

NATIONAL MUSEUMS SCOTLAND
ANNUAL REPORT AND ACCOUNTS
CHARITY NUMBER: SC011130

FOR THE YEAR ENDED 31 MARCH 2013

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TRUSTEES' ANNUAL REPORT

TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 MARCH 2013

1. The Principal Functions of National Museums Scotland

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*'.

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.

We achieve our goals through a structured system of planning and performance management. This is based on the identification of 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 is available 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.

2. The Organisation

National Museums Scotland operated five museums during 2012/13: 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.

On 4 February 2013, the closure of the National Museum of Costume was announced. The museum had operated seasonally, with a closure during the winter, and was no longer sustainable under current funding and market conditions. The announcement confirmed that the museum would not re-open in spring 2013. Title to the land and buildings is held by Scottish Ministers and the future use of the museum site is currently under review by the Scottish Government. The site remains under our management until 30 September 2013.

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

National Museums Scotland has been granted charitable status: the charity number is SC011130.

The organisation 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.

Our commercial interests are promoted by NMS Enterprises Limited, 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 Limited.

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.

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 donated to National Museums Scotland as 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 National Museums Scotland Charitable 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. We work with the National Trust for Scotland for the operation of the National Museum of Rural Life, Historic Scotland for the operation of the National War Museum 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, East Ayrshire Museums & Arts, McLean Museum and the McManus Galleries. These partnerships primarily focus on sharing knowledge, skills development and widening access to 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.

4. 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 Chairman 1 August 2012
- Professor Christopher Breward D.Phil, FRSA, FRCA – appointed 1 April 2013
- Dr Isabel Bruce OBE, PhD, BA, MRTPI, MCIPS, FRSSA – reappointed 1 April 2013
- Gordon Drummond – appointed 1 April 2013
- Chris Fletcher BA, CA – appointed 1 April 2013

- Dr Anna Gregor CBE, FRCR, FRCP – reappointed 1 April 2013
- Andrew Holmes MSc, MICE – reappointed 1 April 2013
- Michael Kirwan FCA – term completed 31 December 2012
- Miller McLean, FCIBS, FIB – appointed 1 October 2010
- Professor Malcolm McLeod CBE, MA, BLitt(Oxon), FRSE, FSA Scotland – term completed 31 March 2013
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA, FRSE, FSA Scotland – term completed 31 March 2013
- Professor Walter Nimmo BSc, MD, FRCP, FRSCed, FRSA, FANZA, FRSE – appointed 1 April 2013
- James Troughton DipArch, MA Cantab, RIBA – appointed 1 October 2010
- Sir John Ward CBE, CA, FRSE, FRSA, FIET – term completed 31 December 2012
- Iain Watt BSc, FCIBS – reappointed 1 February 2011

The following served as members of the Audit & Risk Committee during the year: Miller McLean (Chairman), Michael Kirwan, Sir John Ward, Iain Watt, Sir Angus Grossart (ex officio) and Bruce Minto (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) 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 Executive Team is responsible for advising on the development of strategy and its implementation through operational management.

5. Key Achievements in 2012/13

We have made progress towards all of our four-year strategic priorities in 2012/13, with the main developments and achievements being noted below. Further details are provided in our Annual Reviews and our Strategic Plan 2011-2015, which are available on our website.

Our key achievements in 2012/13 were:

- Total visitors to National Museums Scotland leapt to 2.5m in 2011/12, up 91% on the previous year, mainly due to the reopening of the redeveloped National Museum of Scotland in July 2011. In 2012/13, we managed to sustain these high visitor numbers at 2.47 million.
- The National Museum of Scotland is now one of the top 10 most popular UK visitor attractions and the most visited attraction outside London. It is also in the top 20 most popular museums globally.
- The continued success of our new special exhibitions programme, with *Catherine the Great* and *Vikings!*
- Over 2,500 loans to 100 locations in Scotland.
- Stage 1 HLF approval to proceed with phase 3 of our NMoS Masterplan.

We have far exceeded expectations of visitor numbers since the reopening of the National Museum of Scotland. In addition to the quality of the redevelopment itself, this is the result of our investment in exhibitions, events and active marketing communications.

During the year ended 31 March 2013, 131 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures, exhibitions and public events. 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.

National Museums Scotland administers, on behalf of Scottish Ministers, the National Fund for Acquisitions (NFA). The allocation for financial year 2012/13 was £150k. During the year 81 payments totalling £204k were made to 33 organisations, to obtain objects with a purchase value of £479k.

Our key performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis. We achieved or exceeded most of our targets for 2012/13.

	2011/12 Results	2012/13 Target	2012/13 Results	2013/14 Target
Key Performance Indicators				
Total museum visit numbers	2.5m	2.5m	2.5m	2.3m
Total website visit numbers	1.3m	1.36m	1.45m	1.43m
Total learning participation	187k	200k	217k	185k
Visitor satisfaction (scored out of 10)	8.9	8.85	8.8	8.8
% Collections storage meeting appropriate standards	65%	65%	65%	65%
Total number of loans	2,438	2,000	2,555	2,000
Total number of academic publications	120	110	131	115
Total number of object records online	10,169	10,000	11,449	10,000
Record input equivalent to % of collections database	23%	10%	19%	10%
External participation in our annual programme of support for the Scottish museum sector	152	170	162	190
New engagement with our collections and expertise across the world	7	9	9	9
Reach of media coverage (Opportunities To See/hear)	867m	450m	703m	460m
Value of media coverage (Advertising Value Equivalent)	£7.4m	£4.5m	£5.6m	£4.6m
Absence levels – working days lost per employee	6.3	7.5	8.1	7.5
Permanent salary costs as % of total costs	59%	60%	56%	60%
Non-government income as % of total income	6.5%	11.5%	12.0%	11.5%
CO2 emissions (tonnes)-% improvement from baseline	NA	5%	NA	5%
% of estate in condition category B or better	63%	63%	63%	63%

6. Financial Review

We recorded an operational surplus of £0.5m for the year, mainly due to a delay in completing some estates works. Outside normal operations we made donations to NMS Charitable Trust of £2.0m, resulting in an overall £1.5m deficit for 2012/13, which has been financed by the Board Reserve. This reduces from £3.1m at the beginning of the year to £1.6m at the close. These donations are part of a multi-year financial strategy to support both our on-going operations and delivery of our major projects.

