

**NATIONAL MUSEUMS OF SCOTLAND**

**STATEMENT OF ACCOUNTS**

For the year ended 31 March 1999

*20/6*

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# REPORT OF THE BOARD OF TRUSTEES INCORPORATING FOREWORD

## 1. History of Body

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

## 2. Statutory background

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

## 3. Principal functions of the NMS

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

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

## 4. Financial results and appropriations

The accounts consolidate the NMS's wholly-owned trading subsidiaries. The combined financial results and appropriations are shown in the Consolidated Income and Expenditure Account on page 4. An Income and Expenditure Account for NMS alone is included at page 8.

During the year to 31 March 1999 NMS received grant-in-aid totalling £22.0m (1997/98 £23.84m), of which £9.85m was credited to the Income and Expenditure Account (1997/98

£10.79m) and £11.91m was allocated to capital expenditure (1997/98 £12.85m).

The Consolidated Income and Expenditure Account shows that £2.23 m of income was raised from other sources (1997/98 £1.59m), while capital receipts amounting to £10.76m (1997/98 £2.47m) were credited to the Capital Reserve. Staff costs were £7.45m (1997/98 £6.83m) while other operating charges amounted to £6.38m (1997/98 £5.40m) including other external charges of £1.99m (1997/98 £1.60m) and repairs and renewals of £1.50m (1997/98 £1.84m).

Capital expenditure to the value of £25.48m was incurred during the year (1997/98 £15.25m).

The NMS received £0.21m from SOEID for the purchase of items for the Collection, while a further £0.07m was received from other sources. The sum of £0.27m was spent on objects and on fieldwork, leaving a balance of £0.025m after the previous year's balance of £0.021m is taken into account.

## 5. NMS's activities during the year

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

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

In April 1998 NMS Publishing Ltd was established to develop commercially the publications activity formerly carried out by NMS. NMS Publishing Ltd is a wholly-owned subsidiary of NMS Enterprises Ltd, a company which is controlled by the Board of NMS.

## 6. The status of land and buildings

Other than the storage facility at Granton and the property at East Fortune the Trustees did not in the period hold any land or buildings on behalf of NMS. Most of the remaining buildings which house NMS are Crown properties, vested in the First Minister and are included in the Balance Sheet at depreciated replacement cost.

## 7. Significant changes to fixed assets

In the period, the group acquired assets at a cost of £25.48m. The sum of £1.42m was spent on buildings improvements and permanent galleries, £22.25m on the new Museum of

Scotland, £1.16m on the development at the Scottish United Services Museum, and £0.65m on equipment purchases.

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

During the year ended 31 March 1999, NMS staff members published 78 significant research articles and books, while the total number of publications by NMS staff was 113. During the same period, NMS staff collaborated on 96 research projects while 73 loans were made from the collections for research purposes.

### 9. Future developments in NMS's activities

The opening of the Museum of Scotland on St Andrew's Day 1998 was the culmination of many years of intense activity by NMS staff. Significant activities currently in progress include the redevelopment of the Scottish United Services Museum in Edinburgh Castle, and the creation of the National Historic Park at Kitchside, Lanarkshire, in partnership with the National Trust for Scotland.

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

No important event has occurred since 1 April 1999 to have a material effect on these accounts.

### 11. Names of Board members during the year

The Trustees of the National Museums are appointed by the Secretary of State for Scotland. The following were members of the Board during the period covered by these Accounts:

Sir Robert Smith CA, FCIBS, FSA Scot (Chairman)  
The Countess of Dalkeith  
Professor Tom Devine DLitt, FRSE, FBA  
Dr Lesley Glasser FRSE  
Alexander Grant Gordon CBE  
Sir Alistair Grant FRSE (retired 31 March 1999)  
Professor Veronica van Heyningen PhD, FRSE  
Grenville S Johnston OBE, TD, KCSG, DL, CA (appointed 1 April 1998)  
Professor Peter Jones MA, FRSE, FRSA, FSA Scot (retired 31 March 1999)  
Professor Aubrey Manning OBE, FRSE  
Professor James Murray BSc ARCST, CEng, FIMechE, FIEE, FIMgt  
Sir William Purves CBE, DSO (appointed 1 April 1998)  
Dr Anna Ritchie OBE BA, PhD, FSA, FSA Scot  
The Countess of Rosebery  
Sir John Thomson GCMG, MA (retired 31 March 1999)

The following served as members of the Finance and Audit Committee during the year: Sir Alistair Grant (Chairman), Mr Alexander Grant Gordon and Sir John Thomson. On 1 April 1999, Mr Grenville Johnston took over as Chairman, and Mr

Neil McIntosh was appointed as a trustee and joined the committee.

