



Annual Report and Accounts For the year ended 31 March 2018

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

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 (NMSE), 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 NMSE are consolidated in the accounting statements and together are referred to as the Group.

National Museums Scotland cares for a diverse collection, bringing together the arts and sciences, the cultures of Scotland and the world, and the full spectrum of human ingenuity alongside the diversity of the natural world. These collections span thousands of years and we use them to explore, debate and celebrate 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 on Chambers Street in Edinburgh, the National War Museum in Edinburgh Castle, the National Museum of Flight in East Lothian and the National Museum of Rural Life near East Kilbride. Increasingly we also use our website and other online channels. In 2017-18, digital collections records for 662,000 objects were accessible online.

In addition, we reach out across Scotland, the UK and internationally in many ways which strengthen the impact we have 'beyond our walls'. This includes: a regular programme of touring exhibitions in order to share the National Collections more widely; loaning objects from the National Collections to other museums; community-based partnership projects, often within disadvantaged areas; training and skills development, including developing young people; the provision of advice and support to the museum sector; administering the National Fund for Acquisitions; and operating the Treasure Trove scheme.

To promote the care of, wider access to and research into our collections, we are further developing the National Museums Collection Centre in Granton, north Edinburgh, as a facility for collections research and storage, and for the preservation and conservation of the National Collections. It provides a platform for cutting edge research and innovation, interdisciplinary study, specialist training and advanced teaching, and underpins our national and international activities.

We recruit volunteers, who engage with the organisation in a variety of ways, from supporting our events and leading guided tours to assisting with curatorial and conservation activity. During the year we benefited from the support of over 200 ongoing volunteers and 353 volunteers helping at one-off events such as Scotland's National Airshow and with the Learning & Programmes family events (208 and 348 respectively in 2016/17).

2. Achievement and performance

We have made progress towards all of our strategic priorities in 2017-18, with the main developments and achievements being noted below. Further examples are provided in our Annual Review, which is available on our website.

Our four museums are enjoyed by local and international visitors and received 3.1 million visits in 2017-18, a record achievement for the Group.

The National Museum of Scotland welcomed over 2.1m visitors, making it one of the top 30 museums in the world and the most popular UK visitor attraction outside London. We continue to invest in the galleries and will open a further three in Spring 2019 as the final phase of the transformation of the Museum.

Our other museums performed well, with the National War Museum increasing visit numbers by 13% and the National Museum of Rural Life up 1%. At the National Museum of Flight, exceptionally poor weather for Scotland's National Airshow had a significant impact on annual visitor figures which fell by 9%.

The National Museums Collection Centre continues to grow as an active and vibrant hub for collections access, research, storage and the long term preservation of our collections. In 2017-18 we opened a £3.4 million extension to our existing conservation and science facilities increasing our capacity to conserve, research and to prepare collections for exhibition and loan projects as well as our growing programme of national and international touring exhibitions. A successful programme of monthly public tours to the site continues, increasing access to collections not on display and providing insight to the work happening 'behind the scenes' at the museum.

We were delighted to announce the acquisition of the Galloway Hoard, enabling our expert teams to begin conservation and research to unlock its secrets. We are grateful to the National Heritage Memorial Fund, Art Fund, Scottish Government, many trusts and foundations and over a thousand individual donors for their support in helping us reach the £1.98m fundraising target. Another notable acquisition was the Fettercairn Jewel, a rare 16th-century enamelled gold pendant locket, which offers new insights into the Renaissance period in Scotland.

Our National Strategy, which was launched in October 2016, places renewed emphasis on our collaborations with museums across Scotland and the support we offer them. We now work in every one of Scotland's 32 local authority areas. In 2017-18, we delivered 377 training experiences in 17 training programmes, and 24,977 people were engaged through community outreach programmes. 3,895 objects from the National Collections were loaned to 107 organisations across Scotland.

Sharing the National Collections as broadly as possible is also at the heart of our new exhibition touring strategy. 2017 is the first year that we have taken a major exhibition created in-house on a significant international tour. *Monkey Business* opened at the Royal Belgian Institute of Natural Sciences in Brussels in October 2017 and will also travel to Australia, Spain, Finland and elsewhere. Closer to home, *Fossil Hunters: Unearthing the Mystery of Life on Land* toured to Museum nan Eilean Isle of Lewis, Museum nan Eilean Uist & Barra, and to Dumfries Museum and Camera Obscura.