The summary operational results for National Museums Scotland and NMSE combined were as follows:

	2013 £m	2012 £m
Income		
Grant in aid (GIA) received	20.6	20.9
Other income	4.8	3.7
Contribution to finance capital expenditure	(0.5)	(0.3)
Contribution from capital financing reserves	5.7	5.2
	30.6	29.5
Expenditure		
Staff Costs	13.9	14.3
Other Operating Charges	10.5	10.2
Depreciation (including impairments)	5.7	5.2
	30.1	29.7
Operational Surplus/(Deficit) for the year	0.5	(0.2)
Donations to NMS Charitable Trust	(2.0)	-
Use of reserves	(1.5)	(0.2)

Notes

- 1) 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. We are generally not permitted to borrow funds, and our powers to invest are circumscribed. Our principal funding is Grant-in-Aid from the Scottish Government. The release from capital, donated assets and revaluation reserves matches our depreciation charges.
- 2) Operating surpluses 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 provided any such additional expenditure cannot be accommodated within Scottish Government expenditure plans. 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.
- 3) The deficit 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.

The 30% growth in Other Income is particularly notable. Whilst this is partly due to 2012/13 being the first full year after the reopening of the National Museum of Scotland, it is also due to the increased emphasis now being placed upon self-generated income by Trustees and management. As Grant in Aid income is falling, and is planned to fall further, developing our ability to self-generate income is becoming increasingly important.

The combined financial results and appropriations are shown in full in the Consolidated Income and Expenditure Account on page 20. The accounts consolidate the results of National Museums Scotland's wholly-owned trading subsidiary NMS Enterprises Limited (NMSE). An Income and Expenditure Account for National Museums Scotland alone is included on page 25.

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.

Operational Budget

On 22 March 2013 the Board of Trustees approved a budget for 2013/14 and considered outline plans for 2014/15 and 2015/16 as shown below:

As indicated in the table below, the current savings and income generation programme is expected to meet the combined challenge of rising costs and falling income in the remainder of the Spending Review period (to March 2015). However, the early indications are that costs will continue to grow in 2015/16, which when combined with static or falling income levels leads to the emergence of a deficit of around £0.3 million a year. This would have to be addressed through another programme of savings and additional income generation.

	2012/13 Approved £000	2013/14 Budget £000	2014/15 Plan £000	2015/16 Plan £000
Income				
Grant in Aid	(20,425)	(20,324)	(20,222)	(20,222)
Earned Income	(2,638)	(2,477)	(2,342)	(2,334)
	(23,063)	(22,801)	(22,564)	(22,556)
Expenditure				
Employees	13,470	13,209	13,492	13,762
Operating Costs	7,370	7,387	7,341	7,394
Major Exhibitions	875	950	731	706
Projects	1,322	1,255	1,000	1,000
	23,037	22,801	22,564	22,862
(Surplus)/Deficit	(26)	-	-	306

Given the work which has already been undertaken over the past few years, delivering further cost reductions and enhancement of earned income are likely to prove to be a considerable challenge.

Major Projects

We have to date committed to three major capital projects in the remainder of the Spending Review period. These are of critical importance if we are to continue to offer excellence to the people of Scotland and visitors from elsewhere:

National Museum of Scotland Masterplan implementation, Phase 3: this involves the renewal of a further eight exhibition galleries within the National Museum of Scotland, and an upgrade of the *Connect* and *Communicate* galleries. This will leave a further two galleries to be renewed at a later stage. The anticipated cost is in the region of £12.85 million. Initial approval has been given by the Heritage Lottery Fund for a grant of £4.85 million towards this project. Further funding is currently being sought through fundraising from trusts, individuals and the corporate sector, with good progress already being made.

National Museums Collection Centre Masterplan implementation: this involves demolition of existing buildings and construction of a new storage building in Granton at a cost of around £11.84 million. This is to replace collection facilities at Port Edgar which have been vacated due to the construction of the new Forth Crossing and to replace unsuitable facilities in Leith. The Scottish Government has committed £11.4 million to the project in the Spending Review period.

National Museum of Flight Masterplan implementation, Phase 2: a feasibility study has been undertaken for the £3.5 million restoration of two of the historic hangars and the redisplay of key objects from the aircraft collection. Part funding has been provided by the Scottish Government as the project addresses key site backlog maintenance issues, and we have received round 1 approval from the Heritage Lottery Fund for grant support of £1.3m. Further funding will be sought from trusts, individuals and the corporate sector.

In addition, we are working to reduce a backlog of property maintenance works, which reached a peak value of £19.1 million at 31 March 2011. This is being addressed by working with the Scottish Government to implement our Estates Strategy over the long-term, which is estimated to last up to ten years, covering the current and the next two Spending Reviews. The strategy is based around the major projects listed above, vacating unsuitable premises and a detailed programme of smaller scale works, all of which is supported by Scottish Government and other grants. However, new maintenance liabilities continue to emerge over time, especially when operational funding is reducing as it currently is, and a liability of up to £15 million remains to be funded. This remains a significant challenge and risk for the organisation.

8. Management and Operation

The Executive Team is the senior executive decision-making body, reporting through the Director to the Board of Trustees. The team comprises:

- Dr Gordon Rintoul, Director
- Julie Brown, Head of Corporate Policy and Performance
- Jane Carmichael, Director of Collections
- Ruth Gill, Director of Public Programmes – from 25 February 2013
- Catherine Holden, Director of External Relations
- Andrew Patience, Director of Finance and Resources – until 31 December 2012
- David Spilsbury, Director of Finance and Planning – from 10 December 2012
- Fiona Stewart, Director of Estates and Facilities
- Sheilagh Stewart, Head of Human Resources
- Peter Williamson, Managing Director of NMSE and Director of Visitor Operations (contracted from NMSE on a part-time basis)

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 and to control the 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 (CO²) 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, Annual Review and 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 8.1 days (6.3 days in 2011/12), an increase mainly due to a small number of long-term absences. 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 320 volunteers (317 in 2011/12) during the year.

