



National
Museums
Scotland

Annual Report and Accounts

For the year ended 31 March 2008

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

FOR THE YEAR ENDED 31 MARCH 2008

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ANNUAL REPORT OF THE BOARD OF TRUSTEES

REPORT OF THE BOARD OF TRUSTEES

1. The Organisation

National Museums Scotland operates five museums: the National Museum of Scotland on Chambers Street in Edinburgh, the National War Museum in Edinburgh Castle, the National Museum of Flight in East Lothian, the National Museum of Rural Life near East Kilbride, and the National Museum of Costume near Dumfries. We are currently further developing the National Museums Collection Centre in Granton, north Edinburgh, as the main location for our stored collections and conservation facilities.

Our principal place of business is Chambers Street, Edinburgh EH1 1JF.

National Museums Scotland has been granted charitable status: the charity number is SC 011130.

The organisation was created on 1 October 1985 by the amalgamation of the National Museum of Antiquities of Scotland and the Royal Scottish Museum. Our activities are now defined primarily by the terms of the National Heritage (Scotland) Act 1985. In October 2006 the organisation adopted a new operational name, National Museums Scotland, and changed the names of some of its museums. This was part of a wider programme of strategic change and improved communications, and these names are used throughout this report. Our statutory name, 'The Board of Trustees of the National Museums of Scotland', is retained for use on legal and contractual documents.

2. The Board of Trustees

Our Trustees are appointed by Scottish Ministers for a single four-year term, with the possibility of reappointment for a second term. An induction programme is given to all Trustees, with ongoing support and formal training as required. All Board members are appraised by the Chairman, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland. The following were members of the Board during the period covered by this Annual Report and Accounts and continued to the date the accounts were signed:

- Sir Angus Grossart CBE, LL.D., DLitt, Advocate, FRSE, DL, MA, LL.B., CA, DBA, FCIBS (Chairman) - appointed 1 February 2006
- James Fiddes OBE, DUniv, MA, FRICS - reappointed 1 April 2005
- Lesley Hart MBE, MA, MSc - reappointed 1 October 2007
- Michael Kirwan FCA - appointed 1 January 2005
- Professor Michael Lynch PhD, FSA(Scot) - reappointed 1 October 2006
- Sir Neil McIntosh CBE, JP, DL – second term extended by 18 months from 1 April 2007
- Professor Malcolm McLeod, CBE, MA, BLitt(Oxon), FRSE - appointed 1 April 2005
- Neena Mahal MA, DCG - second term extended by 18 months from 1 April 2008
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA - appointed 1 April 2005
- Ian Ritchie CBE, FREng, FRSE, FBCS - reappointed 1 October 2006
- Sir John Ward CBE, CA, FRSE, FRSA, FIET - appointed 1 January 2005
- Iain Watt BSc, FCIBS – appointed 1 February 2007

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

The National Museums maintain a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the register within 28 days of a change to their registerable interests. The Register is available on our website www.nms.ac.uk and for inspection at the National Museum of Scotland site on application to the Head of Corporate Policy and Performance.

Trustees are responsible for determining vision and strategy for the organisation and for monitoring progress to achieve these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over) and acceptance of gifts or donations of £1 million and over. The management team is responsible for the implementation of strategy and policy, and for operational management and decisions.

3. Related Organisations

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited, which operates commercial services (hospitality, retail, publishing and image management) at our sites. Profits are covenanted to National Museums Scotland through Gift Aid. The NMS Charitable Trust is an independent body whose purpose is to aid any objects deemed legally charitable, giving preference to those which are directly or indirectly of benefit or assistance to National Museums Scotland. The Trust manages income received from donations, grants and bequests. Most of these funds are restricted and may only be applied for the purposes for which they were established. There is also a General Fund from which the Trustees may make discretionary grants.

National Museums Scotland works closely with the Scottish Government as its principal funder, and collaborates on efficient government initiatives with the other five National Collecting Institutions: National Galleries of Scotland, National Library of Scotland, Royal Botanic Gardens Edinburgh, Royal Commission on the Ancient and Historical Monuments of Scotland and the National Archives of Scotland.

We work in partnership with a number of private and public sector organisations to support the delivery of our objectives. Formal partnerships include the National Trust for Scotland for the operation of the National Museum of Rural Life and the National Piping Centre in Glasgow which the organisation has supported with major collection loans and curatorial advice. We have developed formal partnerships with a number of regional museum services across Scotland to give strategic focus to our support for the sector. These partnerships focus on sharing knowledge, skills development and loans from our collections. We have also developed an extremely popular programme of knowledge exchange workshops for the sector.

The organisation's banker is The Royal Bank of Scotland, 6-8 George Street, Edinburgh EH2 2SA. The external auditor is Audit Scotland, Osborne House, 1/5 Osborne Terrace, Edinburgh EH12 5HG. Legal advice is provided primarily by Dundas & Wilson, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

4. The Principal Functions of National Museums Scotland

The principal functions of the organisation are as set out in Section 2(1) of the 1985 Act, to:

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

National Museums Scotland has defined its vision to be 'a world class museums service that informs, educates and inspires.' The mission of National Museums Scotland is to 'preserve, interpret and make accessible for all, the past and present of Scotland, of other nations and cultures, and of the natural world.'

We achieve our goals through a structured system of planning and performance management. This is based on the identification of strategic aims within the vision and mission, which cascade into SMART objectives at directorate, departmental and personal level and also SMART measures. National Museums Scotland publishes a Strategic Plan, currently covering 2006-2012, which is distributed to all staff and key stakeholders and appears on our website. In addition, an annual Operating Plan defines the key objectives and actions for the current financial year. Performance is reported annually in updates to the Operational Plan, in this Annual Report & Accounts, and the Annual Review. There is also a Personal Performance Development and Review system for all staff.

Our commercial interests are promoted by NMS Enterprises Ltd, the aims of which are to:

- exploit commercial facility hire and catering activities on behalf of National Museums Scotland
- operate the shops in our museums
- publish books
- exploit commercially our intellectual property

The National Museums Scotland Board controls NMS Enterprises Ltd.

5. Organisational Structure and Staff

The Corporate Management Team (CMT) is the senior executive decision-making body, reporting through the Director to the Board of Trustees. The CMT comprises:

Dr Gordon Rintoul, Director
Fiona Bell, Director of Estates and Facilities Management
Mary Bryden, Director of Public Programmes – retired 30 November 2007
Jane Carmichael, Director of Collections
Catherine Holden, Director of Marketing and Development
Sally Manuireva, Director of Public Programmes - appointed 6 March 2008
Andrew Patience, Director of Finance and Resources
Peter Williamson, Director of Visitor Operations – contracted from NMSE on a part time basis from 17 August 2007

Julie Brown, Head of Corporate Policy and Performance, acts as the Secretary to the CMT. Peter Williamson, who is also Managing Director of NMSE, represents the interest of NMSE to the CMT.

National Museums Scotland is an Equal Opportunities Employer and follows the principle of fair and open recruitment. We welcome formal applications from all sectors of the community.

Corporate information is shared with staff through the publication of plans and minutes, a monthly newsletter, quarterly staff presentations, departmental meetings and monthly team briefings, formal staff notices and a newly created intranet. This is supported by a network of Internal Communications Champions across the organisation. The management team regularly meet staff representatives from the three Trade Unions, under a new Partnership Agreement agreed in 2005.

The organisation has strong relationships with volunteers who support the organisation in a variety of ways, including leading guided tours and assisting with curatorial and conservation activity. We benefited from the support of over 300 volunteers during the year.

6. Key Achievements in 2007/08

We have made progress towards all of our strategic aims during the year, with the main developments and achievements being noted below. Further details are provided in Section 3 of the Strategic Plan 2006-2012, which is available on our website www.nms.ac.uk/strategicplan.aspx.

In January 2007, a total award of over £17 million was confirmed by the Heritage Lottery Fund for the Royal Museum Project - the largest award the Heritage Lottery Fund had made at that point to a cultural capital project in Scotland. We also received confirmation of over £16 million from the Scottish Government for this project. The balance of funding for the £46 million project will come from private and public fundraising and a contribution from our Board Reserves. By 31 March 2008 we had secured commitments totalling over half of our target of £12.6m. As part of the project's Enabling Works we completed a new reception and conservation building, and a new storage building at the National Museums Collection Centre (at Granton in north Edinburgh). The new conservation laboratories are some of the largest and best in the UK. We delivered year one of our plan to relocate collections from the National Museum of Scotland to the National Museums Collection Centre, with associated improvements to documentation, environmental conditions and storage as part of the Royal Museum Project. Nearly two million objects are being moved in total.