The Staff Committee of the Board of Trustees considers senior staff remuneration issues. The following were members of the Committee during the year: Mr Robert Smith, Professor Tom Devine, Professor Veronica van Heyningen and Professor James Murray.

### 12. Appointment of auditors

The Accounts of the NMS are audited by the Comptroller and Auditor General.

### 13. Disabled Employees

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

### 14. Employee Consultation

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

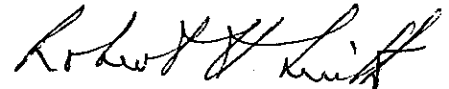
### 15. Prompt Payment Code

NMS's payment policy is to comply with Government accounting rules which stipulate that payments to suppliers must be made within 30 days of receipt of invoice. A random sample of invoices taken during 1998/99 showed that, on average, NMS paid suppliers 17 days after receipt of invoice, and that 93 % of invoices were paid within 30 days of receipt.

### 16. Year 2000

NMS has reviewed all its data and building management systems to assess the extent of potential difficulties with the date change on 1 January 2000. Key systems have either been upgraded or will shortly be upgraded to ensure "millennium compliance". Comprehensive plans have been drawn up to cover the contingency of unexpected failure of essential systems. The full cost of rendering systems millennium-compliant is being met from existing budgets, in most cases as part of the routine process systems upgrading.

CHAIRMAN



DATE

13.8.99

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

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

When preparing the accounts the Board is required to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make estimates and judgements on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the group will continue in operation.

The Accounting Officer for the Scottish Office Education and Industry Department has designated the Director of the National Museums of Scotland as Accounting Officer for NMS. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the financial memorandum of the National Museums of Scotland.

## STATEMENT ON THE SYSTEM OF INTERNAL FINANCIAL CONTROL

As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal control is maintained and operated by the National Museums of Scotland.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities

are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by senior management;
- regular reviews by the Management Board of periodic and annual financial reports which indicate financial performance against the forecasts;
- clearly defined capital investment guidelines;
- as appropriate, formal project management disciplines.

NMS has an internal audit function which is carried out by an independent firm of accountants and which operates to standards defined in the Government Internal Audit Manual. The work of internal audit is informed by an analysis of the risks to which NMS is exposed, and the annual audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Finance and Audit Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on the internal audit activity in the body.

My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, the Finance and Audit committee which oversees the work of the internal auditor, the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and comments made by the external auditors in their management letter and other reports.

DIRECTOR..... *Mark Jam* .....

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Income and Expenditure Account for the year ended 31 March 1999

	Notes	Continuing activities	
		1999 £000	1998 restated £000
<b>Income</b>			
Grant-in-aid received	2	9,851	10,787
Net surplus from revenue-earning activities	3	14	14
Gross income from grant-aided activities	4	124	99
Release from deferred grants and capital reserve	15,16	1,542	1,371
Other income	5	1,654	1,161
Income received by NMS subsidiaries	24	<u>439</u>	<u>321</u>
		<u>13,624</u>	<u>13,753</u>
<b>Expenditure</b>			
Staff costs	6	7,448	6,826
Other operating charges	7	6,384	5,399
Depreciation and permanent diminution in value	1c, 9	2,075	1,377
Deed of covenant to NMS Charitable Trust	1g	<u>8</u>	<u>20</u>
		<u>15,915</u>	<u>13,622</u>
<b>Operating surplus/(deficit)</b>		(2,291)	131
Notional cost of capital	26	<u>(5,160)</u>	<u>(4,460)</u>
<b>Surplus/(deficit) for the year before taxation</b>	27	(7,451)	(4,329)
Taxation	1g	<u>0</u>	<u>0</u>
<b>Surplus/(deficit) for the year after taxation</b>		(7,451)	(4,329)
Reversal of notional cost of capital	26	5,160	4,460
Release from revaluation reserve	19	<u>496</u>	<u>0</u>
<b>Retained surplus/(deficit) for the year</b>		<u>(1,795)</u>	<u>131</u>
Transfer to/(from) General Fund	17	(1,795)	128
NMS Enterprises Ltd		0	0
NMS Retail Ltd		0	3
		<u>(1,795)</u>	<u>131</u>

The notes on pages 10 to 25 form part of these accounts.

