

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to Museums and Galleries Act 1992, c.44, para 9(8)

Natural History Museum Annual Report and Accounts 2005-2006

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The Trustees' Annual Report

Reference and administrative details

The Natural History Museum is a non-departmental public body, sponsored by the Department for Culture, Media and Sport, and is an exempt charity as listed in Schedule 2 of the Charities Act 1993.

Principal Address

The Natural History Museum, Cromwell Road, London SW7 5BD

Board Members

The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken (Chairman from 1 January 2006) (b)(c)(d)(e)	To 31 December 2009	Prime Minister
Daniel Alexander QC	To 11 May 2010	Co-opted
Sir William Castell LVO (a)(d)	To 5 February 2008	Prime Minister
Louise Charlton	To 30 April 2010	Prime Minister
Professor Diane Edwards CBE FRS (a)	To 6 February 2007	Prime Minister
Professor Alex Halliday FRS	To 28 February 2010	Royal Society
Professor Michael Hassell CBE FRS (b)(d)	To 5 February 2008	Prime Minister
Ian Henderson CBE FRICS (e)	To 2 February 2009	Co-opted
Professor Jacquie McGlade (c)	To 31 December 2009	Prime Minister
Professor Georgina Mace OBE FRS (e)	To 5 February 2008	Prime Minister
Sir David Omand GCB (a)	To 19 January 2010	Prime Minister
Professor Linda Partridge CBE FRS FRSE (b)(c)	To 31 March 2008	Co-opted
Other Trustees who served during 2005-06 were:		
Professor Sir Keith O'Nions FRS (Chairman to 31 December 2005) (c)(d)	Retired 31 December 2005	Co-opted
Professor Christopher Leaver CBE FRS FRSE (a)	Retired 28 February 2006	Royal Society
Dame Judith Mayhew DBE (a)	Retired 30 April 2006	Prime Minister
Sir Richard Sykes FRS (a)	Retired 31 December 2005	Prime Minister

Notes:

- a Member of the Trustees' Audit Committee
- b Member of the Trustees' Finance Committee
- c Member of the Trustees' Remuneration Committee
- d Member of the Trustees' Nomination Committee
- e Member of the Trustees' Darwin Centre Phase Two Committee

Museum Director and Accounting Officer

Dr. Michael Dixon

Bankers

National Westminster Bank plc
186 Brompton Road
London
SW3 1HH

Auditors

Comptroller and Auditor General
National Audit Office
Buckingham Palace Road
London
SW1W 9SP

Kingston Smith LLP
Devonshire House
60 Goswell Road
London
EC1M 7AD

Solicitors

Farrer & Co.
66 Lincoln's Inn Fields
London
WC2A 3LH

Investment Advisors

JP Morgan Fleming Asset Management
10 Aldermanbury
London
EC2V 7RF

Collins Stewart
88 Wood Street
London
EC2V 7QR

Accounts preparation

The annual report and accounts have been prepared in accordance with the accounting policies set out in Note 1 on page 26. They comply with the requirements of the Companies Act 1985, the Statement of Recommended Practice 2005 on 'Accounting by Charities', except where specified, the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture Media and Sport, with the approval of H.M.Treasury.

Structure, governance and management**Status**

The Trustees of The Natural History Museum were established as a body corporate under the British Museum Act 1963, when the Museum was formally separated from the British Museum, of which it had been a part since the British Museum's establishment in 1753. The Museum is also an exempt charity as listed in Schedule 2 of the Charities Act 1993.

Statutory duties

Under Section 3 of the British Museum Act 1963, the Museum is responsible for keeping its collections and making them available for inspection by the public.

The Board of Trustees

The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister or co-opted are appointed by open competition.

Trustees are initially appointed for a four year period and can serve a second equal term before standing down.

There are five sub-committees of the Board of Trustees:

- Audit Committee
- Finance Committee
- Remuneration Committee
- Darwin Centre 2 Committee
- Nominations Committee

All Trustees attend a one day induction and training course, and are issued with documents relating to the Museum's corporate governance framework.

The Board of Trustees carries out an annual review of its effectiveness.

The Trustees' register of interest is available for inspection on application.

Organisational Structure

Responsibility and delegated authority for the management of the Museum rests with the Directors Group, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.