We delivered a successful special exhibitions programme, bringing new topics and visitors to three of our museums. At the National Museum of Scotland the major exhibitions included: *Pixar: 20 Years of Animation*, which brought a world-class exhibition to Scotland from San Francisco; *Picasso: Fired with Passion*, which brought together loans from across Europe to explore the artist's lesser-known ceramic work; and *Silver: Made in Scotland*, which brought together some of the nation's finest and most spectacular treasures. At the National War Museum, *Commando Country* told the important story of Scotland's role in the creation of Special Forces during the Second World War. At the National Museum of Costume, *Fabric of a Nation* presented a new insight into the use of tartan.

We developed two major partnership touring exhibitions, which reached eight venues around Scotland. *Fonn 's Duthchas: Land and Legacy* celebrated the history and culture of the Highlands, in both English and Gaelic, as part of the 2007 Year of Highland Culture. It was developed in partnership with the National Galleries of Scotland and the National Library of Scotland, and received funding from the Scottish Government. The exhibition opened at Inverness Museum and Art Gallery and travelled to Edinburgh, Glasgow and Stornoway. *The Cutting Edge* brought together the best of Scottish

contemporary crafts, and was developed in partnership with Aberdeen City Council, East Ayrshire Council, Glasgow City Council and the Scottish Arts Council. The exhibition toured to Kilmarnock, Glasgow and Aberdeen, and was supported by an accompanying book.

Our national working across Scotland covers a wide range of activity including formal partnerships, touring exhibitions, informal collaborations, knowledge exchange, and provision of advice and support. We made a total of 1,784 loans for display which included an important contribution to the new Shetland Museum. International loans included key items for the touring exhibition *Benin: Kings and Rituals*, which opened at the Museum für Volkerkunde in Vienna and travelled to Paris, Berlin and Chicago. Our research collaborations extend to most of the countries of Western Europe with a particular emphasis on France and the Netherlands, in addition to Russia, Japan, North America, Zambia, Kenya, Costa Rica and Panama. In 2007 we set up new links as part of GRASAC (the Great Lakes Research Alliance for the Study of Aboriginal Cultures) in North America and with the National Museum of Japanese History as one of six partners in a collections knowledge-sharing project. We shared our expertise with the National Museums of Kenya by advising on the development of their new exhibitions.

We made several important acquisitions over the year including two exceptional amethyst specimens from Brazil of spectacular size and appearance, and important examples of contemporary international craft demonstrating cross-cultural influences. Outstanding amongst items of scientific interest was a specimen of penicillin mould signed and dated in 1948 by Alexander Fleming. The Museum was also successful in its application for accreditation with the Museums, Libraries and Archives Council - the UK professional standard for museums.

There were a total of 1.47 million visits to our museums – our second highest recorded attendance, and best ever at the National Museum of Scotland - plus 3.1 million web page visits.

A total of 185,697 people participated in learning programmes. We have developed a new series of outreach learning resources giving greater access to the National Collections across Scotland.

We delivered the first year of an Environmental Management Plan, which produced measured improvements in the use of energy and other resources. More waste was recycled during 2007/08 than in previous years and our energy consumption reduced.

National Museums Scotland Enterprises achieved 'Hospitality Assured' status for its standards of service and business excellence – the first organisation in the UK heritage sector to achieve such an award.

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). The allocation for financial year 2007/8 was £200k. During the year, 99 payments totalling £234k were made to 41 separate organisations. The total purchase value of the objects to which the Fund contributed was just under £545k.

7. Research Activities

During the year ended 31 March 2008, 138 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences, lectures and in exhibitions and public programmes.

We have developed a new Research Programme based on four themes: collectors and collecting; understanding the natural world; material culture creation and use; and identities and cultural contacts.

8. Future Plans

Together with the other National Collections institutions we have a key role to play as a national centre of excellence, providing access to our own collections nationally and internationally and supporting the museum community across Scotland. Over the next few years we will continue to provide enhanced public benefit, and promote excellence and innovation through an increased programme of collaboration.

Our major priority is implementing the Royal Museum Project. This £46 million project, scheduled for completion in 2011, will transform the Royal Museum building and, together with the Museum of Scotland building, create a truly world class National Museum. The Project will double the objects on display, create 16 new galleries and a much larger gallery for international touring exhibitions. There will be new facilities for schools and adult learners, and getting around the building will be much easier with a welcoming arrival hall at street level, escalators and panoramic glass lifts. The project has received tremendous support from the Scottish Government, the Heritage Lottery Fund and a wide range of generous private supporters, as well as Trustees, staff, members of the public, and the heritage community.

We will continue to develop the care of our collections by improving storage and environmental conditions, and providing new facilities for conservation. By 31 March 2012, we plan to have increased the percentage of our storage that meets appropriate standards. The National Museums Collection Centre now provides our main location for object storage and conservation. The remaining significant challenge is to maintain, upgrade and replace our existing storage facilities to provide appropriate facilities for the effective long term preservation of, and access to, the National Collections. We will continue to explore opportunities for shared developments on or around our main storage site with the other National Collections institutions.

Parts of the National Museum of Scotland are closed to the public from spring 2008 to summer 2011. However, we will maintain an active programme of smaller exhibitions, learning activities and events, both at the National Museum of Scotland and at our other museums. We will also complete the first phase of our development plan for the National Museum of Flight, re-launching the site with two new exhibitions in spring 2009.

As the steward of many of Scotland's nationally important collections and as an international centre of excellence, we have a dual responsibility to provide access to collections and support to museums in Scotland. Our strategy for national working will ensure that partnerships align to the infrastructure for cultural delivery, and contribute to Scottish Government and UK-wide initiatives for engagement with culture and tourism, including Homecoming Scotland in 2009. We are part of a group which is developing the UK-wide Cultural Olympiad to accompany the London Olympics in 2012, and supporting The City of Glasgow's Commonwealth Games in 2014 through our Scottish Sports Hall of Fame.

National Museums Scotland has an international reputation based on its collections, expertise, services and activities. Our existing activities cover many countries with a particular emphasis on France, the Netherlands, Russia, Japan, North America, Zambia, Kenya and Central America. We will seek to further enhance that profile by developing an International Strategy in 2008. This strategy will set out the scope of our international activities, now and in the future, consider how we can close any gaps, and look at how best to engage international audiences.

We received less funding for the next three years from the Scottish Government in the Spending Review 2007 than we sought. We will continue to scrutinise our own operations for efficiency and effectiveness, and take forward joint working with our fellow National Collections bodies, building on the significant collaboration which already exists. However, this will constrain a number of areas of activity, and two major projects will require further discussion with the Scottish Government in 2008.

Firstly, we will seek funding to enable us to vacate storage areas in the former National Museum of Antiquities in Edinburgh. This is to enable the National Galleries of Scotland to proceed with their re-development of the Scottish National Portrait Gallery. Accommodating our material will require funding to extend an existing building at the National Museums Collection Centre.

Maintenance of high quality premises is a critical dependency for our continued success – to enable staff to work effectively, visitors to enjoy our museums in comfort and safety, and to safeguard priceless national collections for future generations. We currently face a significant backlog maintenance bill, resulting from a number of years of under-investment in the estate due to funding restrictions. We are therefore developing a new Estate Strategy, and have commissioned an independent and comprehensive 'condition survey' at all sites. The survey identified that an investment of £16.8 million would be required over the next ten years to bring the existing building stock up to an acceptable condition. External consultants have recommended that £4.7 million be invested in Year 1, to address priority maintenance. However, as a result of the Spending Review 2007, funding restrictions, and the removal of our £1.2 million annual capital block grant from the then Scottish Executive a few years ago, we can only fund £0.5 million of major estate projects per annum. We will be unable to meet the recommendations of our expert advisors without significant funding of around £1.2m per annum. This matter will need to be discussed with the Scottish Government once our Estate Strategy has been finalised. It represents a significant risk issue for the organisation and for Scotland's priceless National Collections.

