

NATIONAL MUSEUMS OF SCOTLAND

STATEMENT OF ACCOUNTS

For the year ended 31 March 2000

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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 (NMAS) and the Royal Scottish Museum (RSM). Prior to this date the NMAS was a body funded by the then Scottish Office Education Department (SOED) under a separate Vote while the RSM was for funding and 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 2000 NMS received grant-in-aid totalling £15.09m (1998/99 £21.97m), of which £13.62m was credited to the Income and Expenditure Account (1998/99

£9.85m) and £0.96m was allocated to capital expenditure (1998/99 £11.91m).

The Consolidated Income and Expenditure Account shows that £2.98 m of income was raised from other sources (1998/99 £2.23m), while capital receipts amounting to £3.85m (1998/99 £10.76m) were credited to the Capital Reserve. Staff costs were £8.36m (1998/99 £7.45m) while other operating charges amounted to £5.88m (1998/99 £6.38m) including other external charges of £1.85m (1998/99 £1.99m) and repairs and renewals of £1.99m (1998/99 £1.50m).

Capital expenditure to the value of £3.92m was incurred during the year (1998/99 £25.48m).

The NMS received £0.5m from the Scottish Executive Education Department (SEED) for the purchase of items for the Collection, while a further £0.05m was received from other sources. The sum of £0.57m was spent on objects and on fieldwork, leaving a balance of £0.01m after the previous year's balance of £0.025m 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 1999 NMS Hospitality and Events Ltd (NMSH&E) and The Multimedia Team Ltd (TMT) were established. The aims of the companies are, respectively, to exploit commercial hall hire and catering activities on behalf of NMS, and to develop commercial and educational multi-media programmes utilising in part NMS collections and research. NMS Retail continued to operate the shop in Chambers Street, and in April 2000 re-opened a shop in the National War Museum of Scotland. NMS Publishing Ltd continued to develop the publications activity formerly carried out by NMS. The foregoing companies are wholly owned by 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

Scottish Ministers 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 £3.916m. The sum of £1.224m was spent on permanent galleries, £2.584m on buildings, and £0.108m on equipment purchases. Included in the foregoing amounts is the development of the National War Museum of Scotland (£3.08m).

8. Activities in the field of research and development

During the year ended 31 March 2000, NMS staff members published 94 significant research articles and books, while the total number of publications by NMS staff was 140. During the same period, NMS staff collaborated on 58 research projects while 78 loans were made from the collections for research purposes.

9. Future developments in NMS's activities

NMS continues to enhance its service to the public. On 17 April 2000 the Princess Royal opened the newly-redeveloped National War Museum of Scotland. In partnership with the National Trust for Scotland, NMS is developing a Museum of Scottish Country Life at Kittinghside, near East Kilbride. In addition to a working farm, there will be a large exhibition building devoted to the history of farming in Scotland. The complex will be opened to the public in 2001.

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

No important event has occurred since 1 April 2000 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 Scottish Ministers. 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
Professor Veronica van Heyningen PhD, FRSE
Grenville S Johnston OBE, TD, KCSG, DL, CA
Christina Macaulay
Sir Neil MacIntosh, CBE
Professor Aubrey Manning OBE, FRSE
Professor James Murray BSc ARCST, CEng, FIMechE, FIEE, FIMgt
Sir William Purves CBE, DSO

Dr Anna Ritchie OBE BA, PhD, FSA, FSA Scot
The Countess of Rosebery
Ian Smith
Lord Wilson of Tillyorn GCMG

The following served as members of the Finance and Audit Committee during the year: Mr. Grenville Johnston (Chairman), Mr Alexander Grant Gordon, Sir Neil MacIntosh and Sir William Purves.

The Staff Committee of the Board of Trustees considers senior staff remuneration issues. The following were members of the Committee during the year: Sir Robert Smith, Professor Tom Devine, Professor Veronica van Heyningen, Sir Neil MacIntosh (from 9 September 1999) 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.