The Directors Group reflects the functional operation of the Museum and currently consists of:

Director of the Museum	Dr. Michael Dixon
Director of Public Engagement	Sharon Ament
Director of the Human Resources	Paul Brereton
Director of Finance and Administration	Neil Greenwood
Director of Science	Dr. Richard Lane
Director of Estates	David Sanders
Deputy Director of the Public Engagement Group, and Director of the Walter Rothschild Zoological Museum	Teresa Wild

Staff and organisation

The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.

Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.

The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.

During the year the Museum employed 932 (average full time equivalents) of which 756 were on permanent contracts.

Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 6 to the Accounts).

A volunteer force of 247 people assisted the Museum during 2005-2006.

Openness and accountability

The Museum is committed to openness and facilitating easy access to all types of recorded information about its collections, services and corporate activities. In particular the Museum has a Publication scheme, in accordance with schedule 19 of the Freedom of Information Act 2000, which lists the information made available on a proactive basis.

The publication scheme is only part of the provision for access to information available under the Act. Any information which is not covered by an exemption will be made available on request.

The minutes of Board meetings and the register of Board members' interests are open to inspection by the public.

The annual Open Meeting to discuss recent performance and future plans was held in October 2005 in the Darwin Centre.

Risk Management

The Museum has comprehensive risk management processes overseen by the Audit Committee.

The Directors' Group has specific responsibility for:

- developing and monitoring the implementation of the risk management strategy; and
- assessing, categorising, reviewing and monitoring the key inherent, significant and emerging risks to the achievement of aims and objectives.

The Directors' Group reports significant changes and developments in the risk profile to the Audit Committee and the Board of Trustees. The risk profile and risk management strategy is presented to and endorsed by the Board of Trustees on an annual basis.

Relationship with DCMS

As a non-departmental public body the Museum is sponsored by the Department for Culture, Media and Sport. This relationship is formalised via the Funding Agreement, a Management Statement and a Financial Memorandum.

Group entities

The Museum's accounts are a consolidation of the following:

- The Natural History Museum;
- The Natural History Museum Trading Company Ltd.;
- The Natural History Museum Special Funds Trust;
- The Natural History Museum Benevolent Fund; and
- The Cockayne Fund.

Objectives and Activities

Mission

The Natural History Museum's mission is to maintain and develop its collections and use them to promote the discovery, understanding, responsible use and enjoyment of the natural world.

Objectives

The Natural History Museum is the guardian of the national collection of over 70 million natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, the Museum actively works with its collections to meet the needs of people today and in the future.

The Museum uses its collections in scientific research programmes of internationally recognised excellence, thereby generating new knowledge that is both scientifically important and, in many cases, of great practical value. One of the country's leading visitor attractions, the Museum is also dedicated to making natural history as accessible as possible to a wide range of people in this country and worldwide. It does so by means of its educational and enjoyable exhibitions, publications, and its teaching and outreach programmes, including via the web. It supports all of these activities with high quality staff, services and facilities.

In addition to the main Museum site in South Kensington, there is the Walter Rothschild Zoological Museum at Tring.

The Museum is committed to excellence and in order to contribute fully to the imperatives facing the natural world the Museum has set high ambitions to be realised over the period 2006-10. This is enshrined in the Museum's vision.

The Vision:

The Natural History Museum is one of the world's great museums. We operate to a global agenda. We will excel in:

- Generating knowledge;
- Maintaining a major scientific infrastructure;
- Providing access to existing information;
- Delivering learning opportunities;
- Engaging with a larger, diverse audience;
- Creating engaged and scientifically literate citizens; and
- Inspiring a lifelong commitment to the natural world.

The Darwin Centre

The Darwin Centre is a key component of the delivery of the vision. Phase One which opened in October 2002 houses circa 22 million zoological specimens stored in alcohol, provides visitors with access to those collections and the scientists who work on them, and enables public presentation of the science which is carried out in all areas of the Museum.

Darwin Centre Phase Two, which will safeguard the Museum's entomological and botanical specimens and develop further the public access to the Museum's science, is scheduled to open in 2009. Design development continued throughout 2005-06, and the decanting of entomology collections, amounting to 28 million specimens, and scientific staff from the Entomology Building was completed prior to its demolition in order to make way for the new building. Construction of the building, which will take approximately two years to complete, started on site in June 2006. During 2006-07 further design work will take place on the components of the building open to the public, and the fundraising campaign will continue in order to secure the small amount of funds required for full funding of the project.