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Balance Sheet as at 31 March 1999

	Notes	1999 £000	1998 £000 restated
<b>Fixed Assets</b>			
Tangible assets	9	110,452	84,192
Investments	10	<u>1</u>	<u>-</u>
		110,453	84,192
<b>Current Assets</b>			
Stocks	11	220	139
Debtors	12	751	939
Cash at bank and in hand	13	<u>71</u>	<u>460</u>
		1,042	1,538
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	14	<u>5,477</u>	<u>1,885</u>
<b>Net Current Liabilities</b>		<u>(4,435)</u>	<u>(347)</u>
<b>Total Assets Less Current Liabilities</b>		<u>106,018</u>	<u>83,845</u>
Financed by:			
Creditors: Amounts falling due after more than one year	14	328	391
<b>Accruals and Deferred Income</b>			
Deferred government grants	15	59,282	48,034
Capital donations reserve	16	<u>13,549</u>	<u>3,127</u>
		<u>73,159</u>	<u>51,552</u>
<b>Capital and Reserves</b>			
<b>Unrestricted funds:</b>			
General Fund	17	(1,417)	378
Board Reserve Fund	18	231	231
NMS Enterprises Ltd		6	0
NMS Retail Ltd		0	7
<b>Restricted funds:</b>			
Revaluation reserve	19	34,014	31,656
Purchase Fund	20	<u>25</u>	<u>21</u>
		<u>32,859</u>	<u>32,293</u>
		<u>106,018</u>	<u>83,845</u>

Mark Jones

16 8.99

Accounting Officer

Date

The notes on pages 10 to 25 form part of these accounts.

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Cash Flow Statement for the year ended 31 March 1999

		1999	1998
	Notes	£000	£000
<b>Net cash inflow/(outflow) from operating activities</b>	22	<u>(483)</u>	(194)
<b>Returns on Investments:</b>			
Interest received	5	<u>108</u>	<u>88</u>
<b>Taxation:</b>			
Corporation tax	1(g)	<u>0</u>	<u>0</u>
<b>Capital expenditure and financial investment:</b>			
Payments from purchase fund	20	(273)	(839)
Purchase of investments		(1)	0
Payments to acquire tangible fixed assets		<u>(23,229)</u>	<u>(15,321)</u>
<b>Total capital expenditure and financial investment</b>		<u>(23,503)</u>	<u>(16,160)</u>
<b>Cash outflow before financing</b>		(23,878)	(16,266)
<b>Financing:</b>			
Government grants	15	12,454	12,847
Capital receipts	16	10,758	2,474
Purchase fund	20	<u>277</u>	<u>708</u>
		<u>23,489</u>	<u>16,029</u>
<b>Decrease in cash in the period</b>	22	<u>(389)</u>	<u>(237)</u>

The notes on pages 10 to 25 form part of these accounts.

**NATIONAL MUSEUMS OF SCOTLAND**

**Consolidated Statement of Total Recognised Gains and Losses for the year ended 31 March 1999**

	Note	1999 £000	1998 restated £000
Deficit for the year		(7,451)	(4,329)
Reversal of notional cost of capital		5,160	4,460
Unrealised gain on revaluation of fixed assets	19	<u>2,854</u>	<u>31,656</u>
Total recognised gains and losses relating to the financial year		<u>563</u>	<u>31,787</u>
Prior period adjustment	17	<u>143</u>	<u>-</u>
Total recognised gains and losses since the last annual report		<u>706</u>	<u>31,787</u>

The notes on pages 10 to 25 form part of these accounts.



# NATIONAL MUSEUMS OF SCOTLAND

## Income and Expenditure Account for the year ended 31 March 1999

	Notes	Continuing activities	
		1999 £000	1998 restated £000
<b>Income</b>			
Grant-in-aid received	2	9,851	10,787
Net surplus from revenue- earning activities	3	14	14
Gross income from grant- aided activities	4	124	99
Release from deferred grants and capital donations	15,16	1,542	1,371
Other income	5	<u>1,654</u>	<u>1,161</u>
		13,185	13,432
<b>Expenditure</b>			
Staff costs	6	7,278	6,753
Other operating charges	7	6,134	5,180
Depreciation and permanent diminution in value	1c, 9	<u>2,064</u>	<u>1,371</u>
		<u>15,476</u>	<u>13,304</u>
<b>Operating surplus/(deficit)</b>		(2,291)	128
Notional cost of capital	26	<u>(5,160)</u>	<u>(4,460)</u>
<b>Surplus/(deficit) after charging notional costs</b>	27	(7,451)	(4,332)
Reversal of notional cost of capital	26	5,160	4,460
Release from revaluation reserve	19	<u>496</u>	<u>0</u>
		<u>(1,795)</u>	<u>128</u>
Transfer to/(from) General Fund	17	<u>(1,795)</u>	<u>128</u>

The notes on pages 10 to 25 form part of these accounts.