During 2017-18, 925 peer-reviewed academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures, exhibitions and public events. This reflects our Research Programme which is based on four themes: Collectors and Collecting; Understanding the Natural World; Material Culture Creation and Use; and Identities and Cultural Contacts.

Our key performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis. We are pleased with the increase in visits to our museums and our website.

	2016/17	2017/18	2017/18
	Results	Plan	Results
Key Performance Indicators			
Total number of on-site physical visits	2.7m	2.7m	3.1m
Total number of digital visits	2.2m	2m	2.2m
Total on-site learning participation	253k	225k	271k
Total visits to NMoS Exhibitions (new indicator from 2016/17)	238k	212k	229k
Total value of commercial income (new indicator from 2016/17)	£5.5m	£5.8m	£5.5m
Total value of philanthropic income (new indicator from 2016/17)	£6.5m	£2.3m	£2m
Visitor satisfaction (scored out of 10)	8.7	8.8	8.7
% Collections storage meeting appropriate standards	71%	71%	71%
Total number of object records online	631k	670k	662
Non-government income as % of total income	35%	27%	25%

Our non-government income fell in cash terms and as a proportion of our overall income due to changes in the level of spend in our capital programme, in particular in the redevelopment of the National Museum of Scotland.

National Museums Scotland administers, on behalf of Scottish Ministers, the National Fund for Acquisitions (NFA). This provides grant funding to museums and galleries across Scotland to help them acquire new items for their collections. During 2017-18 the Scottish Ministers allocated £150k to the fund. Payments totalling £129k were made to 29 organisations, supporting acquisitions worth £368k. This leverage of non-government funding underlines the key importance of the NFA to museums and galleries across Scotland.

3. Financial review

Our operational financial strategy for 2017-18 was to maintain stability as we continue through a period of major investment in our estate, facilities and displays. Static funding (in cash terms) from Government and increasing competition for other sources of operational funding represent a risk to stability which has to be successfully managed.

We are both a Charity and a Government body, which means that we report financial performance in two ways. The principal differences lie within how information on major projects funding and depreciation are presented. Whilst these accounts must be prepared on a charity basis, the Trustees also provide information in accordance with Scottish Government requirements.

As a charity

We had another successful year securing substantial non-government income to invest in our museum buildings, displays and facilities in accordance with our funders' conditions. 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. Museums are by definition long-term in their outlook. Continued investment is a key part of our approach.

Major Investment Projects

During 2017-18 we completed the Building 1 Extension works at the National Museums Collection Centre to create new conservation and research facilities. In addition, preparations are already underway for the next phases of development at the National Museum of Scotland, the National Museum of Flight and the National Museums Collection Centre. At the National Museum of Scotland we will open three new gallery spaces focusing on Ancient Egypt, East Asia and the Art of Ceramics, completing the implementation of the Masterplan for the Museum's transformation. A new hangar is planned at the National Museum of Flight so that our largest aircraft, most of which are currently outdoors, can be preserved for future generations and better interpreted for our visitors. Improvements in research, access and storage facilities at the National Museums Collection Centre are also planned.

In addition to this, we are working to reduce a backlog of property maintenance works, which reached a peak value of £19.1 million at 31 March 2011, and is being addressed by working with the Scottish Government to implement our Estates Strategy over the long-term. This is based around the major projects listed above, vacating unsuitable premises and a detailed programme of smaller scale works,

all of which require support by Scottish Government and other grants. New maintenance liabilities continue to emerge over time and a liability of over £13m remains to be funded. At a time when government 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 £2.6m (2016-17 £7.1m), including £2.5m (2016-17 £7.0m) on buildings and £0.1m (2016-17 £0.1m) on equipment purchases.