At 31 March 2006 expenditure on Phase Two amounted to £13.393m funded from both internal and external sources, including £2.5m from DCMS and £3.918m from the Heritage Lottery Fund. Of this expenditure £9.046m has been capitalised. Total funds received for the project amounted to £22.419m and thus there was a working fund balance of £9.026m available to fund future expenditure.

It is estimated that the total funds required for the project will be c£73m of which c£55m has been pledged to date from direct fundraising, including £20.5m from the Heritage Lottery Fund, £10m from the Wellcome Trust, £5m from DCMS, and c£9.4m to date from Museum resources. The balance of the future expenditure will be met from those pledged funds which have yet to be received, further restricted funds which may be generated from the fundraising campaign which continues, and, to the extent it will be necessary, from further designation from other Museum resources.

Other Achievements in 2005-2006

On the public engagement side of the Museum's activities during 2005-06 the Museum continued to attract a high number and a diverse range of visitors, supported by the permanent exhibitions, a lively and diverse special exhibitions and events programme, and the Darwin Centre. Total visitors to South Kensington and the Walter Rothschild Zoological Museum at Tring amounted to 3.282m, which although a small decrease on the total for 2004-05, was well in excess of the Funding Agreement target of 3.0m. This was a major achievement given the terrorist activity in London in July which had a significant and immediate impact on visitor numbers during the summer period.

The main special exhibition at South Kensington was *Diamonds* – an extensive and spectacular display of gemstones which opened in July 2005 in the newly expanded temporary exhibition gallery. Unfortunately there was an enforced closure of the exhibition part way through its run due to a significant security threat. Other exhibitions included *Face to Face* featuring photographs of primates in the Jerwood Gallery, followed by the Wildlife Photographer of the Year 2005 exhibition which in its 22nd consecutive year continued to attract over 100,000 visitors. The main exhibition at the Walter Rothschild Zoological Museum at Tring was *Animal Mummies* which contributed to attracting yet another record number of visitors (108,072).

Within the total visitors figure were 1,050,000 children, including 133,000 school children, and there were 224,000 over 60s. Based on site surveys, there were an estimated 422,000 visitors aged 16 and over from lower socio-economic groups. Both the total children figure and the aged 16 and over from lower socio-economic groups exceeded the Funding Agreement targets.

The number of children in organised educational programmes both on-site and outreach amounted to 340,000 which is a significant increase on the figures for 2004-05 (271,000) and exceeds the funding agreement target. This reflects the implementation of a new learning strategy, including a learning volunteer programme.

The Museum's website was relaunched in May 2005 and received over 11m virtual visits, including over 3.7m unique user visits which exceeded the Funding Agreement target of 3.265m.

On the science side, the Museum continued to produce high quality science, attract funding for collections-based activities and research, and participate in international initiatives, including:

- The second year of the *Synthesys* project, an EU funded programme of 13 million euros led by the Museum for developing and accessing collections, linking 20 museums and botanical gardens across Europe, was completed;
- The EU also awarded funding amounting to 11.9m million euros for another partnership project in which the Museum will play a part leading role – the European Distributed Network of Taxonomy (EDIT) which aims to overcome fragmentation of research in taxonomy;
- The Biodiversity Heritage Library project was launched in October 2005. This is a collaboration of eight international major natural history and botanical libraries who together hold over two million volumes of biodiversity literature and who are developing a strategy to digitise the literature and make it freely available on the web;
- Work continued on the second year of a £1.6m programme, known as the MOA project, which is developing a unified database for all the Museum's collections;
- 603 peer reviewed papers were published;
- Approximately 14,900 scientific visitor days were recorded, including those visiting under the *Synthesys* project;
- The Leverhulme Trust made an award of £999,000 towards the Ancient Human Occupation of Britain project, adding to their first award and ensuring that the work will continue until 2010;
- An award of £710k was secured from the National Heritage Memorial Fund towards the purchase of a major collection of Charles Darwin material;
- Approximately £13.3m scientific grant funding (including value to collaborators) was secured from 65 successful awards;
- A specimen of the giant squid, *Architeuthis dux*, measuring 8.62m length caught off the coast of the Falklands went on permanent display in the tank room of Darwin Centre Phase One; and
- Over 44,000 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- The second and final phase of the project to replace the Museum's data network commenced;
- The Museum led the consortium which was awarded a £2.8m grant from the Government's Invest to Save initiative for a project focussed on reducing carbon emissions – a Carbon Neutral Future for the South Kensington cultural and academic estate;
- A new commercial strategy was approved, with the emphasis on securing significant growth in self-generated income;
- An ice rink which attracted over 114,000 visitors was held for the first time on the East lawns over the Christmas period;