9. 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 16 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 16 Outcomes, to a greater or lesser extent, with the closest link to the following five:

National Outcome 1:	<i>We live in a Scotland that is the most attractive place for doing business in Europe.</i>
National Outcome 4:	<i>Our young people are successful learners, confident individuals, effective contributors and responsible citizens.</i>
National Outcome 13:	<i>We take pride in a strong, fair and inclusive national identity.</i>
National Outcome 15:	<i>Our people are able to maintain their independence as they get older, and are able to access appropriate support when they need it</i>
National Outcome 16:	<i>Our public services are high quality, continually improving, efficient and responsive to local people's needs.</i>

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

10. Principal Risks

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. The top 5 risks identified and addressed in 2012/13 were:

- Loss of control over finances as reserves become unusable due to government controls and multi-year expenditure management is therefore no longer under our control
- Buildings not meeting appropriate legislative standard OR uneconomic to repair, OR not fit to be occupied by staff or collections
- Unexpected major fall in income (e.g. GIA) at short notice;
- Unplanned major increase in costs (e.g. energy cost fluctuation) or budget cuts/cost savings not being delivered
- Failure to recruit and retain staff / Trustees in business critical posts and/or not having the right skills and experience for the organisation

Control mechanisms to minimise or mitigate these risks were identified and reviewed for effectiveness, and ownership of each risk is assigned to the relevant Executive Team member. 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. 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.

In the period, the group acquired tangible assets at a cost of £2.3m, including £1.7m on buildings, £0.2m on permanent galleries and £0.4m 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 2012/13 showed that on average we paid 75% of invoices within 30 days (2011/12 82%).

In 2008, the Scottish Government announced that they aspire to a ten day payment target. Although we share this aspiration, the revised target was not considered to be practically achievable for National Museums Scotland during 2012/13.

13. External Audit

The consolidated accounts are audited by PricewaterhouseCoopers LLP, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2012/13 of £23k (2011/12 £21k).

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

17 September 2013

DATE

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 & Risk Committee provide advice to the Chairman of the Board of Trustees on the salary and reward structure for the Director.

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

The PARC consists of a number of Trustees. During the year these were Iain Watt (Chairman), Dr Isabel Bruce, Professor Stuart Monro and Dr Anna Gregor. The Director, the Head of Human Resources and the Employee Relations and Resourcing Manager 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.

Service Contracts

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

Unless otherwise stated below, the employees covered by this report hold appointments which are open-ended. 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).

Salary

'Salary' includes gross salary; overtime; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation. The salaries shown in the table are the amount earned in the financial year. Overtime is not paid to senior management.

Benefits in kind

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

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. The bonuses reported in 2012-13 relate to performance in 2011-12 and the comparative bonuses reported for 2011-12 relate to the performance in 2010-11.

Remuneration (salary and payments in kind)

	2012-13			2011-12		
	Salary	Bonus Payments	Benefits in kind	Salary	Bonus Payments	Benefits in kind
	£000	£000	£000	£000	£000	£000
Director						
Dr Gordon Rintoul	105-110	-	-	105-110	-	-
Director of Estates & Facilities						
Fiona Bell (until 30 June 2011)	-	-	-	15-20 (70-75 FYE)	-	-
Fiona Stewart (from 12 March 2012)	65-70	-	-	0-5 (65-70 FYE)	-	-
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 September 2011)	-	-	-	30-35 (65-70 FYE)	-	-
Ruth Gill (from 25 February 2013)	5-10 (70-75 FYE)	-	-	n/a	n/a	n/a
Director of Finance & Planning						
Andrew Patience (until 31 December 2012)	80-85	-	-	75-80	-	-
David Spilsbury (from 10 December 2012)	20-25 (65-70 FYE)	-	-	n/a	n/a	n/a
Director of Visitor Operations (1)						
Peter Williamson	30-35	-	-	30-35	-	-
Head of Human Resources (2)						
Sheilagh Stewart	60-65	-	-	20-25 (55-60 FYE)	-	-

Notes

- 1) Peter Williamson is employed by NMSE Limited, 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 Corporate Management Team from 21st November 2011.
- 3) The details included in this table are subject to audit.

Pension entitlements

Civil Service Pensions

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).

	Accrued pension at age as at 31 March 2013 and related lump sum(1) £000	Real increase in pension and related lump sum at pension age(2) £000	CETV at 31/3/13 £000	CETV at 31/3/12 £000	Real increase in CETV £000	Employer Contribution to Partnership Pension Account £000
Director Dr Gordon Rintoul	25-30	2.5-5	507	436	42	-
Director of Estates & Facilities Fiona Stewart (from 12 March 2012)	0-5	0-2.5	16	1	11	-
Director of Collections Jane Carmichael	45-50	2.5-5	942	887	49	-
Director of External Relations Catherine Holden	15-20 (3) plus lump sum 50-55	0-2.5 (3) plus lump sum 0-2.5	294	271	6	-
Director of Public Programmes Ruth Gill (from 25 February 2013)	0-5	0-2.5	1	-	1	-
Director of Finance & Planning Andrew Patience (until 31 December 2012)	15-20	0-2.5	296	262	23	-
David Spilsbury (from 10 December 2012)	0-5	0-2.5	5	-	4	-
Director of Visitor Operations (4) Peter Williamson	n/a	n/a	n/a	n/a	n/a	n/a
Head of Human Resources Sheilagh Stewart	30-35 (3) plus lump sum 60-65	0-2.5 (3) plus lump sum 0-2.5	666	604	27	-

Notes

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for **classic** and 3.5% and 5.9% for **premium, classic plus** and **nuvos**. Increases to employee contributions will apply from 1 April 2013. 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**.

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

17 September 2013

DIRECTOR 

Date.. 17/9/13

ACCOUNTS

STATEMENT OF THE ACCOUNTABLE OFFICER'S RESPONSIBILITIES

ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the National Heritage (Scotland) Act 1985, paragraph 9(3) schedule 7, Scottish Ministers have directed National Museums Scotland to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction appended to these accounts. 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 Limited ('the group'), and of our income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

ACCOUNTS

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 the National Museums of 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 written report on: key operational matters from the Director; a financial report; minutes of sub-committees of the Board; an update of relevant issues relating to National Museums Scotland Enterprises; and reports on specific topics as necessary. Risk related issues are highlighted as necessary within these agenda items.
- During 2012/13 the Board had four sub-committees whose terms of reference and members are agreed by the Board. These are: the Audit & Risk Committee; the Personnel and Remuneration Committee; the Estate and Facilities Management Committee; and the Acquisitions Committee. In addition, the Board approved two new sub-committees which will become operational in 2013/14: a Nominations & Governance Committee and a Finance Committee.
- The Audit & Risk 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 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 2013 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 risk through a process of probability and impact assessment. The key risks are reported upon at each Audit & Risk Committee meeting in detail as to current status, with any significant changes in these risks reported to the Board of Trustees. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Executive Team member. Any training required is identified and taken forward as relevant.

