

NATIONAL MUSEUMS SCOTLAND

ANNUAL REPORT AND ACCOUNTS

CHARITY NUMBER: SC011130

FOR THE YEAR ENDED 31 March 2015

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TRUSTEES' ANNUAL REPORT

TRUSTEES' ANNUAL REPORT FOR THE YEAR ENDED 31 March 2015

1. The Principal Functions of National Museums Scotland

National Museums Scotland has defined its vision to be *'inspiring people, connecting Scotland to the world and the world to Scotland'*. The mission of National Museums Scotland is to *'preserve, interpret and make accessible for all, the past and present of Scotland, of other nations and cultures, and of the natural world'*.

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

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

We achieve our goals through a structured system of planning and performance management. This is based on the identification of strategic priorities within the vision and mission, which cascade into specific actions at organisational, departmental and personal level and a set of Key Performance Indicator (KPI) measures. National Museums Scotland publishes a Strategic Plan, currently covering 2011-2016, which is distributed to all staff and key stakeholders and is available on our website. In addition, an annual Operational Plan defines the key deadlines/targets for the current financial year. Performance is reported in quarterly updates to the Operational Plan, in this Annual Report & Accounts, and the Annual Review. There is also a personal Performance Development and Review system for all staff.

2. The Organisation

National Museums Scotland operated four museums during 2014/15: 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 and the National Museum of Rural Life near East Kilbride. We are further developing the National Museums Collection Centre in Granton, north Edinburgh, as our main collections science, access & research facility.

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 1985 Act. In October 2006 the organisation adopted a new operational name, National Museums Scotland, and changed the names of some of its museums. This was part of a wider programme of strategic change and improved communications, and these names are used throughout this report. Our statutory name, 'Board of Trustees of the National Museums of Scotland', is retained for use on legal and contractual documents.

National Museums Scotland wholly owns a limited company, NMS Enterprises Limited (NMSE), the aims of which are to:

- manage commercial facility hire and catering activities
- operate the shops in our museums
- publish books
- develop commercially our intellectual property

All profits are distributed to National Museums Scotland.

The activities of National Museums Scotland and NMSE are consolidated in most of the accounting statements and together are the Group.

Our registered address and principal place of business is Chambers Street, Edinburgh EH1 1JF. National Museums Scotland has been granted charitable status: the charity number is SC011130.

The organisation's banker is The Royal Bank of Scotland, 6-8 George Street, Edinburgh EH2 2SA.

The external auditor is PricewaterhouseCoopers LLP, Erskine House, 68-73 Queen Street, Edinburgh EH2 4NH.

Legal advice is provided primarily by CMS, Saltire Court, 20 Castle Terrace, Edinburgh EH1 2EN.

3. Related Organisations

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

National Museums Scotland works closely with the Scottish Government as a principal funder, and collaborates on government initiatives with the other National Collections Institutions.

We partner with a wide range of organisations to support culture and heritage across Scotland. We work with the National Trust for Scotland in the operation of the National Museum of Rural Life, Historic Scotland (Historic Environment Scotland from 1 October 2015) in the operation of the National War Museum and with more local organisations across all 32 local authority areas as part of our support for the museum sector. The latter partnerships primarily focus on sharing knowledge, skills development and widening access to our collections. Over the last year we have been developing our relationship with the new Lews Castle Museum in Stornaway. We will loan nearly a third of items displayed at the new museum. We are also renewing our partnership with the National Piping Centre, Glasgow for a further three years, supporting their ambitions to improve standards for displays and loans from us, and we have renewed our partnership with the Whithorn Trust in Dumfries & Galloway until 2018.

4. The Board of Trustees

Our Trustees are appointed by Scottish Ministers for a single four-year term, with the possibility of reappointment for a second term. An induction programme is provided to new Trustees, with ongoing support and formal training as required. All Board members are appraised annually by the Chairman, in accordance with the Code of Practice for Ministerial Appointments to Public Bodies in Scotland. The following were members of the Board who served during the year and up to the date of approval of these financial statements:

- Bruce Minto OBE (Chairman)
- Professor Christopher Breward D.Phil, FRSA, FRCA
- Dr Isabel Bruce OBE, PhD, BA, MRTPI, MCIPS, FRSSA
- Gordon Drummond
- Chris Fletcher BA, CA, FSA
- Dr Anna Gregor CBE, FRCR, FRCP
- Andrew Holmes MSc, MICE
- Miller McLean, FCIBS, FIB
- Professor Walter Nimmo CBE, BSc, MD, FRCP, FRSCed, FRSA, FANZA, FRSE
- James Troughton DipArch, MA Cantab, RIBA
- Iain Watt BSc, FCIBS (appointment ended 31 January 2015)
- Dr Brian Lang FRSE (appointed 1 September 2014)
- Lynda Logan (appointed 1 September 2014)
- Dr Catriona Macdonald (appointed 1 September 2014)
- Eilidh Wiseman (appointed 1 September 2014)

The following served as members of the Audit & Risk Committee during the year: Miller McLean (Chairman), Andrew Holmes, Chris Fletcher and Bruce Minto (ex-officio).

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

Trustees are responsible for determining the vision and overall strategic direction of the organisation and for monitoring progress toward achieving these. A range of decisions are reserved for the Board, such as approval of major projects (£1 million and over). The Executive Team is responsible for advising on the development of strategy and its implementation through operational management.

5. Key Achievements in 2014/15

We have made progress towards all of our five-year strategic priorities in 2014/15, with the main developments and achievements being noted below. Further details are provided in our Annual Reviews and our Strategic Plan 2011-2016, which are available on our website.

	2013/14 Results	2014/15 Target	2014/15 Results	2015/16 Target
Key Performance Indicators				
Total museum visit numbers	2.5m	2.5m	2.3m	2.3m
Total website visit numbers	1.6m	1.8m	1.6m	1.8m
Total learning participation	185k	170k	188k	160k
Visitor satisfaction (scored out of 10)	8.7	8.8	8.6	8.5
% Collections storage meeting appropriate standards	65%	70%	69%	70%
Total number of object records online	22,045	27,000	27,000	32,000
Record input equivalent to % of collections database	13%	10%	17%	10%
Total number of loans	2,634	2,000	2,661	2,100
Total number of academic publications	100	120	113	120
External participation in our annual programme of support for the Scottish museum sector	319	200	341	200
New engagement with our collections and expertise across the world	10	N/A	N/A	N/A
Reach of media coverage (Opportunities To See/hear)	1,119m	570m	1,800m	700m
Value of media coverage (Advertising Value Equivalent)	£6.3m	£4.2m	£10.1m	£5m
Absence levels – working days lost per employee	7.3	7.5	6.5	7.5
Permanent salary costs as % of total costs	52%	60%	56%	56%
Non-government income as % of total income (see note)	14%	12%	12%	46%
CO2 emissions (tonnes)-% improvement from baseline	15%	10%	19%	15%
% of estate in condition category B or better	63%	72%	72%	74%

Note: Until 2015/16 we measured non-government income excluding the activities of NMSE and major projects. This provided limited insight into where the money we spend comes from. To provide a more accurate overall funding picture from 2015/16 onwards this KPI is based on all of the activities of the whole Group.

We have far exceeded expectations of visitor numbers since the reopening of the National Museum of Scotland in 2011. In addition to the quality of the redevelopment itself, this is the result of our investment in exhibitions, events and active marketing communications. During 2014 we closed ten of our galleries in Chambers St as the next phase of major improvements commenced. This had the effect of reducing our visitor numbers, which we expect will continue in 2015/16 followed by a significant increase in 2016/17 following the re-opening of the galleries in summer 2016.

During the year ended 31 March 2015, 113 academic publications were produced by our staff. In addition, the outcomes of research were communicated through a wide range of channels such as conferences and lectures, exhibitions and public events. Our Research Programme is based on four themes: Collectors and Collecting; Understanding the Natural World; Material Culture Creation and Use; and Identities and Cultural Contacts.

National Museums Scotland administers, on behalf of Scottish Ministers, the National Fund for Acquisitions (NFA). This provides grant funding to museums and galleries across Scotland to help them acquire new items for their collections. The budget allocated for financial year 2014/15 was £150k. During the year 72 payments totalling £198k were made to 34 organisations, supporting acquisitions worth £538k. This leverage of non-government funding underlines the key importance of the NFA to the museum sector in Scotland.

