



National
Museums
Scotland

Annual Report and Accounts

For the year ended 31 March 2010

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

FOR THE YEAR ENDED 31 MARCH 2010

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These accounts were authorised for issue on 07 October 2010

ANNUAL REPORT OF THE BOARD OF TRUSTEES

REPORT OF THE BOARD OF TRUSTEES FOR THE YEAR ENDED 31 MARCH 2010

1. The Organisation

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

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

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

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

2. The Board of Trustees

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

- Sir Angus Grossart CBE, DL, LLD, DLitt, DBA, FRSE, MA, LLB, CA, FCIBS, Advocate (Chairman) - reappointed 1 February 2010
- Dr Isabel Bruce OBE, PhD, BA, MRTPI, MCIPS, FRSSA - appointed 1 April 2009
- James Fiddes OBE, DUniv, MA, FRICS - second term extended by 18 months from 1 April 2009
- Dr Anna Gregor CBE, FRCR, FRCP - appointed 1 April 2009
- Lesley Hart MBE MA, MSc - reappointed 1 October 2007
- Andrew Holmes MSc, MICE - appointed 1 April 2009
- Michael Kirwan FCA - reappointed 1 January 2009
- Professor Michael Lynch PhD, FSA(Scot) - reappointed 1 October 2006
- Professor Malcolm McLeod CBE, MA, BLitt(Oxon), FRSE - reappointed 1 April 2009
- Neena Mahal MA DCG - extended second term completed 30 September 2009
- Professor Stuart Monro OBE, BSc, PhD, CGeol, FGS, FHEA, FRSSA, FRSE - reappointed 1 April 2009
- Ian Ritchie CBE, FREng, FRSE, FBCS, CEng, BSc - reappointed 1 October 2006
- Sir John Ward CBE, CA, FRSE, FRSA, FIET - reappointed 1 January 2009
- Iain Watt BSc, FCIBS – appointed 1 February 2007

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

National Museums Scotland maintain a Board Members' Register of Interests, which complies with the requirements of the Ethical Standards in Public Life (Scotland) Act 2002. Trustees are required to update the register within 28 days of a change to their registerable interests. The Register 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 vision and strategy for the organisation and for monitoring progress to achieve these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over) and acceptance of gifts or donations of £1 million and over. The management team is responsible for the implementation of strategy and policy, and for operational management and decisions.

3. Related Organisations

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited, which operates commercial services (hospitality, retail, publishing and image management) at our sites. Profits are covenanted to National Museums Scotland through Gift Aid.

The National Museums Scotland Charitable Trust is an independent body whose purpose is to aid any objects deemed legally charitable, giving preference to those which are directly or indirectly of benefit or assistance to National Museums Scotland. The Trust manages income received from donations, grants and bequests. Most of these funds are restricted and may only be applied for the purposes for which they were established. There is also a General Fund from which the Trustees may make discretionary grants.

National Museums Scotland works closely with the Scottish Government as its principal funder, and collaborates on efficient government initiatives with the other two National Collections Institutions: the National Galleries of Scotland and National Library of Scotland.

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

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

4. The Principal Functions of National Museums Scotland

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

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

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

We achieve our goals through a structured system of planning and performance management. This is based on the identification of strategic aims within the vision and mission, which cascade into SMART objectives at directorate, departmental and personal level and a set of KPI measures. National Museums Scotland publishes a Strategic Plan, currently covering 2006-2012, which is distributed to all staff and key stakeholders and appears on our website. In addition, an annual Operating Plan defines the key objectives and actions for the current financial year. Performance is reported 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, with an organisation wide bonus scheme based on performance.

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

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

The National Museums Scotland Board controls NMS Enterprises Ltd.

5. Organisational Structure and Staff

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

Dr Gordon Rintoul, Director
Fiona Bell, Director of Estates and Facilities Management
Jane Carmichael, Director of Collections
Catherine Holden, Director of Marketing and Development
Sally Manuireva, Director of Public Programmes
Andrew Patience, Director of Finance and Resources
Peter Williamson, Director of Visitor Operations – contracted from NMSE on a part time basis

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

National Museums Scotland 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 introduced a Sustainable Development Strategy as a commitment to improve 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 environmental improvement.
- To develop and implement best practice utilities management, to control cost and consumption of natural resources.
- To minimise the production of waste and ensure that the maximum amount is either reused or recycled.

Details of environmental management in year one of this strategy are included in the performance indicators at item 6 below. Other environmental, social and community objectives will be included as the strategy develops further over the course of the year.

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

Corporate information is shared with staff through the publication of plans and minutes; circulation of the Annual Review; our quarterly magazine *Explorer* a monthly staff newsletter; quarterly 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. The management team regularly meet staff representatives from the three Trade Unions, under a Partnership Agreement agreed in 2005.

During the year the number of working days lost per employee was 7.8 days (9.7 days in 2008/9). There were no personal data-related incidents during the year.

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

6. Key Achievements in 2009/10

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

Our key performance indicators are provided in Section 7 of the Strategic Plan. These performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis.

	2011 Target	2010 Results	2010 Target	2009 Results
Performance Indicators				
Visits to National Museums Scotland	1.29m	1.26m	1.12m	1.15m
Web pages viewed	0.7m	0.7m	-	-
Learning participation	180k	179k	180k	178k
Overall satisfaction rating of visit out of 10	8.5	8.5	8.0	8.3
% Collections storage meeting appropriate standards	62%	62%	60%	60%
Loans for display (new and long term loans)	1,600	2,207	1,200	1,348
Academic Publications	100	110	100	118
Number of strategic partnerships in place	5	5	5	5
Environmental management				
- utilities (KWH) million	19.1	18.0	18.7	19.1
- recycled and non-recycled waste (kg) thousands	565	303	618	644
- recycled waste (kg) thousands	65	53	68	65
- non-recycled waste (kg) thousands	500	250	550	579

Our major priority is the Royal Museum Project – the £46.4m transformation of our landmark Victorian building. This ambitious project has been supported by a grant of £17.8m from the Heritage Lottery Fund and £16million from the Scottish Government. The £12.6m balance of funding will come from private and public sources, together with a contribution from our Board Reserves. At 31 March 2010 we had secured commitments totalling £10.5m, of which £7.5m had been received. Our project will create 16 new galleries and a much larger space for international touring exhibitions. There will be much improved facilities for schools and adult learners, including discovery centres to inspire visitors of all ages. Moving around the building will be easier with a new welcoming arrivals hall at street level, and central glass lifts and escalators. Previously filled-in Victorian arches have been uncovered and opened up, the new Arrivals Hall has been created and the street level entrances formed. Although part of the complex is closed to allow work to continue, a full public programme is maintained in the rest of the site.

We have sustained visitor numbers during the partial closure of the National Museum of Scotland at a higher level than anticipated. This is the result of our investment in exhibitions, events and active marketing communications. We welcomed 1.26 million visitors to our sites in 2009/10, which was 13% ahead of forecast. As part of the Darwin 200 celebrations, our *Garden Detectives* exhibition attracted 35,000 visitors, many of whom were young families. The *Salt of the Earth* exhibition and associated events formed a key part of our contribution to the Government's "Homecoming Scotland" programme. *Ballast* featured the work of a New Zealand sculptor as part of the Edinburgh Art Festival in August 2009.