**NATIONAL MUSEUMS OF SCOTLAND**

**Balance Sheet as at 31 March 1999**

		1999	1998
		£000	restated £000
<b>Fixed Assets</b>			
Tangible assets	9	110,417	84,162
Investment in subsidiary	10	<u>63</u>	<u>0</u>
		<u>110,480</u>	<u>84,162</u>
<b>Current Assets</b>			
Stocks	11	15	96
<b>Debtors:</b>			
-Receivable within 12 months	12	840	950
-Receivable after 12 months	12	75	88
Cash at bank and in hand	13	<u>14</u>	<u>411</u>
		944	1,545
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	14	<u>5,412</u>	<u>1,869</u>
<b>Net Current Liabilities</b>		<u>(4,468)</u>	<u>(324)</u>
<b>Total Assets Less Current Liabilities</b>		<u>106,012</u>	<u>83,838</u>
<b>Financed by:</b>			
<b>Creditors: Amounts falling due after more than one year</b>			
	14	328	391
<b>Accruals and Deferred Income</b>			
Deferred government grants	15	59,282	48,034
Capital donations	16	<u>13,549</u>	<u>3,127</u>
		<u>73,159</u>	<u>51,552</u>
<b>Capital and Reserves</b>			
<b>Unrestricted funds:</b>			
General Fund	17	(1,417)	378
Board Reserve Fund	18	231	231
<b>Restricted funds:</b>			
Revaluation reserve	19	34,014	31,656
Purchase Fund	20	25	21
		<u>32,853</u>	<u>32,286</u>
		<u>106,012</u>	<u>83,838</u>

Mark Jones

16.8.99

Accounting Officer

Date

The notes on pages 10 to 25 form part of these accounts.

# NATIONAL MUSEUMS OF SCOTLAND

## NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

### 1. ACCOUNTING POLICIES

#### (a) Basis of Accounting

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

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP2, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

#### (b) Basis of Consolidation

The accounts consolidate those of the National Museums of Scotland (NMS) and its subsidiary companies, NMS Enterprises Ltd, NMS Retail Ltd and NMS Publishing Ltd for the year ended 31 March 1999.

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

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

With the exception of the Museum of Scotland under construction, the Museum of Flight and the Granton complex, the land and buildings of NMS are held in the name of the Secretary of State. Nevertheless, on the direction of the Secretary, all land and buildings administered by the Board are valued every five years by a professional valuer and revalued annually using appropriate indices and included in the Balance Sheet. The method of valuation for specialised properties, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties are valued at open market value for existing use. Equipment is valued at current replacement cost less depreciation.

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

Equipment	4 years and 7 years
Vehicles	7 years
Buildings improvements	15 years
Buildings	19 years to 72 years
Permanent galleries	15 years

The NMS's collections have not been valued. Information as to the amount spent during the year is given under the Purchase Fund (note 20).

**(d) Government Grants**

The revenue portion of the annual grant-in-aid is credited to income in the year in which it is received. Any portion relating to capital expenditure is credited to the deferred government grants account, which is written down over the expected useful lives of the assets acquired.

**(e) Stocks**

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

**(f) Board Reserve Fund**

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

**(g) Taxation**

The Board of NMS has been granted charitable status by the Inland Revenue. Non-recoverable Value Added Tax (VAT) arising from expenditure is charged to the Income and Expenditure Account. It is intended to eliminate any liability of the subsidiary companies to Corporation tax in 1998/99 by making donations to the NMS Charitable Trust.

**(h) Notional Costs**

In accordance with accounting requirements laid down by HM Treasury, the Income and Expenditure Accounts include notional costs to reflect the full costs of NMS's activities. The calculation of the notional cost of capital is explained in note 26.

**(i) Capital Receipts**

Donations, Lottery and other non-government receipts, which are applied to capital expenditure are credited to the Capital Reserve and are amortised over the expected useful lives of the assets acquired.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

2. GOVERNMENT GRANT-IN-AID

(See Notes 1(d), 15 & 20)

	Group and NMS	
	1999 £000s	1998 £000s
Grant-in-Aid received		
Running Costs	13,558	11,034
Major Capital	<u>8,200</u>	<u>12,600</u>
	21,758	23,634
Purchase Grant	<u>210</u>	<u>210</u>
Total received during year	<u>21,968</u>	<u>23,844</u>
Allocated to:		
Income and Expenditure account	9,851	10,787
Deferred Government Grants for capital expenditure Note 15	11,907	12,847
Purchase Fund Note 20	<u>210</u>	<u>210</u>
	<u>21,968</u>	<u>23,844</u>

5. NMS REVENUE-EARNING ACTIVITIES

	Group and NMS	
	1999 £000	1998 £000
Sales	32	110
Cost of Sales	<u>18</u>	<u>96</u>
Gross profit	<u>14</u>	<u>14</u>

The results of NMS's publications activities were included in the above figures until 31 March 1998. These activities were transferred to NMS Publications Ltd on 1 April 1998, and the results are reported with those of NMS's other subsidiary companies (see note 24).