Reserves

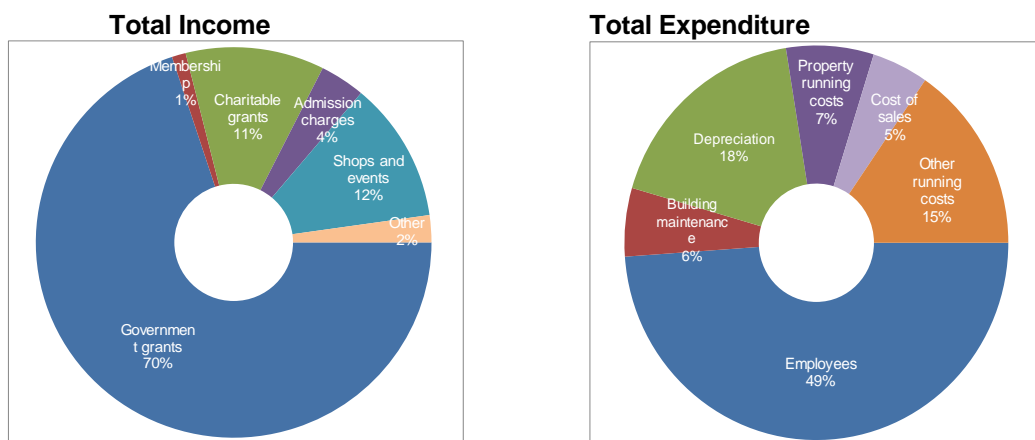
Reserves are reviewed regularly by the Board of Trustees and appropriate levels agreed based on current requirements and forward plans. As our most significant funder, the Scottish Government requires the Group to hold unrestricted reserves at a level much lower than a charity would normally require.

We hold both restricted and unrestricted reserves and details on these are provided in Note 17. 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 (NMSE) is available for use and is held at not less than £250,000.

Our income and expenditure

The Statement of Financial Activities shows we received £31.5m in 2017-18. Government grant remains of central importance but grants from charitable foundations and income from our shops and commercial events are increasingly important. Grants from charitable trusts and donations usually have specific conditions which make them Restricted.



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.

A significant part of our funds is used to employ the people we need to operate and develop the national museums. Running our buildings (maintenance, heat and light) takes another large part of our funds. 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, exhibition and display costs and the administrative costs of running the organisation.

As a government body

We recorded a balanced operational budget for the 2017-18 year as we did in 2016-17.

Group		2017/18	2016/17
		£m	£m
Expenditure	Employees Costs	15.7	16.0
	Other Operating Costs	10.5	10.7
		26.2	26.7
Income	Other income	6.3	6.4
	Contribution to capital expenditure	(0.7)	(1.0)
		5.6	5.4
Net expenditure for the year		20.6	21.3
Funded by:	Grant in aid (GIA) received	20.4	21.3
Surplus/(Deficit) for the year		(0.2)	-
Board Reserve	Opening Balance	1.0	1.0
	Surplus/(Deficit) for the year	(0.2)	-
	Closing Balance	0.8	1.0

Our Board Reserves fell due to spending on the Acquisitions Fund which is held within Board Restricted Reserves.

We are required to operate within the financial limits prescribed in the Financial Memorandum issued by the Scottish Government, and to comply with the Scottish Public Finance Manual.

We are generally not permitted to borrow or invest funds and we have made no social investments.

Planning ahead

On 28 March 2018 the Board of Trustees approved the budget for 2018-19 and considered outline plans for 2019-20 and 2020-21. As indicated in the table below, the current savings and income generation programme is expected in 2018-19 to meet the combined challenge of rising costs, falling government grant income and continued investment.

	2017/18	2018/19	2019/2020	2020/2021
	Actual	Budget	Plan	Plan
	£000	£000	£000	£000
Income				
Grant-in-Aid	21,672	22,367	21,267	21,267
Other income	9,459	10,070	6,972	6,885
Total Income	31,131	32,437	28,239	28,152
Operational Expenditure				
Salaries	15,747	16,441	16,881	17,434
Operational Costs	12,699	11,558	11,454	11,163
Total	28,446	27,999	28,335	28,597
Major Projects Expenditure	2,630	4,437	350	350
Surplus/(Deficit)	55	1	(446)	(795)

We expect that costs will continue to grow in future years in particular payroll cost, which leads to the emergence of a deficit of £0.45m by 2019-20.

This assumes that government funding for running our museums remains static in cash terms at £20.9m a year, and our Purchase Fund remains at £0.2m from 2018-19. However there is a risk that this funding may be reduced as part of wider UK and Scottish Government financial management decisions.

The Scottish Government has provided no information on the funding we should expect to receive beyond 2018-19, which limits the effectiveness of our forward planning. Our early assessment of the implications of continued frozen government funding and current government policy indicate a

potential annual deficit of at least £0.8 million a year by 2020-21. The lifting of the public sector pay freeze in an environment where Government funding remains constrained is a particular concern.

Given the funding and consequential resource reductions which have already been made over the past few years, it would be very difficult to deliver further cost reductions without affecting the quality and service levels expected by the public.