Our key performance indicators are reported to each Trustees meeting and to the Scottish Government on a quarterly basis. We achieved or exceeded most of our targets for 2014/15.

6. Financial Review

As a charity and statutory body with a group structure, we are obliged to provide a range of financial statements associated with a range of requirements. A simplified assessment of our operational results as a group is provided here as an aid to understanding our financial position.

We recorded an overall surplus of £0.2m for the 2014/15 year (2013/14 £0.1m). As there was no exceptional item for the Group this year, the surplus has been added to the Group Board Reserve. This is held at a low level in accordance with government accounting rules (see note 1 below).

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

Group	2014/15	2013/14
	£m	Restated £m
Income		
Grant in aid (GIA) received	20.5	20.3
Other income	6.3	5.4
Contribution to finance capital expenditure	(0.3)	(1.4)
	26.5	24.3
Expenditure		
Staff Costs	14.1	13.9
Other Operating Charges	12.2	10.3
	26.3	24.2
Surplus/(Deficit) for the year	0.2	0.1
Exceptional Item	-	(1.5)
Use of Board Reserve	0.2	(1.4)
Board Reserve		
Opening Balance	(0.1)	1.3
Surplus/(Deficit) for the year	0.2	(1.4)
Closing Balance	0.1	(0.1)

Notes

- 1) National Museums Scotland is required to operate within the financial limits prescribed in the Financial Memorandum issued by the Scottish Government sponsor directorate, and to comply with the Scottish Public Finance Manual. We are generally not permitted to borrow funds, and our powers to invest are circumscribed. Our main source of revenue funding is Grant-in-Aid from the Scottish Government. Current and future depreciation is fully funded by reserves held in Designated and Restricted Funds.
- 2) Operating surpluses from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, may be taken to the Board Reserve Fund, which can be used at the Board's discretion provided any such additional expenditure can be accommodated within Scottish Government annual expenditure plans. Reserves are reviewed regularly by the Board of Trustees and appropriate levels agreed based on current requirements and circumstances.

The continued growth in Other Income is particularly notable. This is due to the increased emphasis now being placed upon self-generated income by Trustees and management. Although Grant in Aid income has increased in cash terms in the coming years, in real terms it has been falling since 2010/11 and is planned to fall further. Developing our ability to self-generate income is becoming increasingly important.

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

7. Future Plans

Our current Strategic Plan for 2011-2016 focuses on four themes essential for our work – our collections, audiences, national and international connections and our people and resources. Our intended outcomes at the end of this planning period (to March 2016), grouped by theme, are to:

Collections

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

Audiences

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

Connections

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

People and Resources

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

Operational Budget

On 25 March 2015 the Board of Trustees approved a budget for 2015/16 and considered outline plans for 2016/17 and 2017/18.

As indicated in the table below, the current savings and income generation programme is expected to meet the combined challenge of rising costs and falling income in 2015/16.

NMS statutory body	2014/15	2015/16	2016/17
	Budget	Budget	Plan
	£000	£000	£000
Income			
Grant-in-Aid	20,422	20,522	20,522
Other income	3,052	2,853	3,559
Total Income	23,474	23,375	24,081
Expenditure			
Salaries	13,540	13,878	14,460
Operational Costs	9,934	9,497	9,865
Total Expenditure	23,474	23,375	24,325
Deficit	-	-	244

However, the early indications are that costs will continue to grow in future years, partly driven by Government policy, which leads to the emergence of a deficit of £0.24m by 2016/17. This assumes that government funding remains static in cash terms at £20.5m a year from 2016/17, but there are indications that this funding may be reduced as part of wider UK and Scottish Government financial management decisions.

Our early assessment of the implications of continued frozen government funding and current government policy indicate that this could lead to a deficit of £1.4million a year by 2019/20. The Scottish Government has provided no information on the funding we should expect to receive beyond 2015/16, which limits the extent to which we can plan forward. Given the funding and consequential resource reductions which have already been made over the past few years, it would be difficult to deliver further cost reductions without affecting the quality and service levels expected by the public.

Major Projects

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

National Museum of Scotland Masterplan implementation, Phase 3: this involves the renewal of a further ten exhibition galleries within the National Museum of Scotland. This will leave a further two galleries to be renewed at a later stage. The anticipated cost is in the region of £14.1 million. Grants towards this project have been secured from the Heritage Lottery Fund (£4.9m) and Wellcome Trust (£1.3m). Further funding is currently being sought through fundraising from trusts, individuals and the corporate sector, with less than £1m remaining to be secured.

National Museums Collection Centre Masterplan implementation: this involves demolition of existing buildings and construction of new facilities in Granton. A major new building was completed in 2014/15 to replace unsuitable collection facilities at Port Edgar and Leith. As a separate development, an extension to our main conservation building is planned for 2015/17 funded in part by Scottish Government grant and by receipts from asset disposals.

National Museum of Flight Masterplan implementation, Phase 2: this £3.6 million project is now underway, involving the restoration of two of the historic hangars and the redisplay of key objects from the aircraft collection. Part funding has been provided by the Scottish Government as the project addresses key site backlog maintenance issues, and we have secured a £1.3m grant from the Heritage Lottery Fund. Further funding will be sought from trusts, individuals and the corporate sector.

In addition, we are working to reduce a backlog of property maintenance works, which reached a peak value of £19.1 million at 31 March 2011, and is being addressed by working with the Scottish Government to implement our Estates Strategy over the long-term. This is based around the major projects listed above, vacating unsuitable premises and a detailed programme of smaller scale works, all of which requires support by Scottish Government and other grants. However, new maintenance liabilities continue to emerge over time and a liability of up to £15 million remains to be

funded. At a time when government capital and revenue funding is reducing in real- and potentially even in cash-terms, this remains a serious risk.

8. Management and Operation

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

- Dr Gordon Rintoul, Director
- Julie Brown, Head of Corporate Policy and Performance
- Jane Carmichael, Director of Collections (retired 31 March 2015)
- Ruth Gill, Director of Public Programmes
- Catherine Holden, Director of External Relations
- Xerxes Mazda, Director of Collections (from 22 September 2015)
- David Spilsbury, Director of Finance and Planning
- Fiona Stewart, Director of Estates and Facilities
- Sheilagh Stewart, Head of Human Resources
- Peter Williamson, Managing Director of NMSE and Director of Visitor Operations (contracted from NMSE on a part-time basis)

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

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

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

Details of environmental management (e.g. Carbon Dioxide (CO₂) emissions) are included in our key performance indicators.

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

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

Management representatives regularly meet staff representatives from the three Trade Unions, under a Partnership Agreement agreed in 2005. Under this agreement the organisation has worked successfully with the Trade Unions in a range of areas. This includes reducing the number of working days lost per employee due to absence. During the year the number of working days lost per employee was 6.5 days (7.3 days in 2013/14). In comparison, the public sector average for 2013/14 was 8.7 days. We will continue to work together to maintain and if possible reduce this number.

The organisation has strong relationships with volunteers, who support the organisation in a variety of ways, including with our events and leading guided tours to assisting with curatorial and conservation activity. During the year we benefited from the support of an estimated 185 on-going volunteers and 391 volunteers helping at one-off events such as the Air show and with the Learning & Programmes family events (185 and 510 respectively in 2013/14).

9. Scottish Government Priorities

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

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

The Scottish Government has adopted an Outcomes-Based Approach to performance. Its National Performance Framework aims to demonstrate the Government's performance and provide a focus for public services on the delivery of the Government's programme and priorities. The Framework is supported by 16 National Outcomes which describe what the Government wants to achieve over the next ten years.

The activities of National Museums Scotland make a contribution towards all 16 Outcomes, to a greater or lesser extent, with the closest link to the following five:

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

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

10. Principal Risks

National Museums Scotland maintains a major risk register which is reviewed and updated regularly. The top 5 risks identified and managed in 2014/15 were:

- 1) A real-terms reduction in Grant in Aid income.
- 2) Buildings not meeting appropriate legislative standard, uneconomic to repair or not fit to be occupied by staff or collections.
- 3) Failure to recruit and retain staff / Trustees in business critical posts leading to a deficiency of the right skills and experience for the organisation.
- 4) Unexpected major increase in costs or cost savings cannot be sustained.
- 5) Loss of control of the programme of major projects

The top three risks are associated with our relationship with the Scottish Government and their constrained financial position is leading or contributing to an increase in the severity of these risks. As far as possible, control mechanisms to minimise or mitigate these risks have been implemented and reviewed for effectiveness, with the ownership of each risk assigned to the relevant Executive Team member. However the source of the risk is outside the organisation and internal risk mitigation is likely to be effective only for a limited time.