Helmand; Faces of Conflict was the 2009 exhibition at the National War Museum in Edinburgh Castle. The exhibition featured contemporary photography by Robert Wilson, which together with a programme of weekend events, helped achieve a 42% conversion rate of Castle visitors to the Museum in 2009/10, resulting in over 490 thousand visitors to the National War Museum.

Following the success of *Jean Muir: Fashion Icon* at the National Museum of Scotland, the exhibition transferred to the National Museum of Costume in 2009. The *Garden Detectives* exhibition was also shown at the National Museum of Rural Life in East Kilbride in the autumn 2009, succeeding the ever-popular *Wildlife Photographer of the Year* exhibition earlier in the year.

In April 2009, the National Museum of Flight in East Lothian was re-launched, marking a new phase of development to follow the arrival of Concorde. Two new exhibitions were created: *Fantastic Flight*, a hands-on interactive gallery for families about the science and technology of flight; and *Fortunes of War*, which details the fascinating history of the East Fortune airfield. Other developments included an Assault Course and the introduction of a 'land train' to help visitors move more easily around the airfield. Visits were 24% higher than in the prior year, with further improvements and new attractions in development.

We have participated in a range of major international exhibitions in 2009/10, including: *The Art of the Celts* displayed in Berne; *James Cook and the Exploration of the Pacific* shown in Bonn, Vienna and Berne; and *The Painting of an Empire* shown in Rome. All had lavish scholarly catalogues giving context to our objects in the international arena.

It has been a notable year for significant acquisitions. In 2009/10, we acquired some important pieces of decorative art including: a stunning piece of Regency silver, a silver soup tureen (part of the ambassadorial service commissioned in 1806 from the leading London silversmith, Paul Storr, for the 10th Duke of Hamilton at the Court of St Petersburg); a beautiful item of rococo porcelain - a perfume vase decorated with birds, butterflies and animals made by the Chelsea Porcelain factory (c1756); and

an extensive collection of contemporary glass gifted by the collector, Dan Klein. Our largest acquisition was the arrival of a Jaguar GR1A aircraft at the National Museum of Flight.

Significant incoming loans were also secured including Sir Jackie Stewart's 1971 world championship Formula 1 racing car

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). The allocation for financial year 2009/10 was £200k. During the year, 83 payments totalling £231k were made to 32 organisations, to obtain objects with a purchase value of £803k.

7. Research Activities

During the year ended 31 March 2010, 110 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures, through exhibitions and public events.

Our Research Programme is based on four themes: collectors and collecting; understanding the natural world; material culture creation and use; and identities and cultural contacts.

This year saw a greater focus of seeking financial support for research. Our research into Pictish Art (500-900 AD), supported by Glenmorangie, is making good progress towards a major publication in 2011, with interim publicity events attracting much interest. A key piece of research into the iconic Lewis Chessmen was published and also attracted a good deal of media attention. These new findings will help shape a touring exhibition arranged with the British Museum for 2010/11, which is supported by the Scottish Government.

8. Future Plans

We are currently reviewing and refreshing our long term vision and strategic framework, which will enable us to clarify our ambitions and strengthen our role for the future. Our future plans range across collections, audiences, national and international connections, the people and resources, which are essential for our work.

Collections

National Museums Scotland has wide ranging collections which are in many areas among the best internationally. These collections are international in scope and link the history of Scotland with the rest of the world. We are the centre for curatorial expertise in Scotland across a wide range of disciplines. Our Collections Development Strategy provides the overview of our approach to extending our role through ambitious acquisition, extended research programmes and collaborative working.

Research is an underlying fundamental to informed development and use of the collections. It results in high quality scholarship leading to a robust knowledge base, which in turn makes a creative contribution to the public-facing activities of National Museums Scotland such as exhibitions, education programmes and publications. We have defined four major themes for our research programme and are developing and implementing projects within this framework. Our aim is to communicate our output as effectively as possible at specialist, general and popular level, and through a wide range of channels.

Access to the collections must be supported by their effective care. Our aim is to ensure their long term preservation by improving storage and environmental conditions and seek to continue increasing the percentage of our collections in storage that meets appropriate standards. Increasing public access to stored collections will also be a priority. This will be enabled through ongoing enhancements to digital access, and better physical access to stored collections for both specialists and general visitors. Our National Museums Collection Centre provides our main location for collections storage, and facilities for conservation, photography and taxidermy. However, significant parts of this site, and our other storage facilities, are in urgent need of upgrading or replacement - largely due to the historic lack of reinvestment by Government. The current position represents a significant risk to the long term care and preservation of the National Collections.

Audiences

We aim to inspire people and engage both current visitors and new audiences with the stories our collections tell, through excellent public programmes enhanced facilities and focused investment. Public programming at all our sites will remain a high priority, with new attractions being developed for a range of audiences, including further developments at the National Museum of Flight and significant improvements to our online presence. Developing the potential of the collections as a learning resource

and supporting a wide variety of learners is a core priority. Our learning provision will be enhanced by an improved new reference library and related information services for visitors.

Connections

We have a key role to play nationally and internationally as a centre of excellence, providing access to our collections, enhancing public understanding and enjoyment, and supporting the museum community across Scotland.

In our national role as the steward of many of Scotland's nationally important collections and as an international centre of excellence, we believe that it is appropriate and necessary that we should provide advice and support to the museums community in Scotland, despite having no formal role from Government to do this. This work includes the operation of the National Fund for Acquisitions and the Treasure Trove. The touring exhibition of the Lewis Chessmen, in partnership with the British Museum, will be the most important undertaking of 2010/11. Our strategy for national working will ensure our work aligns with the current infrastructure for cultural delivery. We will develop our programme to link with the London Olympics 2012 and the City of Glasgow's Commonwealth Games in 2014.

We agreed a new International Framework in 2008. In the first instance, priorities for engagement are developing our Indian connections and the international loans programme, and building a research programme on the Scottish diaspora. Assessment of collections, associated research and further collecting for new galleries in the transformed National Museum of Scotland is also leading to further international working, most frequently in connection with the source communities for our international collections. For example, we are extending our international networks concerning the Inuit (Canada) and Ainu (Japan) communities represented in our collections.

People and Resources

Our employees and volunteers are a key resource, and we will continue to invest in people guided by our Human Resources Strategy. Supporting and developing staff is one of our key strategic aims and reflects our values, particularly 'effective working and mutual respect' and 'progressing through partnership'. We will continue to ensure our staffing provision is aligned to our strategic priorities, including engaging new, current and virtual audiences and improving the visitor experience. In 2009/10 we created a new Digital Media Department to reach wider audiences in new ways and provide an opportunity for existing staff to work in new ways. In 2010/11 we will be implementing the second year of our Training and Development Strategy which will equip our staff to meet the challenges of today and our aspirations for the future.

In 2010/11, we are undertaking significant works as part of the next stage of our Accommodation Strategy. This will include the vacation of a failing building at our National Museums Collection Centre, and works to house displaced staff and collections.