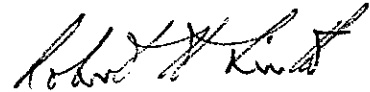
14. Employee Consultation

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 1999/2000 showed that, on average, NMS paid suppliers 15 days after receipt of invoice, and that 95% of invoices were paid within 30 days of receipt.

CHAIRMAN



DATE

18/5/2000

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 Scottish Ministers. 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 NMS Enterprises Ltd and its subsidiary companies (the group) at the year end, and of the income and expenditure and cash flows of the group for the financial year.

in preparing the accounts the Board is required to:

- observe the accounts direction issued by Scottish Ministers, 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 Executive Education 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.

In September 1999 the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee "Internal Control: Guidance for Directors on the Combined Code". The effect of the Turnbull Report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls, including financial, operational, compliance and the management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking steps to implement the full requirements of the guidance for the year ended 31 March 2002.

DIRECTOR..... 

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Income and Expenditure Account for the year ended 31 March 2000

	Notes	Continuing activities	
		2000	1999
Income		£000	£000
Grant-in-aid received	2	13,620	9,851
Net surplus from revenue-earning activities	3	15	14
Gross income from grant-aided activities	4	42	124
Release from deferred grants and capital reserve	15, 16	2,734	1,542
Other income	5	1,700	1,654
Income received by NMS subsidiaries	24	<u>1,221</u>	<u>439</u>
		<u>19,332</u>	<u>13,624</u>
Expenditure			
Staff costs	6	8,362	7,448
Other operating charges	7	5,881	6,384
Depreciation and permanent diminution in value	1c, 9	3,031	2,075
Deed of covenant to NMS Charitable Trust	1g	<u>0</u>	<u>8</u>
		<u>17,274</u>	<u>15,915</u>
Operating surplus/(deficit)		2,058	(2,291)
Notional cost of capital	26	<u>(5,599)</u>	<u>(5,160)</u>
(Deficit) for the year before taxation	27	<u>(3,541)</u>	<u>(7,451)</u>
Taxation	1g	<u>0</u>	<u>0</u>
Deficit) for the year after taxation		<u>(3,541)</u>	<u>(7,451)</u>
Reversal of notional cost of capital	26	5,599	5,160
Release from revaluation reserve	19	<u>205</u>	<u>496</u>
Retained surplus/(deficit) for the year		<u>2,263</u>	<u>(1,795)</u>
Transfer to/(from) General Fund	17	1,468	(1,795)
Transfer to Board Reserve	18	815	0
NMS EnterprisesLtd		(20)	0
		<u>2,263</u>	<u>(1,795)</u>

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

NATIONAL MUSEUMS OF SCOTLAND

Consolidated Balance Sheet as at 31 March 2000

	Notes	2000 £000	1999 £000
Fixed Assets			
Tangible assets	9	113,510	110,452
Investments	10	<u>1</u>	<u>1</u>
		113,511	110,453
Current Assets			
Stocks	11	264	220
Debtors	12	458	751
Cash at bank and in hand	13	<u>2,899</u>	<u>71</u>
		3,621	1,042
Current Liabilities			
Creditors: Amounts falling due within one year	14	<u>4,722</u>	<u>5,477</u>
Net Current Liabilities		<u>(1,101)</u>	<u>(4,435)</u>
Total Assets Less Current Liabilities		<u>112,410</u>	<u>106,018</u>
Financed by:			
Creditors: Amounts falling due after more than one year			
	14	267	328
Accruals and Deferred Income			
Deferred government grants	15	58,686	59,282
Capital reserve	16	<u>16,381</u>	<u>13,549</u>
		<u>75,334</u>	<u>73,159</u>
Capital and Reserves			
Unrestricted funds:			
General Fund	17	51	(1,417)
Board Reserve Fund	18	1,046	231
NMS Enterprises Ltd		(14)	6
Restricted funds:			
Revaluation reserve	19	35,982	34,014
Purchase Fund	20	<u>11</u>	<u>25</u>
		<u>37,076</u>	<u>32,859</u>
		<u>112,410</u>	<u>106,018</u>

