

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

FOR THE YEAR ENDED 31 MARCH 2012

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# **TRUSTEES' ANNUAL REPORT**

## **TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2012**

### **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 further developing the National Museums Collection Centre in Granton, north Edinburgh, as the main location for our stored collections and conservation facilities.

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

National Museums Scotland has been granted charitable status: the charity number is 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, '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 provided to new 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 who served during the year and up to the date of approval of these financial statements:

- Sir Angus Grossart CBE, DL, LLD, DLitt, DBA, FRSE, MA, LLB, CA, FCIBS, FSA Scotland (Chairman) - term completed 31 July 2012
- Bruce Minto (Chairman) – appointed 1 August 2012
- Dr Isabel Bruce OBE, PhD, BA, MRTPI, MCIPS, FRSSA - appointed 1 April 2009
- Dr Anna Gregor CBE, FRCR, FRCP - appointed 1 April 2009
- Lesley Hart MBE, MA, MSc – second term completed 30 September 2011
- Andrew Holmes MSc, MICE - appointed 1 April 2009
- Michael Kirwan FCA - reappointed 1 January 2009
- Miller McLean, FCIBS, FIB – appointed 1 October 2010
- Professor Malcolm McLeod CBE, MA, BLitt(Oxon), FRSE, FSA Scotland - reappointed 1 April 2009
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA, FRSE, FSA Scotland - reappointed 1 April 2009
- James Troughton DipArch, MA Cantab, RIBA – appointed 1 October 2010
- Sir John Ward CBE, CA, FRSE, FRSA, FIET - reappointed 1 January 2009
- Iain Watt BSc, FCIBS – reappointed 1 February 2011

The following served as members of the Audit Committee during the year: Sir John Ward (Chairman); Michael Kirwan; Miller McLean and Sir Angus Grossart (ex officio).

National Museums Scotland 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 registered interests and they review their details annually. This information is available on our website ([www.nms.ac.uk](http://www.nms.ac.uk)) and for inspection at the National Museum of Scotland on application to the Head of Corporate Policy and Performance.

Trustees are responsible for determining the vision and overall strategic direction of the organisation and for monitoring progress toward achieving these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over). The management team is responsible for the development and implementation of strategy, 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 National Museums Scotland Charitable Trust is wholly independent of National Museums Scotland with its own Board of Trustees, 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 government initiatives with the other two National Collections Institutions: the National Galleries of Scotland and National Library 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 develop formal partnerships with regional museum services across Scotland to give strategic focus to our support for the sector. We are currently working with Museum nan Eilean and Shetland Amenities Trust. These partnerships primarily focus on sharing knowledge, skills development and loans from our collections. We also deliver an extremely popular programme of knowledge exchange workshops and advice for the sector and deliver projects to further this aspect as part of UK and International sector initiatives.

The organisation's banker is The Royal Bank of Scotland, 6-8 George Street, Edinburgh EH2 2SA. The external auditor is PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH. 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 *'inspiring people, connecting Scotland to the world and the world to Scotland'*. 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 far-year strategic priorities within the vision and mission, which cascade into specific actions at organisational, departmental and personal level and a set of Key Performance Indicator (KPI) measures. National Museums Scotland publishes a Strategic Plan, currently covering 2011-2015, which is distributed to all staff and key stakeholders and appears on our website. In addition, an annual Operational Plan defines the key deadlines/targets for the current financial year. Performance

is reported in quarterly 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 Executive Team (formerly known as the Corporate Management Team) is the senior executive decision-making body, reporting through the Director to the Board of Trustees. The team comprises:

Dr Gordon Rintoul, Director

Fiona Bell, Director of Estates and Facilities Management – until 30 June 2011

Fiona Stewart, Director of Estates and Facilities – appointed 12 March 2012

Jane Carmichael, Director of Collections

Catherine Holden, Director of External Relations

Sally Manuireva, Director of Public Programmes – until 7 September 2011

Andrew Patience, Director of Finance and Resources

Sheilagh Stewart, Head of Human Resources – from 21 November 2011

Peter Williamson, Managing Director of NMSE and Director of Visitor Operations (contracted from NMSE on a part-time basis)

Julie Brown, Head of Corporate Policy and Performance, acts as the Secretary.

National Museums Scotland has an equal opportunities policy which states that it is unlawful to discriminate, directly or indirectly, in recruitment or employment on grounds of sex, disability, age, gender reassignment, pregnancy, colour, race, nationality, ethnic or national origins, sexual orientation or religion or belief, or because someone is married or is a civil partner. We welcome job applications from all sectors of the community.

National Museums Scotland has a Sustainable Development Strategy to address a wide range of environmental impacts. The main objectives are:

- To set best practice standards, meet or exceed requirements of environmental legislation and commit to a process of continual improvement.
- To develop and implement best practice utilities management, to control cost and consumption of natural resources.
- To minimise the production of waste and ensure that the maximum amount is either reused or recycled.

Details of environmental management (e.g. Carbon Dioxide (CO<sub>2</sub>) emissions) are included in our key performance indicators (item 6 below).

Details of pension schemes available to National Museums Scotland staff are disclosed in the Remuneration Report and the accounting policy note 1(p).

Corporate information is shared with staff through: the publication of plans and minutes; circulation of the Strategic Plan and Annual Review and our supporters magazine *Explorer*; a bi-monthly staff newsletter *Exchange*; quarterly staff presentations at all our sites; departmental meetings and monthly team briefings; formal Staff Notices; and our intranet. This is supported by a network of Internal Communications Champions across the organisation.

Management representatives regularly meet staff representatives from the three Trade Unions, under a Partnership Agreement agreed in 2005. Under this agreement the organisation has worked successfully with the Trade Unions in a range of areas. This includes reducing the number of working days lost per employee due to absence. During the year the number of working days lost per employee was 6.3 days (5.8 days in 2010/11). We will continue to work together to maintain and if possible reduce this number.

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 317 volunteers (300 in 2010/11) during the year.

## 6. Key Achievements in 2011/12

We have made progress towards all of our four-year strategic priorities in 2011/12, with the main developments and achievements being noted below. Further details are provided in our Strategic Plan 2011-2015, which is available on our website.

Our key performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis. We achieved or exceeded all our targets for 2011/12.

	<b>2012/13 Target</b>	<b>2011/12 Results</b>	<b>2011/12 Target</b>	<b>2010/11 Results</b>
<b>Performance Indicators</b>				
Total museum visit numbers	2.5m	2.5m	1.92m	1.32m
Total website visit numbers	1.36m	1.3m	0.8m	0.9m
Total learning participation	200k	187k	170k	154k
Visitor satisfaction (scored out of 10)	8.85	8.9	8.8	8.5
% Collections storage meeting appropriate standards	65%	65%	60%	65%
Total number of loans	2,000	2,438	1,600	2,269
Total number of academic publications	110	120	100	115
Total number of object records online	10,000	10,169	10,000	-
Record input equivalent to % of collections database	10%	23%	10%	-
External participation in our annual programme of support for the Scottish museum sector	170	152	150	153
Number of countries with which we have focused relationship development	9	7	-	-
Reach of media coverage (Opportunities To See/hear)	450m	867m	505m	-
Value of media coverage (Advertising Value Equivalent)	£4.5m	£7.4m	£5m	-
Absence levels – working days lost per employee	7.5	6.3	7.5	5.8
Permanent salary costs as % of total costs	60%	59%	61%	63%
Non-government income as % of total income	11.5%	6.5%	6.5%	5.0%
CO2 emissions (% improvement from 31/12/11 baseline)	5%	-	-	-
% of estate in condition category B or better	63%	63%	63%	-

Our key achievements in 2011/12 were:

- The critically acclaimed transformation of the National Museum of Scotland (from 29 July 2011).
- A record 2.5m visits to National Museums Scotland, up 91% on the previous year. The National Museum of Scotland is now the most visited attraction outside London, with the largest year-on-year growth by a significant margin. It also joined the 2011 Top 30 most popular museums in the world, only 5 months after opening.
- The acquisition of a number of internationally important objects.
- The successful launch of a programme of major international exhibitions.
- A number of high-profile awards, including the RIAS Andrew Doolan Best Building in Scotland Award and two Civic Trust Awards (the full list of awards is on National Museums Scotland website under "About Us").

Our major priority at the start of the year was the completion of the Royal Museum Project – the £47m transformation of the Victorian part of the National Museum of Scotland, which reopened on 29 July 2011. This ambitious project was supported by a grant of £18m from the Heritage Lottery Fund and £16m from the Scottish Government. The £13m balance of funding came from a highly successful fundraising campaign among private and public sources, engaging over 1000 donors, together with a contribution from our Board Reserves. The project created 16 new galleries and a much larger space for international touring exhibitions. There are much improved facilities for schools and adult learners, including discovery centres to inspire visitors of all ages. Moving around the building is easier with a new welcoming Entrance Hall at street level, central glass lifts and new escalators.