As far as possible, all of these risks will continue to be managed in 2015/16. Further detail on risk management is provided in the Governance Statement.

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

National Museums Scotland holds title to the National Museum of Scotland on Chambers Street, the National Museums Collection Centre at Granton in north Edinburgh, the National Museum of Flight in East Lothian and the former Dental Hospital in Chambers Street. Buildings at the National Museum of Rural Life are owned by the National Trust for Scotland, and the premises of the National War Museum at Edinburgh Castle are in the care of Historic Scotland. National Museums Scotland owns the museum displays and other fittings and facilities at each site. We have full operational use of these assets and are responsible for their upkeep and maintenance.

In the period, the group acquired tangible assets at a cost of £6.9m (2013/14 £7.6m), including £6.6m (2013/14 £7.3m) on buildings, £0m (2013/14 £0.1m) on permanent galleries and £0.3m (2013/14 £0.2m) on equipment purchases. There were no additions to intangible assets.

12. Prompt Payment Code

National Museums Scotland's payment policy is to comply with Scottish Government guidelines, which stipulate that payments to suppliers must be made within 30 days of receipt of invoice.

In 2008, the Scottish Government announced that they aspire to a ten day payment target. Although we share this aspiration, the revised target was not considered to be practically achievable for National Museums Scotland during 2014/15.

13. External Audit

The consolidated accounts are audited by PricewaterhouseCoopers LLP, appointed by the Auditor General Scotland, for which external audit fees were incurred in 2014/15 of £25k (2013/14 £24k).

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

14. Post Balance Sheet Events

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



CHAIRMAN
Bruce Minto

DATE 23 September 2015

REMUNERATION REPORT

Unaudited Information

Remuneration Policy

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

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

The PARC consists of three Trustees. During the year these were Iain Watt (Chair) to January 2015, Eilidh Wiseman (Chair) from January 2015, Dr Isabel Bruce and Dr Anna Gregor. The Director, the Head of Human Resources and the Employee Relations and Resourcing Manager also attend the meetings. As part of its advisory and review role, the PARC considers the following:

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

Service Contracts

Although senior management are not civil servants, National Museums Scotland follows the principles of the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition. Unless otherwise stated below, the employees covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, could result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

Pay multiples

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director and the median remuneration of their workforce.

The banded remuneration of the highest-paid director in National Museums Scotland in the financial year 2014/15 was £110-115,000 (2013/14 £110-115,000). This was 5.2 times (2013/14 5.2) the median remuneration of the workforce, which was £21,338 (2013/14 21,127).

In 2014/15, no employee received remuneration in excess of the highest-paid director (2013/14 none). Remuneration ranged from £14,000 to £115,000 (2013/14 £14,000 to £115,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer of pensions.

Pension benefits

Pension benefits are mainly provided through the Civil Service pension arrangements. In 2014/15 most employees were in one of four defined benefit schemes; either a final salary scheme (classic, premium or classic plus); or a whole career scheme (nuvos). From April 2015, these will be replaced with a new scheme called alpha, although membership of the old schemes may be preserved. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under all five schemes are increased annually in line with Pensions Increase legislation.

Employees joining since 2002 could opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and during 2014/15 ranged between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus, and nuvos. Benefits in

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

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

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

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

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Audited Information

Remuneration (including salary) and pension entitlements

The following section provides detail of the remuneration and pension interests of senior management (Executive Team). No bonus or benefits in kind were paid in either year.

		2014-15			2013-14		
		Salary ⁽¹⁾ £000	Pension Benefits ⁽²⁾ £000	Total £000	Salary ⁽¹⁾ £000	Pension Benefits ⁽²⁾ £000	Total £000
Director	Gordon Rintoul	110-115	35-40	145-155	110-115	20-25	130-140
Director of Collections	Jane Carmichael	75-80	35-40	110-120	75-80	15-20	90-100
Director of Estates & FM	Fiona Stewart	70-75	30-35	100-110	70-75	25-30	95-105
Director of External Relations	Catherine Holden	75-80	15-20	95-100	75-80	5-10	80-90
Director of Public Programmes	Ruth Gill	65-70	25-30	90-100	65-70	25-30	90-100
Director of Finance & Planning	David Spilsbury	65-70	25-30	90-100	65-70	20-25	85-95
Head of Human Resources	Sheilagh Stewart	60-65	10-17	70-82	60-65	10-15	70-80
Director of Visitor Operations ⁽³⁾	Peter Williamson	30-35	n/a	30-35	30-35	n/a	30-35

- 1) Salary includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. The salaries shown in the table are the amount earned in the financial year. No overtime or bonus is paid to senior management
- 2) The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.
- 3) Peter Williamson is employed by NMSE Limited, and contracted on a part time basis to National Museums Scotland as Director of Visitor Operations. He is a member of the NMSE Group Personal Pension Plan, a defined contribution scheme. The figures above reflect payments made to NMSE to cover the cost for this service
- 4) The details included in this table are audited.

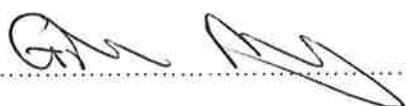
Pension benefits

Pension details for senior management are as follows:

	Accrued pension at pension age as at 31/3/15 and related lump sum ⁽¹⁾ £000	Real increase in pension and related lump sum at pension age ⁽²⁾ £000	CETV at 31/3/15 £000	CETV at 31/3/14 £000	Real increase in CETV	Employer contribution to partnership pension account £000
Director of Collections Jane Carmichael	50-53	0-2.5	1002	970	35	-
Director Gordon Rintoul	30-35	0-2.5	633	565	35	-
Head of Human Resources Sheilagh Stewart	35-40 ⁽³⁾ plus lump sum 60-65	0-2.5 ⁽³⁾ plus lump sum 0-2.9	774	722	16	-
Director of External Relations Catherine Holden	20-25 ⁽³⁾ plus lump sum 60-65	0-2.5 ⁽³⁾ plus lump sum 0-2.9	350	321	11	-
Director of Estates & FM Fiona Stewart	20-25	0-2.5	230	33	12	-
Director of Finance & Planning David Spilsbury	0-5	0-2.5	43	23	13	-
Director of Public Programmes Ruth Gill	0-5	0-2.5	32	16	9	-
Director of Visitor Operations ⁽⁴⁾ Peter Williamson	n/a	n/a	n/a	n/a	n/a	-

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

DIRECTOR



Date

23 September 2015

ACCOUNTS

STATEMENT OF THE ACCOUNTABLE OFFICER'S RESPONSIBILITIES

ACCOUNTABLE OFFICER'S RESPONSIBILITIES

Under the National Heritage (Scotland) Act 1985, paragraph 9(3) schedule 7, Scottish Ministers have directed National Museums Scotland to prepare for each financial year a Statement of Accounts in the form and on the basis set out in the Accounts Direction appended to these accounts.

Section 2 of the Direction requires that we must account in accordance with the Government Financial Reporting Manual (FReM). The FReM is updated each year and section 1.4.1 of the 2014/15 FReM requires that as a charity we "*should comply with, respectively, the Companies Act 2006 or regulations issued under charities legislation and, where applicable, the Statement of Recommended Practice (SORP) Accounting by Charities issued by the Charity Commission (and, if they are both registered companies and charities, with both the Companies Act 2006 and the Charities SORP)... should also follow the principles in this Manual and provide the additional disclosures required by the Manual (for example, on notional costs and salary and pension entitlements) where these go beyond the Companies Act 2006 or the SORP.*"

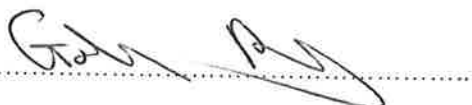
The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs at the year-end both for National Museums Scotland and National Museums Scotland consolidated with NMS Enterprises Limited ('the Group'), and of our income and expenditure, recognised gains and losses and cash flows for the financial year.