- Museum opening hours were extended by the introduction of a late night Friday opening from October through to February;
- Performance appraisal training was delivered to all museum staff;
- A Director of Estates post was recreated and an appointment made;
- A procurement manager was appointed and a procurement strategy approved; and
- The Museum exceeded significantly the Funding Agreement targets for net generated income from trading activities and efficiency savings.

The Museum was voted the People's Choice for Best Family Experience in the Visit London awards 2005.

Achievement against performance indicators for 2005-06, including core targets as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2006-2007

The main special exhibition at South Kensington is *Dino Jaws* which opened in June 2006, featuring the eating habits of dinosaurs, including a dino dig on the front lawns. In addition *The Ship*, an exhibition on climate change is taking place in the Jerwood Gallery from May followed by the Wildlife Photographer of the Year exhibition from the Autumn. The main exhibition at Tring will be *Dogs: Man made friend*.

Two major projects, already underway, which will enhance the visitor experience will be delivered – a new way-finding system will provide better and more accessible visitor information and, after 20 year's wear, the carpet in the visitor areas will be replaced by wooden flooring.

On the science side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to appoint a number of leading researchers to develop new research directions and form research groups. A collections development strategy will be progressed for publication in 2006, and the collections databasing project, MOA, will continue. A competency framework will be implemented for curation staff. In addition, access to the collections and research will be enhanced by the third year of the *Synthesys* project. The purchase of a major collection of Charles Darwin material was completed in April 2006.

The second phase of the project to replace the data network will be completed, as will the implementation of enhanced security arrangements. Other infrastructure projects include the implementation of a combined heat and power plant funded by a public private partnership.

Financial Review 2005-06

The Natural History Museum

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Trading Company, the Special Funds Trust, The Cockayne Trust and the Benevolent Fund, the overall level of funds has increased by £27.4m from £402.6m to £430.0m (see Statement of Financial Activities). Of the increase £30.6m is attributable to the indexation of fixed assets, while there is a deficit of £2.0m on net incoming resources, and a deficit of £1.3m on fund transfers (which refers to the release of monies from sinking funds). Unrestricted designated funds have increased from £365.0m to £387.0m which largely represents the non-donated estate (including most of the South Kensington site) and funds which the Museum has invested in capital assets and programmes, and also £5.5m of designated funds for future investment in Darwin Centre Phase Two. The balance on the General Fund, has increased by £2.8m to a surplus of £9.6m (2005: £6.8m), while the restricted fund balance has increased from £30.2m to £32.7m. The restricted fund includes £3.5m of liquid funds held for future investment in Darwin Centre Phase Two.

Total incoming resources for the year amounted to £72.8m (2005: £61.5m) of which £41.47m (2005: £39.6) was grant-in-aid, and total resources expended amounted to £74.8m (2005: £60.2m). The income includes £5.6m profit on disposal of a property at Wandsworth while the expenditure includes £3.8m write-off arising from the demolition of the Entomology Building.

The Natural History Museum Trading Company Limited

The Museum established a trading company, The Natural History Museum Trading Company Limited, on 1 April 1994. It comprises the activities of retailing, conferencing and banqueting, catering, brand management, the picture library, touring exhibitions, the Wildlife Photographer of the Year Competition, consultancy, and the operations of the boiler house and telephone switchboard.

The Trading Company donates all profits to the Museum. For 2005-2006 this amounted to £2.349m (2005: £1.004m). The results of the Trading Company are included in the Museum's consolidated accounts. The registered office of the Trading Company is at The Natural History Museum, Cromwell Road, London SW7 5BD.

The Natural History Museum Special Funds Trust

On 15 February 2000 the Charity Commissioners for England and Wales gave approval for the establishment of a scheme for the administration of a number of individual funds previously held within The Natural History Museum Special Funds. The scheme is governed by a charity known as The Natural History Museum Special Funds Trust which was established under a charitable trust deed dated 3 November 1999.