M. P. Jones

16 August 2000

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 2000

		2000	1999
	Notes	£000	£000
Net cash inflow/(outflow) from operating activities	22	1,711	(483)
Returns on Investments:			
Interest received	5	<u>77</u>	<u>108</u>
Taxation:			
Corporation tax	1(g)	<u>0</u>	<u>0</u>
Capital expenditure and financial investment:			
Payments from purchase fund	20	(570)	(273)
Purchase of investments		0	(1)
Payments to acquire tangible fixed assets		<u>(3,916)</u>	<u>(23,228)</u>
Total capital expenditure and financial investment		<u>(4,486)</u>	<u>(23,502)</u>
Cash outflow before financing		(2,698)	(23,878)
Financing:			
Government grants	15	1,124	12,453
Capital receipts	16	3,846	10,758
Purchase fund	20	<u>556</u>	<u>278</u>
		<u>5,526</u>	<u>23,489</u>
Increase/(decrease) in cash in the period	22	<u>2,828</u>	<u>(389)</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 2000

		2000	1999
	Note	£000	£000
Deficit for the year		(3,541)	(7,451)
Reversal of notional cost of capital		5,599	5,160
Unrealised gain on revaluation of fixed assets	9, 19	<u>2,196</u>	<u>2,854</u>
Total recognised gains and losses relating to the financial year		<u>4,254</u>	<u>563</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 2000

	Notes	Continuing activities	
		2000	1999
		£000	£000
Income			
Grant-in-aid received	2	13,620	9,851
Net surplus from revenue-earning activities	3	15	14
Gross income from grant-aided activities	4	42	124
Release from deferred grants and capital donations	15, 16	2,734	1,542
Other income	5	<u>2,126</u>	<u>1,654</u>
		18,537	13,185
Expenditure			
Staff costs	6	7,836	7,278
Other operating charges	7	5,603	6,134
Depreciation and permanent diminution in value	1c, 9	<u>3,020</u>	<u>2,064</u>
		<u>16,459</u>	<u>15,476</u>
Operating surplus/(deficit)		2,078	(2,291)
Notional cost of capital	26	<u>(5,599)</u>	<u>(5,160)</u>
Surplus/(deficit) after charging notional costs	27	(3,521)	(7,451)
Reversal of notional cost of capital	26	5,599	5,160
Release from revaluation reserve	19	<u>205</u>	<u>496</u>
		<u>2,283</u>	<u>(1,795)</u>
Transfer to/(from) General Fund	17	1,468	(1,795)
Transfer to Board Reserve Fund	18	<u>815</u>	<u>0</u>
		<u>2,283</u>	<u>(1,795)</u>

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

NATIONAL MUSEUMS OF SCOTLAND

Balance Sheet as at 31 March 2000

		2000	1999
		£000	£000
Fixed Assets			
Tangible assets	9	113,475	110,417
Investments	10	<u>63</u>	<u>63</u>
		<u>113,538</u>	<u>110,480</u>
Current Assets			
Stocks	11	13	15
Debtors:			
-Receivable within 12 months	12	672	840
-Receivable after 12 months	12	88	75
Cash at bank and in hand	13	<u>2,722</u>	<u>14</u>
		3,495	944
Current Liabilities			
Creditors: Amounts falling due within one year	14	<u>4,609</u>	<u>5,412</u>
Net Current Liabilities		<u>(1,114)</u>	<u>(4,468)</u>
Total Assets Less Current Liabilities		<u>112,424</u>	<u>106,012</u>
Financed by:			
Creditors: Amounts falling due after more than one year			
	14	267	328
Accruals and Deferred Income			
Deferred government grants	15	58,686	59,282
Capital donations	16	<u>16,381</u>	<u>13,549</u>
		<u>75,334</u>	<u>73,159</u>
Capital and Reserves			
Unrestricted funds:			
General Fund	17	51	(1,417)
Board Reserve Fund	18	1,046	231
Restricted funds:			
Revaluation reserve	19	35,982	34,014
Purchase Fund	20	<u>11</u>	<u>25</u>
		<u>37,090</u>	<u>32,853</u>
		<u>112,424</u>	<u>106,012</u>

M. P. James

Accounting Officer

16 August 2000

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 2000

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, NMS Publishing Ltd, NMS Hospitality and Events Ltd and The Multimedia Company Ltd for the year ended 31 March 2000.