Key Priorities

Our major priority in 2010/11 is implementing the Royal Museum Project. By December 2010, the main building works will be completed and exhibition fit-out works will have begun on site. Gallery teams will finalise text and images for the new displays during 2010, and develop digital content for our website and other channels. Conservation, Taxidermy and Photography staff have a challenging schedule to ensure that all of the objects are ready for display and digitally recorded. Curatorial staff from across the organisation will be involved in the installation of objects for the new displays. Raising the balance of funds to complete the Project will be progressed by our Development team, supported by our Campaign Board. Despite the current very testing economic climate and strong competition from other cultural and charitable campaigns, fundraising progress has been good, and the Project remains on track for completion in summer 2011.

Funding Issues - Capital

A major challenge and significant risk for the organisation relates to the historic underfunding by Government of the renewal and maintenance of our Estates and Facilities of over **£50m** as amplified below.

Maintenance of premises, which are fit for purpose, is a critical dependency for our continued success. We need to enable staff to work effectively, visitors to enjoy our museums in comfort and safety, and to be able to safeguard the priceless National Collections for future generations. Our Estate Strategy includes an assessment of the current estate, its condition and its performance. We have a significant backlog maintenance liability of **£16.3m** as a consequence of historical under-investment in the estate due to funding restrictions. Independent consultants recommended that £4.7m be invested in Year 1 to address priority maintenance required for statutory compliance, and to ensure that the buildings are wind and watertight. As a result of the Spending Review 2008-2011, funding restrictions, and the

removal of our £1.2m annual capital block grant from the then Scottish Executive a few years ago; we do not receive any funding from Government to deal specifically with this longstanding underinvestment. We are only able to fund a very limited amount of work from current resources, which is not enough to even keep pace with the rate of deterioration. We are committed to seeking additional Government funding to improve and maintain our estate to a sound, operationally safe condition.

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

Despite the significant developments we have initiated in recent years across a number of sites, we face a serious backlog in display renewal due to a long term lack of investment by Government. At the National Museums of Scotland alone, a further **£10m** is needed beyond the current development project to complete its transformation and consistently meet modern visitor expectations.

Funding Issues - Revenue

The public sector funding outlook is extremely bleak at present with severe funding cuts being predicted in virtually all areas of public spending. We are currently considering our options for funding cuts but with the majority of our revenue spend on staff and fixed contracts, our options are limited.

9. Scottish Government Priorities

The Scottish Government document *Principles and Priorities: the Government's Programme for Scotland* sets out legislative and policy priorities with the overall purpose 'to focus Government and public services on creating a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth'.

To achieve this, the Scottish Government have five overarching strategic objectives which aim to make Scotland: wealthier and fairer; healthier; safer and stronger; smarter; and greener. National Museums Scotland contributes to the achievement of these five objectives in a range of ways.

In November 2007, the Scottish Government launched its new *National Performance Framework* in the Spending Review 2008-2011. The Framework reflected the Government's aim for the public sector in Scotland to move to an outcomes-based approach to performance.

We have linked our contribution to the Government's overall purposes in the following ways:

- The alignment between their corporate objectives and the relevant National Outcomes in the National Performance Framework;
- Collaborative working with other public bodies; and
- Links with Local Authority Single Outcome Agreements.

Although there are no specific National Outcomes or associated National Indicators in the Framework that directly relate to culture, what we do at National Museums Scotland makes a contribution at varying levels towards all 15 Outcomes. Our work and the services we provide link most closely to the following five Outcomes:

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

We will continue work on the outcomes-based approach to performance over the coming year.

10. Financial Review

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

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

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

	2010 £m	2009 £m
Income		
Grant in aid received	21.3	21.1
Other income	2.4	3.3
Income transferred to Capital Reserves (for capital projects)	(0.7)	-
Depreciation release from capital, donated assets and revaluation reserves	5.0	6.4
Total Income	28.0	30.8
Expenditure		
Staff Costs	13.7	13.5
Other Operating Charges	8.7	10.5
Depreciation (incl. impairments)	5.0	6.4
Total Expenditure	27.4	30.4
Adjusted Operational Result	0.6	0.4

The result for 2009/10 has been transferred to the Board Reserve Fund.

Reserves available for use by National Museums Scotland Board Reserve Fund

	2010 £m	2009 £m
Unutilised Board Reserve Fund at 31 March	3.3	2.6
Commitments made :		
Revenue projects in progress	(0.8)	(0.4)
Capital projects committed	(1.0)	-
Royal Museum Project – HLF Stage 2	(0.5)	(0.2)
Total commitments	(2.3)	(0.6)
Uncommitted reserves at 31 March	1.0	2.0

Our principal funding is grant-in-aid from the Scottish Government. The release from capital, donated assets and revaluation reserves matches our depreciation charges as they both relate to fixed assets.. Other income, including income from NMSE, decreased due to lower trading income as a result of partial closure of the National Museum of Scotland, and from lower revenue grants received from HLF expensed in the year.

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

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

The Adjusted Operational Result shown above differs from the Excess of Expenditure over Income shown in the Income & Expenditure Account. This is because revenue grant-in-aid is shown as income above, but

excluded from the Income & Expenditure Accounts, 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.

11. Principal Risks

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. The top 4 risks identified and addressed in 2009/10 were: Royal Museum Project fundraising falling short of target; the Royal Museum Project failing to be delivered on time or budget; a major fall in income or a major increase in cost; and the failure to recruit and retain key staff.

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

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

National Museums Scotland holds title to the National Museum of Scotland on Chambers Street, the National Museums Collection Centre at Granton in north Edinburgh, the National Museum of Flight in East Lothian, Leith Custom House and the former Dental Hospital in Chambers Street. Title to the property at Port Edgar is held by Scottish Ministers. The National Museum of Costume was gifted to Scottish Ministers, with a reversion clause to the original owners if the property ceases to be used as a museum. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland, and the premises of the National War Museum 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 and intangible assets at a cost of £13.4m. The sum of £1.2m was spent on permanent galleries, £12m on buildings, £0.2m on equipment purchases. There were no additions to leasehold improvements or intangible assets.

13. 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 10 days of receipt of invoice. The original guideline of 30 days was reduced to 10 days for the public sector from October 2008. This revised target is not practically achievable within available resources. The average number of payment days during 2009/10 showed that on average we paid 19% of invoices within 10 days, and 86% of invoices within 30 days.

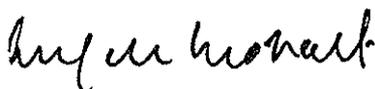
14. External Audit

The consolidated accounts are audited by Audit Scotland, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2009/10 of £22k (2008/9 £21k). There were no other payments to Audit Scotland.

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

15. Post Balance Sheet Events

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



CHAIRMAN

DATE 10 SEPTEMBER 2010

REMUNERATION REPORT

Remuneration Policy

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

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

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

- The need to recruit, retain and motivate suitably able and qualified people;
- Government policies for improving the public services; and
- The affordability of recommendations for salary review.