We have far exceeded expectations of visitor numbers since the reopening of the National Museum of Scotland. This is the result of our investment in exhibitions, events and active marketing

communications. We welcomed 2.52 million visitors to our sites in 2011/12, including 1.85m to the National Museum of Scotland, which was 56% ahead of forecast.

National Museums Scotland administers, on behalf of Scottish Ministers, the National Fund for Acquisitions (NFA). The allocation for financial year 2011/12 was £150k. During the year, 72 payments totalling £143k were made to 32 organisations, to obtain objects with a purchase value of £384k.

During the year ended 31 March 2012, 120 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures, through exhibitions and public events. Our Research Programme is based on four themes: Collectors and Collecting; Understanding the Natural World; Material Culture Creation and Use; and Identities and Cultural Contacts.

## **7. Future Plans**

Our current Strategic Plan for 2011-2015 focuses on four themes essential for our work – our collections, audiences, national and international connections, and our people and resources.

Our intended outcomes at the end of this planning period (to March 2015), grouped by theme, are to:

### **Collections**

- Focus development of the collections through significant acquisitions and effective management.
- Increase access to and improve understanding of the collections through digital platforms, access to stored collections and public programmes.
- Develop and implement a programme of collections-based research, integrated with public programmes and partnerships.
- Enhance storage facilities for the long term preservation of and access to the collections.
- Improve conservation and care of the collections.

### **Audiences**

- Sustain the revitalised National Museum of Scotland as a must-see and must-do destination for visitors.
- Develop the National Museum of Flight as a place for discovery and enjoyment.
- Establish creative collaborations for activities, events, and learning and interpretation resources at all sites.
- Reach more people across Scotland through programmes of touring exhibitions, learning and digital offerings.
- Grow community engagement through partnerships and external support.
- Raise our profile nationally and internationally through transforming the National Museums Scotland website.
- Develop and implement a programme of engaging, audience-focused, digital content made available via a variety of different platforms.

### **Connections**

- Strengthen our position as a national museum and a recognised ambassador for Scotland.
- Strengthen our collections knowledge and expertise nationally through our collections-based training and professional exchange.
- Increase physical and virtual access to our collections through working in partnership on programmes of loans, exhibitions and research.

### **People and Resources**

- Meet our organisational needs through an employee engagement strategy and programme.
- Increase visitor income through donation boxes and charged services.
- Increase income through sponsorship, donations, grants and memberships.
- Increase Gift Aid income from NMS Enterprises Limited.
- Consolidate the estates in line with the existing estate strategy by disposal/demolition and new build at the National Museum Collection Centre.
- Develop retained sites to be fit for purpose.
- Reduce our carbon footprint and made improvements across a range of environmental impacts.
- Communicate our sustainability commitments, achievements and programmes.

## **Funding Issues – Capital**

A major challenge - and significant risk - for the organisation relates to the historical underfunding by Government of the renewal and maintenance of our estates and facilities of over **£ 43.75 million**. This figure is reduced from £54 million reported in 2010/11 as amplified below.

Maintenance of premises which are fit for purpose is a critical dependency for our continued success. We need to enable staff to work effectively, visitors to enjoy our museums in comfort and safety, and safeguard the priceless National Collections for future generations. Our Estate Strategy includes an assessment of the current estate, its condition and its performance. We have been allocated £3.6m for the period 2012/13 to 2014/15, but we still have a significant backlog maintenance liability of around **£13.3 million** (£16.3 million in 2011/12) as a consequence of funding restrictions. We are committed to seeking further additional Government funding to improve and maintain our estate to an appropriate operational condition.

In addition to our backlog in estates maintenance, we also have a range of buildings which require comprehensive refurbishment or wholesale replacement. Again, this position is a result of long term underinvestment by Government in the estate. Due to this historical shortfall we continue to face serious deficiencies in the storage of the National Collections, with some 40% of our internationally important objects in accommodation below acceptable levels. There is, therefore, a significant risk that the Trustees of National Museums Scotland will be unable to fulfil their statutory duty to care for the collections. The estimated cost of remedying this position was in the region of £25 million but has been reduced to **£16.3 million** by the National Museums Collection Centre development of £8.7 million. This position is still unacceptable and requires further Government investment.

As noted above, we have been allocated £8.7 million over and above the Spending Review Grant-in-Aid. This £8.7 million will fund the relocation of our collections housed at our storage site at Port Edgar to a new building at the National Museums Collection Centre. The buildings at the Port Edgar site are no longer fit for purpose and we are required to vacate that site permanently to enable the construction of the second Forth Crossing.

Despite the significant developments we have initiated in recent years across a number of sites, we also face a serious backlog in display renewal due to the long term lack of investment by Government. At the National Museum of Scotland alone, our estimated requirement disclosed in 2010/11 (£10m) has been extensively reviewed and a total of **£14.15 million** is needed for the remaining phases of the redevelopment in order to complete its transformation and consistently meet modern visitor expectations. A major gallery renewal project is currently being planned for the National Museum of Scotland. This is estimated to cost £11.85 million and the Heritage Lottery Fund have given a Round 1 approval for a potential grant of £4.85 million towards this cost. It is anticipated that the remainder of the funding would come from an external fundraising campaign. If this project is confirmed in due course, then this would leave a further £2.3 million of gallery renewal to take place at a later date.

## **Funding Issues – Revenue Grant-in-Aid Cut**

The Scottish Government's budget for 2011/12 was announced in November 2010, with National Museums Scotland receiving greater than expected cuts to its funding. As a result of the Grant-in-Aid cut of nearly £0.9 million, together with pay and other cost pressures, a savings programme of over £1.1 million was required in 2011/12. In order to achieve these savings, and future cuts and pressures as noted below, voluntary exit schemes costing £572k (2010/11 £522k) were implemented in the year – see Note 4 to the accounts.

Our Grant-in-Aid has been further cut by over £0.2 million over the next three years, despite increasing pay and cost pressures forecasted at over £1.4 million. To date, we have only partly addressed this pressure, with £0.9 million of savings remaining to be identified over the next three years.

There is inevitably a risk that when staff leave, whether under a voluntary exit programme or in other ways, skills and experience built up over a number of years may be lost to the organisation. Such issues are kept carefully under review in order to minimise this risk, however service impacts are inevitable when reductions are made to funding and staff numbers are impacted. Some recent examples are:

- A loss of specialist curatorial expertise (e.g. Numismatist, Military History) diminishing the understanding and accessibility of national collections.
- A fall in junior curatorial and collection management staffing resulting in less capacity to service collection needs for care, documentation, digitisation and accessibility.
- Reduced conservation capacity to treat objects at risk.

- Fewer visitor services staff across all sites so visitors may experience delays in information requests, way-finding around the Museums, and general advice at busy times.
- Less support staff leading to a reduction in internal services which will have a knock-on effect in services to our visitors in due course.

Board vacancies not being filled swiftly enough is another risk to the organisation, given the breadth of skills the Board requires to fulfil its duties effectively. Given that the appointment of Board members is in the control of the Scottish Government, close liaison will be maintained in order to minimise this risk.

## 8. Scottish Government Priorities

The overall Purpose of the Scottish Government's programme is: *"To focus government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing economic growth."*

To achieve this, the Scottish Government has been aligned to deliver on five overarching Strategic Objectives. These aim to make Scotland: wealthier and fairer; healthier; safer and stronger; smarter; and greener.

The Scottish Government has adopted an Outcomes-Based Approach to performance. Its National Performance Framework aims to demonstrate the Government's performance and provide a focus for public services on the delivery of the Government's programme and priorities. The Framework is supported by 15 National Outcomes which describe what the Government wants to achieve over the next ten years.

The activities of National Museums Scotland make a contribution towards all 15 Outcomes, to a greater or lesser extent, with the closest link to the following five:

- National Outcome 1: *We live in a Scotland that is the most attractive place for doing business in Europe.*
- National Outcome 4: *Our young people are successful learners, confident individuals, effective contributors and responsible citizens.*
- National Outcome 13: *We take pride in a strong, fair and inclusive national identity.*
- National Outcome 14: *We reduce the local and global environmental impact of our consumption and production.*
- National Outcome 15: *Our public services are high quality, continually improving, efficient and responsive to local people's needs.*

We will continue to contribute to these and other National Outcomes under our Strategic Plan.

The Scottish Government announced revisions to the National Performance Framework in late 2011, including the addition of a new National Indicator to "increase cultural engagement". They have also indicated that they are developing a vision and outcomes for culture and the creative industries in Scotland.

## 9. Financial Review

The combined financial results and appropriations are shown in full in the Consolidated Income and Expenditure Account on page 21. 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 27.

The accounts meet the requirements of the Companies Act 2006 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate, and in accordance with directions given by Scottish Ministers. They also comply with SORP 2008, the Statement of Recommended Practice on the preparation of accounts of charitable organisations.

Our principal funding is Grant-in-Aid from the Scottish Government. The release from capital, donated assets and revaluation reserves matches our depreciation charges as they both relate to fixed assets.

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 are transferred to the General Fund. Reserves are reviewed on an annual basis and appropriate levels agreed based on current requirements and circumstances.