Our employees and volunteers are a key resource. We will continue to invest in people through our Human Resources Strategy which includes training and development, performance management, appropriate pay and conditions, and an effective work-life balance. We consult staff about their experiences of working at National Museums Scotland through a bi-annual survey, the second of which was completed in Autumn 2007. Survey findings are progressed with systematic action plans.

We will implement environmental management policies and plans that ensure a sustainable approach to development and the economical use of non-renewable resources, in both new projects and in our ongoing activities.

9. Scottish Government Priorities

The Scottish Government published *Principles and Priorities: the Government's Programme for Scotland* in September 2007. The document sets out the legislative and policy priorities for the year ahead. It also confirmed that Scottish public bodies are expected to contribute to the achievement of the Scottish Government's purpose which is '*to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth*'.

To achieve this, the Scottish Government have outlined five overarching strategic objectives which aim to make Scotland: wealthier and fairer; healthier; safer and stronger; smarter; and greener. National Museums Scotland already contributes to the achievement of these five objectives in a range of ways, as will our plans for the future. In keeping with the Scottish Government's agenda, National Museums Scotland also has a strong international reputation based on its collections, expertise, services and activities. Taken overall, we are well placed to support the Scottish Government in achieving its ambitions.

Looking to the future, National Museums Scotland's strategy and planning will identify our contribution to the achievement of the Government's National Performance Framework (set out in the Scottish Budget Spending Review in 2007), its drive to simplify the public sector landscape, and the role of culture in the promotion of Scotland's unique strengths and identity.

At the time of writing, National Museums Scotland has been invited to discuss with Scottish Government officials what outcomes and indicators it should use as a base for the development of its next Strategic Plan.

10. Financial Review

The combined financial results and appropriations are shown in full in the Consolidated Income and Expenditure Account on page 19. The accounts consolidate the results of National Museums Scotland's wholly-owned trading subsidiary NMS Enterprises Ltd (NMSE). An Income and Expenditure Account for National Museums Scotland alone is included on page 25.

The accounts meet the requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2005, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

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

	2008 £m	2007 £m
Income		
Grant in aid received, net of £0.9m (2006/7 £0.8m) capital transfers to reserves	19.3	19.0
Income net of transfer of £0.6m (2006/7 £Nil) to capital reserves, plus interest receivable	4.0	3.6
Depreciation release from capital, donated assets and revaluation reserves	5.4	5.1
Total Income	28.7	27.7
Expenditure		
Staff Costs	13.7	13.2
Other Operating Charges	9.1	9.3
Depreciation	5.4	5.1
Total Expenditure	28.2	27.6
Adjusted Operational Result	0.5	0.1

The result for 2007/08 has been transferred to the Board Reserve Fund.

Reserves available for use by National Museums Scotland Board Reserve Fund

	2008 £m	2007 £m
Unutilised Board Reserve Fund at 31 March	2.2	1.7
Commitments made :		
Revenue projects in progress	(0.4)	(0.2)
Capital projects in progress	(0.2)	(0.3)
Royal Museum Project – HLF Stage 2	-	(0.3)
Total commitments	(0.6)	(0.8)
Uncommitted reserves	1.6	0.9

Principal funding - grant-in-aid from the Scottish Government - increased as agreed with the Scottish Government to fund the implementation of pay progression and operational developments. The release from capital, donated assets and revaluation reserves closely matches our depreciation charges as they both relate to fixed assets. Other income increased slightly due to higher charitable grants and donations than the previous year. Staff costs increased in line with inflation. Operating costs were slightly down due to delayed revenue projects.

National Museums Scotland is required to operate within the financial limits prescribed in the Financial Memorandum issued by the Scottish Government sponsor directorate, and to comply with the Scottish Public Finance Manual. Thus we are generally not permitted to borrow funds, and our powers to invest are circumscribed.

Operating surpluses which derive from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, may be taken to the Board Reserve Fund, which can be used at the Board's discretion. Operating deficits or surpluses which are not taken to the Board Reserve Fund are transferred to the General Fund. Reserves are reviewed on an annual basis and appropriate levels agreed based on current requirements and circumstances.

The Adjusted Operational Result shown above differs from the Excess of Expenditure over Income shown in the Income & Expenditure Account. This is because revenue grant-in-aid is shown as income above, but excluded from the Income & Expenditure Accounts and instead, in line with requirements of the Government Financial Reporting Manual (FReM), credited directly to the general fund in the year in which it is received.

11. Risks

National Museums Scotland undertook a major review and rationalisation of its risk register in the period. The Statement of Internal Control on pages 15 – 16 provides more detail on risk management.

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

National Museums Scotland holds title to the National Museum on Chambers Street, National Museums Collection Centre at Granton, the National Museum of Flight, Leith Custom House and the former Dental Hospital in Chambers Street. Title to the property at Port Edgar is held by Scottish Ministers. National Museum of Costume was gifted to Scottish Ministers, with a reversion clause to the original owners if the property ceases to be used as a museum. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland; and the premises of the National War Museum are in the care of Historic Scotland. National Museums Scotland owns the museum displays and other fittings and facilities. We have full operational use of these assets and are responsible for their upkeep and maintenance.

In the period, the group acquired tangible and intangible assets at a cost of £7.17m. The sum of £0.03m was spent on permanent galleries, £6.76m on buildings, £0.38m on equipment purchases and £0.45m on collection additions. There were no additions to leasehold improvements or intangible assets.

13. Prompt Payment Code

National Museums Scotland'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 2007/08 showed that on average we paid 97% of invoices within this period.

CHAIRMAN



DATE

11 Sept
2008

REMUNERATION REPORT

Remuneration Policy

The remuneration of the Director is set by the Board of Trustees but requires the agreement of the Scottish Government. This remuneration is reviewed annually by the Board of Trustees. The Chairman of the Personnel and Remuneration Committee and the Chairman of the Audit Committee provide advice to the Chairman of the Board of Trustees on the salary and reward structure for the Director

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

The PARC consists of a number of Trustees. During the year these were Sir Neil McIntosh (Chairman), Lesley Hart, and Professor Stuart Monro. The Director, the Director of Finance and Resources and the Head of Human Resources also attend meetings. As part of its advisory and review role, the PARC considers the following:

- The need to recruit, retain and motivate suitably able and qualified people;
- Regional variations in labour markets and their effects on the recruitment and retention of staff;
- Government policies for improving the public services;
- The affordability of recommendations for salary review

Service Contracts

Although senior management are not civil servants, National Museums Scotland follows the principles of the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition.

Unless otherwise stated below, the employees covered by this report hold appointments, which are open-ended until they reach the current normal retiring age of 65. Early termination, other than for misconduct, could result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Salaries

Salary and pension entitlement of senior management (Corporate Management Team) during the year are noted below:

	2008	2007	Accrued annual pension payable 31 March 2008 (1)	Increase in accrued pension since 31 March 2007 (2)	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV funded by NMS
	Salary	Salary					
	£000	£000	£000	£000	£000	£000	£000
Director							
Gordon	100-	90-95	10-15	0-2.5	254	209	11
Rintoul	105						
Director of Estates and Facilities Management							
Fiona Bell	60-65	35-40	0-5	0-2.5	22	7	11
Director of Public Programmes							
Mary Bryden (5)	20-25 (FYE 60-65)	45-50	25-30 (3) plus lump sum 80-85	0-2.5 (3) plus lump sum 0-2.5	635	581	26
Director of Collections							
Jane Carmichael	75-80	65-70	35-40	0-2.5	712	617	9
Director of Marketing and Development							
Catherine Holden	70-75	70-75	10-15 (3) plus lump sum 35-40	0-2.5 (3) plus lump sum 2.5-5.0	187	155	5
Director of Public Programmes							
Sally Manuireva (appointed 6 March)	0-5 (FYE 55-60)	-	0-5	0-2.5	1	-	1
Director of Finance & Resources							
Andrew Patience	70-75	65-70	5-10	0-2.5	157	121	14
Director of Visitor Operations (4)							
Peter Williamson (seconded 17 August)	10-15	-	n/a	n/a	n/a	n/a	n/a

Notes

- 1) Pension figures above are provided by the Department for Work & Pensions.
- 2) The increase in accrued pension is discounted for the effect of inflation.
- 3) Lump sum is payable to PCS classic pension scheme members, being Mary Bryden and Catherine Holden.
- 4) Peter Williamson is employed by NMSE Ltd, and contracted on a part time basis to National Museums Scotland as Director of Visitor Operations. He is a member of the NMSE Group Personal Pension Plan, a defined contribution scheme. The figures above reflect payments made to NMSE to cover the cost for this service.
- 5) Mary Bryden was medically retired on 30 November 2007.
- 6) The details included in this table are subject to audit.