Risk and uncertainty

In support of delivering our operations and plans for the future, National Museums Scotland maintains a register of major risks which is reviewed and updated regularly. We consider that the three key risks identified and managed in 2017-18 were:

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

These risks are particularly associated with our relationship with the Scottish Government and their constrained financial position is leading or contributing to an increase in the severity of these risks. As far as possible, control mechanisms to minimise or mitigate these risks have been implemented and reviewed for effectiveness, with the ownership of each risk assigned to the relevant Executive Team member. However the source of the risk is outside the organisation and internal risk mitigation cannot eliminate the risks, particularly in the long term.

All of these risks will continue to be managed in 2018/19. Further detail on risk management is provided in the Governance Statement.

4. Plans for the future

Our Strategic Plan for 2016-2020 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.

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 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)
- Ann Allen
- Professor Mary Bownes OBE
- Professor Christopher Breward (resigned 30 September 2017)
- Adam Bruce
- Gordon Drummond
- Chris Fletcher
- Dr Brian Lang CBE
- Lynda Logan
- Dr Catriona Macdonald
- Miller McLean
- Professor Walter Nimmo CBE
- Janet Stevenson
- James Troughton
- Eilidh Wiseman

The following served as members of the Audit & Risk Committee during the year: Miller McLean (Chairman), Chris Fletcher, Janet Stevenson and Bruce Minto (ex-officio).

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 19.9.18

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 2017/18 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, recognised gains and losses and cash flows for the financial year.

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

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

The Principal Accountable Officer for the Scottish Government has appointed the Director of National Museums Scotland as Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding 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 19/9/18

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. These are the Acquisitions Committee, Audit & Risk Committee, Estates Committee, Finance Committee, Nominations & Governance Committee and Personnel and Remuneration Committee.
- 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 2018 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 2017-18 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.

Internal Audit conducted an audit of Governance during 2017-18. The objective of the review was to assess the governance structure and compare it against good practice within other organisations. The audit concluded that governance structures and practices were strong and effective. The Internal Auditors also examined financial controls within NMSE and expenses as part of their ongoing reviews during the year. There were no 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	19.9.18	Date	19/9/18

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

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 approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

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 for the year ended 31 March 2018 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, Consolidated & Charity Balance Sheets and 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 the body's affairs as at 31 March 2018 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 of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)). 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 am independent of the body 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. 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.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer 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 body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

My objectives are to achieve 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.

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.



Asif A Haseeb OBE

Audit Scotland, 102 West Port, Edinburgh, EH3 9DN

20 September 2018

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 2018

Group	Notes	2018	2018	2018	2017
		Unrestricted	Restricted	Total	Total
		Funds	Funds		
		£000	£000	£000	£000
Income from:					
Donations and legacies	4	22,745	3,205	25,950	29,020
Charitable activities	4	1,785	-	1,785	1,927
Other trading activities	4	3,744	-	3,744	3,577
Investments	4	2	-	2	5
Other	4	-	-	-	-
Total		28,276	3,205	31,481	34,529
Expenditure on:					
Charitable activities	6	22,764	6,008	28,772	29,200
Raising funds (including Cost of Sales)	6	3,479	-	3,479	3,125
Other		-	9	9	-
Total		26,243	6,017	32,260	32,325
Net income/(expenditure)		2,033	(2,812)	(779)	2,204
Transfers between funds	17	(2,286)	2,286	-	-
Gains/(losses) on revaluation of fixed assets	17	-	15,880	15,880	6,799
Net movement in funds		(253)	15,354	15,101	9,003
Reconciliation of funds:					
Total funds brought forward	17	799	180,531	181,330	172,327
Total funds carried forward	17	546	195,885	196,431	181,330

The notes on Pages 19 to 32 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated & Charity Balance Sheets for the Year Ended 31 March 2018

	Notes	Group		Charity	
		2018 £000	2017 £000	2018 £000	2017 £000
Fixed Assets					
Tangible assets	7	184,707	172,003	184,616	171,899
Heritage assets	9	10,707	8,311	10,707	8,311
Investments	12	1	1	200	200
Total Fixed Assets		195,415	180,315	195,523	180,410
Current Assets					
Stocks	13	721	728	-	-
Debtors	14	1,631	3,109	1,443	2,962
Cash at bank and in hand		2,431	1,363	2,120	1,123
Total Current Assets		4,783	5,200	3,563	4,085
Current Liabilities					
Creditors: amounts falling due within one year	15	(3,533)	(3,864)	(3,352)	(3,750)
Net current assets		1,250	1,336	211	335
Total assets less current liabilities		196,665	181,651	195,734	180,745
Provisions	16	(234)	(321)	(234)	(321)
Net assets		196,431	181,330	195,500	180,424
Financed by:					
Restricted funds:	17	195,885	180,531	195,885	180,531
Unrestricted Funds:	17	546	799	(385)	(107)
Total Funds		196,431	181,330	195,500	180,424