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

	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
<b>Income</b>		
Grant in aid (GIA) received	20.9	21.9
Other income	3.7	2.3
Income transferred to Capital Reserves (for capital projects)	(0.3)	(1.0)
Depreciation release from capital, donated assets and revaluation reserves	5.2	5.9
<b>Total Income</b>	<b>29.5</b>	<b>29.1</b>
<b>Expenditure</b>		
Staff Costs	14.3	14.6
Other Operating Charges	10.2	8.7
Depreciation (including impairments)	5.2	5.9
<b>Total Expenditure</b>	<b>29.7</b>	<b>29.2</b>
<b>Adjusted Operational Result</b>	<b>(0.2)</b>	<b>(0.1)</b>

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, in line with requirements of the Government Financial Reporting Manual (FRM), and credited directly to the general fund in the year in which it is received.

#### **Reserves available for use by National Museums Scotland Board Reserve Fund**

	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
<b>Unutilised Board Reserve Fund at 31 March</b>	<b>3.1</b>	<b>3.1</b>
Commitments made:		
Revenue projects in progress	(1.2)	(1.7)
Capital projects committed	(0.3)	(0.1)
Total commitments	(1.5)	(1.8)
<b>Uncommitted reserves at 31 March</b>	<b>1.6</b>	<b>1.3</b>

## **10. Principal Risks**

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. The top 4 risks identified and addressed in 2011/12 were: a major fall in Grant-in-Aid or a major increase in costs; buildings in terms of collections not meeting appropriate standard and/or not fit for staff to occupy due to historic and continuing underfunding of our estate; the National Museum of Scotland transformation project failing to be delivered on time or budget; underperformance of National Museums Scotland Enterprises.

Control mechanisms to minimise or mitigate these risks were identified and reviewed for effectiveness, and ownership of each risk is assigned to the relevant Director. Further detail on risk management is provided in the Governance Statement.

## **11. Status of Land and Buildings and Significant Changes to Fixed Assets**

National Museums Scotland holds title to the National Museum of Scotland on Chambers Street, the National Museums Collection Centre at Granton in north Edinburgh, the National Museum of Flight in East Lothian, Leith Custom House and the former Dental Hospital in Chambers Street. Title to the National

Museum of Costume and at Port Edgar is held by Scottish Ministers. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland, and the premises of the National War Museum at Edinburgh Castle are in the care of Historic Scotland. National Museums Scotland owns the museum displays and other fittings and facilities at each site. We have full operational use of these assets and are responsible for their upkeep and maintenance.

The Royal Museum building in line with the FReM (see Note 6 in the Accounts) was revalued at 30 September 2011 which gave rise to a significant devaluation of £48m against its last valuation and interim indexation. The main reason for the devaluation was the change in the property market in the period and the significant cost of elements of the work undertaken as part of the transformation which is not reflected in the valuation due to the nature of the work. As the latest valuation is still above the historic net book value only the revaluation reserve was affected so there is no impairment on the building.

In the period, the group acquired tangible and intangible assets at a cost of £6.9m. The sum of £0.1m was spent on buildings, £6m on permanent galleries and £0.8m on equipment purchases. There were no additions to leasehold improvements or intangible assets.

## 12. Prompt Payment Code

National Museums Scotland's payment policy is to comply with Scottish Government guidelines, which stipulate that payments to suppliers must be made within 30 days of receipt of invoice. The average number of payment days during 2011/12 showed that on average we paid 82% of invoices within 30 days (10/11 81%).

In October 2008, the first Minister announced that the Scottish Government would aspire to a ten day payment target. This revised target is not considered to be practically achievable for National Museums Scotland within available resources.

## 13. External Audit

The consolidated accounts are audited by PricewaterhouseCoopers, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2011/12 of £21k (2010/11 £22k). There were no other payments to PricewaterhouseCoopers.

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

## 14. Post Balance Sheet Events

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



CHAIRMAN

DATE 07 SEPTEMBER 2012

## 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 (Executive 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 Lesley Hart (Chairman) who completed her second term as a Trustee on the 30 September 2011 and was succeeded by Iain Watt on 1 October 2011, Dr Isabel Bruce, Professor Stuart Monro and Anna Gregor. The Director, the Director of Finance and Resources, the Head of Human Resources and the Head of Employee Relations and Resources also attend the 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;
- Government policies for improving the public services; and
- The affordability of recommendations for salary review.

The ratio of the median remuneration of National Museums Scotland's staff (£20.4k) to the mid-point of the banded remuneration of the highest paid director for the year ended 31 March 2012 was 1 to 5

### Service Contracts

National Museums Scotland appoints staff based on merit and on the basis of fair and open competition.

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

## Remuneration (including salary) and pension entitlements

The following section provides detail of the remuneration and pension interests of the senior management (Executive Team). Figures are stated as actual and full year equivalent (FYE). The details included in this table are subject to audit.

### Remuneration (salary and payments in kind)

	Salary	2011-12 Bonus Payments	Benefits in kind (to nearest £100)	Salary	2010-11 Bonus Payments	Benefits in kind (to nearest £100)
	£000	£000	£000	£000	£000	£000
Director						
Gordon Rintoul	105-110	-	-	105-110	-	-
Director of Estates and Facilities Management						
Fiona Bell (until 30 June 2011)	15-20 (70-75 FYE)	-	-	70-75	0-5	-
Director of Collections						
Jane Carmichael	75-80	-	-	75-80	-	-
Director of External Relations						
Catherine Holden	75-80	-	-	75-80	-	-
Director of Public Programmes						
Sally Manuireva (until 7 Sept 2012)	30-35 (65-70 FYE)	-	-	65-70	-	-
Director of Finance & Resources						
Andrew Patience	75-80	-	-	75-80	-	-
Director of Estates and Facilities						
Fiona Stewart (from 12 March 2012)	0-5 (65-70 FYE)	-	-	n/a	n/a	n/a
Head of Human Resources (2)						
Sheilagh Stewart	20-25 (55-60 FYE)	-	-	n/a	n/a	n/a
Director of Visitor Operations (1)						
Peter Williamson	30-35	-	-	25-30	-	-

### Notes

- 1) 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.
- 2) The Head of Human Resources post became a member of the Executive Team from 21 November 2011.

Salaries in the above table are the amount earned in the financial year. Overtime is not paid to senior management. Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses are disclosed for the year in which they are paid to the individual. The bonuses reported in 2010-11 relate to performance in 2009-10. In conformance with Scottish Government policy no bonuses will be paid for performance related to the year 2010-11. Bonuses are shown separately in the table and are excluded from the salary figures disclosed.

## Benefits in kind

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

## Executive Team Pensions

The details included in this table are subject to audit.

	Accrued annual pension payable 31 March 2012 (1) £000	Increase in accrued pension since 31 March 2011(2) £000	CETV at 31/3/12 £000	CETV at 31/3/11 (3) £000	Real increase in CETV funded by NMS £000	Employer Contribution to Partnership Pension Account Nearest £100
Director Gordon Rintoul	20-25	0-2.5	436	388	12	
Director of Estates and Facilities Management Fiona Bell (until 30 June 2011)	5-10	0-2.5	77	70	3	
Director of Collections Jane Carmichael	40-45	0-2.5	887	810	6	
Director of External Relations Catherine Holden	15-20 (4) plus lump sum 50-55	0-2.5 (4) plus lump sum 0-2.5	271	247	3	
Director of Public Programmes Sally Manuireva	5-10	0-2.5	64	59	2	
Director of Finance & Resources Andrew Patience	15-20	0-2.5	262	227	14	
Director of Estates and Facilities Fiona Stewart (from 12 March 2012)	0-2.5	0-2.5	1	0	1	
Head of Human Resources Sheilagh Stewart	25-30 (4) plus lump sum 60-65	0-2.5 0-2.5	604	560	0	
Director of Visitor Operations (5) Peter Williamson	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) The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors, for consistency. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.
- 4) Lump sum is payable to two Public and Commercial Services (PCS) Classic pension scheme members, Catherine Holden and Sheilagh Stewart.
- 5) 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.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2012. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

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.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>.

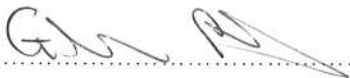
### **The Cash Equivalent Transfer Values (CETV)**

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits 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 figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

**The real increase in the value of the CETV**

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, 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 07 SEPTEMBER 2012 .....