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

4. GRANT-AIDED ACTIVITIES

	Group and NMS	
	1999 £000	1998 £000
Rental of facilities etc	<u>124</u>	<u>99</u>

5. OTHER INCOME

	Group and NMS	
	1999 £000	1998 £000
Sponsorship	-	119
Bank Interest	108	88
Provision of Services - Curatorial	6	22
- Conservation	2	8
- Multimedia	39	39
- Documentation	48	42
- Other	131	97
Entrance Charges	471	109
NMS Charitable Trust funding of MoS Campaign Office	302	232
Misc Grants	296	242
Other	<u>251</u>	<u>163</u>
	<u>1,654</u>	<u>1,161</u>

In addition to the sums listed above which were credited to income, NMS received £5,500,000 from the NMS Charitable Trust which was credited to the Capital Reserve (note 16).

6. EMPLOYEES

Staff costs during the year

	Group		NMS	
	1999 £000	1998 £000	1999 £000	1998 £000
Salaries	6,105	5,433	5,963	5,367
Social Security Costs	494	398	479	392
Pension Costs	817	678	804	676
Early Retirement	<u>32</u>	<u>317</u>	<u>32</u>	<u>318</u>
Total	<u>7,448</u>	<u>6,826</u>	<u>7,278</u>	<u>6,753</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

6. EMPLOYEES (continued)

The staff of the National Museums of Scotland are employed by the Board of Trustees on the same pension and superannuation terms and conditions as Civil Servants to whom the provisions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. In 1998/99, contributions were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. These ranged from 11% to 19.5% in 1998/99 (1997/98 - 11% to 19.5%).

The salary paid to the Director during 1998/99 amounted to £60,638 (1997/98 £58,497), while the emoluments, including pension contributions, of the Director during 1998/99 amounted to £72,463 (1997/98 - £69,904). The Director is an ordinary member of the Principal Civil Servants Pension Scheme. No remuneration was paid to members of the Board of Trustees during 1998/99 (1997/98 - nil). During 1998/99 NMS paid a total of £4,697 in reimbursement of expenses to 8 Trustees. In 1997/98 a total of £2,451 was reimbursed to 6 Trustees. Remuneration, excluding pension contributions, of the highest paid employees of NMS was as follows:

Range £	1999 No. of Employees	1998 No. of Employees
40,000 - 49,999	4	5
50,000 - 59,999	5	4

The average full-time equivalent number of employees was:

	Group		NMS	
	1999	1998	1999	1998
Curatorial	92.9	91.9	92.9	91.9
Conservation	37.7	29.3	37.7	29.3
Warding	100.7	78.2	100.7	78.2
Administration, support services	<u>135.8</u>	<u>124.1</u>	<u>131.8</u>	<u>120.1</u>
	<u>367.2</u>	<u>323.5</u>	<u>363.2</u>	<u>319.5</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

7. OTHER OPERATING CHARGES

	Group		NMS	
	1999	1998	1999	1998
	£000	£000	£000	£000
Expenses Board Members	12	11	12	11
Expenses - staff Administration expenses	146	114	146	114
Other external charges	537	383	459	366
Fuel and utilities	1,989	1,596	1,819	1,394
Rents and rates	426	354	426	354
Furniture and Furnishings	186	243	186	243
Repairs and renewals	63	65	63	65
Audit Fee	1,501	1,841	1,501	1,841
Museum of Scotland Development	11	9	9	9
	<u>1,513</u>	<u>783</u>	<u>1,513</u>	<u>783</u>
	<u>6,384</u>	<u>5,399</u>	<u>6,134</u>	<u>5,180</u>



NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1999

8. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted Funds		Restricted Funds	Totals	
	1999 NMS £000	1999 Subsidiaries £000	1999 £000	1999 £000	1998 (restated) £000
<b>Incoming resources</b>					
Grant-in-Aid	note 2 13,558	-	note 2 8,410	21,968	23,844
Other government grants	-	-	note 15 547	547	0
Other income	1+E 1,792	-	note 20 67	1,859	1,772
Trading subsidiaries	-	1+E 439	-	439	321
Capital receipts	-	-	note 16 5,500	5,500	1,950
Heritage Lottery Fund	-	-	note 5,258	5,258	524
<b>Total incoming resources</b>	<b>15,350</b>	<b>439</b>	<b>19,782</b>	<b>35,571</b>	<b>28,411</b>
<b>Resources expended</b>					
Museum of Scotland	2,079	-	-	2,079	1,085
Curatorial	3,979	-	-	3,979	3,175
Conservation & Documentation Service	1,024	-	-	1,024	1,369
Publishing	0	-	-	0	162
Exhibitions	2,852	-	-	2,852	782
Security	1,929	-	-	1,929	1,571
Administration	2,006	-	-	2,006	3,573
Trading subsidiaries	-	440	-	440	318
Estates and Buildings	1,607	-	-	1,607	1,586
Fieldwork and Acquisitions	-	-	note 20 273 ✓	273	839
<b>Total resources expended</b>	<b>15,476</b>	<b>440</b>	<b>273</b>	<b>16,189</b>	<b>14,460</b>
<b>Net incoming/(outgoing) resources before revaluation</b>					
	(126)	(1)	19,509	19,382	13,951
Revaluation of fixed assets	-	-	note 19 2,854	2,854	31,656
<b>Transfers between funds</b>					
Release of capital reserve	336	-	note 16 (336)	-	-
Release of deferred government grants	1,206	-	note 15 (1,206)	-	-
Release of revaluation reserve	496	-	note 19 (496)	-	-
<b>Net movement in funds</b>	<b>1,912</b>	<b>(1)</b>	<b>20,325</b>	<b>22,236</b>	<b>45,607</b>
<b>Total funds brought forward</b>	<b>36,427</b>	<b>7</b>	<b>47,020</b>	<b>83,454</b>	<b>37,847</b>
<b>Total funds carried forward</b>	<b>38,339</b>	<b>65.6</b>	<b>67,345</b>	<b>105,690</b>	<b>83,454</b>
<b>Total fund balances comprise:</b>					
Fixed assets	43,097	35	67,321	110,453 BS	84,192
Current assets/(liabilities)	(4,430)	(29)	24	(4,435) BS	(347)
Creditors due after more than one year	(328)	-	-	(328) BS	(391)
	<b>38,339</b>	<b>6</b>	<b>67,345</b>	<b>105,690</b>	<b>83,454</b>

Depreciation has been allocated to activities in proportion to the staff numbers involved.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 1999

9. FIXED ASSETS

(See note 1(c))

Group

Cost or valuation	Buildings	Buildings under	Buildings	Permanent	Equipment	Totals
	Purchased	construction	Improvements	Galleries		
	£000	£000	£000	£000	£000	£000
1 April 1998	49,814	31,662	-	2,459	3,436	87,371
Additions	-	23,383	1,423	24	651	25,481
Revaluations	2,713	-	-	177	(98)	2,792
Transfers	39,065	(53,884)	-	14,819	-	-
31 March 1999	91,592	1,161	1,423	17,479	3,989	115,644
Depreciation						
1 April 1998	-	-	-	499	2,680	3,179
Charge for year	1,185	-	8	502	324	2,019
Revaluations	-	-	-	36	(42)	(6)
31 March 1999	1,185	-	8	1,037	2,962	5,192
Net Book Value						
31 March 1999	90,407	1,161	1,415	16,442	1,027	110,452
1 April 1998	49,814	31,662	-	1,960	756	84,192

NMS

Cost or valuation	Buildings	Buildings under	Buildings	Permanent	Equipment	Totals
		construction	Improvements	Galleries		
	£000	£000	£000	£000	£000	£000
1 April 1998	49,814	31,662	-	2,459	3,342	87,277
Additions	-	23,383	1,423	24	635	25,465
Revaluations	2,713	-	-	177	(98)	2,792
Transfers	39,065	(53,884)	-	14,819	-	-
31 March 1999	91,592	1,161	1,423	17,479	3,879	115,534
Depreciation						
1 April 1998	-	-	-	499	2,616	3,115
Charge for year	1,184	-	8	502	314	2,008
Revaluations	-	-	-	(36)	(42)	(6)
31 March 1999	1,184	-	8	1,037	2,888	5,117
Net Book Value						
31 March 1999	90,408	1,161	1,415	16,442	991	110,417
1 April 1998	49,814	31,662	-	1,960	726	84,162

Title to NMS's land and buildings is held by the Secretary of State. NMS has full operational use of these assets and is responsible for their upkeep and maintenance, and there has been no change in this position during the year. Under Financial Reporting Standard 5, these assets have been included in NMS's Balance Sheet.

To comply with the requirements of Executive NDPBs Annual Reports and Accounts Guidance, issued by HM Treasury, the Secretary of State directed NMS to include its fixed assets at their value to the business by reference to current costs for the year ended 31 March 1998. This replaced the previous requirement to include assets at historical cost. Accordingly, NMS instructed the Valuation Office, an executive agency of the Inland Revenue, to undertake a valuation of its estates and other assets. The more specialised buildings were valued at depreciated replacement cost while the remainder were valued at open market value. Equipment was valued at current replacement cost using appropriate indices. The valuations obtained as at 31 March 1998 were revised as at 31 March 1999 using appropriate indices, the gain of £2.854m net of backlog depreciation thus arising being credited to the revaluation reserve, and the loss of £56k, being a permanent diminution in value, debited to the Income and Expenditure Account.