Salaries in the above table are the amount earned in the financial year and include performance bonuses. Overtime is not paid to senior management.

There were no other employees with emoluments above £60,000 employed during the year.

Benefits in kind

No benefit in kind was received by National Museums Scotland senior management during the year.

Pensions

Pension benefits are provided to senior management on the same basis as all other National Museums Scotland staff through the Principal Civil Service Pension Scheme (PCSPS).

Prior to 30 July 2007 it operated three defined benefit schemes, and a defined contribution scheme ("Partnership") under the Stakeholder pension framework. The newer defined benefit scheme, "Premium" was introduced in 2002, while the older scheme, "Classic" remained open only to existing members as at 1 October 2002. Since 30 July 2007 all new staff joining the Civil Service defined contribution scheme may only join the new scheme, "Nuvos".

The "Nuvos" scheme provides benefits on an 'average salary' basis, while "Premium" & "Classic" provide benefits on a 'final salary' basis, all at normal retirement age of 60. Benefits in the "Nuvos" and "Premium" schemes accrue at the rate of 1/60th of pensionable salary for each year of service. Members pay contributions of 3.5% of pensionable earnings. The defined benefit schemes are unfunded, the cost of benefits being voted by Parliament each year. Benefits in the "Classic" scheme accrue at the rate of 1/80th of pensionable salary for each year of service. Members pay contributions of 1.5 % of pensionable earnings. Under all schemes, a lump sum equivalent to 3 years' pension is payable on retirement.

Pensions in all schemes increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse ("Classic") or partner ("Nuvos" & "Premium") at the rate of half the member's pension. On death in service, the schemes pay a lump sum benefit of twice pensionable pay and also provide a service enhancement on computing the spouse's (partner's) pension. The enhancement depends on the length of service and cannot exceed 10 years. Medical retirement is possible in the event of serious ill-health.

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. National Museums Scotland is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2007-08, employers' contributions of £1,877k were payable to the PCSPS (2006-07 £1,781k) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2006-07 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2007-08 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Senior management and all other staff can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1k (2006-07 £1k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Defined contribution scheme pension contributions were not paid in respect of staff earning more than £50,000. Retirement benefits accrued under the defined benefit schemes to 450 staff during 2007/08 (2006/07 = 450 staff), while benefits accrued under defined contribution schemes to 6 staff during 2007/08 (2006/07 = 6 staff).

Staff of NMS Enterprises Ltd are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan, a defined contribution scheme.


The NMS Enterprises Group Personal Pension Plan is a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age. For 2007-08, employers' contributions of £35k were payable (2006-07 £24k)

Cash Equivalent Transfer Values

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when a member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

DIRECTOR 

DATE 11/9/08

ACCOUNTS

STATEMENT OF BOARD'S AND DIRECTOR'S RESPONSIBILITIES

Under the National Heritage (Scotland) Act 1985, paragraph 9(3) schedule 7, Scottish Ministers have directed National Museums Scotland to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction. The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year end both for National Museums Scotland and National Museums Scotland consolidated with NMS Enterprises Ltd ('the group') at the year-end, 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 financial statements; and
- prepare the financial statements on a going concern basis.

The Principal Accountable Officer for the Scottish Administration has appointed the Director of National Museums Scotland as Accountable Officer. The responsibilities of an Accountable Officer, including responsibility for the propriety and regularity of the public finances for which the Accountable Officer is answerable, for keeping proper records and for safeguarding our assets, are set out in the Accountable Officer's Memorandum issued by the Scottish Ministers.

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

As Accountable Officer and Trustees of the National Museums Scotland, we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives, whilst safeguarding the public funds and assets for which the Accountable Officer is personally responsible, in accordance with the responsibilities assigned to us.

The Accountable Officer works closely with the Scottish Government and Ministers where relevant in developing overall financial strategies, and informs the Scottish Government of issues relating to internal control, including reports of internal audit and of fraud, whether incurred or not.

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling of public funds. It is mainly designed to ensure compliance with statutory and parliamentary requirements, promote value for money and high standards of propriety, and secure effective accountability and good systems of internal control.

Purpose of the System of Internal Control

The system of internal control is designed to manage risk rather than eliminate the risk of failure to achieve the organisation's policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks being realised 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 2008 and up to the date of approval of the annual report and accounts, and accords with guidance from the Scottish Ministers.

Risk and Control Framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by the Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

The Corporate Management Team reviews its risk register formally every six months at March and September each year by reassessing its 20 key risks through a process of probability and impact assessment. The top 5 key risks are reported upon at each audit committee in detail as to current status with any significant changes in these risks reported to the Board. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Director. Any training required as stated above is identified and taken forward as relevant. Risks are also identified at departmental level, and are evaluated for materiality, probability and impact. Any significant risks are reported to the relevant Corporate Director.

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. In particular, in the period covering the year to 31 March and up to the date of signing of the accounts the organisation has completed its leadership and management development training of its senior management team, and has approved training and development for its middle management tier over the next two years.

Review of Effectiveness

As Accountable Officer and Trustees we also have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by:

- the corporate management team within the organisation who have responsibility for the development and maintenance of the internal control framework;
- the work of the internal auditors, who submit to the organisation's Audit Committee regular reports which include the Head of Internal Audit's independent and objective opinion on the adequacy and effectiveness of the organisation's systems of internal control together with recommendations for improvement;
- comments made by the external auditors in their management letters and other reports.

The Board of Trustees at each meeting receive an update on key operational matters from the Director. They also receive a report from the chairman of the Audit Committee on any significant issues with any matters affecting the top 5 risks on the risk register being brought to the Trustees attention.

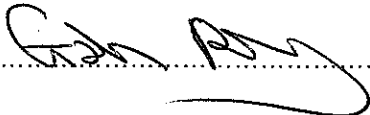
The Audit Committee receive an update at each four monthly meeting on key business issues, a report on progress on the top 5 risks on the risk register, and any significant issues affecting the other risks identified in the risk register. Regular reports are provided to each audit committee meeting by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The external auditors also provide reports to the audit committee with comments on the internal control environment as appropriate.

The Corporate Management Team formally reviews its risk register twice a year with any significant issues being reported on and discussed at each fortnightly meeting. Quarterly performance indicators are also reviewed at these meetings to ensure they are in line with targets prior to submission to the Scottish Government. Any matters of significance affecting the business e.g. Human Resources (recruitment, attendance, training), project assurance (key projects meeting targets), monthly management accounts (budget/actual review and revised forecasts), operational plan updates and forward reviews are reviewed and discussed with appropriate action taken forward.

Internal Audit has provided adequate assurance that the systems of internal control have operated effectively throughout the year. The Corporate Management Team and Internal Audit have identified Business Continuity and Disaster Recovery as requiring development, as only limited procedures are in place. The organisation has commenced this work by preparing a Business Continuity Strategy and is currently working on a Business Continuity Plan which should be complete by 31 March 2009.

The Royal Museum Project which received Heritage Lottery and Scottish Government approval in the year is of crucial importance going forward due to the size of staff resource and finance required. The project has its own Executive committee which includes Trustee representation. Any variations above a certain level on this project require formal Heritage Lottery and Trustee approval.

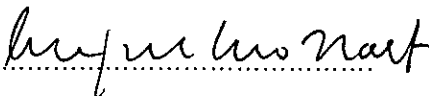
DIRECTOR.....



DATE.....

4/9/08

CHAIRMAN.....



DATE.....

11 Sept 2008

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF TRUSTEES OF THE NATIONAL MUSEUMS SCOTLAND, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT

I have audited the financial statements of the National Museums Scotland for the year ended 31 March 2008 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Financial Activities, the Income & Expenditure Account, the Balance Sheet and related Notes to the Accounts. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 123 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of the Board of Trustees, Accountable Officer and Auditor

The Board of Trustees and Accountable Officer are responsible for preparing the Annual Report, which includes that Remuneration Report, and the financial statements in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers. The Accountable Officer is also responsible for ensuring the regularity of expenditure and receipts. These responsibilities are set out in the Statement of Accountable Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and with International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland.