# **ACCOUNTS**

## **STATEMENT OF BOARD OF TRUSTEES' 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'), and of our income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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



# GOVERNANCE STATEMENT

## Introduction

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

## Legislation/Governing Body

The legislation that governs the Board of Trustees of the National Museums of Scotland is the National Museums (Scotland) Act 1985 as amended by the Museums and Galleries Act 1992: <http://www.legislation.gov.uk/ukpga/1985/16>. The Board of Trustees of National Museums Scotland is statutorily responsible for the care of the collections, and for the overall performance of National Museums Scotland. So far as practicable and subject to the provisions of the Act, the Board's general functions are to:

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

The responsibilities of the Board cover the following main areas:

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

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

To discharge these responsibilities:

- The Board meets formally five times per annum. At each meeting, the Board of Trustees receives a detailed written report on: key operational matters from the Director; minutes of sub-committees of the Board; an update of relevant issues relating to National Museums Scotland Enterprises; and reports on specific topics as necessary. Risk related issues are highlighted as necessary within these agenda items.
- The Board has four sub-committees whose terms of reference and members are agreed by the Board. These are: the Audit Committee; the Personnel and Remuneration Committee; the Estate and Facilities Management Committee; and the Acquisitions Committee.
- The Audit Committee meets at least three times per annum. At each meeting, it receives: an update on key business issues; a report on progress on the key risks in the organisation's risk register and any significant issues affecting the other risks identified in the risk register; and reports from Internal and External Auditors.

## **Risk Management and Internal Controls**

### Scope of Responsibility

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

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

### Purpose of the System of Internal Control

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

The system of internal control is based on an on-going process designed to: identify the principal risks to the achievement of the organisation's strategies and intended outcomes; evaluate the nature and extent of those risks; and to manage them efficiently, effectively and economically.

The system within the organisation accords with the SPFM and has been in place for the year ended 31 March 2012 and up to the date of approval of the financial statements, and accords with guidance from the Scottish Ministers.

### Risk and Control Framework

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

The National Museums Scotland Executive Team reviews the Risk Register formally every six months at March and September each year by reassessing its ten key risks through a process of probability and impact assessment. The key risks are reported upon at each Audit Committee meeting in detail as to current status, with any significant changes in these risks reported to the Board of Trustees. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Executive Team member. Any training required is identified and taken forward as relevant.

There were no Personal Data-related incidents during the year.

More generally, the organisation is committed to a process of continuous development and improvement, developing systems in response to any relevant reviews and developments in best practice in this area.

### Review of Effectiveness

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

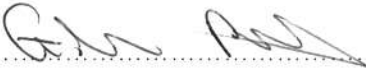
- The Executive Team within the organisation who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit regular reports to the organisation's Audit Committee which include the Head of Internal Audit's independent and 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.

As noted above, the Executive Team formally reviews the Risk Register twice a year, with any significant issues being reported on and discussed at its fortnightly meetings as required. Quarterly updates on progress towards the achievement of Performance Indicators and the Strategic Actions in our Operational Plan are also both reviewed at these meetings to ensure they are in line with targets prior to communication to the Board and the Scottish Government. Any matters of significance affecting the business, such as Human Resources (recruitment, attendance, training), project assurance (key projects meeting targets), monthly management accounts (budget/actual review and revised forecasts), Operational Plan progress and forward reviews, are reviewed and discussed with appropriate action taken forward.

For 2011/12 internal audit has concluded that based on the planned work undertaken as part of the internal audit plan, but subject to the matters outlined below, they are of the opinion that National Museums Scotland's systems provide a reasonable basis for maintaining control and that the control framework provides reasonable assurance regarding the effective and efficient achievement of strategic objectives.

The matters relate to continuing work by management to enhance the arrangements in respect of planning for maintenance of the estate, together with ongoing work in respect of certain cash withdrawals.

With regard to estate maintenance, management is preparing a more comprehensive maintenance plan to take account of additional backlog maintenance funding from the Scottish Government. In response to the preliminary findings of an internal audit review of certain cash withdrawals which came to light in July 2012, National Museums Scotland has taken initial action to address the identified control matters. The initial findings of the review indicate the sums involved are not material to the presentation of the financial statements, nor imply a fundamental weakness in the system of internal controls. However, we acknowledge that further work is required to gain assurance that the initial findings are not indicative of broader underlying control weaknesses.

DIRECTOR 

DATE 07 SEPTEMBER 2012

CHAIRMAN 

DATE 07 SEPTEMBER 2012

## **INDEPENDENT AUDITOR'S REPORT**

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

We have audited the consolidated financial statements of National Museums Scotland for the year ended 31 March 2012 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated 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 and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

#### **Respective responsibilities of Accountable Officer and auditor**

As explained more fully in the Statement of Board of Trustees' and Director's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts, disclosures, and regularity of expenditure and income in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our 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 the body's affairs as at 31 March 2012 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

#### **Opinion on regularity**

After the year-end, the Internal Auditors were engaged to review the integrity of certain cash withdrawals following discrepancies which came to light during July 2012. The initial findings of the review indicate the sums involved are not material to the presentation of the financial statements, nor imply a fundamental weakness in the system of internal controls.

However, the Board of Trustees has outlined the matter within the Governance Statement.

In our opinion and taking account of the above noted matter, in all material respects, the expenditure and income shown in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

#### **Opinion on other prescribed matters**

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers; and
- the information given in the Trustees Annual Report included in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where we are required to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with Scottish Government guidance.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP

141 Bothwell Street

Glasgow, G2 7EQ

15 September 2012

# NATIONAL MUSEUMS SCOTLAND

## Consolidated Income and Expenditure (I&E) Account for the Year Ended 31 March 2012

		Continuing Activities	
		2012 £000	2011 £000
<b>All operations are continuing</b>			
	<b>Notes</b>		
<b>Income</b>			
Income received from trading activities		2,127	1,293
Entrance charges		581	401
Miscellaneous grants		156	90
Other income	3	807	563
		<b>3,671</b>	<b>2,347</b>
<b>Expenditure</b>			
Staff costs	4	14,331	14,641
Other operating charges	5	10,210	8,605
Depreciation and permanent diminution in value	1c,6,8	5,205	5,923
		<b>29,746</b>	<b>29,169</b>
<b>Excess of expenditure over income before interest</b>		<b>(26,075)</b>	<b>(26,822)</b>
Interest receivable		5	9
<b>Excess of expenditure over income after interest</b>		<b>(26,070)</b>	<b>(26,813)</b>
Taxation	23	-	-
<b>Excess of expenditure over income for the year before reserve movements</b>		<b>(26,070)</b>	<b>(26,813)</b>
Capital Reserve release	15	2,249	2,244
Capital Donations release	15	1,928	1,400
Revaluation Reserve release	15	994	2,256
<b>Excess of expenditure over income for the year</b>		<b>(20,899)</b>	<b>(20,913)</b>
Transfer to General Fund	15	(20,960)	(20,896)
NMS Enterprises Ltd profit/(loss) net of gift aid	18	61	(17)
		<b>(20,899)</b>	<b>(20,913)</b>

The notes on Pages 30 to 47 form part of these accounts.

The result including grant income is a deficit of £210k (2010/11 deficit of £63k) as explained further in Note 2 to the accounts.

## NATIONAL MUSEUMS SCOTLAND

### Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2012

		<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>£000</b>
	<b>Notes</b>		
Excess of expenditure over income		(20,899)	(20,913)
Unrealised (fall) on revaluation of fixed assets	15	(48,184)	(9,941)
Donated asset receipts	15	4,606	11,529
<b>Total recognised gains and losses during the year</b>		<b>(64,477)</b>	<b>(19,325)</b>

The notes on Pages 30 to 47 form part of these accounts.

# NATIONAL MUSEUMS SCOTLAND

## Consolidated Balance Sheet for the Year Ended 31 March 2012

		2012 £000	2011 £000
	<i>Notes</i>		
<b>Fixed Assets</b>			
Intangible assets	8	-	-
Tangible assets	6	156,248	202,736
Heritage assets	7	5,889	5,722
Investments	9	1	1
<b>Total Fixed Assets</b>		<b>162,138</b>	<b>208,459</b>
<b>Current Assets</b>			
Stocks	10	566	382
Debtors	11	1,537	6,258
Cash at bank and in hand	12	5,353	2,855
<b>Total Current Assets</b>		<b>7,456</b>	<b>9,495</b>
<b>Current Liabilities</b>			
Creditors: amounts falling due within one year	13	(2,476)	(4,351)
<b>Net current assets</b>		<b>4,980</b>	<b>5,144</b>
<b>Total assets less current liabilities</b>		<b>167,118</b>	<b>213,603</b>
<b>Creditors: Amounts falling due after more than one year</b>	13	-	-
<b>Provision for liabilities and charges</b>	14	(1,088)	(984)
<b>Net assets</b>		<b>166,030</b>	<b>212,619</b>
Financed by:			
<b>Capital and reserves</b>			
<b>Unrestricted funds:</b>			
Capital reserve	15	78,703	79,128
General fund	15	3	274
Board reserve fund	15	3,085	3,085
NMS Enterprises Ltd	18	(216)	(277)
		<b>81,575</b>	<b>82,210</b>
<b>Restricted funds:</b>			
Collections & Donated assets reserve	15	37,650	34,805
Revaluation reserve	15	46,095	95,273
Purchase Fund	15	295	212
Other Restricted Funds	15	415	119
		<b>84,455</b>	<b>130,409</b>
<b>Total Funds</b>		<b>166,030</b>	<b>212,619</b>

The Accountable Officer authorised these financial statements for issue on September 2011

  
\_\_\_\_\_  
Director

07 SEPTEMBER 2012  
\_\_\_\_\_  
Date

The notes on Pages 30 to 47 form part of these accounts.