As NMS is unable to dispose of the properties and apply the proceeds for charitable purposes, the revaluation reserve in respect of the land and buildings is treated as a restricted fund under the Charities SORP.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

10. INVESTMENTS

NMS Publishing Ltd, a wholly-owned subsidiary of NMS, holds 600 ordinary shares of £1 each in the Scottish Book Source. At 1 April 1998 NMS transferred to NMS Publishing Ltd stocks having a value of £63,000. These are recorded by NMS as an investment in the subsidiary company.

11. STOCKS

(see Note 1(e))

	Group		NMS	
	1999 £000	1998 £000	1999 £000	1998 £000
Stocks held for resale	<u>220</u>	<u>139</u>	<u>15</u>	<u>96</u>

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

12. DEBTORS

	Group		NMS	
	1999 £000	1998 £000	1999 £000	1998 £000
Receivable within 1 year:				
Prepayments	111	43	111	43
Season Ticket Advances	16	14	16	14
Loan to NMS Retail Ltd	-	-	13	13
Other	180	34	256	32
VAT recoverable	<u>444</u>	<u>848</u>	<u>444</u>	<u>848</u>
	<u>751</u>	<u>939</u>	<u>840</u>	<u>950</u>
Receivable after more than 1 year:				
Loan to NMS Retail Ltd	-	-	<u>75</u>	<u>88</u>

NMS Retail Ltd operates the shop in Chambers Street, and in order to assist its operations, NMS has made available an interest-free loan, which is repaid in annual instalments of not less than £12,500. £75,000 (1998, £87,500) of the loan is a debtor falling due after more than one year.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

13. CASH AT BANK AND  
IN HAND

	Group		NMS	
	1999 £000	1998 £000	1999 £000	1998 £000
Purchase Grant	25	21	25	21
NFA (Art and Science)	232	211	232	211
Board Reserve Fund	231	231	231	231
General Fund	(474)	(52)	(474)	(52)
NMS Enterprises Ltd	57	49	-	-
	<u>71</u>	<u>460</u>	<u>14</u>	<u>411</u>

14. CREDITORS

	Group		NMS	
	1999 £000	1998 £000	1999 £000	1998 £000
Amounts falling due within one year:				
Operating Charges	1,264	288	1,560	281
Capital Expenditure	3,887	1,276	3,528	1,276
Audit	11	9	9	9
VAT	-	4	-	-
NFA (Art & Science)	232	211	232	211
Taxation	-	5	-	-
Early retirement deferred costs	83	92	83	92
	<u>5,477</u>	<u>1,885</u>	<u>5,412</u>	<u>1,869</u>
Amounts falling due after more than one year:				
-Early retirement deferred costs	328	391	328	391

Early retirement deferred costs are the unfunded future payments which the Group will make to employees who have taken early retirement up to 31 March 1999.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

15. DEFERRED GOVERNMENT GRANTS

(See Notes 1(d) and 2)

	Group and NMS	
	1999 £000	1998 £000
Opening Balance 1 April	48,034	36,516
Grant-in-aid received for capital expenditure	11,907	12,847
Other Government grants	<del>sofa</del> 547	-
Released in year	<u>(1,206)</u>	<u>(1,329)</u>
Closing balance 31 March	<u>59,282</u>	<u>48,034</u>

16. CAPITAL RESERVE

(see note 1(i))

	Group and NMS	
	1999 £000	1998 £000
Balance at 1 April	3,127	695
Amounts received from Charitable Trust	<del>sofa</del> 5,500	1,950
National Heritage Memorial Fund	5,258	524
Released in year	<u>(336)</u>	<u>(42)</u>
	<u>13,549</u>	<u>3,127</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

17. GENERAL FUND

	Group and NMS	
	1999 £000	1998 £000
Balance at 1 April as previously stated	235	188
Prior-period adjustment	<u>143</u>	<u>62</u>
Balance at 1 April as restated	378	250
Surplus/deficit for the year	(1,795)	128
Balance at 31 March	<u>(1,417)</u>	<u>378</u>

In accordance with Treasury guidelines, NMS does not insure against risks. In previous years NMS has been required to provide for the notional cost of insurance, setting up a reserve in the Balance Sheet. This accounting treatment is not permissible under the terms of FRS 12 and, accordingly, the provision has been reversed by a prior-period adjustment. The effect is to increase the surplus earned in 1998 by £81,361 and to remove the insurance provision of £142,866. The effect on the current year is to reduce the deficit by £103,748.