Service Contracts

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

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

Salary and pension entitlements

The following section provides detail of the remuneration and pension entitlement of the senior management (Corporate Management Team):

	2010	2009	Accrued annual pension payable 31 March 2010 (1)	Increase in accrued pension since 31 March 2009 (2)	CETV at 31/3/10	CETV at 31/3/09	Real increase in CETV funded by NMS
	Salary	Salary					
	£000	£000	£000	£000	£000	£000	£000
Director							
Gordon Rintoul	110-115	105-110	20-25	0-2.5	358	298	38
Director of Estates and Facilities Management							
Fiona Bell	65-70	65-70	0-5	0-2.5	51	33	13
Director of Collections							
Jane Carmichael	70-75	70-75	40-45	0-2.5	793	701	53
Director of Marketing and Development							
Catherine Holden	75-80	75-80	10-15 (3) plus lump sum 40-45	0-2.5 (3) plus lump sum 2.5-5.0	228	197	17
Director of Public Programmes							
Sally Manuireva	60-65	60-65	5-10	2.5-5.5	65	14	13
Director of Finance & Resources							
Andrew Patience	70-75	70-75	10-15	0-2.5	210	171	25
Director of Visitor Operations (4)							
Peter Williamson	25-30	25-30	n/a	n/a	n/a	n/a	n/a

Notes

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

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

There were two other employees with emoluments above £60,000 employed during the year.

Benefits in kind

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

Corporate Management Team Pensions

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

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

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

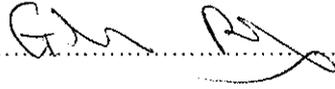
Pensions in all schemes increase in payment in line with the Retail Price Index. On death, pensions are payable to the surviving spouse ("Classic") or partner ("Nuvos" & "Premium") at the rate of half the member's pension. On death in service, the schemes pay a lump sum benefit of twice pensionable pay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

The Cash Equivalent Transfer Values (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

This is effectively the element of the increase in accrued pension funded by the employer. It excludes increases due to inflation and contributions paid by the employee and is worked out using common market valuation factors for the start and end of the period.

DIRECTOR 

DATE 10 SEPTEMBER 2010

ACCOUNTS

STATEMENT OF BOARD OF TRUSTEES' AND DIRECTOR'S RESPONSIBILITIES

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

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

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

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

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

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

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

The Scottish Public Finance Manual (SPFM) is issued by the Scottish Ministers to provide guidance to the Scottish Government and other relevant bodies on the proper handling 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 good systems of internal control.

Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the organisation's policies, aims and objectives; to evaluate the nature and extent of those risks, 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 2010 and up to the date of approval of the annual report and accounts, and accords with guidance from the Scottish Ministers.

Risk and Control Framework

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

The Corporate Management Team reviews its risk register formally every six months at March and September each year by reassessing its 20 key risks through a process of probability and impact assessment. The top 4 key risks are reported upon at each audit committee in detail as to current status with any significant changes in these risks reported to the Board. Control mechanisms to minimise or mitigate risks are identified and reviewed for effectiveness, and "ownership of the risks" is assigned to the relevant Director. Any training required is identified and taken forward as relevant.

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. The organisation has completed the leadership and management development training of its senior management team, and begun training and development for its middle management tier over the next two years.

Review of Effectiveness

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

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

- comments made by the external auditors in their management letters and other reports.

The Board of Trustees at each meeting receive an update on key operational matters from the Director. They also receive a report from the chairman of the Audit Committee on any significant issues with any matters affecting the top 4 risks on the risk register being brought to the Trustees attention.

The Audit Committee receive an update at each four monthly meeting on key business issues, a report on progress on the top 4 risks on the risk register, and any significant issues affecting the other risks identified in the risk register. Regular reports are provided to each audit committee meeting by internal audit, to standards defined in the Government Internal Audit Manual, which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. The external auditors also provide reports to the audit committee with comments on the internal control environment as appropriate.

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

Internal Audit has provided adequate assurance that the systems of internal control have operated effectively throughout the year.

As noted in the Report of the Board of Trustees, NMS has identified a significant risk to Scotland's priceless national collections as a result of a maintenance backlog of £16.3m. Discussions are ongoing with the Scottish Government to secure funds to address this issue.

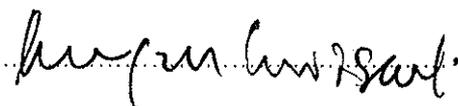
The Royal Museum Project which received Heritage Lottery and Scottish Government approval in the year is of crucial importance going forward due to the size of staff resource and finance required. The project has its own Executive committee which includes Trustee representation. Any variations above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

DIRECTOR



DATE 10 SEPTEMBER 2010

CHAIRMAN



DATE 10 SEPTEMBER 2010

INDEPENDENT AUDITORS' REPORT

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

I have audited the financial statements of the National Museums Scotland for the year ended 31 March 2010 under the National Heritage (Scotland) Act 1985 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. These comprise the Consolidated Income and Expenditure Account, the Consolidated Statement of Recognised Gains and Losses, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Financial Activities, the Income & Expenditure Account, the Balance Sheet and related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

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

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

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

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

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

Basis of audit opinion

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

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

Opinion

Financial statements

In my opinion

- the financial statements give a true and fair view, in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, of the state of affairs of the National Museums Scotland as at 31 March 2010 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers and the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations; and
- information which comprises the Report of the Board of Trustees and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Regularity

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

Signature:



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

Date:

7 October 2010

NATIONAL MUSEUMS SCOTLAND

Consolidated Income and Expenditure Account for the Year Ended 31 March 2010

		Continuing Activities	
		2010	2009
		£000	£000
All operations are continuing			
	<i>Notes</i>		
Income			
Income received from trading activities		1,216	1,243
Entrance charges		414	346
Miscellaneous grants		129	1,126
Other income	3	631	571
		2,390	3,286
Expenditure			
Staff costs	4	13,654	13,532
Other operating charges	5	8,689	10,485
Depreciation and permanent diminution in value	1c,6,8	5,031	6,403
		27,374	30,420
Excess of expenditure over income before interest		(24,984)	(27,134)
Notional Cost of capital	20	(5,792)	(5,651)
Interest receivable		10	141
Excess of expenditure over income after interest		(30,766)	(32,644)
Taxation	24	-	-
Excess of expenditure over income after taxation		(30,766)	(32,644)
Add back notional cost of capital	20	5,792	5,651
Excess of expenditure over income for the year before reserve movements		(24,974)	(26,993)
Capital Reserve release	15	1,425	2,830
Capital Donations release	15	1,382	1,337
Revaluation Reserve release	15	2,200	2,210
Excess of expenditure over income for the year		(19,967)	(20,616)
Transfer to General Fund	15	(19,952)	(20,601)
NMS Enterprises Ltd profit/(loss) net of gift aid	18	(15)	(15)
		(19,967)	(20,616)

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

The result including grant income is a surplus of £632k (2008/9 £433k) as explained further in Note 2 to the accounts.