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, 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	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.

In 1999/2000 the subsidiary companies paid £408,024 by Gift Aid to NMS, thereby eliminating any liability of the subsidiaries to Corporation Tax in that year.

(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 2000

2. GOVERNMENT GRANT-IN-AID

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

	Group and NMS	
	2000 £000s	1999 £000s
Grant-in-Aid received		
Running Costs	12,417	13,558
Major Capital	<u>2,164</u>	<u>8,200</u>
	14,581	21,758
Purchase Grant	<u>510</u>	<u>210</u>
Total received during year	<u>15,091</u>	<u>21,968</u>
Allocated to:		
Income and Expenditure account	13,620	9,851
Deferred Government Grants for capital expenditure Note 15	961	11,907
Purchase Fund Note 20	<u>510</u>	<u>210</u>
	<u>15,091</u>	<u>21,968</u>

3. NMS REVENUE-EARNING ACTIVITIES

	Group and NMS	
	2000 £000	1999 £000
Sales	34	32
Cost of Sales	<u>19</u>	<u>18</u>
Gross profit	<u>15</u>	<u>14</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

4. GRANT-AIDED ACTIVITIES

	Group and NMS	
	2000	1999
	£000	£000
Rental of facilities etc	<u>42</u>	<u>124</u>

5. OTHER INCOME

	Group		NMS	
	2000	1999	2000	1999
	£000	£000	£000	£000
Bank Interest	77	108	77	108
Provision of Services:				
- Curatorial	23	6	23	6
- Conservation	27	2	27	2
- Multimedia	0	39	0	39
- Documentation	48	48	48	48
- Membership scheme	48	-	48	-
- Other	132	131	132	131
Entrance Charges	747	471	747	471
Gift Aid from subsidiary companies	-	-	426	-
NMS Charitable Trust funding of salaries and the MoS Campaign Office	80	302	80	302
Misc Grants	294	296	294	296
Other	<u>224</u>	<u>251</u>	<u>224</u>	<u>251</u>
	<u>1,700</u>	<u>1,654</u>	<u>2,126</u>	<u>1,654</u>

In addition to the sums listed above which were credited to income, NMS received £3,846,000 from other sources which was credited to the Capital Reserve (note 16). At 1 April 1999, the Multimedia activity was transferred to The Multimedia Team Ltd.

6. EMPLOYEES

Staff costs during the year

	Group		NMS	
	2000	1999	2000	1999
	£000	£000	£000	£000
Salaries	6,924	6,105	6,464	5,963
Social Security Costs	477	494	440	479
Pension Costs	856	817	827	804
Early Retirement	<u>105</u>	<u>32</u>	<u>105</u>	<u>32</u>
Total	<u>8,362</u>	<u>7,448</u>	<u>7,836</u>	<u>7,278</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

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. Contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. These ranged from 12% to 18.5% in 1999/2000 (1998/99 - 11% to 19.5%). The Director and Depute Directors are ordinary members of the Principal Civil Servants Pension Scheme. Annual pension rights accrue on the basis of one eightieth of pensionable pay for each complete year of service, up to a maximum of forty eightieths of pensionable pay. On retirement, a lump sum is payable equal to three times annual pension.

No remuneration was paid to members of the Board of Trustees during 1999/2000 (1998/99 - nil). During 1999/2000 NMS paid a total of £3,720 in reimbursement of expenses to 8 Trustees, while in 1998/99 a total of £4,697 was reimbursed to 8 Trustees.