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:

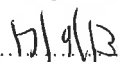
- The Executive Team who have responsibility for the development and maintenance of the internal control framework;
- The work of the internal auditors, who submit regular reports to the Audit & Risk Committee which include the Head of Internal Audit's independent and objective opinion on the adequacy 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 2012/13 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.

During 2012/13 a fraud by a small number of staff was discovered. This serious failure of internal control has been fully investigated by Internal Audit and reported to the Scottish Government, Audit & Risk Committee and the police. The matter remains under investigation by Police Scotland. Appropriate corrective action has been taken to strengthen internal controls over cash handling, access to the bank, reconciliation and journal entries. Further audit review is being undertaken in 2013/14 to check that the revised controls are being properly and consistently applied. The sums involved are not material to the presentation of the financial statements and do not imply a fundamental weakness in the system of internal controls. However, we acknowledge that continued vigilance is required to ensure that cash handling controls are effective.

DIRECTOR 

17 September 2013
DATE 

CHAIRMAN 

17 September 2013
DATE

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of National Museums Scotland for the year ended 31 March 2013 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated Statement of Financial Activities, the Consolidated Income and Expenditure Account and Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement 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 the Accountable Officer'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 in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures 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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements, irregularities, 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 2013 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.

Opinion on regularity

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

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 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 are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- proper 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 guidance from the Scottish Ministers.

We have nothing to report in respect of these matters.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Glasgow,

25 September 2013

PricewaterhouseCoopers LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

NATIONAL MUSEUMS SCOTLAND

**Consolidated Income and Expenditure (I&E) Account
for the Year Ended 31 March 2013**

		Continuing Activities	
		2013	2012
		£000	£000
All operations are continuing			
	Notes		
Income			
Income received from trading activities		2,640	2,127
Entrance charges		945	581
Miscellaneous grants		337	156
Other income	3	902	807
		4,824	3,671
Expenditure			
Staff costs	4	13,909	14,331
Other operating charges	5	10,446	10,210
Depreciation and permanent diminution in value	1c,6,8	5,694	5,205
		30,049	29,746
Excess of expenditure over income before interest		(25,225)	(26,075)
Interest receivable		18	5
Excess of expenditure over income after interest		(25,207)	(26,070)
Taxation	23	-	-
Excess of expenditure over income for the year after taxation before exceptional items and reserve movements		(25,207)	(26,070)
Exceptional Items - Donations to NMS Charitable Trust		(2,026)	-
Capital Reserve release	15	3,524	2,249
Collections and Donated Assets Reserve release	15	2,184	1,928
Revaluation Reserve release	15	(46)	994
Excess of expenditure over income for the year		(21,571)	(20,899)
Transfer to General Fund	15	(21,585)	(20,960)
NMS Enterprises Limited profit net of gift aid	19	14	61
		(21,571)	(20,899)

**Consolidated Statement of Total Recognised Gains and Losses
for the Year Ended 31 March 2013**

		2013	2012
		£000	£000
			(restated)
	Notes		
Consolidated loss for the year		(21,571)	(20,899)
Scottish Government Grant-in-aid	2	22,625	22,767
Gain or (loss) on revaluation of fixed assets	15	(1,790)	(48,184)
Increase in restricted funds	15	132	292
Donated assets received	15	-	4,606
Release of capital grant from reserves	15	(5,662)	(5,171)
Total recognised gains and losses during the year		(6,266)	(45,589)

The notes on Pages 27 to 42 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

**Consolidated Balance Sheet
for the Year Ended 31 March 2013**

		2013	2012
		£000	£000
	Notes		
Fixed Assets			
Intangible assets	8	-	-
Tangible assets	6	151,082	156,248
Heritage assets	7	6,582	5,889
Investments	9	1	1
Total Fixed Assets		157,665	162,138
Current Assets			
Stocks	10	609	566
Debtors	11	1,567	1,537
Cash at bank and in hand	12	4,557	5,353
Total Current Assets		6,733	7,456
Current Liabilities			
Creditors: amounts falling due within one year	13	(3,900)	(2,476)
Net current assets		2,833	4,980
Total assets less current liabilities		160,498	167,118
Provision for liabilities and charges	14	(734)	(1,088)
Net assets		159,764	166,030
Financed by:			
Capital and reserves			
Unrestricted funds:			
Capital reserve	15	77,318	78,703
General fund	15	3	3
Board reserve fund	15	1,621	3,085
NMS Enterprises Limited	19	(202)	(216)
		78,740	81,575
Restricted funds:			
Collections & Donated assets reserve	15	36,158	37,650
Revaluation reserve	15	44,516	46,095
Purchase Fund	15	136	295
Other Restricted Funds	15	214	415
		81,024	84,455
Total Funds		159,764	166,030

The Accountable Officer authorised these financial statements for issue on

17 September 2013



Director

17/9/13

Date

The notes on Pages 27 to 42 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

**Consolidated Cash Flow Statement
for the Year Ended 31 March 2013**

		2013	2012
		£000	£000
	Notes		
Net cash inflow from operating activities	16	1,280	748
Returns on investments and servicing of finance			
Interest Received		18	5
Taxation:			
Corporation Tax	23	-	-
Capital expenditure and financial investment:			
Payments from Purchase Fund	15	(692)	(167)
Payments from Designated Fund	15	(220)	(147)
Payments from NFA Fund	22	(204)	(143)
Payments to acquire tangible and intangible fixed assets		(3,480)	(8,654)
Total capital expenditure and financial investment		<u>(4,596)</u>	<u>(9,111)</u>
Cash outflow before financing		<u>(3,298)</u>	<u>(8,358)</u>
Financing:			
Government grants	2	1,800	1,520
Capital grants received	15	-	8,493
NFA Fund received	22	150	150
Purchase Fund	15	533	250
Designated Fund	15	19	443
		<u>2,502</u>	<u>10,856</u>
(Decrease)/Increase in cash in the year	16	<u>(796)</u>	<u>2,498</u>