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Recognised Gains and Losses for the Year Ended 31 March 2010

		2010	2009
		£000	£000
	<i>Notes</i>		
Excess of expenditure over income		(19,967)	(20,616)
Unrealised gain on revaluation of fixed assets	15	(1,965)	13,888
Donated asset receipts	15	7,482	2,123
Total recognised gains and losses during the year		(14,450)	(4,605)

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

NATIONAL MUSEUMS SCOTLAND

Consolidated Balance Sheet for the Year Ended 31 March 2010

		2010 £000	2009 £000
	Notes		
Fixed Assets			
Tangible assets	6	200,692	194,421
Collections	7	4,832	4,215
Intangible assets	8	-	31
Investments	9	1	1
Total Fixed Assets		205,525	198,668
Current Assets			
Stocks	10	396	370
Debtors	11	4,842	2,882
Cash at bank and in hand	12	3,118	4,515
Total Current Assets		8,356	7,767
Current Liabilities			
Creditors: amounts falling due within one year	13	(3,572)	(3,185)
Net current assets		4,784	4,582
Total assets less current liabilities		210,309	203,250
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(447)	(313)
Total net assets		209,862	202,937
Financed by:			
Capital and reserves			
Unrestricted funds:			
Capital reserve	15	74,952	71,182
General fund	15	320	320
Board reserve fund	15	3,301	2,654
NMS Enterprises Ltd	18	(260)	(245)
		78,313	73,911
Restricted funds:			
Collections & Donated assets reserve	15	23,786	17,069
Revaluation reserve	15	107,470	111,636
Purchase Fund	15	254	321
Designated Funds	15	39	-
		131,549	129,026
Total Funds		209,862	202,937



 Director

10 SEPTEMBER 2010

 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 2010

		2010 £000	2009 £000
	<i>Notes</i>		
Net cash inflow/(outflow) from operating activities	16	(744)	(817)
Returns on investments and servicing of finance			
Interest Received		10	141
Taxation:			
Corporation Tax	24	-	-
Capital expenditure and financial investment:			
Payments from Purchase Fund	15	(617)	(773)
Payments from NFA Fund	23	(230)	(203)
Payments to acquire tangible and intangible fixed assets	6,8	(12,754)	(7,378)
Receipts from sale of tangible and intangible fixed assets		-	-
Total capital expenditure and financial investment		(13,601)	(8,354)
Cash outflow before financing		(14,335)	(9,030)
Financing:			
Government grants	2	4,706	5,261
Capital grants received	15	7,482	2,123
NFA Fund received	23	200	200
Purchase Fund	15	550	747
		12,938	8,331
Increase/(decrease) in cash in the period	16	(1,397)	(699)

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 2010

		2010 Unrestricted Funds £000	2010 Restricted Funds £000	2010 Total £000	2009 Total £000
Incoming resources	Notes				
Income resources from generated funds					
Voluntary income					
Grant-in-aid	2	26,008	510	26,518	26,849
Capital grants received		-	5,070	5,070	3,135
Donations	3 & 15	185	79	264	390
Other grants received		129	-	129	-
Activities for generating funds					
Activities in the furtherance of the charity's objectives	3	728	-	728	625
Capital donations received		-	2,411	2,411	-
Membership income	3	132	-	132	140
Activities for generating funds	18	1,216	-	1,216	1,242
Investment income					
Gift aid from Subsidiary	18	92	-	92	150
Interest income		10	-	10	141
Total incoming resources		28,500	8,070	36,570	32,672
Resources expended					
Cost of generating funds					
Development	5	545	-	545	530
NMSE Ltd – Cost of goods sold	18	509	-	509	506
NMSE Ltd – Admin costs	18	630	-	630	622
NMSE Ltd – Gift aid	18	92	-	92	150
Charitable expenditure					
Charitable activities	5 & 15	25,654	617	26,271	29,306
Governance costs					
Governance activities	5	249	-	249	231
Total resources expended		27,679	617	28,296	31,345
Notional cost of capital	20	5,792	-	5,792	5,651
Total resources expended including notional costs		33,471	617	34,088	36,996
Net (outgoing)/Incoming resources before revaluation, collections capitalisation and reversal of notional costs		(4,971)	7,453	2,482	(4,324)
Revaluation of fixed assets	15	-	(1,966)	(1,966)	13,888
Capitalisation of collections purchases	15	-	617	617	774
Release from revaluation reserve	15	2,200	(2,200)	-	-
Release from donated asset reserve	15	1,382	(1,382)	-	-
Reversal of notional cost of capital	20	5,792	-	5,792	5,651
Net movement in funds		4,403	2,522	6,925	15,989
Total funds brought forward		73,910	129,027	202,937	186,948
Total funds carried forward		78,313	131,549	209,862	202,937

NATIONAL MUSEUMS SCOTLAND

Consolidated Statement of Financial Activities (Continued) for the Year Ended 31 March 2010

	2010 Unrestricted Funds £000	2010 Restricted Funds £000	2010 Total £000	2009 Total £000
Total fund balances comprise:				
Fixed assets	74,269	131,256	205,525	198,668
Net current assets	4,491	293	4,784	4,582
Creditors due after more than one year	-	-	-	-
Provisions for liabilities and charges	(447)	-	(447)	(313)
	78,313	131,549	209,862	202,937

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

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

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

NATIONAL MUSEUMS SCOTLAND

Income and Expenditure Account for the Year Ended 31 March 2010

		Continuing Activities	
		2010	2009
		£000	£000
All operations are continuing			
	<i>Notes</i>		
Income			
Entrance charges		414	347
Gift aid from subsidiary		92	150
Miscellaneous grants		129	1,126
Other income	3	631	571
		1,266	2,194
Expenditure			
Staff costs	4	13,165	13,023
Other operating charges	5	8,062	9,892
Depreciation and permanent diminution in value	1c,6,8	5,007	6,378
		26,234	29,293
Excess of expenditure over income before interest		(24,968)	(27,099)
Notional Cost of capital	20	(5,792)	(5,651)
Interest receivable		9	121
Excess of expenditure over income after interest		(30,751)	(32,629)
Taxation	24	-	-
Excess of expenditure over income after taxation		(30,751)	(32,629)
Add back notional cost of capital	20	5,792	5,651
Excess of expenditure over income for the year before reserve movements		(24,959)	(26,978)
Board Reserve release	15	-	-
Capital Reserve release	15	1,425	2,830
Capital Donations release	15	1,382	1,337
Revaluation Reserve release	15	2,200	2,210
Excess of expenditure over income for the year transferred to General Fund		(19,952)	(20,601)

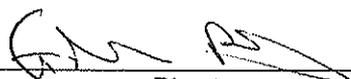
The notes on Pages 27 to 42 form part of these accounts.

The result including grant income is a surplus of £647k (2008/9 £448k) as explained further in Note 2 to the accounts.