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

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

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

DIRECTOR



Date

23 September 2015

ACCOUNTS

GOVERNANCE STATEMENT

Introduction

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

Legislation/Governing Body

The legislation that governs the Board of Trustees of the National Museums of Scotland is the National Museums (Scotland) Act 1985 as amended by the Museums and Galleries Act 1992:

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

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

The responsibilities of the Board cover the following main areas:

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

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

To discharge these responsibilities:

- The Board meets formally five times per annum. At each meeting, the Board of Trustees receives a written report on: key operational matters from the Director; a financial report; minutes of sub-committees of the Board; an update of relevant issues relating to National Museums Scotland Enterprises; and reports on specific topics as necessary. Risk related issues are highlighted as necessary within these agenda items. The Board may also meet outside the normal Board meeting cycle to consider specific matters such as the development of strategy.
- During 2014/15 the Board had six sub-committees whose terms of reference and members are agreed by the Board. These are the Acquisitions Committee, Audit & Risk Committee, Estates Committee, Finance Committee, Nominations & Governance Committee and Personnel and Remuneration Committee.
- The Audit & Risk Committee meets at least three times per annum. It considers and approves the Internal Audit plan for each year. At each meeting, it receives: an update on key business issues; a report on progress on the key risks in the organisation's risk register and any significant issues affecting the other risks identified in the risk register; and reports from Internal and External Auditors. It also reviews the draft annual accounts on behalf of the Board.

Risk Management and Internal Controls

Scope of Responsibility

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

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

Purpose of the System of Internal Control

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

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

The system within the organisation accords with the SPFM and has been in place for the year ended 31 March 2015 and up to the date of approval of the financial statements, and accords with guidance from the Scottish Ministers.

Risk and Control Framework

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

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

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

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

Review of Effectiveness

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

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

As noted above, the Executive Team formally reviews the Risk Register twice a year, with any significant issues being reported on and discussed at its fortnightly meetings as required. Quarterly updates on progress towards the achievement of Performance Indicators and the Strategic Actions in our Operational Plan are also both reviewed at these meetings to ensure they are in line with targets prior to communication to the Board and the Scottish Government. Any matters of significance affecting the business, such as

Human Resources (recruitment, attendance, training), project assurance (key projects meeting targets), monthly management accounts (budget/actual review and revised forecasts), Operational Plan progress and forward reviews, are reviewed and discussed with appropriate action taken forward.

For 2014/15 internal audit has concluded that partial (with improvements) assurance can be given on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

In 2012 a fraud by a small number of staff was discovered. This has been reported to the relevant authorities and appropriate corrective action has been taken to strengthen internal controls. The matter remains under investigation by Police Scotland.

As outlined in section 10 of the Trustees Annual Report, the organisation continues to manage significant levels of risk, particularly in the following areas:

- The reducing value in real-terms of Grant in Aid, our principal source of revenue income.
- Sustaining a heritage estate and correcting past under investment in maintaining fit-for-purpose buildings.
- Growing difficulties in recruiting and retaining senior staff leading to a deficiency of the right skills and experience for the organisation.

The Accountable Officer and Trustees consider that these risks have grown over the last year. If such growth continues, this may compromise our ability to fulfil our statutory and charitable obligations, and our ability to sustain an effective system of internal control.

CHAIRMAN 
Date 23 September 2015

DIRECTOR 
Date 23 September 2015

INDEPENDENT AUDITOR'S REPORT

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

We have audited the financial statements of the National Museums Scotland for the year ended 31 March 2015 under paragraph 9(3) schedule 7, of the National Heritage (Scotland) Act 1985 and section 44(1) (c) of the Charities and Trustee Investment (Scotland). The financial statements comprise the charity and consolidated Income and expenditure account, the consolidated statement of financial activities, the consolidated statement of total recognised gains and losses, the charity and consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with paragraph 9(3) schedule 7, of the National Heritage (Scotland) Act 1985, and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2014 and of its net operating cost for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of under paragraph 9(3) schedule 7, of the National Heritage (Scotland) Act 1985 and directions made thereunder by the Scottish Ministers, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of The Charities Accounts (Scotland) Regulations 2006.

Opinion on regularity

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

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with under paragraph 9(3) schedule 7, of the National Heritage (Scotland) Act 1985, and directions made thereunder by the Scottish Ministers; and
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.



Martin Pitt, Senior Statutory Auditor
for and on behalf of PricewaterhouseCoopers LLP
141 Bothwell Street, Glasgow, G2 7EQ

23 September 2015

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

NATIONAL MUSEUMS SCOTLAND

CHARITY ACCOUNTING STATEMENTS

Consolidated Group Statement of Financial Activities for the Year Ended 31 March 2015

		2015 Unrestricted Funds £000	2015 Restricted Funds £000	2015 Total £000	2014 Total Restated £000
Incoming resources	Notes				
Incoming resources from generated funds					
Voluntary income	3	26,895	202	27,097	27,160
Activities for generating funds	19	2,703	-	2,703	2,792
Investment income		5	-	5	17
Incoming resources from charitable activities	3	2,959	1,274	4,233	2,384
Total incoming resources		32,562	1,476	34,038	32,353
Resources expended					
Cost of generating funds					
Costs of generating voluntary income	5	631	-	631	546
Fundraising trading: cost of goods sold and other costs	19	2,055	-	2,055	2,112
Charitable activities	5	23,857	3,990	27,847	27,719
Governance costs	5	248	-	248	251
Total resources expended		26,791	3,990	30,781	30,628
Net incoming/(outgoing) resources before transfers		5,771	(2,514)	3,257	1,725
Gross transfers between funds	15	(5,800)	5,800	-	-
Net incoming/(outgoing) resources before other recognised gains and losses		(29)	3,286	3,257	1,725
Other recognised gains and losses					
Gains/(Losses) on revaluation of assets for charity's own use	15	-	6,389	6,389	(9,935)
Net movement in funds		(29)	9,675	9,646	(8,210)
Reconciliation of funds					
Total funds brought forward at 1 April		1,516	150,028	151,544	159,754
Total funds carried forward at 31 March		1,487	159,703	161,190	151,544

	2015 Unrestricted Funds £000	2015 Restricted Funds £000	2015 Total £000	2014 Total £000
Total fund balances comprise:				
Fixed assets	1,518	158,832	160,350	150,972
Net current assets	230	871	1,101	1,016
Provisions for liabilities and charges	(261)	-	(261)	(444)
	1,487	159,703	161,190	151,544

NATIONAL MUSEUMS SCOTLAND

CHARITY ACCOUNTING STATEMENTS

Consolidated Statement of Financial Activities for the Year Ended 31 March 2015 (continued)

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

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

Consolidated Group Balance Sheet for the Year Ended 31 March 2015

		2015	2014
			Restated
		£000	£000
	Notes		
Fixed Assets			
Tangible assets	6	152,820	144,008
Heritage assets	7	7,529	6,963
Intangible assets	8	-	-
Investments	9	1	1
Total Fixed Assets		160,350	150,972
Current Assets			
Stocks	10	667	606
Debtors	11	1,642	1,935
Cash at bank and in hand	12	2,882	4,337
Total Current Assets		5,191	6,878
Current Liabilities			
Creditors: amounts falling due within one year	13	(4,090)	(5,862)
Net current assets		1,101	1,016
Total assets less current liabilities		161,451	151,988
Provision for liabilities and charges	14	(261)	(444)
Net assets		161,190	151,544
Financed by:			
Restricted funds:	15	159,703	150,028
Unrestricted Funds:	15	1,487	1,516
Total Funds		161,190	151,544

The Accountable Officer authorised these financial statements for issue on


Director

Date: 23 September 2015

The notes on Pages 25 to 41 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

