to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific and social. During the year Bruce Minto and Brian Lang, Trustees of National Museums Scotland, were also Trustees of NMSCT. National Museums Scotland received £813k in grants from NMSCT during the year (2017/18 £378k).

The following Trustees are also members of the NMS Enterprises Limited Board of Directors: Adam Bruce, Gordon Drummond and Janet Stevenson.

None of the Trustees, members of key management personnel or related parties has entered into any material transaction with National Museums Scotland during the year.

19. Taxation

National Museums Scotland has been granted charitable status by HMRC, and is entitled to tax exemptions on income and profits from investments and surpluses on any trading activities carried out

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019

in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

In the year National Museums Scotland has made an Exhibition Tax Relief claim of £245k.

In respect of 2018/19 NMS Enterprises Limited distributed profits of £834k (2017/18 £799k) via Gift Aided payments to National Museums Scotland. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year.

20. Subsidiary Company (See Note 1.l)

NMS Enterprises Limited, a company registered in Scotland (Company number SC171820), is a wholly owned subsidiary of National Museums Scotland set up to promote and develop our commercial activities by:

- Managing commercial facility hire and catering activities,
- Operating the shops in our museums,
- Publishing books, and
- Developing our intellectual property.

The results for the year to 31 March are summarised in the following table:

	2019	2018
	£000	£000
Turnover	3,904	3,659
Cost of goods sold	(1,709)	(1,532)
Administrative costs	(1,319)	(1,303)
Trading profits from continuing operations	876	824
Interest Income	1	-
Profit reported in Consolidated I&E Account	877	824
Reserves at 1 April	931	906
Profit for the year	877	824
Profit distributed in year	(834)	(799)
Reserves at 31 March	974	931

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2019.

22. National Fund for Acquisitions (See Note 1.u)

	2019	2018
	£000	£000
Balance at 1 April	141	120
Grant Received	150	150
Disbursements	(142)	(129)
Balance at 31 March	149	141

As agents of Scottish Ministers, National Museums Scotland administers the National Fund for Acquisitions (NFA). As an agency arrangement, the Fund and its income and expenditure are not included in the consolidated accounts.

The allocation from Ministers for the financial year 2018-19 was £150k (2017-18 £150k). During the year 58 (2017-18 48) payments totalling £142k (2017-18 £129k) were made to 26 (2017-18 29) organisations, supporting acquisitions worth £520k (2017-18 £368k).

Further information on the Fund is available on our website at <http://www.nms.ac.uk/about-us/services-and-expertise/national-fund-for-acquisitions/>.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2019**

23. External Audit

Audit Scotland was appointed by the Auditor General Scotland as our External Auditors, for which external audit fees were incurred in 2018/19 of £24k (2017/18 £23k). No other services were bought from this organisation.

24. Date of Issue of Accounts

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

25. Post Balance Sheet or Significant Events

There were no material post balance sheet events prior to the date of issue of the financial statements.

There were no significant events or material uncertainties beyond the risks which have been identified in the Trustees Annual Report and Governance Statement.

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 Steel', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006