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulation 2006. I also report to you whether, in my opinion, the information which comprises the Report of the Board of Trustees, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

In addition, I report to you if, in my opinion, any information contained in the statement of accounts is inconsistent with the trustees' Annual Report, the body has not kept proper accounting records, if the charity's statement of accounts is not in agreement with these accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the body's compliance with the Scottish Government's guidance, and I report if, in my opinion, it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the body's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board as required by the Code of Audit Practice approved by the Auditor General for Scotland. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of expenditure and receipts included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and Accountable Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the body's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and receipts shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, of the state of affairs of the National Museums Scotland as at 31 March 2008 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information contained in the Report of the Board of Trustees included in the Annual Report is consistent with the financial statements.

Regularity

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

Signature:



Lorna Meahan CA
Assistant Director of Audit
Audit Scotland
Osborne House
1-5 Osborne Terrace
Edinburgh
EH12 5HG

Date:

24 September 2008

NATIONAL MUSEUMS SCOTLAND

Consolidated Income and Expenditure Account for the Year Ended 31 March 2008

		Continuing Activities	
		2008 £000	2007 £000
All operations are continuing			
	Notes		
Income			
Income received from trading activities		1,926	2,002
Entrance charges		617	629
Miscellaneous grants		541	312
Other income	3	1,264	477
		4,348	3,420
Expenditure			
Staff costs	4	13,691	13,189
Other operating charges	5	9,084	9,279
Depreciation and permanent diminution in value	1(c), 6, 8	5,442	5,103
		28,217	27,571
Excess of expenditure over income before interest		(23,869)	(24,151)
Notional Cost of capital	20	(5,022)	(4,484)
Interest receivable		218	163
Excess of expenditure over income after interest		(28,673)	(28,472)
Taxation	24	-	-
Excess of expenditure over income after taxation		(28,673)	(28,472)
Add back notional cost of capital	20	5,022	4,484
Excess of expenditure over income for the year before reserve movements		(23,651)	(23,988)
Board Reserve release	15	23	19
Capital Reserve release	15	1,756	1,843
Capital Donations release	15	1,331	1,312
Revaluation Reserve release	15	2,333	1,934
Excess of expenditure over income for the year		(18,208)	(18,880)
Transfer to General Fund	15	(18,203)	(18,905)
NMS Enterprises Ltd profit/(loss) net of gift aid	18	(5)	25
		(18,208)	(18,880)

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2008

		2008	2007
		£000	£000
	<i>Notes</i>		
Excess of expenditure over income		(18,208)	(18,880)
Unrealised gain on revaluation of fixed assets	6, 15	16,822	3,081
Donated asset receipts	15	1,135	1,063
Total Recognised gains and losses during the year		(251)	(14,736)

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Balance Sheet
for the Year Ended 31 March 2008

		2008 £000	2007 £000
	<i>Notes</i>		
Fixed Assets			
Tangible assets	6	179,509	160,914
Collections	7	3,442	2,990
Intangible assets	8	80	137
Investments	9	1	1
		183,032	164,042
Current Assets			
Stocks	10	351	412
Debtors	11	2,053	773
Cash at bank and in hand	12	5,214	3,913
		7,618	5,098
Current Liabilities			
Creditors: amounts falling due within one year	13	(3,415)	(2,033)
Net current assets		4,203	3,065
Total assets less current liabilities		187,235	167,107
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(287)	(457)
Total net assets		186,948	166,650
Financed by:			
Capital and reserves			
Unrestricted funds:			
Capital reserve	15	67,767	62,720
General fund	15	320	320
Board reserve fund	15	3,276	2,823
NMS Enterprises Ltd	18	(230)	(225)
		71,133	65,638
Restricted funds:			
Donated assets reserve	15	15,510	15,254
Revaluation reserve	15	99,958	85,469
Purchase fund	15	347	289
		115,815	101,012
		186,948	166,650


Director

11/9/08
Date

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Cash Flow Statement for the Year Ended 31 March 2008

		2008 £000	2007 £000
	<i>Notes</i>		
Net cash inflow/(outflow) from operating activities	16	1,879	1,328
Returns on investments and servicing of finance			
Interest Received		218	163
Taxation:			
Corporation Tax	24	-	-
Capital expenditure and financial investment:			
Payments from Purchase Fund	15	(452)	(539)
Payments from NFA Fund	23	(234)	(155)
Payments to acquire tangible and intangible fixed assets	6,8	(7,170)	(5,643)
Receipts from sale of tangible and intangible fixed assets		-	-
Total capital expenditure and financial investment		<u>(7,856)</u>	<u>(6,337)</u>
Cash outflow before financing		<u>(5,759)</u>	<u>(4,846)</u>
Financing:			
Government grants	2	5,100	3,347
Capital grants received	15	1,250	785
NFA Fund received	23	200	200
Purchase Fund	15	510	591
		<u>7,060</u>	<u>4,923</u>
Increase in cash in the period	16	<u>1,301</u>	<u>77</u>

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities for the Year Ended 31 March 2008

	2008 Unrestricted Funds £000	2008 Restricted Funds £000	2008 Total £000	2007 Total £000
Incoming resources				
Income resources from generated funds				
Voluntary income				
Grant-in-aid	24,429	510	24,939	22,897
Other grants	1,054	1,135	2,189	2,246
Donations	222	-	222	73
Membership income	138	-	138	140
Activities for generating funds				
Activities in the furtherance of the charity's objectives	2,062	-	2,062	1,205
Activities for generating funds	1,926	-	1,926	2,032
Investment income				
Gift aid	419	-	419	408
Interest income	218	-	218	163
Other income				
Proceeds on disposal of fixed asset	-	-	-	-
Total incoming resources	30,468	1,645	32,113	29,164
Resources expended				
Cost of generating funds				
Development	549	-	549	407
NMS Enterprises Ltd – Cost of goods sold	790	-	790	877
NMS Enterprises Ltd – Admin costs	764	-	764	736
NMS Enterprises Ltd – Gift aid	419	-	419	408
Charitable expenditure				
Curatorial	4,389	-	4,389	4,260
Conservation and Collections	2,012	-	2,012	1,876
Exhibitions	6,095	-	6,095	6,513
Security and Support Services	1,934	-	1,934	1,926
Marketing	1,044	-	1,044	1,138
Management and Administration	5,158	-	5,158	5,251
Estates and Buildings	5,250	-	5,250	4,708
Fieldwork and Acquisitions	-	452	452	539
Governance costs				
Staff costs	177	-	177	176
Trustees expenditure	20	-	20	19
Internal audit	14	-	14	24
External audit	21	-	21	33
Total resources expended	28,636	452	29,088	28,891
Notional cost of capital	5,022	-	5,022	4,484
Total resources expended including notional costs	33,658	452	34,110	33,375
Net (outgoing)/Incoming resources before revaluation, collections capitalisation and reversal of notional costs				
	(3,190)	1,193	(1,997)	(4,211)
Revaluation of fixed assets	-	16,821	16,821	3,081
Capitalisation of collections purchases	-	452	452	519
Release from revaluation reserve	2,332	(2,332)	-	-
Release from donated asset reserve	1,331	(1,331)	-	-
Reversal of notional cost of capital	5,022	-	5,022	4,484
Net movement in funds	5,495	14,803	20,298	3,873
Total funds brought forward	65,638	101,012	166,650	162,777
Total funds carried forward	71,133	115,815	186,948	166,650

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2008

	2008 Unrestricted Funds £000	2008 Restricted Funds £000	2008 Total £000	2007 Total £000
Total fund balances comprise:				
Fixed assets	67,564	115,468	183,032	164,042
Net current assets	3,856	347	4,203	3,065
Creditors due after more than one year	-	-	-	-
Provisions for liabilities and charges	(287)	-	(287)	(457)
	71,133	115,815	186,948	166,650

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department and of NMS Enterprises Ltd. Depreciation has been allocated to activities in proportion to the staff numbers involved. Administrative costs are defined as staff and operational costs of the Directorate and the Finance and Resources departments.