CHARITY ACCOUNTING STATEMENTS

Consolidated Group Cash Flow Statement for the Year Ended 31 March 2015

		2015	2014
		£000	£000
	Notes		
Net cash inflow from operating activities	16	(1,030)	1,419
Returns on investments and servicing of finance			
Interest Received		5	17
Taxation:			
Corporation Tax	23	-	-
Capital expenditure and financial investment:			
Payments from Heritage Asset Fund		(566)	(381)
Payments from Other Restricted Funds		-	(227)
Payments from NFA Fund	22	(187)	(112)
Payments to acquire tangible fixed assets	6	(6,903)	(7,556)
Total capital expenditure and financial investment		<u>(7,656)</u>	<u>(8,276)</u>
Cash outflow before financing		<u>(8,681)</u>	<u>(6,840)</u>
Financing:			
Government capital grants received	2	5,600	5,700
Other capital grants received		1,274	409
NFA Fund received	22	150	150
Heritage Asset Fund		202	345
Other Restricted Funds		-	16
		<u>7,226</u>	<u>6,620</u>
Decrease in cash in the year	16	<u>(1,455)</u>	<u>(220)</u>

The notes on Pages 25 to 41 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

GOVERNMENT ACCOUNTING STATEMENTS

National Museums Scotland Group

Consolidated Income and Expenditure (I&E) Account for the Year Ended 31 March 2015

		Continuing Activities	
		2015	2014
		£000	£000
All operations are continuing			
	Notes		
Income	3	6,285	5,342
Expenditure			
Staff costs	4	14,180	13,873
Other operating charges	5	12,121	10,333
Depreciation and permanent diminution in value	6	4,480	4,695
		30,781	28,901
Excess of expenditure over income before interest		24,496	23,559
Interest receivable	5	17	
Excess of expenditure over income after interest		24,491	23,542
Taxation	23	-	-
Excess of expenditure over income for the year after taxation before exceptional items		24,491	23,542
Exceptional Item		300	1,500
Excess of expenditure over income for the year		24,791	25,042

Funded by:			
Revenue Grant in Aid for the year	2	(20,472)	(20,324)
Depreciation charged to Capital Reserves	15	(4,453)	(4,661)
Board Reserve Contribution	15	(514)	(44)
NMS Enterprises Limited profit/(loss)	19	648	(13)
		(24,791)	(25,042)

Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2015

		2015	2014
			Restated
		£000	£000
	Notes		
Consolidated loss for the year		(24,791)	(25,042)
Scottish Government Grant-in-aid	2	26,272	26,224
Loss on revaluation of fixed assets	15	6,389	(9,935)
NMSE capital restructure	19	300	-
Restricted Funds: net capital grants received		1,476	543
Total recognised gains and losses during the year		9,646	(8,210)

The notes on Pages 25 to 41 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

GOVERNMENT ACCOUNTING STATEMENTS

National Museums Scotland – statutory body

Income and Expenditure (I&E) Account for the Year Ended 31 March 2015

		2015	2014
		£000	Restated £000
	Notes		
Income	3	4,275	3,094
Expenditure			
Staff costs	4	13,371	13,079
Other operating charges	5	10,902	9,049
Depreciation and permanent diminution in value	6	4,453	4,661
		28,726	26,789
Excess of expenditure over income before interest		24,451	23,695
Interest receivable		5	16
Excess of expenditure over income after interest		24,446	23,679
Taxation	23	-	-
Excess of expenditure over income after taxation before exceptional items		24,446	23,679
Exceptional Items		300	1,500
Excess of expenditure over income for the year		24,746	25,179

Funded by:		
Revenue Grant in Aid for the year	(20,472)	(20,324)
NMSE profit distribution received	693	544
Depreciation charged to Capital Reserves	(4,453)	(4,661)
Board Reserve Contribution	(514)	(738)
	(24,746)	(25,179)

The notes on Pages 25 to 41 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND

GOVERNMENT ACCOUNTING STATEMENTS

National Museums Scotland – statutory body

Balance Sheet as at 31 March 2015

		2015	2014
			Restated
		£000	£000
	Notes		
Fixed Assets			
Tangible Assets	6	152,728	143,920
Heritage Assets	7	7,529	6,963
Intangible Assets	8	-	-
Investment in Subsidiary	9	200	500
Total Fixed Assets		160,457	151,383
Current Assets			
Debtors receivable within 12 months	11	1,549	1,867
Cash at Bank and in Hand	12	2,624	3,958
Total Current Assets		4,173	5,825
Current Liabilities			
Creditors: Amounts falling due within one year	13	(3,902)	(5,688)
Net current assets		271	137
Total assets less current liabilities		160,728	151,520
Provision for liabilities and charges	14	(261)	(444)
Total net assets		160,467	151,076
<i>Financed by:</i>			
Restricted funds:	15	159,703	150,028
Unrestricted Funds:	15	764	1,048
Total Funds		160,467	151,076


 Director

Date: 23 September 2015

The notes on Pages 25 to 41 form part of these accounts.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

1. Accounting Policies

a) Basis of Accounting

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

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

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom and with the exception of the following two changes, accounting policies have been consistently applied from year to year.

During 2014/15 changes were made in the UK-wide regulations associated with the donation of profits from a trading subsidiary to a parent charity. One effect of those changes is that the donation should be accounted for as a distribution of profits. The replacement of accrued donations with a profit distributions impacts upon 2014/15 financial results and those of preceding years for both the parent and subsidiary.

The policy of revaluing gallery fixed assets was discontinued in 2014/15 in order to improve administrative efficiency. Assets are now recorded at depreciated historic cost. This has no significant impact on the organisation.

The comparative figures for 2013/14 are restated in accordance with the changes (see Note 28).

b) Basis of Consolidation

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

and liabilities. Uniform accounting policies are used across the group, and intra-group transactions are eliminated upon consolidation.

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

c) Tangible Fixed Assets and Depreciation

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

Cost includes the original purchase price of the asset and the costs of bringing the asset to its working condition for its intended use.

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

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

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

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

d) Intangible Assets

Intangible assets are re-valued annually using appropriate indices less accumulated amortisation. Amortisation is calculated to write off the assets in equal annual instalments over their useful economic lives of 3 to 7 years.

**NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015**

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 Government Capital Reserve, which is written down over the expected useful lives of the assets acquired. Grant-in-aid received for collections purchases is credited to the Heritage Assets Fund.

f) Stocks

Stocks are stated at the lower of cost or net realisable value, based on the first-in-first-out (FIFO) method of valuation, after making due allowance for obsolete or slow moving stock.

g) Board Reserve Fund

The net proceeds derived from revenue-earning activities, donations and other sources, excluding Grant-in-Aid, are taken to the Board Reserve Fund. The Board Reserve includes the accumulated profits retained by NMSE Limited. These funds are available for use at the Board's discretion.

h) Revaluation Capital Reserve

The revaluation reserve was created following the revaluation of the land and buildings occupied. A full revaluation is undertaken every five years, most recently as at 31 March 2014, with indexation applied each intervening year.

i) Income

Operating income is recognised on an accruals basis. Amounts applied to the acquisition of fixed or heritage assets are credited to restricted income with the relevant element of surplus or deficit carried to the appropriate capital reserve.

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 would be accounted for instead as endowments.

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

the year in which the spend takes place. These funds are held as deferred income creditors.

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

j) Subsidiary companies

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

k) Investments

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

l) Foreign Exchange Gains and Losses

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

m) Finance Leases and Operating Leases

Finance leases are capitalised in the Balance Sheet along with the corresponding liability for future payments. Operating leases are charged directly to the Income and Expenditure Account as incurred and are payable on a straight line basis over the lease term.

n) Non-Recoverable VAT

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

o) Heritage Assets

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

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

The Trustees believe that the collection of National Museums Scotland is unusual as an asset in many ways. It is inalienable, unique, irreplaceable, ancient, fragile and very valuable. It is truly "priceless" in that it cannot be valued

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

meaningfully. This view has been reached due to the number of items, lack of comparative market values and the diverse nature of the collection, so that reliable cost or valuation information cannot be obtained.

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

p) Pension Contributions

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

q) Grants to Outside Bodies

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

r) Statement of Financial Activities

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

Costs of generating funds are defined as the salaries, operating costs and attributable

overheads of the Development department and of NMS Enterprises Limited. Depreciation has been allocated to activities in proportion to the staff numbers involved. Administrative costs are defined as staff and operational costs of the Directorate and the Finance and Planning departments.

s) Liabilities and Provisions

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

t) Government Funding

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

u) Financial Instruments

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

v) Designated Funds

The operation of the accounting policies for tangible assets necessitates the creation of designated capital reserves, which are not supported by cash and are not available for use.

w) Third Party Assets

National Museums Scotland administers on behalf of Scottish Ministers the National Fund for Acquisitions (NFA). Funds held by National Museums Scotland for the NFA are included in the Balance Sheet under both Cash at Bank and Sundry Creditors, but have no impact on the other financial statements.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

2. Government Grant-In-Aid

(See Notes 1(e) & 15)

In Charity Accounting, government grant-in aid is accounted for as income.