NATIONAL MUSEUMS SCOTLAND

Balance Sheet as at 31 March 2010

		2010 £000	2009 £000
	<i>Notes</i>		
Fixed Assets			
Tangible Assets	6	200,625	194,331
Collections	7	4,832	4,215
Intangible Assets	8	-	31
Investment in Subsidiary	9	500	500
Total Fixed Assets		<u>205,957</u>	<u>199,077</u>
Current Assets			
Debtors receivable within 12 months	11	5,219	3,159
Cash at Bank and in Hand	12	2,803	4,229
Total Current Assets		<u>8,022</u>	<u>7,388</u>
Current Liabilities			
Creditors: Amounts falling due within one year	13	(3,410)	(2,970)
Net current assets		<u>4,612</u>	<u>4,418</u>
Total assets less current liabilities		<u>210,569</u>	<u>203,495</u>
Creditors: Amounts falling due after more than one year	13	-	-
Provision for liabilities and charges	14	(447)	(313)
Total net assets		<u>210,122</u>	<u>203,182</u>
Financed by:			
Capital and Reserves			
Unrestricted funds:			
Capital Reserve	15	74,952	71,182
General Fund	15	320	320
Board Reserve Fund	15	3,301	2,654
		<u>78,573</u>	<u>74,156</u>
Restricted Funds:			
Collections & Donated Assets Reserve	15	23,786	17,069
Revaluation Reserve	15	107,470	111,636
Purchase Fund	15	254	321
Designated Funds	15	39	-
		<u>131,549</u>	<u>129,026</u>
Total Funds		<u>210,122</u>	<u>203,182</u>



 Director

10 SEPTEMBER 2010

 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 2010**

1. Accounting Policies

a) Basis of Accounting

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

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

b) Basis of Consolidation

The accounts consolidate those of the National Museums Scotland and its subsidiary company, NMS Enterprises Ltd. The accounts are consolidated on a line by line basis for assets and liabilities.

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

c) Tangible Fixed Assets and Depreciation

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

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

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

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

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

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

d) Intangible Assets

Intangible assets are revalued annually using appropriate indices less depreciation. Depreciation is calculated to write off the assets in equal annual instalments over their useful economic lives.

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

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

e) Government Grants

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

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

f) Stocks

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

g) Board Reserve Fund

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

h) Revaluation Reserve

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

i) Notional Costs

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

j) 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.

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

k) Subsidiary companies

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

l) Investments

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

m) Foreign Exchange Gains and Losses

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

n) Finance Leases and Operating Leases

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

o) Non-Recoverable VAT

Non-recoverable VAT is recorded as an expense as it is incurred and is attributed to the activity on which it was incurred.

p) Heritage Assets

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.

q) Pension Contributions

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

r) Grants to Outside Bodies

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

s) Statement of Financial Activities

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

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

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

t) 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.

u) 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.

v) Financial Instruments

Financial Instruments are disclosed in line with Cash, Trade Debtors and Trade Creditors policies.

w) Designated Funds

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

x) 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. Separate accounting arrangements are made for the fund.

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

	GROUP AND NMS	
	2010	2009
	£000	£000
Grant-in-aid received:		
Running Costs	21,302	21,078
Major Capital	4,706	5,261
	26,008	26,339
Purchase Grant	510	510
Total received during year	26,518	26,849

Grants and grants-in-aid for revenue purposes are regarded as contributions from controlling parties and accounted for as financing by crediting them direct to the General Fund. Such grants are therefore not accounted for as income. Government funding for capital purposes is credited to a capital reserve and released to the income and expenditure account over the useful life of the asset.

The table below shows the outturn for the year against our grant-in-aid offer letter. The excess of outturn against the offer letter arose on non cash (notional) items mainly as a result of adjustments arising from the revaluation of National Museums Scotland properties during the year. Non-cash items are not paid out by the Scottish Government but we are expected to have resource budget cover for these items. This has been funded within the Culture resource budget by the Scottish Government and no grant-in-aid for 2008-9 or 2009-10 will be clawed back in respect of this.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

	2010	
	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	21,302	21,302
Purchase Grant (Note 7)	510	510
National Fund for Acquisitions (Note 23)	200	200
Capital for Royal Museum Project	3,961	3,961
Capital for West Granton project	500	500
Capital for various projects	245	245
	26,718	26,718
Non Cash Items (Notional)		
Cost of Capital (Note 20)	5,792	5,764
Depreciation incl. permanent diminution in value	3,291	3,706
	9,083	9,470

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

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

	GROUP		NMS	
	2010	2009	2010	2009
	£000		£000	
Reported Deficit	(19,967)	(20,616)	(19,952)	(20,601)
Add: Grant-in-aid received	21,302	21,078	21,302	21,078
Less: Transferred to capital reserve	(703)	(29)	(703)	(29)
Less: Transferred to unutilised capital	-	-	-	-
Result including grant income	632	433	647	448

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

3. Income

Income & Expenditure Account Other Income	GROUP AND NMS	
	2010	2009
	£000	£000
Gift Aid from Membership	71	11
NMS Charitable Trust donations	75	123
Other donations	39	20
Donations	185	154
Provision of Services	45	22
Misc Sponsorship	133	71
Revenue Earning Activities	1	(2)
Grant Aided Activities	5	13
Other	130	173
Charitable activities	314	277
Membership Scheme	132	140
	631	571

Statement of Financial Activities Activities for Generating Funds	GROUP AND NMS	
	2010	2009
	£000	£000
Charitable activities	314	277
Entrance charges	414	346
Miscellaneous grants	-	2
Activities in furtherance of charity's objectives	728	625

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

4. Employees

Staff Costs during the Year:

	GROUP		NMS	
	2010	2009	2010	2009
	£000	£000	£000	£000
Salaries	10,829	10,726	10,405	10,287
Social Security Costs	767	785	735	748
Pension Costs	1,832	1,886	1,799	1,853
Early Retirement	226	135	226	135
Total	13,654	13,532	13,165	13,023

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

Average full-time equivalent number of employees by Directorate:

	GROUP		NMS	
	2010	2009	2010	2009
Directorate	12	12	12	12
Finance and Resources	30	31	30	31
Estates and Facilities Management	87	87	87	87
Collections	116	116	116	116
Public Programmes (including Visitor Services)	129	131	129	131
Marketing and Development	17	17	17	17
NMS Enterprises Ltd	16	16	-	-
Total	407	410	391	394

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

	GROUP		NMS	
	2010	2009	2010	2009
Permanent Contract	376	377	369	370
Temporary Contract	31	33	22	24
Total	407	410	391	394

No remuneration was paid to members of the Board of Trustees during 2009/10 (2008/09 - nil). During 2009/10 National Museums Scotland paid a total of £1,368 in reimbursement of travel expenses to 4 Trustees for attending meetings at National Museums Scotland, while in 2008/09, a total of £2,344 was reimbursed to 7 Trustees. No benefit in kind accrued to Trustees during the year.

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 Scheme Actuary (Hewitt Associates Limited) valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2009-10, employers' contributions of £1,799k were payable to the PCSPS (2008-09 £1,853k) at one of four rates in the range of 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2008-09 were between 17.1% and 25.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2009-10 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Senior management and all other staff can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £1k (2008-09 £1k) were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay.

Defined contribution scheme pension contributions were not paid in respect of staff earning more than £50,000. Retirement benefits accrued under the defined benefit schemes to 450 staff during 2009/10 (2008/09 = 450 staff), while benefits accrued under defined contribution schemes to 6 staff during 2009/10 (2008/09 = 6 staff).