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Income and Expenditure Account for the Year Ended 31 March 2008

		Continuing Activities	
		2008 £000	2007 £000
All operations are continuing			
	<i>Notes</i>		
Income			
Entrance charges		617	629
Gift aid from subsidiary		419	408
Miscellaneous grants		541	313
Other income	3	1,264	477
		2,841	1,827
Expenditure			
Staff costs	4	13,159	12,622
Other operating charges	5	8,089	8,279
Depreciation and permanent diminution in value	1(c), 6, 8	5,415	5,079
		26,663	25,980
Excess of expenditure over income before interest		(23,822)	(24,153)
Notional Cost of capital	20	(5,022)	(4,484)
Interest receivable		176	141
Excess of expenditure over income after interest		(28,668)	(28,496)
Taxation	24	-	-
Excess of expenditure over income after taxation		(28,668)	(28,496)
Add back notional cost of capital	20	5,022	4,484
Excess of expenditure over income for the year before reserve movements		(23,646)	(24,012)
Board Reserve release	15	23	19
Capital Reserve release	15	1,756	1,842
Capital Donations release	15	1,331	1,312
Revaluation Reserve release	15	2,333	1,934
Excess of expenditure over income for the year transferred to General Fund	1(u), 15	(18,203)	(18,905)

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2008

		2008 £000	2007 £000
	<i>Notes</i>		
Fixed Assets			
Tangible Assets	6	179,394	160,783
Collections	7	3,442	2,990
Intangible Assets	8	80	137
Investment in Subsidiary	9	500	500
		<u>183,416</u>	<u>164,410</u>
Current Assets			
Debtors receivable within 12 months	11	2,384	1,168
Cash at Bank and in Hand	12	4,663	3,357
		<u>7,047</u>	<u>4,525</u>
Current Liabilities			
Creditors: Amounts falling due within one year	13	(2,998)	(1,603)
Net current assets		<u>4,049</u>	<u>2,922</u>
Total assets less current liabilities		<u>187,465</u>	<u>167,332</u>
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(287)	(457)
Total net assets		<u>187,178</u>	<u>166,875</u>
Financed by:			
Capital and Reserves			
Unrestricted funds:			
Capital Reserve	15	67,767	62,720
General Fund	15	320	320
Board Reserve Fund	15	3,276	2,823
		<u>71,363</u>	<u>65,863</u>
Restricted Funds:			
Donated Assets Reserve	15	15,510	15,254
Revaluation Reserve	15	99,958	85,469
Purchase Fund	15	347	289
		<u>115,815</u>	<u>101,012</u>
		<u>187,178</u>	<u>166,875</u>


 Director

11/9/08
 Date

The notes on Pages 27 to 40 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

1. Accounting Policies

a) *Basis of Accounting*

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

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2005, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

b) *Basis of Consolidation*

The accounts consolidate those of the National Museums Scotland and its subsidiary company, NMS Enterprises Ltd.

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

c) *Tangible Fixed Assets and Depreciation*

Land and buildings are valued every five years by a professional valuer and revalued annually using appropriate indices. The method of valuation for specialised properties, that is land and buildings for which there is effectively no market, is depreciated replacement cost. Other properties are valued at open market value for existing use. Equipment is valued at current replacement cost less depreciation.

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

Equipment	3 years to 7 years
Buildings	up to 50 years
Buildings improvements	5 years to 15 years
Permanent Galleries	15 years

Items costing less than £5,000 are written off in the year of purchase.

Where assets are sold or written off they are shown as disposals in the accounts. Impairment reviews are undertaken when necessary to ensure that the service of potential assets remains undiminished.

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

d) *Intangible Assets*

Intangible assets are valued at their purchase price less depreciation. Depreciation is calculated to write off the assets in equal annual instalments over their useful economic lives.

Intangible Assets	3 to 7 years
--------------------------	---------------------

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

e) Government Grants

Government grants are accounted for in the year that they are received. Revenue grant-in-aid is credited to the general fund. Grant-in-aid relating to the acquisition of tangible fixed assets, intangible fixed assets or investments is credited to the capital reserve, which is written down over the expected useful lives of the assets acquired. The full amount of purchase grant is transferred to the purchase fund.

Grant-in-aid received for collections purchases cannot be applied to any other purpose. The incoming resource is recorded as a restricted fund.

f) Stocks

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

g) Board Reserve Fund

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

h) Revaluation Reserve

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

i) Notional Costs

In accordance with accounting requirements, the Income and Expenditure Accounts include notional costs to reflect the full costs of our activities. The calculation of the notional cost of capital is explained in note 20.

j) Other Income

Operating income is credited to the Income and Expenditure Account on an accruals basis. Amounts applied to the acquisition of fixed assets are credited to an appropriate reserve.

Lottery receipts are credited to income in the year in which they are receivable. Any portion which is applied to capital expenditure is credited to the donated assets reserve and amortised over the expected useful lives of the assets acquired and released to the Income and Expenditure Account over the corresponding period.

Donations are recognised in the financial statements only when received. Donations received for the general purposes of the charity are credited to Unrestricted Funds. Donations for purposes restricted by the wishes of the donor are taken to Restricted Funds where these wishes are legally binding, except that any amounts required to be retained as capital in accordance with the donor's wishes are accounted for instead as endowments

Receipts from outside bodies in relation to specific projects received prior to any project spend being incurred, may where it is regarded as material to the financial report be deferred to the year in which the spend takes place.

k) Subsidiary companies

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

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

l) Investments

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

m) Foreign Exchange Gains and Losses

Amounts held in foreign currency are translated to the Sterling equivalent at the Balance Sheet date. Gains and losses on translation are taken to the Income and Expenditure Account.

n) Finance Leases and Operating Leases

Finance leases are capitalised in the Balance Sheet along with the corresponding liability for future payments. Operating leases are charged directly to the Income and Expenditure Account as incurred.

o) 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.

p) Collections Acquisitions

Objects forming part of the National Museums Scotland collections as at 1 April 2001 or objects gifted are not included in the balance sheet. Objects purchased since 1 April 2001 are included in the balance sheet at cost. Depreciation is not charged.

q) Pension Contributions

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a defined benefit scheme and is unfunded and largely non-contributory. National Museums Scotland recognises the expected cost of providing pensions on a systematic and rational basis over the period during which the organisation benefits from employees' services by payment to the PCSPS of amounts calculated on an accruals basis. Liability for payment of future benefits is a charge on the PCSPS. Further information about the pension schemes is disclosed in Note 4.

r) Grants to Outside Bodies

National Museums Scotland makes limited sums available to outside bodies whose objectives coincide with ours, or if the work will result in additions to our collections.

s) Statement of Financial Activities

Within the statement of financial activities the expenditure categories development, and the work of NMS Enterprises, have been separated from the other categories as they are deemed to be activities for generating funds. Staff and operating costs incurred in relation to governance are shown separately. The other categories of expenditure are deemed to be activities in the furtherance of our objectives. Indirect costs between expenditure categories are allocated on the basis of staff numbers in each category. (see Note 4).

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department and of NMS Enterprises Ltd. Depreciation has been allocated to activities in proportion to the staff numbers involved. Administrative costs are defined as staff and operational costs of the Directorate and the Finance and Resources departments.

t) Liabilities

Liabilities are recognised as resources expended as soon as there is a legal or constructive obligation committing the charity to the expenditure.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

u) Government Funding

Government funding is accounted for in accordance with guidance contained in the Financial Reporting Manual (FReM). Government funding for revenue purposes is regarded as contributions from controlling parties and is credited directly to the General Fund. Government funding for capital purposes is credited either to the Capital Reserve or to the Deferred Income Account depending on the nature of the funding. There is no indication that government funding is likely to be withdrawn therefore the accounts are prepared on a going concern basis.

v) Prior Year Adjustment

Lottery and other non-government receipts are credited to income in the year in which they are receivable (note 1j), whereas previously they were credited to income in the year they were received. This change in policy has resulted in a receivable being recognised in the prior year of £63k and in the current year of £818k.