Remuneration and pension costs of senior management during the year were:

		2000	1999	Accrued annual pension payable at age 60 31 March 2000	Increase in accrued pension since 31 March 1999 (1)
	Age	Remuneration £000	Remuneration £000	£000	£000
Mark Jones (<i>Director</i>)	49	63	61	20	1
Ian Hooper (<i>until 30 November 1999</i>)	51	40	69		
Dale Idiens	58	57	56	25	1
William Anthony	52	43	41	11	1
Mary Bryden	49	40	39	13	1
David Clarke	54	55	53	21	1
Stephen Elson	55	47	46	14	1
Christopher Fenton	45	37	36	4	1
Colin McCallum	42	52	50	1	1
Sheila McClure	49	34	33	12	1
Mark Shaw	54	57	54	18	1
Gavin Sprott	56	44	43	15	1

(1) The increase in accrued pension is discounted for the effect of inflation.

The average full-time equivalent number of employees was:

	Group		NMS	
	2000	1999	2000	1999
Curatorial	109	109	109	109
Collection Services	28	26.5	28	26.5
Technical Services	71.3	77	71.3	77
Public Affairs (including Visitor Services)	134	101	134	101
Administration	<u>52</u>	<u>50.8</u>	<u>25.5</u>	<u>36</u>
	<u>394.3</u>	<u>364.3</u>	<u>367.8</u>	<u>349.5</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

7. OTHER OPERATING CHARGES

	Group		NMS	
	2000	1999	2000	1999
	£000	£000	£000	£000
Expenses Board				
Members	14	12	14	12
Expenses - staff	187	146	187	146
Administration				
expenses	791	537	655	459
Other external charges	1,847	1,989	1715	1,819
Fuel and utilities	590	426	590	426
Rents and rates	248	186	248	186
Furniture and				
Furnishings	128	63	128	63
Repairs and renewals	1,991	1,501	1,986	1,501
Audit Fee	15	11	9	9
Museum of Scotland				
Development	<u>70</u>	<u>1,513</u>	<u>70</u>	<u>1,513</u>
	<u>5,881</u>	<u>6,384</u>	<u>5,602</u>	<u>6,134</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2000

8. CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

	Unrestricted		Restricted	Totals	
	Funds	Funds	Funds	2000	1999
	2000	2000	2000	2000	1999
	NMS	Subsidiaries			
	£000	£000	£000	£000	£000
Incoming resources					
Grant-in-Aid	12,417	-	2,674	15,091	21,968
Other government grants	-	-	164	164	547
Other income	1,757	-	46	1,803	1,859
Trading subsidiaries	-	1,221	-	1,221	439
Capital receipts	-	-	255	255	5,500
Heritage Lottery Fund	-	-	<u>3,591</u>	<u>3,591</u>	<u>5,258</u>
Total incoming resources	<u>14,174</u>	<u>1,221</u>	<u>6,730</u>	<u>22,125</u>	<u>35,571</u>
Resources expended					
Museum of Scotland	70	-	-	70	2,079
Curatorial	3,940	-	-	3,940	3,979
Conservation & Documentation Services	1,062	-	-	1,062	1,024
Publishing	-	-	-	-	-
Exhibitions	4,089	-	-	4,089	2,852
Security	1,244	-	-	1,244	1,929
Administration	3,320	-	-	3,320	2,006
Trading subsidiaries	-	1,242	-	1,242	440
Estates and Buildings	2,308	-	-	2,308	1,607
Fieldwork and Acquisitions	-	-	<u>571</u>	<u>571</u>	<u>273</u>
Total resources expended	<u>16,033</u>	<u>1,242</u>	<u>571</u>	<u>17,846</u>	<u>16,189</u>
Net incoming/(outgoing) resources before revaluation	(1,859)	(21)	6,159	4,279	19,382
Revaluation of fixed assets	-	-	2,173	2,173	2,854
Transfers between funds	-	-	-	-	-
Release of capital reserve	1,014	-	(1,014)	-	-
Release of deferred government grants	1,720	-	(1,720)	-	-
Release of revaluation reserve	<u>205</u>	-	<u>(205)</u>	-	-
Net movement in funds	1,080	(21)	5,393	6,452	22,236
Total funds brought forward	<u>38,337</u>	<u>7</u>	<u>67,346</u>	<u>105,690</u>	<u>83,454</u>
Total funds carried forward	<u>39,417</u>	<u>(14)</u>	<u>72,739</u>	<u>112,142</u>	<u>105,690</u>
Total fund balances comprise:					
Fixed assets	40,744	38	72,728	113,510	110,453
Current assets/(liabilities)	(1,060)	(52)	11	(1,101)	(4,435)
Creditors due after more than one year	<u>(267)</u>	-	-	<u>(267)</u>	<u>(328)</u>
	<u>39,417</u>	<u>(14)</u>	<u>72,739</u>	<u>112,142</u>	<u>105,690</u>