# NATIONAL MUSEUMS SCOTLAND

## Consolidated Cash Flow Statement for the Year Ended 31 March 2012

		<b>2012</b>	<b>2011</b>
		<b>£000</b>	<b>£000</b>
	<i>Notes</i>		
<b>Net cash inflow from operating activities</b>	16	748	180
<b>Returns on investments and servicing of finance</b>			
Interest Received		5	9
<b>Taxation:</b>			
Corporation Tax	23	-	-
<b>Capital expenditure and financial investment:</b>			
Payments from Purchase Fund	15	(167)	(890)
Payments from Designated Fund	15	(147)	(10)
Payments from NFA Fund	22	(143)	(158)
Payments to acquire tangible and intangible fixed assets		(8,654)	(17,231)
Total capital expenditure and financial investment		(9,111)	(18,289)
<b>Cash outflow before financing</b>		<b>(8,358)</b>	<b>(18,100)</b>
<b>Financing:</b>			
Government grants	2	1,520	5,170
Capital grants received	15	8,493	11,529
NFA Fund received	22	150	200
Purchase Fund	15	250	848
Designated Fund	15	443	90
		<b>10,856</b>	<b>17,837</b>
<b>Increase/(decrease) in cash in the period</b>	16	<b>2,498</b>	<b>(263)</b>

The notes on Pages 30 to 47 form part of these accounts.

# NATIONAL MUSEUMS SCOTLAND

## Consolidated Statement of Financial Activities for the Year Ended 31 March 2012

		2012 Unrestricted Funds £000	2012 Restricted Funds £000	2012 Total £000	2011 Total £000
<b>Incoming resources</b>	<b>Notes</b>				
<b>Income resources from generated funds</b>					
<b>Voluntary income</b>					
Grant-in-aid	2	22,517	250	22,767	27,648
Capital grants received		-	2,514	2,514	4,693
Donations	3 & 15	292	-	292	501
Other grants received	15	152	443	595	180
<b>Activities for generating funds and Income from Charitable Activities</b>					
Activities in the furtherance of the charity's objectives	3	967	-	967	585
Capital donations received		-	2,093	2,093	6,836
Membership income	3	129	-	129	132
Activities for generating funds	18	2,128	-	2,128	1,294
<b>Investment income</b>					
Interest income		5	-	5	9
<b>Total incoming resources</b>		<b>26,190</b>	<b>5,300</b>	<b>31,490</b>	<b>41,878</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
Development	5	516	-	516	661
NMSE Ltd – Cost of goods sold	18	860	-	860	548
NMSE Ltd – Admin costs	18	946	-	946	763
<b>Charitable expenditure</b>					
Charitable activities	5	27,181	315	27,496	27,862
<b>Governance costs</b>					
Governance activities	5	244	-	244	236
<b>Total resources expended</b>		<b>29,747</b>	<b>315</b>	<b>30,062</b>	<b>30,070</b>
<b>Net (outgoing)/Incoming resources before revaluation, collections capitalisation and reversal of notional costs</b>		<b>(3,557)</b>	<b>4,985</b>	<b>1,428</b>	<b>11,808</b>
Revaluation of fixed assets	15	-	(48,184)	(48,184)	(9,941)
Capitalisation of collections purchases	15	-	167	167	890
Release from revaluation reserve	15	994	(994)	-	-
Release from donated asset reserve	15	1,928	(1,928)	-	-
<b>Net movement in funds</b>		<b>(635)</b>	<b>(45,954)</b>	<b>(46,589)</b>	<b>2,757</b>
<b>Total funds brought forward at 1 April</b>		<b>82,210</b>	<b>130,409</b>	<b>212,619</b>	<b>209,862</b>
<b>Total funds carried forward at 31 March</b>		<b>81,575</b>	<b>84,455</b>	<b>166,030</b>	<b>212,619</b>

## NATIONAL MUSEUMS SCOTLAND

### Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2012

	2012 Unrestricted Funds £000	2012 Restricted Funds £000	2012 Total £000	2011 Total £000
<b>Total fund balances comprise:</b>				
Fixed assets	78,393	83,745	162,138	208,459
Net current assets	4,270	710	4,980	5,144
Provisions for liabilities and charges	(1,088)	-	(1,088)	(984)
	<b>81,575</b>	<b>84,455</b>	<b>166,030</b>	<b>212,619</b>

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.

All activities included in the above statement are continuing, and all recognised gains and losses have been included.

There is no material difference between the excess of expenditure over income after interest and the excess of expenditure over income for the year stated above and their historical costs equivalents.

The notes on Pages 30 to 47 form part of these accounts.

# NATIONAL MUSEUMS SCOTLAND

## Income and Expenditure (I&E) Account for the Year Ended 31 March 2012

		Continuing Activities	
		2012	2011
		£000	£000
<b>All operations are continuing</b>			
	<i>Notes</i>		
<b>Income</b>			
Entrance charges		581	401
Gift aid from subsidiary		261	-
Miscellaneous grants		156	90
Other income	3	807	563
		<b>1,805</b>	<b>1,054</b>
<b>Expenditure</b>			
Staff costs	4	13,598	14,095
Other operating charges	5	9,172	7,864
Depreciation and permanent diminution in value	1c,6,8	5,171	5,900
		<b>27,941</b>	<b>27,859</b>
<b>Excess of expenditure over income before interest</b>		<b>(26,136)</b>	<b>(26,805)</b>
Interest receivable		5	9
<b>Excess of expenditure over income after interest</b>		<b>(26,131)</b>	<b>(26,796)</b>
Taxation	23	-	-
<b>Excess of expenditure over income after taxation before reserve movements</b>		<b>(26,131)</b>	<b>(26,796)</b>
Board Reserve release	15	-	-
Capital Reserve release	15	2,249	2,244
Capital Donations release	15	1,928	1,400
Revaluation Reserve release	15	994	2,256
<b>Excess of expenditure over income for the year transferred to General Fund</b>	15	<b>(20,960)</b>	<b>(20,896)</b>

The notes on Pages 30 to 47 form part of these accounts.

The result including grant income is a deficit of £271k (2010/11 deficit of £46k) as explained further in Note 2 to the accounts.

# NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2012

		2012 £000	2011 £000
	<b>Notes</b>		
<b>Fixed Assets</b>			
Tangible Assets	6	156,144	202,636
Heritage Assets	7	5,889	5,722
Intangible Assets	8	-	-
Investment in Subsidiary	9	500	500
<b>Total Fixed Assets</b>		<b>162,533</b>	<b>208,858</b>
<b>Current Assets</b>			
Debtors receivable within 12 months	11	1,961	6,501
Cash at Bank and in Hand	12	5,127	2,712
<b>Total Current Assets</b>		<b>7,088</b>	<b>9,213</b>
<b>Current Liabilities</b>			
Creditors: Amounts falling due within one year	13	(2,287)	(4,191)
<b>Net current assets</b>		<b>4,801</b>	<b>5,022</b>
<b>Total assets less current liabilities</b>		<b>167,334</b>	<b>213,880</b>
<b>Creditors: Amounts falling due after more than one year</b>	13	-	-
<b>Provision for liabilities and charges</b>	14	(1,088)	(984)
<b>Total net assets</b>		<b>166,246</b>	<b>212,896</b>
Financed by:			
<b>Capital and Reserves</b>			
<b>Unrestricted funds:</b>			
Capital Reserve	15	78,703	79,128
General Fund	15	3	274
Board Reserve Fund	15	3,085	3,085
		<b>81,791</b>	<b>82,487</b>
<b>Restricted Funds:</b>			
Collections & Donated Assets Reserve	15	37,650	34,805
Revaluation Reserve	15	46,095	95,273
Purchase Fund	15	295	212
Other Restricted Funds	15	415	119
		<b>84,455</b>	<b>130,409</b>
<b>Total Funds</b>		<b>166,246</b>	<b>212,896</b>

  
Director

07 SEPTEMBER 2012  
Date

The notes on Pages 30 to 47 form part of these accounts.

# NATIONAL MUSEUMS SCOTLAND

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

### 1. Accounting Policies

#### a) *Basis of Accounting*

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

Without limiting the information given, the accounts meet the requirements of the Companies Act 2006, the Charities Accounts (Scotland) Regulations 2006, the Charities and Trustee Investment (Scotland) Act 2005 and accounting standards issued or adopted by the Accounting Standards Board so far as they are appropriate. They also comply with SORP 2008, the Statement of Recommended Practice on the preparation of accounts of charitable organisations, and with the accounting principles and disclosure requirements of the government Financial Reporting Manual (FRM).

#### b) *Basis of Consolidation*

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

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

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

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

<b>Land &amp; Buildings</b>	<b>up to 50 years</b>
<b>Permanent Galleries</b>	<b>15 years</b>
<b>Leasehold improvements</b>	<b>5 years to 15 years</b>
<b>Plant &amp; Equipment</b>	<b>3 years to 7 years</b>

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 revalued annually using appropriate indices less amortisation. Amortisation is calculated to write off the assets in equal annual instalments over their useful economic lives.