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

	GROUP AND NMS	
	2008	2007
	£000	£000
Grant-in-aid received:		
Running Costs	20,278	19,880
Major Capital	5,100	3,347
	25,378	23,227
Purchase Grant	510	510
Total received during year	25,888	23,737

Grants and grants-in-aid for revenue purposes are regarded as contributions from controlling parties and accounted for as financing by crediting them direct to the General Fund. Such grants are therefore not accounted for as income.

Government funding for capital purposes is credited to a capital reserve and released to the income and expenditure account over the useful life of the asset.

The table below shows the result for the year compared to what it would be if such grants were accounted for as income.

	GROUP		NMS	
	2008	2007	2008	2007
	£000	£000	£000	£000
Reported Deficit	(18,208)	(18,880)	(18,203)	(18,905)
Add: Grant-in-aid received	20,278	19,880	20,278	19,880
Less: Transferred to capital reserve	(949)	(840)	(949)	(840)
Less: Transferred to unutilised capital	(650)	-	(650)	-
Result including grant income	471	160	476	135

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

3. Other Income

	GROUP AND NMS	
	2008	2007
	£000	£000
Provision of Services	48	67
Membership Scheme	138	142
Gift Aid from Membership	61	13
NMS Charitable Trust	139	19
Misc Sponsorship	62	69
Donations	22	40
Revenue Earning Activities	21	2
Grant Aided Activities	12	2
Proceeds from legal claim	650	-
Other	111	123
	1,264	477

Entry to the National Museum in Chambers Street is free, made possible by additional grant-in-aid for the purpose provided by the Scottish Government. Entry to the National War Museum is also free, although an entrance fee is charged by Historic Scotland for entry to Edinburgh Castle. Entrance charges are retained at other museums.

4. Employees

Staff Costs during the Year:

	GROUP		NMS	
	2008	2007	2008	2007
	£000	£000	£000	£000
Salaries	10,913	10,460	10,453	9,955
Social Security Costs	798	763	760	725
Pension Costs	1,911	1,805	1,877	1,781
Early Retirement	69	161	69	161
Total	13,691	13,189	13,159	12,622

Average full-time equivalent number of employees:

	GROUP		NMS	
	2008	2007	2008	2007
Directorate	13	12	13	12
Finance and Resources	31	30	31	30
Estates and Facilities Management	93	96	93	96
Collections	115	111	115	111
Public Programmes (including Visitor Services)	150	149	150	149
Marketing and Development	17	14	17	14
NMS Enterprises Ltd	19	20	-	-
Total	438	432	419	412

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

No remuneration was paid to members of the Board of Trustees during 2007/2008 (2006/07 - nil). During 2007/2008 National Museums Scotland paid a total of £2,830 in reimbursement of travel expenses to 8 Trustees for attending meetings at National Museums Scotland, while in 2006/07, a total of £2,649 was reimbursed to 8 Trustees. No benefit in kind accrued to Trustees during the year.

5. Other Operating Charges

	GROUP		NMS	
	2008	2007	2008	2007
	£000	£000	£000	£000
Board Expenses	7	22	7	22
Expenses - Staff	280	272	272	264
Administration Expenses	802	613	740	549
Internal Audit	14	24	14	24
Other External Charges	1,847	2,095	1,006	1,211
Consultancy:				
- Directorate & Resources	151	262	126	239
- Estates	92	105	92	105
- Collections	80	48	80	48
- Public Programmes	178	289	178	289
- Marketing & Development	158	137	158	137
Advertising	243	195	243	195
Fuel and Utilities	1,118	1,194	1,118	1,194
Rents and Rates	311	236	309	247
Furniture and Furnishings	69	78	52	67
Repairs and Renewals	3,665	3,598	3,634	3,585
Operating Leases	39	78	39	78
Audit Fee	30	33	21	25
Total	9,084	9,279	8,089	8,279

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

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

GROUP

	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Equipment	Totals
Cost or valuation (£000)						
1 April 2007	161,265	8,890	2,284	26,080	1,979	200,498
Additions	-	6,762	-	34	374	7,170
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(378)	(378)
Revaluations	<u>19,097</u>	=	<u>270</u>	<u>700</u>	<u>7</u>	<u>20,074</u>
31 March 2008	<u>180,362</u>	<u>15,652</u>	<u>2,554</u>	<u>26,814</u>	<u>1,982</u>	<u>227,364</u>
Depreciation						
1 April 2007	23,973	-	313	13,812	1,486	39,584
Charge for year	3,303	-	51	1,909	130	5,393
Disposals	-	-	-	-	(367)	(367)
Revaluations	<u>2,839</u>	=	<u>37</u>	<u>371</u>	<u>(2)</u>	<u>3,245</u>
31 March 2008	<u>30,115</u>	-	<u>401</u>	<u>16,092</u>	<u>1,247</u>	<u>47,855</u>
Net Book Value						
31 March 2008	<u>150,247</u>	<u>15,652</u>	<u>2,153</u>	<u>10,722</u>	<u>735</u>	<u>179,509</u>
1 April 2007	137,292	8,890	1,971	12,268	493	160,914

NATIONAL MUSEUMS SCOTLAND

	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Equipment	Totals
Cost or valuation (£000)						
1 April 2007	161,265	8,890	2,284	26,080	1,688	200,207
Additions	-	6,762	-	34	363	7,159
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(378)	(378)
Revaluations	<u>19,097</u>	=	<u>270</u>	<u>700</u>	<u>7</u>	<u>20,074</u>
31 March 2008	<u>180,362</u>	<u>15,652</u>	<u>2,554</u>	<u>26,814</u>	<u>1,680</u>	<u>227,062</u>
Depreciation						
1 April 2007	23,973	-	313	13,812	1,326	39,424
Charge for year	3,303	-	51	1,909	103	5,366
Disposals	-	-	-	-	(367)	(367)
Revaluations	<u>2,839</u>	=	<u>37</u>	<u>371</u>	<u>(2)</u>	<u>3,245</u>
31 March 2008	<u>30,115</u>	-	<u>401</u>	<u>16,092</u>	<u>1,060</u>	<u>47,668</u>
Net Book Value						
31 March 2008	<u>150,247</u>	<u>15,652</u>	<u>2,153</u>	<u>10,722</u>	<u>620</u>	<u>179,394</u>
1 April 2007	<u>137,292</u>	<u>8,890</u>	<u>1,971</u>	<u>12,268</u>	<u>362</u>	<u>160,783</u>

To comply with the requirements of the Government Financial Reporting Manual National Museums Scotland includes its fixed assets at their value to the business by reference to current costs for the year ended 31 March 2008. This replaced the previous requirement to include assets at historical cost. Accordingly, we instructed the Valuation Office, an executive agency of the Inland Revenue, to

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

undertake a valuation as at 31 March 2004 of the estates and other assets in accordance with RICS Appraisal and Valuation manual. The more specialised buildings were valued at depreciated replacement cost while the remainder were valued at open market value. These valuations obtained as at 31 March 2004 have been revised at 31 March 2008 using appropriate indices.

Equipment was valued at current replacement cost using appropriate indices. As we are generally unable to dispose of the properties and apply the proceeds for charitable purposes, the revaluation reserve in respect of the land and buildings is treated as a restricted fund under the charities SORP.

The charge for depreciation and diminution in value comprises:

	2008	2007
	£000	£000
Tangible assets depreciation	5,366	5,022
Intangible assets depreciation (Note 8)	52	43
Permanent diminution in value – tangible assets	(3)	15
NMS Enterprises tangible assets depreciation	27	23
	5,442	5,103

7. Collections
(See Note 1[p])

National Museums Scotland and its predecessor bodies have acquired objects for the collections over the previous two centuries. The collections cover geological, archaeological, scientific, engineering, artistic, historic and cultural subjects. National Museums Scotland is required to capitalise the cost of artefacts acquired since 1 April 2001. Artefacts acquired in the centuries prior to 1 April 2001 are excluded because reliable cost information is not available. National Museums Scotland considers that valuation of the 3 million objects in the collections would be impracticable.

	GROUP AND NMS	
	2008	2007
	£000	£000
1 April	2,990	2,471
Additions	452	519
31 March	3,442	2,990

8. Intangible Assets

	GROUP AND NMS	
	2008	2007
	£000	£000
1 April	317	241
Software Acquired During Year	-	133
Revaluation	(11)	(57)
31 March	306	317
Amortisation:		
1 April	180	180
Charge for the Year	52	43
Revaluation	(6)	(43)
31 March	226	180
Net Book Value:		
31 March	80	137

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

9. Investments

	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Opening & Closing Balance	1	1	500	500

NMS Enterprises Ltd, a wholly-owned subsidiary of National Museums Scotland, holds 600 ordinary shares of £1 each in the Scottish Book Source.