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

CHAIRMAN  DATE 19.9.18

DIRECTOR  DATE 19/9/18

The notes on Pages 19 to 32 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

ACCOUNTING STATEMENTS

Consolidated Statement of Cash Flows for the Year Ended 31 March 2018

Group	2018	2017
	£000	£000
<i>Notes</i>		
Cash flows from operating activities		
Net cash provided by (used in) operating activities	6,087	7,418
Cash flows from investing activities		
Purchase of property, plant & equipment	7 (2,625)	(7,074)
Proceeds from the sale of property, plant & equipment	-	-
Purchase of heritage assets	9 (2,396)	(382)
Interest Received	2	5
Net cash provided by (used in) investing activities	(5,019)	(7,451)
Cash flows from financing activities		
	-	-
Change in cash in the year	1,068	(33)
Cash at the beginning of the year	1,363	1,396
Cash at the end of the year	2,431	1,363

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

Group	2018	2017
	£000	£000
Net income/(expenditure) for the reporting period (as per the Consolidated Statement of Financial Activities)	(779)	2,204
Adjustments for:		
Depreciation charges	7 5,792	5,214
Interest received	(2)	(5)
Loss/(profit) on the sale of property, plant & equipment	9	-
(Increase)/decrease in stocks	13 7	41
(Increase)/decrease in debtors	14 1,478	(195)
Increase/(decrease) in creditors	15 (331)	228
Increase/(decrease) in provisions	16 (87)	(69)
Net cash provided by (used in) operating activities	6,087	7,418

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 19 to 32 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 2018**

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 5.

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 7.

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

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 2014, 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 2018**

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	2018	2017
	£000	£000
Grant-in-aid received:		
Revenue	20,417	21,250
Capital	1,255	1,000
	21,672	22,250
Purchase Grant	350	200
Total received during year	22,022	22,450

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	20,417	20,417
Purchase Grant	350	350
Capital Grant	1,255	1,255
	22,022	22,022
National Fund for Acquisitions (Note 23)	150	150
	22,172	22,172
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,586	3,661
	25,758	25,833

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. Financial Instruments (See Note 1.o)

As a condition of government grant funding, financial instruments play a much more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with National Museums Scotland's expected purchase and usage requirements and the National Museums Scotland is therefore exposed to little credit, liquidity or market risk. As National Museums Scotland does not face significant medium to long-term financial risks from these sources, further disclosure is deemed unnecessary.

4. 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 2018

Group	2018			2017		
	unrestricted £000	restricted £000	Total £000	unrestricted £000	Restricted £000	Total £000
Donations and legacies						
Government grants	22,022	-	22,022	22,450	-	22,450
Charitable grants	367	3,205	3,572	259	6,039	6,298
Donations	356	-	356	272	-	272
Total	22,745	3,205	25,950	22,981	6,039	29,020
Charitable activities						
Admission charges	1,164	-	1,164	1,301	-	1,301
Memberships	358	-	358	350	-	350
Provision of services	150	-	150	139	-	139
Other	113	-	113	137	-	137
Total	1,785	-	1,785	1,927	-	1,927
Other trading activities						
Shops and events	3,659	-	3,659	3,288	-	3,288
Sponsorship	85	-	85	289	-	289
Total	3,744	-	3,744	3,577	-	3,577
Investments	2	-	2	5	-	5
Other	-	-	-	-	-	-
Total Income	28,276	3,205	31,481	28,490	6,039	34,529

5. 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 2017-18 (2016-17 - nil).

During 2017-18 National Museums Scotland paid a total of £500 reimbursement of travel expenses to 4 Trustees for attending meetings at National Museums Scotland, while in 2016-17 a total of £1,537 was reimbursed to 6 Trustees.

Staff costs and employee benefits

Staff Costs during the Year

	Group		Charity	
	2018 £000	2017 £000	2018 £000	2017 £000
Salaries	12,262	12,579	11,390	11,768
National Insurance Costs	1,116	1,176	1,047	1,113
Pension Costs	2,358	2,219	2,288	2,163
Early Retirement	11	3	11	3
Total	15,747	15,977	14,736	15,047

Modernisation of Terms and Conditions

During 16/17 agreement was reached to modernise some staff terms and conditions with the Trade Unions and the Scottish Government. The total cost of the non-recurrent settlement payments was £1.145m.