18. BOARD RESERVE FUND

	Group and NMS	
	1999 £000	1998 £000
Balance at 31 March	<u>231</u>	<u>231</u>

**NATIONAL MUSEUMS OF SCOTLAND**

**NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999**

**19. REVALUATION RESERVE**

	1999 £000	1998 £000
Balance at 1 April	31,656	-
Revaluation of buildings and equipment	2,854	31,656
Release to Income & Expenditure at 31 March 1999	<u>(496)</u>	<u>-</u>
Balance at 31 March	<u>34,014</u>	<u>31,656</u>

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

**20. PURCHASE FUND**  
(see note 2)

	Group and NMS	
	1999 £000	1998 £000
<b>Income</b>		
Balance at 1 April	21	152
Scottish Office Education & Industry Dept	210	210
Other contributions	<u>67</u>	<u>498</u>
	298	860
<b>Expenditure</b>		
Purchases	226	781
Fieldwork etc	<u>47</u>	<u>58</u>
	<u>273</u>	<u>839</u>
Balance at 31 March	<u>25</u>	<u>21</u>

**21. NATIONAL FUND  
FOR ACQUISITIONS**

The Director of the National Museums acts as adviser to the SOEID on payments under the National Fund for Acquisitions (NFA). This fund, although shown in the Accounts, is not available to the National Museums.

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

	Group	
	1999	1998
	£000	£000
Operating surplus /(deficit)	(2,291)	131
Interest received	(108)	(88)
Depreciation	2,075	1,377
Transfer from deferred Government Grant and Capital Donations Reserve	(1,542)	(1,371)
Decrease/(increase) in stocks	(81)	36
Decrease/(increase) in debtors	188	(399)
Increase in creditors	<u>1,276</u>	<u>120</u>
Net cash (outflow) from operating activities	<u>(483)</u>	<u>(194)</u>

**Analysis of changes in net funds in the year**

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

	Group	
	1999	1998
	£000	£000
Opening cash balance	460	697
Change in year	<u>(389)</u>	<u>(237)</u>
Closing cash balance	<u>71</u>	<u>460</u>

**23. CAPITAL COMMITMENTS**

	Group and NMS	
	1999	1998
	£000	£000
Contracted but not provided for in the accounts	<u>3,293</u>	<u>22,843</u>
Authorised but not yet contracted	<u>289</u>	<u>250</u>



## NATIONAL MUSEUMS OF SCOTLAND

### NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

#### 24. SUBSIDIARY COMPANIES

NMS regards the following companies as wholly-owned subsidiaries:

	Total share capital and reserves £000s	Profit/(loss) for the year £000s
NMS Enterprises Ltd	-	Dormant
NMS Publishing Ltd	63	-
NMS Retail Ltd	11	-

All the companies are registered in Scotland and have been set up to promote and develop NMS's commercial activities.

The results of the subsidiaries were as follows:

	1999 £000	1998 £000
Sales	439	321
Cost of sales	205	202
Staff costs	172	73
Operating charges	52	17
Depreciation	<u>10</u>	<u>6</u>
Net Profit	<u>-</u>	<u>23</u>

#### 25. RELATED PARTY TRANSACTIONS

The National Museums of Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Office Education and Industry Department (SOEID) which is regarded as a related party. During the year NMS has had various material transactions with SOEID.

During the year, none of the Trustees, members of key management staff or other related parties has entered into any material transaction with NMS.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 1999

26. COST OF CAPITAL

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

	1999 £000	1998 £000 restated	1997 £000 revised
General reserve	(1,417)	378	250
Deferred government grant	59,282	48,034	36,516
Purchase fund	25	21	152
Revaluation reserve	<u>34,014</u>	<u>31,656</u>	<u>31,656</u>
	<u>91,904</u>	<u>80,089</u>	<u>68,574</u>
Average balance during the year	<u>85,996</u>	<u>74,332</u>	
Notional interest at 6%	<u>5,160</u>	<u>4,460</u>	

Guidance on appropriate rates is contained in HM Treasury's booklet "Executive non-departmental public bodies: annual reports and accounts guidance". The rate of 6% is suggested as being appropriate to NDPBs which are not engaged in activities which compete directly with the private sector. In order to compute an average balance for 1997/98 at revalued amounts, the valuation undertaken at 31<sup>st</sup> March 1998 has also been reflected in a notional position at 31<sup>st</sup> March 1997, represented by the column heading "revised 1997"

27. LOSS AFTER NOTIONAL COSTS

In accordance with requirements laid down by HM Treasury, the loss for the year is stated after charging the notional cost capital (see note 26). As there is no matching funding of this notional cost, the loss for the year after notional costs is not indicative of the financial result for the year.

The result for the year is as follows:-

	Group	
	1999 £000	1998 £000
(Deficit)/surplus before notional costs	(2,291)	131
Notional cost of capital (note 26)	<u>5,160</u>	<u>4,460</u>
Deficit after notional costs	<u>(7,451)</u>	<u>(4,329)</u>