10. Stocks

(See Note 1[f])

	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Stocks Held for Resale	351	412	-	-

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

11. Debtors

	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Receivable Within 1Year:				
Prepayments and Sundry Debtor	1,244	262	1,137	201
Season Ticket Advances	11	138	11	138
Trade Debtors	327	363	130	114
Less:				
Provision for Amounts not recoverable	(47)	(37)	(8)	(3)
Subsidiary Company	-	-	596	671
VAT Recoverable	518	47	518	47
	2,053	773	2,384	1,168

Intra Governmental Balances	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Central Government	861	68	859	68
Local Government	2	1	1	1
NHS Trusts	-	-	-	-
Public Corporations	1	1	1	1
Bodies External to Government	1,189	703	1,523	1,098
	2,053	773	2,384	1,168

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

12. Cash at Bank and in Hand

	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Cash and commercial accounts	5,127	3,791	4,576	3,235
Funds held for third parties	70	104	70	104
Paymaster General Account	17	18	17	18
	5,214	3,913	4,663	3,357

13. Creditors

	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Amounts falling due within one year:				
Trade Creditors	212	218	10	-
Other Creditors	499	343	479	322
Accruals	2,647	1,412	2,452	1,221
Deferred Income	57	60	57	60
	3,415	2,033	2,998	1,603
Amounts Falling Due After More than One Year:				
Creditors > 1 Year	-	-	-	-

Intra Governmental Balances	GROUP		NMS	
	2008 £000	2007 £000	2008 £000	2007 £000
Central Government	-	12	-	12
Local Government	-	-	-	-
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	3,415	2,021	2,998	1,591
	3,415	2,033	2,998	1,603

14. Provision for liabilities and charges

	GROUP AND NMS	
	2008 £000	2007 £000
Restructure & injury benefit costs		
Opening Balance 1 April	457	356
Add: Restructure & Injury Benefit Provisions	60	200
Less: Restructure & Injury Benefits Paid During Year	(230)	(46)
Less: Restructure & Injury Benefit Written Back During Year	-	(53)
Closing Balance 31 March	287	457

Restructure & injury benefits of £94k (31/03/07 £236k) are payable within 12 months of the year end.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

15. Reserves

GROUP AND NMS £000	General Fund	Board Reserve Fund See Note 1[g]	Capital Reserve See Note 1[e]	Donated Assets Reserve See Note 1[k]	Revaluation Reserve See Note 1[h]	Purchase Fund See Note1[r]	Total
Opening Balance							
1 April 2007	320	2,823	62,720	15,254	85,469	289	166,875
Revaluation gains	-	-	-	-	16,822	-	16,822
Release (to)/from I&E	-	(23)	(1,756)	(1,331)	(2,333)	-	(5,443)
Utilised in year	-	-	(11)	-	-	(452)	(463)
Government funding & donation (note 2)	20,278	-	5,100	-	-	510	25,888
Capitalisation of Collection Purchases	-	-	-	452	-	-	452
Other donations & transfers	-	-	115	1,135	-	-	1,250
Transfers							
GIA to Capital	(949)	-	949	-	-	-	-
Legal Claim to Capital	(650)	-	650	-	-	-	-
Surplus to Board	(476)	476	-	-	-	-	-
Deficit for year	(18,203)	-	-	-	-	-	(18,203)
Closing Balance 31 March 2008	320	3,276	67,767	15,510	99,958	347	187,178

of which:

Board & Capital Reserve

Utilised	1,070	66,364
Unutilised	2,206	1,403
	<u>3,276</u>	<u>67,767</u>

Revaluation Reserve

All Assets (excl Donated Assets)	88,981
Donated Assets	10,977
	<u>99,958</u>

National Museums Scotland is permitted to credit to the Board Reserve Fund sums earned through its own revenue raising activities. The utilised element has been applied to the acquisition of fixed assets.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

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

	GROUP	
	2008 £000	2007 £000
Net outgoing resources before revaluation ,collections capitalisation and reversal of notional costs	(1,997)	(4,273)
Reversal of Notional Cost of Capital	5,022	4,484
Grant-in-Aid – Major Capital	(5,100)	(3,347)
Other Capital Grants	(2,199)	(1,825)
Interest Received	(218)	(163)
Depreciation, permanent diminution in value and loss on disposal	5,443	5,103
Transfer to capital	949	840
Movement in restricted funds	58	52
Other movements in capital	(72)	-
(Increase)/decrease in stocks	61	1
(Increase)/decrease in Debtors	(1,280)	601
Increase/(decrease) in Creditors	1,382	(303)
(Decrease)/increase in Provisions for Liabilities and Charges	(170)	158
Net Cash Inflow from Operating Activities	1,879	1,328

Analysis of changes in net funds in the year

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

	GROUP	
	2008 £000	2007 £000
Opening Cash Balance	3,913	3,836
Change in Year	1,301	77
Closing Cash Balance	5,214	3,913

17. Commitments

	GROUP	
	2008 £000	2007 £000
Contracted but not provided for in the Accounts		
Operating Commitments	4,723	5,942
Capital Commitments	427	403
Total Commitments	5,150	6,345

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

18. Subsidiary Company

NMS Enterprises Ltd, a company registered in Scotland, is a wholly owned subsidiary of National Museums Scotland set up to promote and develop our commercial activities. The results for the year to 31 March are summarised in the following table:

	2008	2007
	£000	£000
Trading profits from continuing operations	372	411
Gift aid to National Museums Scotland	(419)	(408)
Profit/(loss) after gift aid	(47)	3
Interest Income	42	22
Profit/(Loss) reported in Consolidated I&E Account	(5)	25
Reserves at 1 April	(225)	(250)
Transferred from Income and Expenditure Account	(5)	25
Reserves at 31 March	(230)	(225)

19. Related Party Transactions

The National Museums of Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government which is regarded as a related party. During the year National Museums Scotland has had various material transactions with the Scottish Government. None of the Trustees, members of key management staff or other related parties has entered into any material transaction with National Museums Scotland during the year.

The National Museums Scotland Charitable Trust ("NMSCT") exists, inter-alia, to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific, and social. During the year James Fiddes and Iain Watt, trustees of National Museums Scotland were also trustees of NMSCT. National Museums Scotland received £255k in grants and donations from NMSCT during the year (2007 £88k).

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

20. Cost of Capital

The Cost of Capital charge is based on the average relevant balance sheet values over the year.

	2008	2007
	£000	£000
Average Balance During the Year	143,493	128,102
Notional Interest at 3.5% (2007 =3.5%)	5,022	4,484

Guidance on appropriate rates is contained in the publication "Financial Reporting Manual". The rate of 3.5% (2006/07 - 3.5%) is suggested as being appropriate to NDPBs which are not engaged in activities which compete directly with the private sector.

21. Leases

National Museums Scotland has no finance leases. We lease computer equipment and the farm buildings and land at the National Museum of Rural Life under operating leases. Future rental commitments at 31 March were as follows:

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008**

Land & Buildings	GROUP AND NMS	
	2008	2007
	£000	£000
Payable Within One Year	22	23
Payable After One Year	23	45

Others	GROUP AND NMS	
	2008	2007
	£000	£000
Payable Within One Year	3	37
Payable After One Year	-	3

22. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2008.

23. National Fund for Acquisitions

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds held by National Museums Scotland for the NFA are included in the Balance Sheet under both Cash at Bank and Sundry Creditors. Separate accounting arrangements are made for the fund.

	2008	2007
	£000	£000
Balance at 1 April	104	59
Grant Received	200	200
Disbursements	(234)	(155)
Balance at 31 March	70	104

24. Taxation

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

In respect of 2007/08 NMS Enterprises Ltd will pay £419k by Gift Aid to National Museums Scotland, thereby eliminating any liability of the subsidiaries to Corporation Tax in that year.

25. Date of Issue of Accounts

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

26. Post Balance Sheet Events

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

**NATIONAL MUSEUMS SCOTLAND
APPENDIX TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007**

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