<b>Intangible Assets</b>	<b>3 to 7 years</b>
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# NATIONAL MUSEUMS SCOTLAND

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

### 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 realisable value, based on the first-in-first-out (FIFO) method of valuation, after making due allowance for obsolete or slow moving stock.

### 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) **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. These funds are shown in the Designated Funds reserve.

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

### j) **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 2012**

**k) Investments**

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

**l) 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.

**m) 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.

**n) 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.

**o) Heritage Assets**

A Heritage Asset is defined as a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

Artefacts forming part of the National Museums Scotland collections as at 1 April 2001 or objects gifted are not included in the balance sheet due to data not being available to cover that period. Objects purchased since 1 April 2001 are included in the balance sheet at cost. Depreciation is not charged and the objects are not revalued.

The Trustees believe that the collection of National Museums Scotland is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. It is truly "priceless" in that it cannot be valued meaningfully. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection, so that reliable cost or valuation information cannot be obtained.

Our policies for the acquisition, preservation, management and disposal of heritage assets are available on our website [www.nms.ac.uk](http://www.nms.ac.uk). Our collections are on display in public museums, or can be accessed in store by request. Access to the stores is facilitated by the relevant member of staff, so that visitors are accompanied, to maintain security, ensure health and safety rules are met, and to provide wider context and knowledge about the collections.

**p) 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.

**q) 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. These are recognised on payment.



# NATIONAL MUSEUMS SCOTLAND

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

### **r) 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.

### **s) Liabilities and Provisions**

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

### **t) Government Funding**

Government funding is accounted for in accordance with guidance contained in the Financial Reporting Manual (FRM). 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.

### **u) Financial Instruments**

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

### **v) Designated Funds**

Where funding for specific stated purposes is received and remains unspent at the year end, this is disclosed as designated funds.

### **w) Third Party Assets**

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, but have no impact on the other financial statements.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

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

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.

<b>GROUP AND NMS</b>		
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
<b>Grant-in-aid received:</b>		
Running Costs	20,997	21,884
Major Capital	1,520	5,170
	<b>22,517</b>	<b>27,054</b>
Purchase Grant	250	594
<b>Total received during year</b>	<b>22,767</b>	<b>27,648</b>

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 outturn for the year against our grant-in-aid offer letter. The outturn lower than the offer letter arose on non cash (notional) items mainly as a result of adjustments arising from the revaluation of National Museums Scotland properties during the year. Non-cash Items are not paid out by the Scottish Government but we are expected to have resource budget cover for these items. This has been funded within the Culture resource budget by the Scottish Government and no grant-in-aid for will be clawed back in respect of this.

<b>2012</b>		
	<b>Outturn</b>	<b>Offer Letter</b>
	<b>£000</b>	<b>£000</b>
<b>Cash Items</b>		
Running Costs	20,997	20,957
Purchase Grant (Note 15)	250	250
Capital for Port Edgar/NMCC	1,220	1,220
Capital for minor projects	300	300
	<b>22,767</b>	<b>22,727</b>
National Fund for Acquisitions (Note 22)	150	150
	<b>22,917</b>	<b>22,877</b>
<b>Non Cash Items (Notional)</b>		
Depreciation incl. permanent diminution in value	3,068	3,192
	<b>25,985</b>	<b>26,069</b>

For the purposes of the above comparison to the Grant in Aid Offer letter the Depreciation figure is shown adjusted for those assets not funded by the Scottish Government (e.g. Donated Assets).

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

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

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Reported Deficit	(20,899)	(20,913)	(20,960)	(20,896)
Add: Grant-in-aid received	20,997	21,884	20,997	21,884
Less: Transferred to capital reserve	(308)	(1,034)	(308)	(1,034)
<b>Result including grant income</b>	<b>(210)</b>	<b>(63)</b>	<b>(271)</b>	<b>(46)</b>

**3. Income**

Income & Expenditure Account Other Income	<b>GROUP AND NMS</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Gift Aid from Membership	82	64
NMS Charitable Trust donations	111	111
Other donations	99	72
<b>Donations</b>	<b>292</b>	<b>247</b>
Provision of Services	107	50
Misc Sponsorship	178	17
Revenue Earning Activities	2	14
Grant Aided Activities	2	8
Other	97	95
<b>Charitable activities</b>	<b>386</b>	<b>184</b>
Membership Scheme	129	132
	<b>807</b>	<b>563</b>

Statement of Financial Activities Activities for Generating Funds	<b>GROUP AND NMS</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Charitable activities	386	184
Entrance charges	581	401
<b>Activities in furtherance of charity's objectives</b>	<b>967</b>	<b>585</b>

Entry to the National Museum of Scotland 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.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**4. Employees**

No remuneration was paid to members of the Board of Trustees during 2011/12 (2010/11 - nil). During 2011/12 National Museums Scotland paid a total of £1,664 in reimbursement of travel expenses to 5 Trustees for attending meetings at National Museums Scotland, while in 2010/11, a total of £2,826 was reimbursed to 6 Trustees. No benefit in kind accrued to Trustees during the year.

**Staff Costs during the Year:**

	GROUP		NMS	
	2012	2011	2012	2011
	£000	£000	£000	£000
Salaries	11,169	11,240	10,525	10,764
Social Security Costs	784	804	734	766
Pension Costs	1,851	1,913	1,812	1,881
Early Retirement	527	684	527	684
<b>Total</b>	<b>14,331</b>	<b>14,641</b>	<b>13,598</b>	<b>14,095</b>

Staff numbers are disclosed as the average FTE number of staff employed at the start and end of the reported year. Vacant posts are not included, so any fall in vacancy levels, and in particular the filling of previously vacant posts in the run up to the reopening of the refurbished National Museum of Scotland, has a significant effect on staff numbers reported.

**Average full-time equivalent number of employees by Directorate:**

	GROUP		NMS	
	2012	2011	2012	2011
Directorate	12	13	12	13
Finance and Resources	25	25	25	25
Estates and Facilities Management	92	88	92	88
Collections	113	121	113	121
Public Programmes (including Visitor Services)	133	128	133	128
Marketing and Development	13	14	13	14
NMS Enterprises Ltd	16	17	-	-
<b>Total</b>	<b>404</b>	<b>406</b>	<b>388</b>	<b>389</b>

**Average full-time equivalent number of employees by contract type:**

	GROUP		NMS	
	2012	2011	2012	2011
Permanent Contract	369	369	355	360
Temporary Contract	35	37	33	29
<b>Total</b>	<b>404</b>	<b>406</b>	<b>388</b>	<b>389</b>

**Pension Costs**

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. Contributions are charged to the income and expenditure account in the year to which they relate. National Museums Scotland is unable to identify its share of the underlying assets and liabilities. The FRoM requires formal valuations every four years, but the Scheme Actuary (Hewitt Associates Limited) last valued the scheme as at 31 March 2007. This is because formal actuarial valuations have been suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public services pensions and while future scheme terms are developed as part of the reforms to public service pension provision. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

For 2011-12, employers' contributions of £1,812k were payable to the PCSPS (2010-11 £1,881k) at one of four rates in the range of 16.7% to 24.3% per cent of pensionable pay, based on salary bands (the rates in 2010-11 were between 16.7% and 24.3%). 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 2011-12 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 £21k (2010-11 £27k) 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 406 staff during 2011/12 (2010/11 = 441 staff), while benefits accrued under defined contribution schemes to 13 staff during 2011/12 (2010/11 = 13 staff).

Staff of NMS Enterprises Ltd are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan. 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 2011-12, employers' contributions of £39k were payable (2010-11 £32k).

***Civil Service and other compensation schemes – exit packages***

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirement, the additional costs are met by the National Museums Scotland and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. Voluntary exit schemes run in 2011/12 have been funded mainly by an additional grant in aid of £350k from the Scottish Government.

NMS Exit package cost band	No of Voluntary Redundancies under CSCS Scheme to December 2010		No of Voluntary Redundancies under CSCS Scheme from January 2011		Total number of exit packages by cost band	
	2012	2011	2012	2011	2012	2011
< £10,000	-	1	1	-	1	1
£10,000 - £25,000	-	2	1	4	1	6
£25,000 - £50,000	-	1	5	6	5	7
£50,000 - £100,000	-	2	4	-	4	2
£100,000 - £150,000	-	-	1	-	1	-
<b>Total number of exit packages</b>	-	6	12	10	12	16
<b>Total resource cost (£000)</b>	-	225	572	297	572	522

The terms for the Principal Civil Service Compensation Scheme for compulsory and voluntary retirement and severance were changed in December 2010. For departures on terms prior to that date National Museums Scotland is obliged to pay the costs of the enhanced early leaving benefits. These include capitalised payment for early payment of pensions and accrual for pension contributions up to and beyond pension age. The cost of these schemes is included in the table

**NATIONAL MUSEUMS SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

above marked – Number of Voluntary Redundancies under CSCS Scheme to December 2010. From January 2011 the terms were changed so that all voluntary exits would be made by compensation payments only as there would be no pension enhancement. The cost of these schemes is included in the table above marked – Number of Voluntary Exits under CSCS Scheme from January 2011.