The notes on Pages 27 to 42 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

**Consolidated Statement of Financial Activities
for the Year Ended 31 March 2013**

		2013 Unrestricted Funds £000	2013 Restricted Funds £000	2013 Total £000	2012 Total £000
Incoming resources	Notes				
Incoming resources from generated funds					
Voluntary income					
Grant-in-aid	2	22,425	200	22,625	22,767
Capital grants received		-	-	-	2,514
Donations	3 & 15	236	333	569	292
Other grants received		170	-	170	595
Activities for generating funds	19	2,640	-	2,640	2,128
Incoming resources from charitable activities	3 & 15	1,611	19	1,630	3,186
Investment income		18	-	18	5
Total incoming resources		27,100	552	27,652	31,490
Resources expended					
Cost of generating funds					
Costs of generating voluntary income	5	583	-	583	516
Fundraising trading: cost of goods sold and other costs	19	2,080	-	2,080	1,806
Charitable activities	5 & 15	29,169	912	30,081	27,496
Governance costs	5	241	-	241	244
Total resources expended		32,073	912	32,985	30,062
Net incoming/(outgoing) resources before transfers		(4,973)	(360)	(5,333)	1,428
Transfers					
Gross transfers between funds	15	2,303	(1,446)	857	167
Net incoming resources before other recognised gains and losses		(2,670)	(1,806)	(4,476)	1,595
Other recognised gains and losses					
Gains/(Losses) on revaluation of fixed assets for charity's own use	15	(165)	(1,625)	(1,790)	(48,184)
Net movement in funds		(2,835)	(3,431)	(6,266)	(46,589)
Reconciliation of funds					
Total funds brought forward at 1 April		81,575	84,455	166,030	212,619
Total funds carried forward at 31 March		78,740	81,024	159,764	166,030

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2013

	2013	2013	2013	2012
	Unrestricted	Restricted	Total	Total
	Funds	Funds		
	£000	£000	£000	£000
Total fund balances comprise:				
Fixed assets	76,991	80,674	157,665	162,138
Net current assets	2,483	350	2,833	4,980
Provisions for liabilities and charges	(734)	-	(734)	(1,088)
	78,740	81,024	159,764	166,030

Costs of generating funds are defined as the salaries, operating costs and attributable overheads of the Development department and of NMS Enterprises Limited. 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 27 to 42 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

Income and Expenditure (I&E) Account for the Year Ended 31 March 2013

		2013 £000	2012 £000
	Notes		
Income			
Entrance charges		945	581
Gift aid from subsidiary		546	261
Miscellaneous grants		337	156
Other income	3	902	807
		2,730	1,805
Expenditure			
Staff costs	4	13,087	13,598
Other operating charges	5	9,219	9,172
Depreciation and permanent diminution in value	1c,6,8	5,663	5,171
		27,969	27,941
Excess of expenditure over income before interest		(25,239)	(26,136)
Interest receivable		18	5
Excess of expenditure over income after interest		(25,221)	(26,131)
Taxation	23	-	-
Excess of expenditure over income after taxation before exceptional items and reserve movements		(25,221)	(26,131)
Exceptional Items - Donations to NMS Charitable Trust		(2,026)	-
Capital Reserve release	15	3,524	2,249
Collections and Donated Asset Reserve release	15	2,184	1,928
Revaluation Reserve release	15	(46)	994
Excess of expenditure over income for the year transferred to General Fund	15	(21,585)	(20,960)

The notes on Pages 27 to 42 form part of these accounts.

As explained further in Note 2 to the accounts, the result including grant-in-aid income and contributions to finance capital expenditure is a deficit of £1,464k (2011/12 deficit: £271k), which has been financed by the Board Reserve.

NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2013

		2013	2012
		£000	£000
	Notes		
Fixed Assets			
Tangible Assets	6	150,974	156,144
Heritage Assets	7	6,582	5,889
Intangible Assets	8	-	-
Investment in Subsidiary	9	500	500
Total Fixed Assets		158,056	162,533
Current Assets			
Debtors receivable within 12 months	11	2,078	1,961
Cash at Bank and in Hand	12	4,270	5,127
Total Current Assets		6,348	7,088
Current Liabilities			
Creditors: Amounts falling due within one year	13	(3,704)	(2,287)
Net current assets		2,644	4,801
Total assets less current liabilities		160,700	167,334
Provision for liabilities and charges	14	(734)	(1,088)
Total net assets		159,966	166,246
Financed by:			
Capital and Reserves			
Unrestricted funds:			
Capital Reserve	15	77,318	78,703
General Fund	15	3	3
Board Reserve Fund	15	1,621	3,085
		78,942	81,791
Restricted Funds:			
Collections & Donated Assets Reserve	15	36,158	37,650
Revaluation Reserve	15	44,516	46,095
Purchase Fund	15	136	295
Other Restricted Funds	15	214	415
		81,024	84,455
Total Funds		159,966	166,246

17 September 2013



 Director



 Date

The notes on Pages 27 to 42 form part of these accounts.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

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 2005, 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 (FRoM).

The accounting policies have been consistently applied from year to year and the accounts have been prepared in accordance with applicable accounting standards in the United Kingdom.

b) Basis of Consolidation

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

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

c) Tangible Fixed Assets and Depreciation

Land and buildings are valued every five years by a professional valuer. Buildings, galleries and equipment are re-valued annually using appropriate indices, unless a formal valuation has taken place. The method of valuation for specialised properties, that is land and buildings for which there is effectively no market, is

depreciated replacement cost. Other properties are valued at open market value for existing use. Equipment is valued at current replacement cost less accumulated depreciation.

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

Land & Buildings	up to 60 years
Permanent Galleries	15 years
Leasehold improvements	up to 50 years
Plant & Equipment	3 to 7 years

Items costing less than £5,000 are written off in the year of purchase. Where assets are sold or written off they are shown as disposals in the accounts. Impairment reviews are undertaken when necessary to ensure that the service of potential assets remains undiminished.

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

d) Intangible Assets

Intangible assets are re-valued annually using appropriate indices less accumulated amortisation. Amortisation is calculated to write off the assets in equal annual instalments over their useful economic lives.

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

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.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

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 held as deferred income creditors.