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

The NMS Enterprises Group Personal Pension Plan is a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age. For 2009-10, employers' contributions of £33k were payable (2008-09 £33k)

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

5. Expenditure

Income & Expenditure Account Other Operating Charges	GROUP		NMS	
	2010	2009	2010	2009
	£000	£000	£000	£000
Board Expenses	8	12	8	12
Expenses - Staff	234	315	227	306
Administration Expenses	854	840	803	794
Internal Audit	12	14	12	14
Other External Charges	1,532	1,699	1,008	1,188
Professional Services:				
– Directorate & Resources	97	105	67	76
– Estates	27	67	27	67
– Collections	56	79	56	79
– Public Programmes	173	288	173	288
– Marketing & Development	210	163	210	163
Advertising	139	144	139	144
Fuel and Utilities	1,153	1,277	1,153	1,277
Rents and Rates	324	266	324	266
Furniture and Furnishings	113	134	107	124
Repairs and Renewals	3,726	5,051	3,726	5,071
Operating Leases	-	2	-	2
Audit Fee	31	29	22	21
Total	8,689	10,485	8,062	9,892

Statement of Financial Activities Resources Expended	2010 Staff	2010 Operating	2010 Depreciation	2010 Total	2009 Total
	£000	£000	£000	£000	£000
Development	337	216	114	667	701
Cost of generating funds	337	216	114	667	701
Curatorial	3,854	731	1,155	5,740	6,221
Conservation & Collections	1,666	456	499	2,621	2,922
Exhibitions	3,748	1,536	1,912	7,196	8,254
Security and Support Services	1,395	369	300	2,064	2,216
Marketing	380	567	100	1,047	1,241
Estates and Buildings	1,587	4,136	927	6,650	7,507
Charitable Activities	12,630	7,795	4,893	25,318	28,361
Trustee Expenditure	-	17	-	17	12
Staff costs	198	-	-	198	184
Internal audit	-	12	-	12	14
External audit	-	22	-	22	21
Governance activities	198	51	-	249	231
Total	13,165	8,062	5,007	26,234	29,293

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

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

GROUP

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2009	198,467	16,926	2,627	26,566	2,636	247,222
Additions	33	12,970	-	244	203	13,450
Transfers	-	(962)	-	962	-	-
Disposals	-	-	-	(929)	(230)	(1,159)
Revaluations	<u>(2,321)</u>	-	<u>(31)</u>	<u>(178)</u>	-	<u>(2,530)</u>
31 March 2010	196,179	28,934	2,596	26,665	2,609	256,983
Depreciation						
1 April 2009	33,884	-	454	17,123	1,340	52,801
Charge for year	2,931	-	52	1,815	311	5,109
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(718)	(227)	(945)
Impairments	49	-	-	-	(159)	(110)
Revaluations	<u>(445)</u>	-	<u>(5)</u>	<u>(114)</u>	-	<u>(564)</u>
31 March 2010	36,419	-	501	18,106	1,265	56,291
Net Book Value						
31 March 2010	<u>159,760</u>	<u>28,934</u>	<u>2,095</u>	<u>8,559</u>	<u>1,344</u>	<u>200,692</u>
1 April 2009	<u>164,583</u>	<u>16,926</u>	<u>2,173</u>	<u>9,443</u>	<u>1,296</u>	<u>194,421</u>

NATIONAL MUSEUMS SCOTLAND

Cost or valuation (£000)	Land & Buildings	Under Construction	Leasehold Improvements	Permanent Galleries	Plant & Equipment	Totals
1 April 2009	198,467	16,926	2,627	26,566	2,430	247,016
Additions	33	12,970	-	244	203	13,450
Transfers	-	(962)	-	962	-	-
Disposals	-	-	-	(929)	(230)	(1,159)
Revaluations	<u>(2,321)</u>	-	<u>(31)</u>	<u>(178)</u>	-	<u>(2,530)</u>
31 March 2010	196,179	28,934	2,596	26,665	2,403	256,777
Depreciation						
1 April 2009	33,884	-	454	17,123	1,224	52,685
Charge for year	2,931	-	52	1,815	288	5,086
Transfers	-	-	-	-	-	-
Disposals	-	-	-	(718)	(227)	(945)
Impairments	49	-	-	-	(159)	(110)
Revaluations	<u>(445)</u>	-	<u>(5)</u>	<u>(114)</u>	-	<u>(564)</u>
31 March 2010	36,419	-	501	18,106	1,126	56,152
Net Book Value						
31 March 2010	<u>159,760</u>	<u>28,934</u>	<u>2,095</u>	<u>8,559</u>	<u>1,277</u>	<u>200,625</u>
1 April 2009	<u>164,583</u>	<u>16,926</u>	<u>2,173</u>	<u>9,443</u>	<u>1,206</u>	<u>194,331</u>

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010**

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 2010. All the properties, with the exception of the Royal Museum Building 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 31 March 2007, and revalued at 31 March 2010 using appropriate indices. The valuations have been undertaken on the undernoted bases in accordance with the RICS Valuation Standards 6th Edition. Properties regarded by NMS 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 Annual Report and Accounts. The valuation figures in the Annual Report and Accounts 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 2010 Fixed Assets included donated assets at an amortised value of £18,954k made up by:

	2010	2009
	£000	£000
Land and Buildings	15,582	9,468
Leasehold Improvement	1,245	1,299
Permanent Galleries	2,127	2,087
	18,954	12,854

The charge for depreciation and diminution in value comprises:

National Museums Scotland except as stated	2010	2009
	£000	£000
Tangible assets depreciation	5,086	5,250
Intangible assets depreciation (Note 8)	39	43
Permanent diminution in value – tangible assets	(110)	1,079
Permanent diminution in value – intangible assets	(8)	6
NMS Enterprises tangible assets depreciation	24	25
	5,031	6,403

7. Heritage Assets
(See Note 1[p])

National Museums Scotland and its predecessor bodies have acquired objects for the collections over the previous two centuries. The collections cover geological, archaeological, scientific, engineering, artistic, historic and cultural subjects. National Museums Scotland is required to capitalise the cost of artefacts acquired since 1 April 2001. Artefacts acquired in the centuries prior to 1 April 2001 are excluded because reliable cost information is not available. National Museums Scotland considers that valuation of the 4 million objects in the collections would be impracticable.

	GROUP AND NMS	
	2010	2009
	£000	£000
1 April	4,215	3,442
Purchase Fund Utilised in Year	576	536
Others (Art Fund, NMS Charitable Trust)	41	237
31 March	4,832	4,215

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

8. Intangible Assets

	GROUP AND NMS	
	2010 £000	2009 £000
1 April	306	306
Revaluation	-	-
31 March	306	306
Amortisation:		
1 April	275	226
Charge for the Year	39	43
Impairment	(8)	6
31 March	306	275
Net Book Value:		
31 March	-	31

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

9. Investments

	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Opening & Closing Balance	1	1	500	500

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

10. Stocks

(See Note 1[f])

	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Stocks Held for Resale	396	370	-	-

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

11. Debtors

	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Receivable Within 1Year:				
Prepayments	302	298	266	256
Sundry Debtors	3,319	1,603	3,319	1,603
Season Ticket Advances	12	11	12	12
Trade Debtors	247	315	95	149
Less:				
Provision for Amounts not recoverable	(18)	(40)	(14)	(1)
Subsidiary Company	-	-	561	445
VAT Recoverable	980	695	980	695
	4,842	2,882	5,219	3,159

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

Intra Governmental Balances	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Central Government	45	65	41	61
Local Government	1	-	1	-
NHS Trusts	-	-	-	-
Public Corporations	2	1	-	-
Bodies External to Government	4,794	2,816	5,177	3,098
	4,842	2,882	5,219	3,159