There were no compulsory redundancies in 2011/12 (2010/11 Nil)

**5. Expenditure**

Income & Expenditure Account Other Operating Charges	GROUP		NMS	
	2012 £000	2011 £000	2012 £000	2011 £000
Board Expenses	2	2	2	2
Expenses - Staff	189	209	181	203
Administration Expenses	1,879	1,260	1,814	1,203
Internal Audit	20	11	20	11
Other External Charges	1,750	1,487	835	873
Professional Services:				
– Directorate & Resources	60	73	34	40
– Estates	2	2	2	2
– Collections	4	-	4	-
– Public Programmes	-	81	-	81
- Marketing & Development	3	119	3	119
Advertising	272	134	272	134
Fuel and Utilities	1,161	967	1,161	967
Rents and Rates	395	198	393	196
Furniture and Furnishings	182	116	169	96
Repairs and Renewals	4,261	3,915	4,261	3,915
External audit	30	31	21	22
<b>Total</b>	<b>10,210</b>	<b>8,605</b>	<b>9,172</b>	<b>7,864</b>

Statement of Financial Activities Resources Expended (NMS)	2012 £000	2012 Operating £000	2012 Depreciation £000	2012 Total £000	2011 Total £000
Development	287	163	66	516	661
<b>Cost of generating funds</b>	<b>287</b>	<b>163</b>	<b>66</b>	<b>516</b>	<b>661</b>
Curatorial	3,640	736	1,127	5,503	6,099
Conservation & Collections	1,679	504	542	2,725	3,472
Exhibitions	3,873	1,580	1,718	7,171	6,773
Security and Support Services	2,065	697	1,056	3,818	3,485
Marketing	476	1,040	149	1,665	1,190
Estates and Buildings	1,383	4,403	513	6,299	5,943
<b>Charitable Activities</b>	<b>13,116</b>	<b>8,960</b>	<b>5,105</b>	<b>27,181</b>	<b>26,962</b>
Trustee Expenditure	-	8	-	8	9
Staff costs	195	-	-	195	194
Internal audit	-	20	-	20	11
External audit	-	21	-	21	22
<b>Governance activities</b>	<b>195</b>	<b>49</b>	<b>-</b>	<b>244</b>	<b>236</b>
<b>Total</b>	<b>13,598</b>	<b>9,172</b>	<b>5,171</b>	<b>27,941</b>	<b>27,859</b>

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

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

**GROUP**

<b>Cost or valuation (£000)</b>	<b>Land &amp; Buildings</b>	<b>Under Construction</b>	<b>Leasehold Improvements</b>	<b>Permanent Galleries</b>	<b>Plant &amp; Equipment</b>	<b>Totals</b>
1 April 2011	185,930	44,382	2,435	27,019	3,064	262,830
Additions	65	5,502	-	476	863	6,906
Transfers	40,515	(49,282)	-	8,525	242	-
Disposals	-	-	-	-	(131)	(131)
Revaluations	(63,577)	-	87	634	-	(62,856)
31 March 2012	162,933	602	2,522	36,654	4,038	206,749
<b>Accumulated Depreciation</b>						
1 April 2011	37,804	-	519	20,211	1,560	60,094
Charge for year	2,087	-	51	2,605	495	5,238
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(125)	(125)
Impairments	-	-	-	-	-	-
Revaluations	(15,164)	-	17	474	(33)	(14,706)
31 March 2012	24,727	-	587	23,290	1,897	50,501
<b>Net Book Value</b>						
<b>31 March 2012</b>	<b>138,206</b>	<b>602</b>	<b>1,935</b>	<b>13,364</b>	<b>2,141</b>	<b>156,248</b>
1 April 2011	148,126	44,382	1,916	6,808	1,504	202,736

**NATIONAL MUSEUMS SCOTLAND**

<b>Cost or valuation (£000)</b>	<b>Land &amp; Buildings</b>	<b>Under Construction</b>	<b>Leasehold Improvements</b>	<b>Permanent Galleries</b>	<b>Plant &amp; Equipment</b>	<b>Totals</b>
1 April 2011	185,930	44,382	2,435	27,019	2,801	262,567
Additions	65	5,502	-	476	824	6,867
Transfers	40,515	(49,282)	-	8,525	242	-
Disposals	-	-	-	-	(74)	(74)
Revaluations	(63,577)	-	87	634	-	(62,856)
31 March 2012	162,933	602	2,522	36,654	3,793	206,504
<b>Accumulated Depreciation</b>						
1 April 2011	37,804	-	519	20,211	1,397	59,931
Charge for year	2,087	-	51	2,605	461	5,204
Transfers	-	-	-	-	-	-
Disposals	-	-	-	-	(69)	(69)
Impairments	-	-	-	-	-	-
Revaluations	(15,164)	-	17	474	(33)	(14,706)
31 March 2012	24,727	-	587	23,290	1,756	50,360
<b>Net Book Value</b>						
<b>31 March 2012</b>	<b>138,206</b>	<b>602</b>	<b>1,935</b>	<b>13,364</b>	<b>2,037</b>	<b>156,144</b>
1 April 2011	148,126	44,382	1,916	6,808	1,404	202,636

## NATIONAL MUSEUMS SCOTLAND NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

To comply with the requirements of the Government FREM National Museums Scotland includes its fixed assets at their value to the business by reference to current costs as at 31 March 2012. All the properties, with the exception of the Royal Museum Building and our recently completed extension to a storage facility at the National Museums Collections Centre, have been valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2009. The Royal Museum Building was valued at 30 September 2011. The storage facility was valued at 31 March 2011, and revalued at 31 March 2012 using appropriate indices. The valuations have been undertaken on the undernoted bases in accordance with the Royal Institution of Chartered Surveyors (RICS) Valuation Standards 7<sup>th</sup> Edition. Properties regarded by National Museums Scotland as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost (DRC) subject to the prospect and viability of the occupation and use. The Valuation Report also includes a statement confirming that an open market valuation (allowing for alternative uses) for those properties valued on a DRC basis will produce amounts significantly lower than the DRC figures. The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the financial statements. The valuation figures in the financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

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.

Donated Assets are amortised in line with Fixed Assets above. At 31 March 2012 the amortised historic value of Fixed Assets was £111,199m, which included donated assets of £31,761k made up by:

National Museums Scotland	2012 £000	2011 £000
Land and Buildings	23,712	26,019
Leasehold Improvement	1,136	1,191
Permanent Galleries	6,914	1,874
	<b>31,762</b>	<b>29,084</b>

The charge for depreciation and diminution in value comprises:

National Museums Scotland except as stated	2012 £000	2011 £000
Tangible assets depreciation	5,204	5,270
Intangible assets amortisation (Note 8)	-	-
Permanent diminution in value – tangible assets	(33)	630
NMS Enterprises tangible assets depreciation	34	23
	<b>5,205</b>	<b>5,923</b>

### 7. Heritage Assets (See Note 1[o])

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 4 million objects in the collections would be impracticable.



**NATIONAL MUSEUMS SCOTLAND**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

	<b>GROUP AND NMS</b>				
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
1 April	5,722	4,832	4,215	3,442	2,990
Purchase Fund Utilised in Year	167	636	576	536	452
NMS Charitable Trust	-	-	41	150	-
Art Fund	-	100	-	85	-
National Heritage Memorial Fund	-	154	-	-	-
Others	-	-	-	2	-
<b>31 March</b>	<b>5,889</b>	<b>5,722</b>	<b>4,832</b>	<b>4,215</b>	<b>3,442</b>

**8. Intangible Assets**

	<b>GROUP AND NMS</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
1 April	306	306
Revaluation	-	-
<b>31 March</b>	<b>306</b>	<b>306</b>
Accumulated Amortisation:		
1 April	306	306
Charge for the Year	-	-
Revaluation	-	-
<b>31 March</b>	<b>306</b>	<b>306</b>
Net Book Value:		
<b>31 March</b>	<b>-</b>	<b>-</b>

Intangible assets held by National Museums Scotland consist solely of software licences. No licenses/trademarks, patents or goodwill are held.