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

j) Subsidiary companies

National Museums Scotland owns the share capital of one subsidiary company, NMS Enterprises Limited.

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 and are payable on a straight line basis over the lease term.

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. Our collections are on display in public museums, or can be accessed in store by

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

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.

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 Limited. 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 2013**

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

Grant-in-aid from the Scottish Government is a contribution from a controlling party and accounted for as financing by crediting them direct to the General Fund or Capital Reserve. Such grants are therefore not accounted for as income. Government funding specifically for purchasing objects to add to the collection are credited to the Purchase Fund, which is a restricted fund.

	GROUP AND NMS	
	2013	2012
	£000	£000
Grant-in-aid received:		
Revenue	20,625	20,997
Capital	1,800	1,520
	22,425	22,517
Purchase Grant	200	250
Total received during year	22,625	22,767

The table below shows the outturn for the year against our final grant-in-aid offer letter. The outturn is lower than the offer letter for non-cash (notional) items mainly as a result of adjustments arising from the revaluation of properties during the year.

	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	20,585	20,625
Contribution to capital expenditure	504	-
Less: contribution from Board Reserve	(464)	-
Purchase Grant (Note 15)	200	200
Capital for Port Edgar/NMCC Storage	600	600
Additional Capital Grant	1,200	1,200
	22,625	22,625
National Fund for Acquisitions (Note 22)	150	150
	22,775	22,775
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	3,296	4,192
	26,071	26,967

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 2013

The table below shows the overall Income & Expenditure deficit for the year if such grants were accounted for as income. The overall deficit is financed by a transfer from the Board Reserve.

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Reported Deficit	(21,571)	(20,899)	(21,585)	(20,960)
Add: Grant-in-aid received	20,625	20,997	20,625	20,997
Less: Transferred to capital reserve	(504)	(308)	(504)	(308)
Result including grant income	(1,450)	(210)	(1,464)	(271)

3. Income

Income & Expenditure Account Other Income	GROUP AND NMS	
	2013	2012
	£000	£000
Gift Aid from Membership	127	82
NMS Charitable Trust donations	10	111
Other donations	99	99
Donations	236	292
Provision of Services	146	107
Sponsorship	196	178
Revenue Earning Activities	13	2
Grant Aided Activities	9	2
Other	128	97
Charitable activities	492	386
Membership Scheme	174	129
	902	807

Statement of Financial Activities Activities for Generating Funds	GROUP AND NMS	
	2013	2012
	£000	£000
Charitable activities	492	386
Entrance charges	945	581
Membership scheme	174	129
Incoming resources from charitable activities	1,611	1,094

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 2013**

4. Employees

No remuneration was paid to members of the Board of Trustees during 2012/13 (2011/12 - nil). During 2012/13 National Museums Scotland paid a total of £3,106 in reimbursement of travel expenses to 6 Trustees for attending meetings at National Museums Scotland, while in 2011/12, a total of £1,664 was reimbursed to 5 Trustees. No benefit in kind accrued to Trustees during the year (2011/12 – nil).

Staff Costs during the Year:

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Salaries	11,104	11,169	10,377	10,525
Social Security Costs	772	784	721	734
Pension Costs	1,853	1,851	1,809	1,812
Early Retirement	180	527	180	527
Total	13,909	14,331	13,087	13,598

During 2012/13, there were two employees whose emoluments were in the £60-70k band (2011/12 – nil employees over £60k).

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 has a significant effect on staff numbers reported.

Average full-time equivalent number of employees by Directorate:

	GROUP		NMS	
	2013	2012	2013	2012
Directorate	24	12	24	12
Finance and Resources	6	25	6	25
Estates and Facilities Management	85	92	85	92
Collections	104	113	104	113
Public Programmes (including Visitor Services)	159	133	159	133
Marketing and Development	18	13	18	13
NMS Enterprises Limited	12	16	-	-
Total	408	404	396	388

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

	GROUP		NMS	
	2013	2012	2013	2012
Permanent Contract	381	369	369	355
Temporary Contract	27	35	27	33
Total	408	404	396	388

Pension Costs

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. National Museums Scotland is unable to identify its share of the underlying assets and liabilities. The FRM 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).

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

For 2012/13, employers' contributions of £1,797k were payable to the PCSPS (2011/12 £1,812k) 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 2011/12 were between 16.7% and 24.3%). The contribution rates are set to meet the cost of the benefits accruing during 2012/13 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 £12k (2011/12 £21k) 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 404 staff during 2012/13 (2011/12 = 406 staff), while benefits accrued under defined contribution schemes to 7 staff during 2012/13 (2011/12 = 13 staff).

Staff of NMS Enterprises Limited are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan, a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age. For 2012/13, employers' contributions of £43k were payable (2011/12 £39k).

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 2012/13 have been funded mainly by an additional grant in aid from the Scottish Government.

GROUP and NMS Exit package cost band	No of Compulsory Redundancies		No of Other Departures Agreed		Total number of exit packages by cost band	
	2013	2012	2013	2012	2013	2012
< £10,000	-	-	2	1	2	1
£10,000 - £25,000	-	-	1	1	1	1
£25,000 - £50,000	-	-	-	5	-	5
£50,000 - £100,000	-	-	3	4	3	4
£100,000 - £150,000	-	-	-	1	-	1
£150,000 - £200,000	-	-	-	-	-	-
Total number of exit packages	-	-	6	12	6	12
Total resource cost (£000)	-	-	227	572	227	572

There were no compulsory redundancies in 2012/13 (2011/12 Nil)

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

5. Expenditure

Income & Expenditure Account Other Operating Charges	GROUP		NMS	
	2013 £000	2012 £000 (restated)	2013 £000	2012 £000 (restated)
Board Expenses	3	2	3	2
Expenses - Staff	190	189	185	181
Administration Expenses	1,600	1,859	1,508	1,793
Internal Audit	12	20	12	20
Other External Charges	2,008	1,812	923	899
Professional Services:				
– Directorate & Resources	22	27	-	-
Advertising	200	272	200	272
Fuel and Utilities	1,517	1,161	1,517	1,161
Rents and Rates	454	395	453	393
Furniture and Furnishings	83	182	71	169
Repairs and Renewals	4,324	4,261	4,324	4,261
External audit	33	30	23	21
Total	10,446	10,210	9,219	9,172