12. Cash at Bank and in Hand

	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Cash and commercial accounts	3,082	4,446	2,767	4,160
Funds held for third parties	36	67	36	67
Paymaster General Account	-	2	-	2
	3,118	4,515	2,803	4,229

13. Creditors

	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Amounts falling due within one year:				
Trade Creditors	186	168	87	66
Other Creditors	919	402	907	383
Accruals	2,432	2,447	2,381	2,353
Deferred Income	35	168	35	168
	3,572	3,185	3,410	2,970
Amounts Falling Due After More than One Year:				
Creditors > 1 Year	-	-	-	-

Intra Governmental Balances	GROUP		NMS	
	2010 £000	2009 £000	2010 £000	2009 £000
Central Government	1	3	-	2
Local Government	-	-	-	-
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	3,571	3,182	3,410	2,968
	3,572	3,185	3,410	2,970

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

14. Provision for liabilities and charges

	GROUP AND NMS	
	2010	2009
	£000	£000
Restructure & injury benefit costs		
Opening Balance 1 April	313	287
Add: Restructure & Injury Benefit Provisions	226	70
Less: Restructure & Injury Benefits Paid During Year	(92)	(44)
Closing Balance 31 March	447	313

Restructure & injury benefits of £91k (2008/09 £48k) are payable within 12 months of the year end.

15. Reserves – Restricted and Unrestricted

NMS								Total
	<i>General Fund</i>	<i>Board Reserve Fund</i>	<i>Capital Reserve</i>	<i>Restricted Collections & Donated Assets Reserve</i>	<i>Restricted Revaluation Reserve</i>	<i>Restricted Purchase Fund</i>	<i>Restricted Designated Funds</i>	
£000		See Note 1[g]	See Note 1[e]	See Note 1[j]	See Note 1[h]	See Note 1[p]		
Opening Balance 1 April 2009	320	2,654	71,182	17,069	111,636	321	-	203,182
Revaluation gains	-	-	-	-	(1,966)	-	-	(1,966)
Release (to)/from I&E	-	-	(1,425)	(1,382)	(2,200)	-	-	(5,007)
Utilised in year	-	-	-	-	-	(617)	-	(617)
Utilised Board Reserve	-	-	-	-	-	-	-	-
Government funding & donation (note 2)	21,302	-	4,706	-	-	510	-	26,518
Capitalisation of Collection Purchases	-	-	-	617	-	-	-	617
Other donations & transfers	-	-	(214)	7,482	-	40	39	7,347
Transfers								
GIA to Capital	(703)	-	703	-	-	-	-	-
Surplus to Board	(647)	647	-	-	-	-	-	-
Deficit for year	(19,952)	-	-	-	-	-	-	(19,952)
Closing Balance 31 March 2010	320	3,301	74,952	23,786	107,470	254	39	210,122

of which:

Capital Reserve

Utilised	74,188
Unutilised	764
	<u>74,952</u>

Collection & Donated Assets Reserve

Collection Assets	4,832
Donated Assets	18,954
	<u>23,786</u>

Revaluation Reserve

All Assets (excl Donated Assets)	91,434
Donated Assets	16,036
	<u>107,470</u>

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

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

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

	GROUP	
	2010	2009
	£000	£000
Net outgoing resources before revaluation ,collections capitalisation and reversal of notional costs	2,482	(4,324)
Reversal of Notional Cost of Capital	5,792	5,651
Grant-in-Aid – Major Capital	(4,706)	(5,261)
Other Capital Grants	(7,482)	(2,123)
Interest Received	(10)	(141)
Depreciation, permanent diminution in value and loss on disposal	5,031	6,403
Transfer to capital	(703)	56
Movement in restricted funds	67	(26)
Other movements in capital	250	-
(Increase)/decrease in stocks	(26)	(19)
(Increase) in Debtors	(1,960)	(829)
Increase/(decrease) in Creditors	387	(230)
Increase in Provisions for Liabilities and Charges	134	26
Net Cash Inflow/(outflow) from Operating Activities	(744)	(817)

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	
	2010	2009
	£000	£000
Opening Cash Balance	4,515	5,214
Change in Year	(1,397)	(699)
Closing Cash Balance	3,118	4,515

17. Commitments

	GROUP	
	2010	2009
	£000	£000
Contracted but not provided for in the Accounts		
Capital Commitments:		
Royal Museum Project – Main Works	10,000	21,200
Royal Museum Project – Consultants	1,700	2,800
Other capital projects	165	200
	11,865	24,200
Operating Commitments	179	457
Total Commitments	12,044	24,657

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

18. Subsidiary Company

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

	2010	2009
	£000	£000
Turnover	1,216	1,242
Cost of goods sold	(509)	(506)
Administrative costs	(630)	(621)
Trading profits from continuing operations	77	115
Gift aid to National Museums Scotland	(92)	(150)
Profit/(loss) after gift aid	(15)	(35)
Interest Income	-	20
Profit/(Loss) reported in Consolidated I&E Account	(15)	(15)
Reserves at 1 April	(245)	(230)
Transferred from Income and Expenditure Account	(15)	(15)
Reserves at 31 March	(260)	(245)

19. Related Party Transactions

National Museums Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government which is regarded as a related party. During the year National Museums Scotland has had various material transactions with the Scottish Government. None of the Trustees, members of key management staff or other related parties has entered into any material transaction with National Museums Scotland during the year. In addition, National Museums Scotland has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

The National Museums Scotland Charitable Trust ("NMSCT") exists, inter-alia, to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific, and social. During the year James Fiddes and Iain Watt, trustees of National Museums Scotland, were also trustees of NMSCT. National Museums Scotland received £2.4m in grants and donations from NMSCT during the year (2008/09 £778k).

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

20. Cost of Capital

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

	2010	2009
	£000	£000
Average Balance During the Year	165,490	161,453
Notional Interest at 3.5% (2007 =3.5%)	5,792	5,651

Guidance on appropriate rates is contained in the publication "Financial Reporting Manual". The rate of 3.5% (2008/09 - 3.5%) is suggested as being appropriate to NDPBs which are not engaged in activities which compete directly with the private sector.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

21. 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. Future rental commitments at 31 March were as follows:

Land & Buildings	GROUP AND NMS	
	2010	2009
	£000	£000
Lease expiring after more than 5 years	23	23

22. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2010.

23. National Fund for Acquisitions
(See Notes 1(x))

	2010	2009
	£000	£000
Balance at 1 April	67	70
Grant Received	200	200
Disbursements	(230)	(203)
Balance at 31 March	37	67

24. Taxation

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

In respect of 2009/10 NMS Enterprises Ltd will pay £92k (2008/09 £125k) by Gift Aid to National Museums Scotland, thereby eliminating any liability of the subsidiaries to Corporation Tax in that year.

25. Date of Issue of Accounts

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

26. Post Balance Sheet Events

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

27. Financial Instruments

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

**NATIONAL MUSEUMS SCOTLAND
APPENDIX TO THE ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2009**

FINANCIAL MEMORANDUM: APPENDIX 2



NATIONAL MUSEUMS OF SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

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

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

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