In Government Accounting, grant-in-aid from the Scottish Government is accounted for as a financing contribution from a controlling party and credited to the General Fund or Government Capital Reserve. Such grants are therefore not accounted for as income. Government funding used for purchasing objects to add to the collection is credited to the Heritage Assets Fund, which is a restricted fund.

	GROUP AND NMS	
	2015	2014
	£000	£000
Grant-in-aid received:		
Revenue	20,472	20,324
Capital	5,600	5,700
	26,072	26,024
Purchase Grant	200	200
Total received during year	26,272	26,224

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

	Outturn	Offer Letter
	£000	£000
Cash Items		
Running Costs	20,472	20,490
Purchase Grant	200	200
Capital Grant	5,600	5,600
	26,272	26,290
National Fund for Acquisitions (Note 22)	150	150
	26,422	26,440
Non-cash Items (Notional)		
Depreciation incl. permanent diminution in value	2,961	4,192
	29,383	30,632

For the purposes of the above comparison to the Grant in Aid Offer letter the Depreciation figure is shown adjusted for those assets not funded by the Scottish Government (i.e. excluding depreciation funded from the Board Capital Reserve).

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

3. Income

Statement of Financial Activities	2015	2014
		Restated
Unrestricted Funds	£000	£000
Incoming resources from generated funds		
Members and sponsors	469	433
Government grant in aid	26,272	26,224
Donations	154	142
Voluntary income	26,895	26,799
Activities for generating funds	2,703	2,792
Investment income	5	17
	29,603	29,608
Incoming resources from charitable activities		
Provision of services	141	214
Revenue earning activities	1,026	1,147
Grant funded activities	1,682	524
Other income	110	90
	2,959	1,975
Total Incoming Resources	32,562	31,583

Reconciliation to Income & Expenditure Accounts	2015	2014
	£000	£000
Total incoming resources	32,562	31,583
Less: Government grant in aid	(26,272)	(26,224)
Less: Interest	(5)	(17)
Total income - Consolidated I&E Account	6,285	5,342
Add: Profit distribution from subsidiary company	693	544
Less: Activities for Generating Funds	(2,703)	(2,792)
Total income - NMS I&E Account	4,275	3,094

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

4. Employees

No remuneration was paid to members of the Board of Trustees during 2014/15 (2013/14 - nil). During 2014/15 National Museums Scotland paid a total of £1,397 in reimbursement of travel expenses to 5 Trustees for attending meetings at National Museums Scotland, while in 2013/14, a total of £1,335 was reimbursed to 7 Trustees. No benefit in kind accrued to Trustees during the year (2013/14 – nil).

Staff Costs during the Year:

	GROUP		NMS	
	2015	2014	2015	2014
	£000	£000	£000	£000
Salaries	11,475	11,169	10,773	10,469
National Insurance Costs	803	784	746	733
Pension Costs	2,008	1,865	1,958	1,822
Early Retirement	(106)	55	(106)	55
Total	14,180	13,873	13,371	13,079

During 2014/15, in addition to those disclosed in the remuneration report, there were three employees whose emoluments were in the £60-70k band (2013/14 – 3 employees).

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

Average full-time equivalent number of employees by Directorate:

	GROUP		NMS	
	2015	2014	2015	2014
Directorate (including Human Resources dept.)	27	20	27	20
Finance and Planning	10	11	10	11
Estates and Facilities Management	82	82	82	82
Collections	109	108	109	108
Public Programmes (including Visitor Services)	153	149	153	149
Marketing and Development	20	19	20	19
NMS Enterprises Limited	13	12	-	-
Total	414	401	401	389

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

	GROUP		NMS	
	2015	2014	2015	2014
Permanent Contract	374	374	362	362
Temporary Contract	40	27	39	27
Total	414	401	401	389

Pension Costs

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. National Museums Scotland is unable to identify its share of the underlying assets and liabilities. The FRM requires formal valuations every four years, but the Scheme Actuary (Hewitt Associates Limited) last valued the scheme as at 31 March 2007 because formal actuarial valuations have been

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public services pensions and while future scheme terms are developed as part of the reforms to public service pension provision. You can find details in the resource accounts of the Cabinet Office (www.civilservicepensionscheme.org.uk/about-us/resource-accounts).

For 2014/15, employers' contributions of £1,944k were payable to the PCSPS (2013/14 £1,810k) at one of four rates in the range of 16.7% to 24.3% per cent of pensionable pay, based on salary bands (the rates in 2013/14 were between 16.7% and 24.3%). The contribution rates are set to meet the cost of the benefits accruing during 2014/15 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

All employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £14k (2013/14 £12k) 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 456 staff during 2014/15 (2013/14 = 432 staff), while benefits accrued under defined contribution schemes to 7 staff during 2014/15 (2013/14 = 7 staff).

Staff of NMS Enterprises Limited are ineligible for membership of the PCSPS, but may join the NMSE Group Personal Pension Plan, a defined contribution scheme. NMS Enterprises contributes between 8% and 12.5% of pensionable salary, depending on age. For 2014/15, employers' contributions of £50k were payable (2013/14 £43k).

Civil Service and other compensation schemes – exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme (CSCS), a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirement, the additional costs are met by the National Museums Scotland and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. There were no voluntary exit schemes run in 2014/15.

There were no redundancies or other compensated departures in 2014/15 (2013/14 Nil).

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

5. Expenditure

Statement of Financial Activities	2015	2015	2015	2015	2014
Resources Expended - Unrestricted Funds	Staff	Operating Costs	Depreciation	Total	Total
	£000	£000	£000	£000	£000
Development	394	227	10	631	546
Costs of generating voluntary income	394	227	10	631	546
Fundraising trading: cost of goods sold and other costs	809	1,219	27	2,055	2,112
Curatorial	3,832	843	101	4,776	4,785
Conservation & Collections	1,400	1,056	45	2,501	1,843
Exhibitions	4,543	3,195	192	7,930	7,045
Security and Support Services	1,761	463	31	2,255	2,067
Marketing	449	700	15	1,164	1,058
Estates and Buildings	793	4,369	69	5,231	4,999
Exceptional Item	-	-	-	-	1,500
Charitable Activities	12,778	10,626	453	23,857	23,297
Trustee Expenditure	-	9	-	9	7
Staff costs	199	-	-	199	201
Internal audit	-	16	-	16	19
External audit	-	24	-	24	24
Governance costs	199	49	-	248	251
Total	14,180	12,121	490	26,791	26,206

Income & Expenditure Account		
Reconciliation to Other Operating Charges	2015	2014
	£000	£000
SOFA Resources Expended - Operating Costs	12,121	11,833
Exceptional Item - Donation	-	(1,500)
Consolidated I&E - Other Operating Charges	12,121	10,333
Less: Subsidiary company costs	(1,219)	(1,284)
NMS I&E - Other Operating Charges	10,902	9,049
Analysed as:		
Board Expenses	2	1
Expenses - Staff	209	220
Administration Expenses	1,305	1,522
Internal Audit	16	19
Other External Charges	930	905
Advertising	182	179
Fuel and Utilities	1,598	1,310
Rents and Rates	465	449
Furniture and Furnishings	124	155
Repairs and Renewals	6,046	4,265
External audit	25	24
Total	10,902	9,049