Termination payments

During the year there were no staff redundancies (2016-17 zero) or other departures (2016-17 zero). All voluntary departure payments are made in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972 and are fully accounted for in the year of departure.

Numbers of employees

In 2017-18 the average staff head count was 517 staff (2016-17 498), which includes many part-time staff. The full-time equivalent staff numbers are shown below analysed by the activity categories shown in Note 6.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

	Group		Charity	
	2018	2017	2018	2017
Curatorial	90	80	90	80
Conservation & Collections Management	46	42	46	42
Public displays & events	176	164	176	164
Security and Support Services	82	76	82	76
Marketing	10	10	10	10
Estates and Buildings	10	9	10	9
Governance	5	5	5	5
Development	8	7	8	7
NMSE	14	13	-	-
Total	441	406	427	393

Headcount has increased fueled by the number of externally funded projects outside of our Grant-in-Aid.

In 2017-18 11 employees were paid more than £60,000 (2016-17 11), as shown in the table below:

Group	Number of staff	
	2018	2017
£60,000 to £69,999	5	5
£70,000 to £79,999	3	5
£80,000 to £89,999	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
- David Spilsbury, Director of Finance and Planning (resigned 6 June 2017)
- Keith Pentland, Director of Finance and Planning (appointed 29 November 2017)
- Fiona Stewart, Director of Estates and Facilities
- Sheilagh Stewart, Head of Human Resources
- Peter Williamson, Managing Director of NMSE and Director of Visitor Operations

The total cost of remuneration (excluding pensions) to these key management personnel in 2017-18 was £633k (2016-17 £593k), 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 £115,000. This was 5.15 times (2016-17 5.32) the median remuneration of the workforce which is £22,351.

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 2018**

Retirement benefits accrued under the defined benefit schemes to 462 staff during 2017-18 (2016-17 = 510 staff). For 2017-18, employers' contributions of £2,275k were payable to the PCSPS (2016-17 £2,149k) 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 2016-17 were between 20.0% and 24.5%).

The contribution rates are set to meet the cost of the benefits accruing during 2016-17 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 £14k (2016-17 £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 7 staff during 2017-18 (2016-17 = 6 staff).

Staff of NMS Enterprises Limited are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan, a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age. For 2017-18, employers' contributions of £70k were payable (2016-17 £56k).

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 25 employees (FTE 23.22) who were relevant union officials during the period.

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

<i>Percentage of time</i>	<i>Number of employees</i>
0%	18 *
1-50%	7
51%-99%	0
100%	0

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

The total cost of Facility Time was £10,300 from a total pay bill of £14.7m = 0.07%

Out of the total paid Facility Time, 28.1% was spent by employees who were relevant union officials on paid trade union activities the remaining 71.9% was spent on trade union duties.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

6. Expenditure

Group - Unrestricted	2018			2017		
	Direct Cost £000	Support Cost £000	Total £000	Direct Cost £000	Support Cost £000	Total £000
Charitable activities						
Curatorial	3,726	430	4,156	3,699	395	4,094
Conservation & Collections Management	1,793	207	2,000	1,878	200	2,078
Public displays & events	6,874	792	7,666	7,620	813	8,433
Security and Support Services	2,122	245	2,367	2,370	253	2,623
Marketing	1,037	120	1,157	1,201	128	1,329
Estates and Buildings	4,504	519	5,023	4,242	453	4,695
Governance costs	354	41	395	249	27	276
Total	20,410	2,354	22,764	21,259	2,269	23,528
Raising funds (including Cost of Sales)						
Development	577	67	644	558	60	618
Trading: cost of goods sold and other costs	2,835	-	2,835	2,507	-	2,507
Total	3,412	67	3,479	3,065	60	3,125
Total Expenditure	23,822	2,421	26,243	24,324	2,329	26,653

Group - Restricted	2018			2017		
	Direct Cost £000	Support Cost £000	Total £000	Direct Cost £000	Support Cost £000	Total £000
Charitable activities						
Curatorial	286	-	286	207	-	207
Conservation & Collections Management	1	-	1	6	-	6
Public displays & events	1,850	-	1,850	2,059	-	2,059
Estates and Buildings	3,871	-	3,871	3,400	-	3,400
Total	6,008	-	6,008	5,672	-	5,672
Other	9	-	9	-	-	-
Total Expenditure	6,017	-	6,017	5,672	-	5,672

No grant funding has been provided to third parties.