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 2000

9. FIXED ASSETS

(See note 1(c))

Group

	Buildings Purchased	Buildings under construction	Buildings Improvements	Permanent Galleries	Equipment	Totals
Cost or valuation	£000	£000	£000	£000	£000	£000
1 April 1999	91,592	1,161	1,423	17,479	3,989	115,644
Additions	1,076	1,508	-	1,224	108	3,916
Revaluations	2,196	-	-	(77)	(98)	2,021
Transfers	<u>4,092</u>	<u>(2,669)</u>	<u>(1,423)</u>	-	-	-
31 March 2000	<u>98,956</u>	<u>-</u>	<u>-</u>	<u>18,626</u>	<u>3,999</u>	<u>121,581</u>
Depreciation						
1 April 1999	1,184	-	8	1,037	2,963	5,192
Charge for year	1,489	-	-	1,133	281	2,903
Revaluations	23	-	-	(5)	(42)	(24)
Transfers	<u>8</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 March 2000	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>2,165</u>	<u>3,202</u>	<u>8,071</u>
Net Book Value						
31 March 2000	<u>96,252</u>	<u>-</u>	<u>-</u>	<u>16,461</u>	<u>797</u>	<u>113,510</u>
1 April 1999	<u>90,408</u>	<u>1,161</u>	<u>1,415</u>	<u>16,442</u>	<u>1,026</u>	<u>110,452</u>

NMS

	Buildings	Buildings under construction	Buildings Improvements	Permanent Galleries	Equipment	Totals
Cost or valuation	£000	£000	£000	£000	£000	£000
1 April 1999	91,592	1,161	1,423	17,479	3,879	115,534
Additions	1,076	1,508	-	1,224	97	3,905
Revaluations	2,196	-	-	(77)	(98)	2,021
Transfers	<u>4,092</u>	<u>(2,669)</u>	<u>(1,423)</u>	-	-	-
31 March 2000	<u>98,956</u>	<u>-</u>	<u>-</u>	<u>18,626</u>	<u>3,878</u>	<u>121,460</u>
Depreciation						
1 April 1999	1,184	-	8	1,037	2,888	5,117
Charge for year	1,489	-	-	1,133	270	2,892
Revaluations	23	-	-	(5)	(42)	(24)
Transfers	<u>8</u>	<u>-</u>	<u>(8)</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 March 2000	<u>2,704</u>	<u>-</u>	<u>-</u>	<u>2,165</u>	<u>3,116</u>	<u>7,985</u>
Net Book Value						
31 March 2000	<u>96,252</u>	<u>-</u>	<u>-</u>	<u>16,461</u>	<u>762</u>	<u>113,475</u>
1 April 1999	<u>90,408</u>	<u>1,161</u>	<u>1,415</u>	<u>16,442</u>	<u>991</u>	<u>110,417</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

9. FIXED ASSETS (continued)

Title to NMS's land and buildings is held by Scottish Ministers. 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, Scottish Ministers 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 the 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 and again at 31 March 2000 using appropriate indices.

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.

10. INVESTMENTS

	Group		NMS	
	2000 £000	1999 £000	2000 £000	1999 £000
Opening balance 1 April	1	1	63	-
Capital contribution	-	-	-	63
Closing balance 31 March	<u>1</u>	<u>1</u>	<u>63</u>	<u>63</u>

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; this amount is recorded by NMS as an investment in the subsidiary company.