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

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

GROUP						
Cost or valuation £000	Land & Buildings	Under Leasehold Constructn Imprvmnts	Permanent Galleries	Plant & Equipment	Total	
1 April 2014	153,017	7,597	2,744	34,079	4,259	201,696
Additions	252	6,310	16	-	325	6,903
Transfers	11,477	(11,477)	-	-	-	-
Disposals	-	-	-	-	(17)	(17)
Revaluations	7,850	-	141	-	-	7,991
31 March 2015	172,596	2,430	2,901	34,079	4,567	216,573
Accumulated Depreciation						
1 April 2014	30,496	-	720	23,895	2,577	57,688
Charge for year	2,805	-	58	1,127	490	4,480
Disposals	-	-	-	-	(17)	(17)
Revaluations	1,565	-	37	-	-	1,602
31 March 2015	34,866	-	815	25,022	3,050	63,753
Net Book Value						
31 March 2015	137,730	2,430	2,086	9,057	1,517	152,820
1 April 2014	122,521	7,597	2,024	10,184	1,682	144,008

NATIONAL MUSEUMS SCOTLAND						
Cost or valuation £000	Land & Buildings	Under Leasehold Constructn Imprvmnts	Permanent Galleries	Plant & Equipment	Total	
1 April 2014	153,017	7,597	2,744	34,079	3,968	201,405
Additions	252	6,310	16	-	294	6,872
Transfers	11,477	(11,477)	-	-	-	-
Disposals	-	-	-	-	(17)	(17)
Revaluations	7,850	-	141	-	-	7,991
31 March 2015	172,596	2,430	2,901	34,079	4,245	216,251
Accumulated Depreciation						
1 April 2014	30,496	-	720	23,895	2,374	57,485
Charge for year	2,805	-	58	1,127	463	4,453
Disposals	-	-	-	-	(17)	(17)
Revaluations	1,565	-	37	-	-	1,602
31 March 2015	34,866	-	815	25,022	2,820	63,523
Net Book Value						
31 March 2015	137,730	2,430	2,086	9,057	1,425	152,728
1 April 2014	122,521	7,597	2,024	10,184	1,594	143,920

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 2015. All the properties have been valued by District Valuer Services (DVS) of the Valuation Office Agency in the capacity of External Valuers as at 31 March 2014. The valuations have been undertaken on the

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

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

Equipment was valued at current replacement cost using appropriate indices.

The charge for depreciation and diminution in value comprises:

Group and NMS	2015 £000	2014 £000
Tangible assets depreciation	4,453	4,661
NMS Enterprises tangible assets depreciation	27	34
	4,480	4,695

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

National Museums Scotland and its predecessor bodies have acquired objects for the collections over the previous two centuries. The collections cover geological, archaeological, scientific, engineering, artistic, historic and cultural subjects. National Museums Scotland is required to capitalise the cost of artefacts acquired since 1 April 2001. Artefacts acquired in the centuries prior to 1 April 2001 are excluded because reliable cost information is not available. National Museums Scotland considers that valuation of the 12 million objects in the collections would be impracticable.

Group and NMS	2015 £000	2014 £000
1 April	6,963	6,582
Purchase Fund Utilised in Year	364	105
NMS Charitable Trust	94	114
Art Fund	107	52
National Heritage Memorial Fund	-	110
Others	1	-
31 March	7,529	6,963

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

8. Intangible Assets

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

Group and NMS	2015 £000	2014 £000
1 April	145	238
Additions	-	-
Disposals	(145)	(93)
Revaluation	-	-
31 March	-	145
Accumulated Amortisation:		
1 April	145	238
Charge for the Year	-	-
Disposals	(145)	(93)
Revaluation	-	-
31 March	-	145
Net Book Value:		
31 March	-	-

9. Investments

	GROUP		NMS	
	2015 £000	2014 £000	2015 £000	2014 £000
Opening & Closing Balance	1	1	200	500

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

National Museums Scotland owns 200,000 £1 shares in NMS Enterprises Limited. This was reduced during 2014/15 as part of a capital restructuring associated with UK-wide regulatory changes.

10. Stocks

(See Note 1[f])

	GROUP		NMS	
	2015 £000	2014 £000	2015 £000	2014 £000
Stocks Held for Resale	667	606	-	-

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

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

11. Debtors

Receivable Within 1Year:	GROUP		NMS	
	2015	2014	2015	2014
	£000	£000	£000	Restated £000
Trade Debtors	379	272	172	115
Less: Provision for Amounts not recoverable	(4)	(3)	-	-
Sundry Debtors	408	443	408	443
Subsidiary Company	-	-	96	66
VAT Recoverable	544	775	610	834
Prepayments	315	448	263	409
	1,642	1,935	1,549	1,867

Intra Governmental Balances				
	£000	£000	£000	£000
Central Government	876	983	941	1,041
Local Government	46	8	46	8
NHS Trusts	-	-	-	-
Public Corporations	-	-	-	-
Bodies External to Government	720	944	562	818
	1,642	1,935	1,549	1,867

12. Cash at Bank and in Hand

	GROUP		NMS	
	2015	2014	2015	2014
	£000	£000	£000	£000
Cash and commercial accounts	2,849	4,267	2,591	3,888
Funds held for third parties	33	70	33	70
	2,882	4,337	2,624	3,958

13. Creditors

Amounts falling due within one year:	GROUP		NMS	
	2015	2014	2015	2014
	£000	£000	£000	£000
Trade Creditors	(1,121)	(111)	(1,074)	(53)
Other Creditors	(726)	(158)	(632)	(119)
Accruals	(1,526)	(5,173)	(1,526)	(5,173)
Deferred Income	(717)	(420)	(670)	(343)
	(4,090)	(5,862)	(3,902)	(5,688)

Intra Governmental Balances				
	£000	£000	£000	£000
Central Government	(49)	(55)	(49)	(55)
Local Government	(7)	(1)	(7)	(1)
Bodies External to Government	(4,034)	(5,806)	(3,846)	(5,632)
	(4,090)	(5,862)	(3,902)	(5,688)

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

14. Provision for liabilities and charges

GROUP AND NMS					
	£000	£000	£000	2015 £000	2014 £000
	Early Retirement	Injury Benefit	Voluntary Exit Scheme	Total	Total
Opening Balance 1 April	(138)	(144)	(162)	(444)	(734)
Add: Provisions During Year	(2)	(4)	(3)	(9)	(55)
Less: Accrued During Year	36	-	-	36	-
Less: Released During Year	-	-	85	85	-
Less: Paid During Year	35	18	18	71	345
Closing Balance 31 March	(69)	(130)	(62)	(261)	(444)

Early retirement costs are due and paid monthly under the Civil Service Classic pension scheme until the relevant members reach retirement age. Injury benefit costs are due to one individual for life. Provisions have been made based on the current rates payable. Voluntary exit schemes were last run in 2012/13, and some of the provision made at that time has now been released as it is no longer due. Costs associated with voluntary exits have been provided based on the estimated actual cost of exit. Provisions of £55k (2013/14 £153k) are payable within 12 months of the year end.

15. Reserves – Restricted and Unrestricted

Reserves are retained for a range of purposes as shown below:

	Restated Opening Balance £000	Asset revaluation £000	Transfers between funds £000	Surplus/ (Deficit) for year £000	Closing Balance £000
Restricted					
Board Capital Reserve	28,282	-	-	245	28,527
Government Capital Reserve	81,346	-	5,600	(2,961)	83,985
Revaluation Capital Reserve	33,134	6,389	-	-	39,523
Heritage Assets Fund	7,263	-	200	202	7,665
Other Restricted Funds	3	-	-	-	3
Total	150,028	6,389	5,800	(2,514)	159,703
Unrestricted					
<i>Designated</i>					
Board Capital Reserve	1,594	-	294	(463)	1,425
Board Reserve - NMS	(546)	-	399	(514)	(661)
General Fund	-	-	(5,800)	5,800	-
Total - NMS	1,048	-	(5,107)	4,823	764
Board Reserve - NMSE Limited	468	-	(693)	948	723
Total - Group	1,516	-	(5,800)	5,771	1,487
Total Reserves	151,544	6,389	-	3,257	161,190

There are three types of restricted fund:

a) Capital Reserves

These funds represent funding for expenditure which has been capitalised as Tangible Assets in the balance sheet where either the funds received were subject to restrictions (e.g. Heritage Lottery Fund receipts held in the Board Capital Reserve) or the funds were used to create assets the uses of which are themselves subject to restrictions (e.g. capital grant in aid held in the Government Capital Reserve). These will fund the future depreciation costs arising from those assets.