7. 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 and is currently in the process of being transferred to NMS. It also holds title to the National Museums Collection Centre at Granton in north Edinburgh, the National Museum of Flight in East Lothian and the former Dental Hospital in Chambers Street. 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 FREM National Museums Scotland includes its fixed assets at their value to the business by reference to current costs as at 31 March 2018. All the properties were last valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2014. The valuations have been undertaken on the undernoted bases in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 7th Edition.

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 (DRC) subject to the prospect and viability of the occupation and use. The Valuation Report also includes a statement confirming that an open market valuation (allowing for alternative uses) for those properties valued on a DRC basis will produce amounts significantly lower than the DRC figures. The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the financial statements. The valuation figures in the financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

Group						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	
1 April 2017	193,934	2,237	3,205	40,527	4,662	244,565
Additions	708	1,747	77	-	93	2,625
Transfers	3,424	(3,424)	-	-	-	-
Disposals	-	-	-	-	(221)	(221)
Revaluations	20,241	-	335	-	-	20,576
31 March 2018	218,307	560	3,617	40,527	4,534	267,545
Accumulated Depreciation						
1 April 2017	43,984	-	1,005	23,759	3,814	72,562
Charge for year	3,800	-	71	1,537	384	5,792
Disposals	-	-	-	-	(212)	(212)
Revaluations	4,591	-	105	-	-	4,696
31 March 2018	52,375	-	1,181	25,296	3,986	82,838
Net Book Value						
31 March 2018	165,932	560	2,436	15,231	548	184,707
1 April 2017	149,950	2,237	2,200	16,768	848	172,003

Charity						
Cost or valuation	Land &	Under	Leasehold	Permanent	Plant &	Total
£000	Buildings	Constrctn	Imprvmnts	Galleries	Equipment	
1 April 2017	193,934	2,237	3,205	40,527	4,258	244,161
Additions	708	1,747	77	-	68	2,600
Transfers	3,424	(3,424)	-	-	-	-
Disposals	-	-	-	-	(221)	(221)
Revaluations	20,241	-	335	-	-	20,576
31 March 2018	218,307	560	3,617	40,527	4,105	267,116
Accumulated Depreciation						
1 April 2017	43,984	-	1,005	23,759	3,514	72,262
Charge for year	3,800	-	71	1,537	346	5,754
Disposals	-	-	-	-	(212)	(212)
Revaluations	4,591	-	105	-	-	4,696
31 March 2018	52,375	-	1,181	25,296	3,648	82,500
Net Book Value						
31 March 2018	165,932	560	2,436	15,231	457	184,616
1 April 2017	149,950	2,237	2,200	16,768	744	171,899

The charge for depreciation and diminution in value comprises:

Group and Charity	2018	2017
	£000	£000
Tangible assets depreciation	5,754	5,176
NMS Enterprises tangible assets depreciation	38	38
	5,792	5,214

8. Commitments

Committed but not provided for in the Accounts	GROUP	
	2018	2017
	£000	£000
Capital expenditure:		
New storage & research building (Collections Centre)	-	1,667
Museum renewal (National Museum of Scotland)	847	143
Museum renewal (National Museum of Flight)	100	-
Other capital projects	1	157
	948	1,967
Operational expenditure	497	431
Total Commitments	1,445	2,398

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

9. 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	2018	2017	2016	2015	2014
	£000	£000	£000	£000	£000
Opening balance	8,311	7,929	7,529	6,963	6,582
Government Grant	457	149	247	364	105
NMS Charitable Trust	382	54	135	94	114
Art Fund	457	34	-	107	52
National Heritage Memorial Fund	1050	145	-	-	110
Others	50	-	18	1	-
Closing balance	10,707	8,311	7,929	7,529	6,963

10. Intangible Assets

No intangible assets are held by National Museums Scotland.

11. 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 2016/17). Future rental commitments at 31 March were as follows:

Land & Buildings	GROUP AND NMS	
	2018	2017
	£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	1,735	1,757

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

	Group		Charity	
	2018	2017	2018	2017
	£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. The trustees believe that the carrying value of the investments is supported by their underlying assets.