11. STOCKS (see Note 1(e))

	Group		NMS	
	2000 £000	1999 £000	2000 £000	1999 £000
Stocks held for resale	<u>264</u>	<u>220</u>	<u>13</u>	<u>15</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.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

12. DEBTORS

	Group		NMS	
	2000	1999	2000	1999
	£000	£000	£000	£000
Receivable within 1 year:				
Prepayments	86	111	86	111
Season Ticket Advances	15	16	15	16
Loan to NMS Retail Ltd	-	-	-	13
Trade debtors	270	180	116	153
Subsidiaries	-	-	368	103
VAT recoverable	<u>87</u>	<u>444</u>	<u>87</u>	<u>444</u>
	<u>458</u>	<u>751</u>	<u>672</u>	<u>840</u>
Receivable after more than 1 year:				
Loan to NMS Retail Ltd	-	-	<u>88</u>	<u>75</u>

NMS Retail Ltd operates shops in Chambers Street, the National War Museum of Scotland and at the Museum of Flight. In order to assist its operations, NMS has made available to NMS Retail Ltd an interest-free loan of £87,500. There is no schedule for repayment of the amount.

**13. CASH AT BANK AND
IN HAND**

	Group		NMS	
	2000	1999	2000	1999
	£000	£000	£000	£000
Purchase Fund (note 20)	11	25	11	25
NFA - Art and Science (note 21)	247	232	247	232
Board Reserve Fund (note 18)	1,046	231	1,046	231
General Fund	1,418	(474)	1,418	(474)
NMS Enterprises Ltd	<u>177</u>	<u>57</u>	-	-
	<u>2,899</u>	<u>71</u>	<u>2,722</u>	<u>14</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

14. CREDITORS

	Group		NMS	
	2000 £000	1999 £000	2000 £000	1999 £000
Amounts falling due within one year:				
Operating charges	1,856	1,264	1,749	1,560
Capital expenditure	2,494	3,887	2,494	3,528
Audit	15	11	9	9
NFA (Art & Science; note 21)	247	232	247	232
Early retirement deferred costs	<u>110</u>	<u>83</u>	<u>110</u>	<u>83</u>
	<u>4,722</u>	<u>5,477</u>	<u>4,609</u>	<u>5,412</u>
Amounts falling due after more than one year:				
-Early retirement deferred costs	<u>267</u>	<u>328</u>	<u>267</u>	<u>328</u>

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 2000.

15. DEFERRED GOVERNMENT GRANTS

(See Notes 1(d) and 2)

	Group and NMS	
	2000 £000	1999 £000
Opening Balance 1 April	59,282	48,035
Grant-in-aid received for capital expenditure	961	11,907
Other Government grants	163	546
Released in year	<u>(1,720)</u>	<u>(1,206)</u>
Closing balance 31 March	<u>58,686</u>	<u>59,282</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

16. CAPITAL RESERVE

(see note 1(i))

	Group and NMS	
	2000	1999
	£000	£000
Balance at 1 April	13,549	3,127
Amounts received from		
Charitable Trust	-	5,500
National Heritage Memorial Fund	3,591	5,258
Wolfson Foundation	100	-
MacRobert Trust	105	-
Royal Bank of Scotland	50	-
Released in year	<u>(1,014)</u>	<u>(336)</u>
	<u>16,381</u>	<u>13,549</u>

17. GENERAL FUND

	Group and NMS	
	2000	1999
	£000	£000
Balance at 1 April	(1,417)	<u>378</u>
Surplus/(deficit) for the year	2,263	(1,795)
Transfer to Board Reserve	(815)	-
NMS Enterprises Ltd	<u>20</u>	-
Transfer to General Fund	<u>1,468</u>	<u>(1,795)</u>
Balance at 31 March	<u>51</u>	<u>(1,417)</u>

18. BOARD RESERVE FUND

	Group and NMS	
	2000	1999
	£000	£000
Balance at 1 April	231	231
Transfer from Income and Expenditure Account	<u>815</u>	-
Balance at 31 March	<u>1,046</u>	<u>231</u>

NMS is permitted to credit to the Board Reserve Fund sums earned through its own fund-raising activities. The amount transferred at 31 March 2000 is fully committed to meeting capital costs of the Museum of Scotland, and will be applied to that purpose during 2000/01.