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The Revaluation Capital Reserve represents the difference between the current and historic value of the Tangible Assets subject to disposal restrictions. Current valuations are subject to annual internal review and a full independent review every five years. This fund will be used to offset part of future depreciation costs or future reductions in valuation arising from reviews.

b) Acquisitions for the collection

The Heritage Asset Fund represents funding for capitalised expenditure on the items added to the Collection since 2001, the disposal of which is subject to legal restriction. These funds come from various sources (e.g. Heritage Lottery Fund, Art Fund) and may be subject to further restrictions tied to the funding received.

c) Other Restricted Funds

Other restricted funds are maintained when funding is being held for a donor specified future purpose. These funds have not yet been used and are available to meet future restricted expenditure.

There are three types of unrestricted fund:

a) Designated Funds

The Board Reserve is also used to fund Tangible Assets that are not subject to restrictions and which are therefore unrestricted. The designated Board Capital Reserve represents expenditure which has been capitalised as Tangible Assets in the balance sheet where there are no funding or disposal restrictions. It will fund future depreciation costs arising from those assets.

b) Available Funds

The only reserves which are available to support the future delivery of charitable activities are the General Fund, which is now held at zero, and the Board Reserve - NMS, which holds the accumulated surplus or deficit through the non-government revenue raising activities of the charity. These are maintained at a low level as part of operating within the government financial framework.

c) NMS Enterprises Limited

This represents the accumulated profits of the subsidiary company which either support the ongoing operations of the company or will be distributed to NMS as the parent organisation. In effect these are part of the Board Reserve and should be considered as available funds alongside the Board Reserve – NMS.

During 2014/15, £0.3m capitalised expenditure (2013/14, £1.43m) was financed from self-generated income in the year, and this is reflected in the transfer of funds from the Board Reserve to the Board Capital Reserves.

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

	GROUP	
	2015	2014
	£000	£000
Net (outgoing)/incoming resources	3,257	1,725
Grant-in-Aid – Capital	(5,600)	(5,700)
Other Capital Grants	(1,274)	(409)
Interest Received	(5)	(17)
Depreciation charge for the year	4,480	4,695
(Surplus)/Deficit in Heritage Assets & Other Restricted Funds	(202)	(134)
(Surplus)/Deficit in NFA Fund	37	(38)
(Increase)/Decrease in stocks	(61)	(8)
(Increase)/Decrease in Debtors	293	(434)
Increase/(Decrease) in Creditors	(1,772)	2,029
Increase/(Decrease) in Provisions for Liabilities and Charges	(183)	(290)
Net Cash Inflow/(outflow) from Operating Activities	(1,030)	1,419

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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 are equal to its cash balance. The movement in the cash balance during the year was as follows:

	GROUP	
	2015	2014
	£000	£000
Opening Cash Balance	4,337	4,557
Change in Year	(1,455)	(220)
Closing Cash Balance	2,882	4,337

17. Commitments

Committed but not provided for in the Accounts	GROUP	
	2015	2014
	£000	£000
Capital expenditure:		
New storage & research building (Collections Centre)	256	3,594
Museum renewal (National Museum of Scotland)	3,245	920
Museum renewal (National Museum of Flight)	2,852	-
Other capital projects	36	159
	6,389	4,673
Operational expenditure	417	742
Total Commitments	6,806	5,415

18. Related Party Transactions

National Museums Scotland is a Non-Departmental Public Body (NDPB) sponsored by the Scottish Government (Culture and Historic Environment division). During the year National Museums Scotland received material levels of income from the Scottish Government as disclosed in note 2.

We received significant levels of income (£513k) from the Heritage Lottery Fund (2013/14 £237k) in support of three projects which were ongoing at 31 March 2015.

The National Museums Scotland Charitable Trust ("NMSCT") exists to advance education in matters agricultural, archaeological, architectural, cultural, environmental, historical, industrial, military, scientific, and social. During the year Bruce Minto and Iain Watt, Trustees of National Museums Scotland, were also Trustees of NMSCT. National Museums Scotland received £1.380m in grants from NMSCT during the year (2013/14 £207k). National Museums Scotland made no donations to NMSCT (2013/14 £1.500m).

The following Trustees were also members of the NMS Enterprises Limited Board of Directors: Bruce Minto and Gordon Drummond.

None of the Trustees, members of key management staff or related parties has entered into any material transaction with National Museums Scotland during the year.

19. Subsidiary Company

NMS Enterprises Limited, a company registered in Scotland, is a wholly owned subsidiary of National Museums Scotland set up to promote and develop our commercial activities by:

- managing commercial facility hire and catering activities,
- operating the shops in our museums,
- publishing books, and
- developing our intellectual property.

NATIONAL MUSEUMS SCOTLAND
NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

The results for the year to 31 March are summarised in the following table:

	2015	2014
		Restated
	£000	£000
Turnover	2,703	2,792
Cost of goods sold	(1,009)	(1,042)
Administrative costs	(1,046)	(1,071)
Trading profits from continuing operations	648	679
Interest Income	-	1
Profit/(Loss) reported in Consolidated I&E Account	648	680
Reserves at 1 April	468	332
Profit for the year	648	680
Profit distributed in year	(693)	(544)
Capital restructuring	300	-
Reserves at 31 March	723	468

20. Leases

National Museums Scotland has no finance leases. We lease the farm buildings and land at the National Museum of Rural Life under an operating lease. Payments under this are shown as rent of £23k in the accounts (£23k 2013/14). Future rental commitments at 31 March were as follows:

	GROUP AND NMS	
Land & Buildings	2015	2014
	£000	£000
Not later than one year	23	23
Later than one year and not later than five years	90	90
Later than five years	1,803	1,825

21. Contingent Liabilities

There are no contingent liabilities as at the 31 March 2015.

22. National Fund for Acquisitions

(See Notes 1(w))

	GROUP AND NMS	
	2015	2014
	£000	£000
Balance at 1 April	70	32
Grant Received	150	150
Disbursements	(187)	(112)
Balance at 31 March	33	70

National Museums Scotland administers, on behalf of Scottish Ministers, the National Fund for Acquisitions (NFA). The allocation for financial year 2014/15 was £150k (2013/14 £150k). During the year 75 (2013/14 63) payments totalling £198k (2013/14 £112k) were made to 41 (2013/14 26) organisations, supporting acquisitions worth £566k (2013/14 £367k).

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NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 31 March 2015

23. Net Assets held in Reserves

GROUP AND NMS	Restricted Funds	Designated Capital Reserves	Board Reserve	Total	NMS Enterprises Limited	Group Total
	£000	£000	£000	£000	£000	£000
Tangible assets	151,303	1,425	-	152,728	92	152,820
Heritage assets	7,529	-	-	7,529	-	7,529
Investments	-	-	200	200	(199)	1
Current Assets	871	-	3,302	4,173	1,018	5,191
Current Liabilities	-	-	(3,902)	(3,902)	(188)	(4,090)
Long-term liabilities	-	-	(261)	(261)	-	(261)
Balance at 31 March	159,703	1,425	(661)	160,467	723	161,190

24. Taxation

National Museums Scotland has been granted charitable status by HMRC, and is entitled to tax exemptions on income and profits from investments and surpluses on any trading activities carried out in furtherance of the charity's primary objectives, if these profits and surpluses are applied solely for charitable purposes. In respect of 2014/15 NMS Enterprises Limited will distribute profits of £694k (2013/14 £544k) via Gift Aid payments to National Museums Scotland. Payment of gift aid eliminates any liability of the subsidiary 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 financial statements.

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 contracts 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.

28. Changes in Accounting Policy

As explained in Note 1, two changes were made to accounting policy which had the following effect upon the 2013/14 figures provided for comparative purposes.

GROUP	Original 2013/14	Gallery Asset Valuation	Subsidiary Profit Distribution	Restated 2013/14
	£000	£000	£000	£000
Tangible assets				
Gallery asset cost or valuation	34,448	(369)	-	34,079
Accumulated depreciation	(24,757)	862	-	(23,895)
Restricted Funds				
Revaluation Capital Reserve	(32,641)	(493)	-	(33,134)
Unrestricted Funds				
Board Reserve - NMS	(148)	-	694	546
Board Reserve - NMSE Limited	226	-	(694)	(468)

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 (FReM) 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'.

Signed by the authority of the Scottish Ministers

Dated 31 March 2006