Statement of Financial Activities Resources Expended (NMS)	2013 Staff £000	2013 Operating Costs £000	2013 Deprec- iation £000	2013 Total £000	2012 Total £000
Development	341	123	119	583	516
Cost of generating funds	341	123	119	583	516
Curatorial	3,570	766	1,240	5,576	5,503
Conservation & Collections	1,443	394	550	2,387	2,725
Exhibitions	4,045	2,739	2,347	9,131	7,171
Security and Support Services	1,685	363	374	2,422	3,818
Marketing	450	656	187	1,293	1,665
Estates and Buildings	1,355	4,133	846	6,334	6,299
Donations to NMS Charitable Trust	-	2,026	-	2,026	-
Charitable Activities	12,548	11,077	5,544	29,169	27,181
Trustee Expenditure	-	8	-	8	8
Staff costs	198	-	-	198	195
Internal audit	-	12	-	12	20
External audit	-	23	-	23	21
Governance activities	198	43	-	241	244
Total	13,087	11,243	5,663	29,993	27,941

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

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

GROUP

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2012	162,933	602	2,522	36,654	4,038	206,749
Additions	1,097	678	-	152	411	2,338
Transfers	602	(602)	-	-	-	-
Disposals	(286)	-	-	-	(117)	(403)
Revaluations	<u>(2,760)</u>	-	<u>(43)</u>	<u>420</u>	<u>61</u>	<u>(2,322)</u>
31 March 2013	161,586	678	2,479	37,226	4,393	206,362
Accumulated Depreciation						
1 April 2012	24,727	-	587	23,290	1,897	50,501
Charge for year	3,103	-	50	2,046	495	5,694
Transfers	-	-	-	-	-	-
Disposals	(121)	-	-	-	(97)	(218)
Revaluations	<u>(1,015)</u>	-	<u>(10)</u>	<u>267</u>	<u>61</u>	<u>(697)</u>
31 March 2013	26,694	-	627	25,603	2,356	55,280
Net Book Value						
31 March 2013	<u>134,892</u>	<u>678</u>	<u>1,852</u>	<u>11,623</u>	<u>2,037</u>	<u>151,082</u>
1 April 2012	<u>138,206</u>	<u>602</u>	<u>1,935</u>	<u>13,364</u>	<u>2,141</u>	<u>156,248</u>

NATIONAL MUSEUMS SCOTLAND

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2012	162,933	602	2,522	36,654	3,793	206,504
Additions	1,097	678	-	152	376	2,303
Transfers	602	(602)	-	-	-	-
Disposals	(286)	-	-	-	(117)	(403)
Revaluations	<u>(2,760)</u>	-	<u>(43)</u>	<u>420</u>	<u>61</u>	<u>(2,322)</u>
31 March 2013	161,586	678	2,479	37,226	4,113	206,082
Accumulated Depreciation						
1 April 2012	24,727	-	587	23,290	1,756	50,360
Charge for year	3,103	-	50	2,046	464	5,663
Transfers	-	-	-	-	-	-
Disposals	(121)	-	-	-	(97)	(218)
Revaluations	<u>(1,015)</u>	-	<u>(10)</u>	<u>267</u>	<u>61</u>	<u>(697)</u>
31 March 2013	26,694	-	627	25,603	2,184	55,108
Net Book Value						
31 March 2013	<u>134,892</u>	<u>678</u>	<u>1,852</u>	<u>11,623</u>	<u>1,929</u>	<u>150,974</u>
1 April 2012	<u>138,206</u>	<u>602</u>	<u>1,935</u>	<u>13,364</u>	<u>2,037</u>	<u>156,144</u>

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

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 2013. 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 7th Edition. Properties regarded by National Museums Scotland as operational are valued on the basis of Existing Use Value or, where this could not be assessed because there was no market for the asset, on the basis of the Depreciated Replacement Cost (DRC) subject to the prospect and viability of the occupation and use. The Valuation Report also includes a statement confirming that an open market valuation (allowing for alternative uses) for those properties valued on a DRC basis will produce amounts significantly lower than the DRC figures. The sources of information and assumptions made in producing the various valuations are set out in the Valuation Report which is not published in the financial statements. The valuation figures in the financial statements are the aggregate of separate valuations of parts of the portfolio, not a valuation or apportioned valuation of the portfolio valued as a whole.

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 2013 the depreciated historic value of Fixed Assets was £107,796m, which included donated assets of £29,577k made up by:

National Museums Scotland	2013	2012
	£000	£000
Land and Buildings	22,204	23,712
Leasehold Improvement	1,082	1,136
Permanent Galleries	6,291	6,914
	29,577	31,762

The charge for depreciation and diminution in value comprises:

National Museums Scotland except as stated	2013	2012
	£000	£000
Tangible assets depreciation	5,663	5,204
Intangible assets amortisation (Note 8)	-	-
Permanent diminution in value – tangible assets	-	(33)
NMS Enterprises tangible assets depreciation	31	34
	5,694	5,205

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 2013

	GROUP AND NMS				
	2013	2012	2011	2010	2009
	£000	£000	£000	£000	£000
1 April	5,889	5,722	4,832	4,215	3,442
Purchase Fund Utilised in Year	359	167	636	576	536
NMS Charitable Trust	60	-	-	41	150
Art Fund	125	-	100	-	85
National Heritage Memorial Fund	125	-	154	-	-
Others	24	-	-	-	2
31 March	6,582	5,889	5,722	4,832	4,215

8. Intangible Assets

	GROUP AND NMS	
	2013	2012
	£000	£000
1 April	306	306
Disposals	(71)	-
Revaluation	3	-
31 March	238	306
Accumulated Amortisation:		
1 April	306	306
Charge for the Year	-	-
Disposals	(71)	-
Revaluation	3	-
31 March	238	306
Net Book Value:		
31 March	-	-

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

9. Investments

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Opening & Closing Balance	1	1	500	500

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

10. Stocks
(See Note 1[f])

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Stocks Held for Resale	609	566	-	-

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 2013**

11. Debtors

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Receivable Within 1Year:				
Trade Debtors	284	278	138	140
Less:				
Provision for Amounts not recoverable	(3)	(3)	-	-
Sundry Debtors	270	547	270	547
Subsidiary Company	-	-	687	598
VAT Recoverable	332	342	332	342
Prepayments	684	373	651	334
	1,567	1,537	2,078	1,961