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

19. REVALUATION RESERVE

	2000	1999
	£000	£000
Balance at 1 April	34,014	31,656
Revaluation of buildings and equipment, net of backlog depreciation	2,173	2,854
Release to Income & Expenditure Account	<u>(205)</u>	<u>(496)</u>
Balance at 31 March	<u>35,982</u>	<u>34,014</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	
	2000	1999
	£000	£000
Income		
Balance at 1 April	25	21
Scottish Executive Education Dept	510	210
Other contributions	<u>46</u>	<u>68</u>
	581	299
Expenditure		
Purchases	522	227
Fieldwork etc	<u>48</u>	<u>47</u>
	<u>570</u>	<u>274</u>
Balance at 31 March	<u>11</u>	<u>25</u>

**21. NATIONAL FUND
FOR ACQUISITIONS**

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

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

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

	Group	
	2000	1999
	£000	£000
Operating surplus /(deficit)	2,058	(2,291)
Interest received	(77)	(108)
Depreciation and permanent diminution in value		
Transfer from deferred Government Grant and Capital Reserve	3,031	2,075
(Increase) in stocks	(2,734)	(1,542)
Decrease in debtors	(44)	(81)
(Decrease)/increase in creditors	293	188
Net cash (outflow) from operating activities	<u>(816)</u>	<u>1,276</u>
	1,711	(483)

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	
	2000	1999
	£000	£000
Opening cash balance	71	460
Change in year	<u>2,828</u>	<u>(389)</u>
Closing cash balance	<u>2,899</u>	<u>71</u>

23. CAPITAL COMMITMENTS

	Group and NMS	
	2000	1999
	£000	£000
Contracted but not provided for in the accounts	2,810	3,923
Authorised but not yet contracted	<u>935</u>	<u>289</u>

NATIONAL MUSEUMS OF SCOTLAND

NOTES TO THE ACCOUNTS FOR YEAR ENDED 31 MARCH 2000

24. SUBSIDIARY COMPANIES

NMS regards the following companies as wholly-owned subsidiaries:

	Total share capital and reserves £000	Profit/(loss) for the year £000
NMS Enterprises Ltd	-	Dormant
NMS Publishing Ltd	63	(20)
NMS Retail Ltd	11	-
NMS Hospitality and Events Ltd	-	-
The MultiMedia Team Ltd	22	-

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:

	2000 £000	1999 £000
Turnover	1,545	527
less: intra-group sales	324	88
Cost of sales	348	205
Staff costs	320	172
Operating charges	136	52
Gift Aid to NMS	426	-
Depreciation	<u>11</u>	<u>10</u>
Net loss	<u>(20)</u>	<u>-</u>

25. RELATED PARTY TRANSACTIONS

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

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 2000

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.

	2000 £000	1999 £000
General fund	51	(1,417)
Deferred government grant	58,686	59,282
Purchase fund	11	25
Revaluation reserve	<u>35,982</u>	<u>34,014</u>
	<u>94,730</u>	<u>91,904</u>
 Average balance during the year	 <u>93,320</u>	 <u>85,996</u>
 Notional interest at 6%	 <u>5,599</u>	 <u>5,160</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.

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	
	2000 £000	1999 £000
Surplus/(deficit) before notional costs	2,058	(2,291)
Notional cost of capital (note 26)	<u>5,599</u>	<u>5,160</u>
Deficit after notional costs	<u>(3,541)</u>	<u>(7,451)</u>

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 Scottish Ministers. 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.

In preparing the accounts the Board is required to:

- observe the accounts direction issued by Scottish Ministers, 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 Executive Education 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.

In September 1999 the Institute of Chartered Accountants in England and Wales published the report of the Turnbull Committee "Internal Control: Guidance for Directors on the Combined Code". The effect of the Turnbull Report was to extend the existing requirement to provide a statement in respect of financial controls to cover all controls, including financial, operational, compliance and the management of risk.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking steps to implement the full requirements of the guidance for the year ended 31 March 2002.

DIRECTOR.....

M. P. Jones