**9. Investments**

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Opening &amp; Closing Balance</b>	<b>1</b>	<b>1</b>	<b>500</b>	<b>500</b>

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

**10. Stocks**  
(See Note 1[f])

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Stocks Held for Resale	566	382	-	-

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

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**11. Debtors**

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Receivable Within 1Year:				
Trade Debtors	278	304	140	129
Less:				
Provision for Amounts not recoverable	(3)	(16)	-	(13)
Sundry Debtors	547	4,427	547	4,427
Subsidiary Company	-	-	598	497
VAT Recoverable	342	1,111	342	1,112
Prepayments	373	432	334	349
	<b>1,537</b>	<b>6,258</b>	<b>1,961</b>	<b>6,501</b>

Intra Governmental Balances	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central Government	755	2,367	755	2,356
Local Government	2	3	1	3
NHS Trusts	-	-	-	-
Public Corporations	-	1	-	-
Bodies External to Government	780	3,887	1,205	4,142
	<b>1,537</b>	<b>6,258</b>	<b>1,961</b>	<b>6,501</b>

**12. Cash at Bank and in Hand**

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Cash and commercial accounts	5,267	2,776	5,041	2,633
Funds held for third parties	86	79	86	79
	<b>5,353</b>	<b>2,855</b>	<b>5,127</b>	<b>2,712</b>

**13. Creditors**

	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:				
Trade Creditors	120	177	-	77
Other Creditors	1,114	1,207	1,069	1,207
Accruals	1,187	2,930	1,163	2,870
Deferred Income	55	37	55	37
	<b>2,476</b>	<b>4,351</b>	<b>2,287</b>	<b>4,191</b>

Intra Governmental Balances	<b>GROUP</b>		<b>NMS</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Central Government	-	-	-	-
Local Government	-	1	-	1
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	2,476	4,350	2,287	4,190
	<b>2,476</b>	<b>4,351</b>	<b>2,287</b>	<b>4,191</b>

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**14. Provision for liabilities and charges**

	GROUP AND NMS				2012	2011
	£000	£000	£000	£000	£000	£000
	Early Retirement	Injury Benefit	Voluntary Exit Scheme	Other Provisions	Total	
Opening Balance 1 April	237	174	513	60	984	447
Add: Provisions During Year	(1)	5	545	(22)	527	684
Less: Paid During Year	(41)	(16)	(366)	-	(423)	(147)
<b>Closing Balance 31 March</b>	<b>195</b>	<b>163</b>	<b>692</b>	<b>38</b>	<b>1,088</b>	<b>984</b>

Early retirement costs are due and paid monthly under the Civil Service Classic pension scheme until the relevant members reach retirement age. Injury benefit costs are due to one individual for life. Provisions have been made based on the current rates payable.

Voluntary exit schemes were run in 2010/11 and 2011/12. Costs associated with voluntary exits confirmed at 31 March have been provided based on the estimated actual cost of exit, which will be payable within twelve months of the year end.

Provisions of £651k (2010/11 £585k) are payable within 12 months of the year end.

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**15. Reserves – Restricted and Unrestricted**

<b>NMS</b>				<i>Restricted</i>	<i>Restricted</i>	<i>Restricted</i>	<i>Restricted</i>	
<b>£000</b>	General Fund	Board Reserve Fund See Note 1[g]	Capital Reserve See Note 1[e]	Restricted Collections & Donated Assets Reserve See Note 1[i]	Revaluation Reserve See Note 1[h]	Purchase Fund See Note 1[o]	Other Restricted Funds See Note 1[j]	<b>Total</b>
Opening Balance 1 April 2011	274	3,085	79,128	34,805	95,273	212	119	212,896
Revaluation movement	-	-	-	-	(48,184)	-	-	(48,184)
Release (to) I&E Utilised in year	-	-	(2,249)	(1,928)	(994)	-	-	(5,171)
Utilised Board Reserve	-	-	(4)	-	-	(167)	(147)	(318)
Government funding & donation (note 2)	20,997	-	1,520	-	-	250	-	22,767
Capitalisation of Collection Purchases	-	-	-	167	-	-	-	167
Other donations	-	-	-	4,606	-	-	443	5,049
GIA to Capital	(308)	-	308	-	-	-	-	-
Deficit for year	(20,960)	-	-	-	-	-	-	(20,960)
<b>Closing Balance 31 March 2012</b>	<b>3</b>	<b>3,085</b>	<b>78,703</b>	<b>37,650</b>	<b>46,095</b>	<b>295</b>	<b>415</b>	<b>166,246</b>

**of which:**

Capital Reserve

Utilised	78,273
Unutilised	430
	<u><b>78,703</b></u>

Collection & Donated Assets Reserve

Collection Assets	5,889
Donated Assets	31,761
	<u><b>37,650</b></u>

Revaluation Reserve

All Assets (excl Donated Assets)	33,986
Donated Assets	12,109
	<u><b>46,095</b></u>

National Museums Scotland is permitted to credit to the Board Reserve Fund sums earned through its own revenue raising activities. The unutilised Capital Reserve is designated to be spent on the Royal Museum refurbishment project

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**16. Reconciliation of Net Incoming Resources before Revaluation, Collections Capitalisation and Reversal of Notional Costs to Net Cash Inflow from Operating Activities**

	GROUP	
	2012	2011
	£000	£000
Net incoming resources before revaluation, collections capitalisation and reversal of notional costs	1,428	11,808
Grant-in-Aid – Major Capital	(1,520)	(5,170)
Other Capital Grants	(4,606)	(11,529)
Interest Received	(5)	(9)
Depreciation, permanent diminution in value and loss on disposal	5,205	5,923
Transfer to capital	(308)	(1,034)
Movement in restricted funds	(379)	(38)
Movement in unrestricted funds	9	315
(Increase)/decrease in stocks	(184)	14
Decrease/(increase) in Debtors	1,130	(1,416)
(Decrease)/increase in Creditors	(126)	779
Increase in Provisions for Liabilities and Charges	104	537
<b>Net Cash Inflow/(outflow) from Operating Activities</b>	<b>748</b>	<b>180</b>

**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	
	2012	2011
	£000	£000
Opening Cash Balance	2,855	3,118
Change in Year	2,498	(263)
<b>Closing Cash Balance</b>	<b>5,353</b>	<b>2,855</b>

**17. Commitments**

	GROUP	
	2012	2011
	£000	£000
Committed but not provided for in the Accounts		
Tangible Capital Commitments:		
Royal Museum Project – Main Works	-	1,200
Royal Museum Project – Gallery Fit Out	-	2,200
Royal Museum Project – Consultants	-	1,100
Port Edgar Storage Relocation Project	1,200	-
Other capital projects	13	651
	1,213	5,151
Operating Commitments in the normal course of business	440	690
<b>Total Commitments</b>	<b>1,653</b>	<b>5,841</b>

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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:

	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Turnover	2,127	1,294
Cost of goods sold	(860)	(548)
Administrative costs	(945)	(763)
Trading profits from continuing operations	322	(17)
Gift aid to National Museums Scotland	(261)	-
Profit/(loss) after gift aid	61	(17)
Interest Income	-	-
Profit/(Loss) reported in Consolidated I&E Account	<b>61</b>	<b>(17)</b>
Reserves at 1 April	(277)	(260)
Transferred from Income and Expenditure Account	61	(17)
<b>Reserves at 31 March</b>	<b>(216)</b>	<b>(277)</b>

**19. Related Party Transactions**

National Museums 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. National Museums Scotland has taken the exemption per the FReM to not disclose detail of related party transactions with other public sector bodies. 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. In addition, National Museums Scotland has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

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 Bruce Minto and Iain Watt, Trustees of National Museums Scotland, were also Trustees of NMSCT. National Museums Scotland received £2.1m in grants and donations from NMSCT during the year (2010/11 £6.8m).

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

**20. Leases**

National Museums Scotland has no finance leases. We lease the farm buildings and land at the National Museum of Rural Life under an operating lease. Payments under this are shown as rent of £23k in the accounts (£23k 2010/11). Future rental commitments at 31 March were as follows:

<b>Land &amp; Buildings</b>	<b>GROUP AND NMS</b>	
	<b>2012</b>	<b>2011</b>
	<b>£000</b>	<b>£000</b>
Lease expiring after more than 5 years	23	23

**NATIONAL MUSEUMS SCOTLAND  
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**21. Contingent Liabilities**

There are no contingent liabilities as at the 31 March 2012.

**22. National Fund for Acquisitions  
(See Notes 1(w))**

National Museums Scotland	<b>2012 £000</b>	<b>2011 £000</b>
Balance at 1 April	79	37
Grant Received	150	200
Disbursements	(143)	(158)
<b>Balance at 31 March</b>	<b>86</b>	<b>79</b>

**23. Taxation**

National Museums Scotland has been granted charitable status by the Inland Revenue, and is entitled to tax exemptions on income and profits from investments and surpluses on any trading activities carried out in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes.

In respect of 2011/12 NMS Enterprises Ltd will pay £261k (2010/11 £Nil) by Gift Aid to National Museums Scotland. Payment of gift aid eliminates any liability of the subsidiary to Corporation Tax in that year.

**24. 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.

**25. Post Balance Sheet Events**

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

**26. Financial Instruments**

As the cash requirements of National Museums Scotland are met through grant in aid, provided by Scottish Government, financial instruments play a limited role in creating and managing risk than would apply to a non public sector body. The majority of financial instruments relate to contract to buy non financial items in line with National Museums Scotland's expected purchase and usage requirements and the National Museums Scotland is therefore exposed to little credit, liquidity or market risk. As National Museums Scotland does not face significant medium to long-term financial risks further disclosure is deemed unnecessary.

**NATIONAL MUSEUMS SCOTLAND  
APPENDIX TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012**

**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.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006