Intra Governmental Balances	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Central Government	396	755	395	755
Local Government	3	2	3	1
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	1,168	780	1,680	1,205
	1,567	1,537	2,078	1,961

12. Cash at Bank and in Hand

	GROUP		NMS	
	2012	2012	2013	2012
	£000	£000	£000	£000
Cash and commercial accounts	4,525	5,267	4,238	5,041
Funds held for third parties	32	86	32	86
	4,557	5,353	4,270	5,127

13. Creditors

	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Amounts falling due within one year:				
Trade Creditors	107	120	20	-
Other Creditors	130	1,114	64	1,069
Accruals	3,332	1,187	3,289	1,163
Deferred Income	331	55	331	55
	3,900	2,476	3,704	2,287

Intra Governmental Balances	GROUP		NMS	
	2013	2012	2013	2012
	£000	£000	£000	£000
Central Government	196	-	131	-
Local Government	41	-	41	-
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	3,663	2,476	3,532	2,287
	3,900	2,476	3,704	2,287

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

14. Provision for liabilities and charges

	GROUP AND NMS				2013	2012
	£000 Early Retirement	£000 Injury Benefit	£000 Voluntary Exit Scheme	£000 Other Provisions	£000 Total	£000
Opening Balance 1 April	195	163	692	38	1,088	984
Add: Provisions During Year	11	11	196	(38)	180	527
Less: Paid During Year	(36)	(16)	(482)	-	(534)	(423)
Closing Balance 31 March	170	158	406	-	734	1,088

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 2011/12 and 2012/13. 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 £295k (2011/12 £651k) are payable within 12 months of the year end.

15. Reserves – Restricted and Unrestricted

NMS	Unrestricted			Restricted				Total
	General Fund	Board Reserve	Capital Reserve	Collections & Donated Assets Reserve	Revaluation Reserve	Purchase Fund	Other Restricted Funds	
Opening Balance	3	3,085	78,703	37,650	46,095	295	415	166,246
Revaluation movement	-	-	(165)	-	(1,625)	-	-	(1,790)
Release (to) I&E	-	-	(3,524)	(2,184)	46	-	-	(5,662)
Utilised in year	1,464	(1,464)	-	692	-	(692)	(220)	(220)
Government funding	20,625	-	1,800	-	-	200	-	22,625
Other donations	-	-	-	-	-	333	19	352
GIA to Capital	(504)	-	504	-	-	-	-	-
Deficit for year	(21,585)	-	-	-	-	-	-	(21,585)
Closing Balance	3	1,621	77,318	36,158	44,516	136	214	159,966

Of which:

Utilised	76,888
Unutilised	430
Collection Assets	6,581
Donated Assets	29,577
All Assets (excl Donated Assets)	33,319
Donated Assets	11,197
	77,318
	36,158
	44,516

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 National Museum of Scotland refurbishment project.

The above reserves are those held in the National Museums Scotland balance sheet. The Group balance sheet includes the reserves of NMSE Limited, which are explained in note 19.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

16. Reconciliation of Net Incoming Resources before transfers to Net Cash Inflow from Operating Activities

	GROUP	
	2013	2012
	£000	£000
Net (outgoing)/incoming resources before revaluation, collections capitalisation and reversal of notional costs	(5,333)	1,428
Grant-in-Aid – Major Capital	(1,800)	(1,520)
Other Capital Grants	-	(4,606)
Interest Received	(18)	(5)
Depreciation, permanent diminution in value and loss on disposal	5,694	5,205
Transfer to capital	-	(308)
Movement in Purchase and Designated funds	360	(379)
Movement in capital	185	9
(Increase)/Decrease in stocks	(43)	(184)
(Increase)/Decrease in Debtors	(30)	1,130
Increase/(Decrease) in non-capital Creditors	2,619	(126)
Increase/(Decrease) in Provisions for Liabilities and Charges	(354)	104
Net Cash Inflow/(outflow) from Operating Activities	1,280	748

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	
	2013	2012
	£000	£000
Opening Cash Balance	5,353	2,855
Change in Year	(796)	2,498
Closing Cash Balance	4,557	5,353

17. Commitments

	GROUP	
	2013	2012
	£000	£000
Committed but not provided for in the Accounts		
Tangible Capital Commitments:		
Port Edgar Storage Relocation Project	-	1,200
Other capital projects	296	13
	296	1,213
Operating Commitments in the normal course of business	559	440
Total Commitments	855	1,653

18. 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.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

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 £9.5k in grants and donations from NMSCT during the year (2011/12 £2.1m). National Museums Scotland also paid £2.026M worth of donations to NMSCT which is classified as an Exceptional Item in the Consolidated Income and Expenditure Account.

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

19. Subsidiary Company

NMS Enterprises Limited, 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:

	2013	2012
	£000	£000
Turnover	2,640	2,128
Cost of goods sold	(1,036)	(860)
Administrative costs	(1,044)	(946)
Trading profits from continuing operations	560	322
Gift aid to National Museums Scotland	(546)	(261)
Profit after gift aid	14	61
Interest Income	-	-
Profit reported in Consolidated I&E Account	14	61
Reserves at 1 April	(216)	(277)
Transferred from Income and Expenditure Account	14	61
Reserves at 31 March	(202)	(216)

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 2011/12). Future rental commitments at 31 March were as follows:

	GROUP AND NMS	
	2013	2012
	£000	£000
Land & Buildings		
Not later than one year	23	23
Later than one year and not later than five years	92	92
Later than five years	1,848	1,870

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2013.

22. National Fund for Acquisitions

(See Notes 1(w))

	GROUP AND NMS	
	2013	2012
	£000	£000
Balance at 1 April	86	79
Grant Received	150	150
Disbursements	(204)	(143)
Balance at 31 March	32	86

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013**

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 2012/13 NMS Enterprises Limited will pay £546k (2011/12 £261k) 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.

FINANCIAL MEMORANDUM: APPENDIX 2



NATIONAL MUSEUMS OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of paragraph 9(3) of Schedule 1 to the National Heritage (Scotland) Act 1985, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2006, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. This direction shall be reproduced as an appendix to the statement of accounts. The direction given on 21 November 2002 is hereby revoked.

A handwritten signature in black ink, appearing to read 'David Stewart', is written over a horizontal line.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006