National Museums Scotland owns 200,000 £1 shares in NMS Enterprises Limited.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

13. Stocks (See Note 1.n)

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Stocks Held for Resale	721	728	-	-

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

14. Debtors (See Note 1.o)

Receivable Within 1Year:	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade Debtors	485	332	295	97
Less: Provision for Amounts not recoverable	(4)	(4)	-	-
Charitable grant debtors	526	1,501	526	1,501
Subsidiary Company	-	-	2	100
VAT Recoverable	198	625	280	681
Prepayments	426	655	340	583
	1,631	3,109	1,443	2,962

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

	Group		Charity	
	2018	2017	2018	2017
	£000	£000	£000	£000
Trade creditors	(674)	(1,054)	(649)	(1,031)
Accrued expenditure	(1,989)	(2,265)	(1,929)	(2,265)
Taxation and social security	(286)	(317)	(257)	(258)
Income received in advance	(584)	(228)	(517)	(196)
	(3,533)	(3,864)	(3,352)	(3,750)

16. 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 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	2018 Total	2017 Total
	£000	£000	£000	£000	£000
Opening balance 1 April	(50)	(221)	(50)	(321)	(390)
Add: Provisions During Year	(10)	11	3	4	(3)
Less: Released During Year	-	-	-	-	-
Less: Paid During Year	60	19	4	83	72
Closing Balance 31 March	-	(191)	(43)	(234)	(321)

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

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

Reserves – Restricted and Unrestricted

	Fund brought forward £000	Income £000	Expenditure £000	Transfers between funds £000	Gains and losses £000	Fund carried forward £000
Restricted						
Board Capital Reserve	41,095	626	(1,859)	681	-	40,543
Government Capital Reserve	80,303	-	(3,586)	1,255	-	77,972
Revaluation Capital Reserve	50,489	-	-	-	15,880	66,369
Heritage Assets Fund	8,451	1,939	-	350	-	10,740
Other Restricted Funds	193	639	(571)	-	-	261
Total	180,531	3,204	(6,016)	2,286	15,880	195,885
Unrestricted						
<i>Designated</i>						
Board Capital Reserve	744	-	(355)	68	-	457
Board Reserve - NMS	(851)	23,012	(23,053)	50	-	(842)
General Fund	-	1,605	-	(1,605)	-	-
Total - Charity	(107)	24,617	(23,408)	(1,487)	-	(385)
Board Reserve - NMSE	906	3,659	(2,835)	(799)	-	931
Total - Group	799	28,276	(26,243)	(2,286)	-	546
Total Reserves	181,330	31,480	(32,259)	-	15,880	196,431

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 internal review and a full independent review every five years. This 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.

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.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

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.

18. 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	184,159	457	-	184,616	91	184,707
Heritage assets	10,707	-	-	10,707	-	10,707
Investments	-	-	200	200	(199)	1
Current Assets	1,019	-	2,544	3,563	1,220	4,783
Current Liabilities	-	-	(3,352)	(3,352)	(181)	(3,533)
Long-term liabilities	-	-	(234)	(234)	-	(234)
Balance at 31 March	195,885	457	(842)	195,500	931	196,431

19. 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 £378k in grants from NMSCT during the year (2016/17 £2.678m).

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

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.

20. 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 in furtherance of the charity’s primary objectives, if these profits and surpluses are applied solely for charitable purposes. In respect of 2017/18 NMS Enterprises Limited distributed profits of £799k (2016/17 £597k) via Gift Aided payments to National Museums Scotland. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year.

21. Subsidiary Company (See Note 1.)

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:

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2018**

	2018 £000	2017 £000
Turnover	3,659	3,288
Cost of goods sold	(1,532)	(1,312)
Administrative costs	(1,303)	(1,195)
Trading profits from continuing operations	824	781
Interest Income	-	-
Profit/(Loss) reported in Consolidated I&E Account	824	781
Reserves at 1 April	906	722
Profit for the year	824	781
Profit distributed in year	(799)	(597)
Reserves at 31 March	931	906

22. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2018.

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

	2018 £000	2017 £000
Balance at 1 April	120	102
Grant Received	150	150
Disbursements	(129)	(132)
Balance at 31 March	141	120

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 2017-18 was £150k (2016-17 £150k). During the year 48 (2016-17 64) payments totalling £129k (2016-17 £132k) were made to 29 (2016-17 31) organisations, supporting acquisitions worth £368k (2016-17 £373k).

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/>.

24. External Audit

Audit Scotland was appointed by the Auditor General Scotland as our External Auditors, for which external audit fees were incurred in 2017/18 of £23k (2016/17 £23k). No other services were bought from this organisation.

25. 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.

26. 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 Stewart', written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006