The Trust has powers to apply the income of the fund to the furtherance of the work of the Natural History Museum for which provision is not made from public funds, and disbursements are made in accordance with a policy approved by the Science Group of the Natural History Museum which takes into account the objectives of the original funds.

During the 2005-06 income amounted to £36.6k (2005: £36.8k) and expenditure to £20.4k (2005: £33.7k). At 31st March 2006 the value of the Fund amounted to £1.233m (2005: £1.046m) including investments valued at £1.132m (2005: £0.960m) and cash of £103.3k (2005: £88.6k).

The Cockayne Trust

The Trustees of the Natural History Museum hold a collection of British lepidoptera (known as the Rothschild – Cockayne – Kettlewell collection) which consisted, in part, of a collection donated by Edward Alfred Cockayne. On 27 May 1951 a trust deed was executed, establishing the Cockayne Trust, whereby Cockayne, by means of cash investments and other donated assets, would make financial provision for the purpose of improving the collection. In addition the fund may be used for the promotion, encouragement and study of British lepidoptera and for Cockayne research fellowships.

During the year the fund received income amounting to £4.6k (2005: £4.6k) and incurred expenditure of £15.8k (2005: £16.3k). At 31st March 2006 the value of the Fund amounted to £153.2k (2005: £143.9k) including investments valued at £124.5k (2005: £104.0k) and cash of £28.6k (2005: £39.9k).

The Benevolent Fund

The Benevolent Fund was established by the British Museum Trustees on 14 March 1936 having been passed to the Trustees by Dr. G. E. Herbert Smith. The income from the fund is to be used "to assist members of staff, in particular those less well paid, who may fall upon misfortune". Assistance is usually given by way of small grants or interest free loans to members of staff.

The balance of funds held at 31 March 2006 was £28.1k (2005 : £24.1k).

The Funding Agreement

The Museum receives the majority of its income from Government funding (grant-in-aid). This is currently derived from a three-year Funding Agreement, dated 31 March 2006, between the Museum and the Department for Culture, Media and Sport (DCMS) covering the years 2005-2008, which:

- sets out DCMS' aims and objectives, key priorities and targets established in its Public Service Agreement and Service Delivery Agreement with Treasury and shows how the Museum's own objectives will contribute to their achievement;
- identifies further key objectives to which the Museum is working; and
- lays out performance targets against which the achievement of the DCMS' objectives are to be measured.

The grant-in-aid which the Museum has received or will receive over the period 2005-06 to 2007-08 is as follows:

£m	2005-06	2006-07	2007-08
Resource Grant-in-Aid	39.370	40.585	41.840
Capital Grant-in-Aid	2.100	2.250	3.250
Total	41.470	42.835	45.090

Reserves Policy

As part of the annual planning and budget setting process the Trustees review and approve the level of readily available reserves, in particular the unrestricted General Reserve, (i.e. those that are not restricted or tied up as fixed assets) appropriate to the scale, complexity and risk profile of the Museum. This takes into consideration the funding base which consists predominantly of grant-in-aid which is subject to a three-year funding agreement with the Department for Culture, Media and Sport, and also self-generated trading income, scientific grant income and sponsorship, all of which are volatile.

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their meeting in February 2006 a minimum level of General Fund of £2m.

Trustees also designate funds for specific projects and activities. Designations currently include funds for the delivery of Darwin Centre Phase Two, and for scientific research which have been derived over a number of years from income from scientific activities exceeding an annual target.

Investment powers and policy

The Museum's investment powers are established in its Financial Memorandum with the Department for Culture, Media and Sport. This states that the Museum may not use grant-in-aid to make any speculative investments without prior written approval of the Department.

Equity-based investments are only held by the restricted funds with the aim to achieve an appropriate balance between income generation and capital growth particular to the fund.

The Museum invests cash funds identified as surplus to short term working capital on short to medium term facilities in accordance with a policy approved by the Trustees' Finance committee which is reviewed biannually.

Post balance sheet events

1. In July 2006 the Museum entered a public private partnership for the provision of a combined heat power plant in the central boilerhouse on the South Kensington site. The V&A Museum are also a party to this agreement. A consequence of the agreement is that in July 2006 the Museum released £2m cash from the boilerhouse sinking fund which is a restricted fund. £1m has been released to the V&A and £1m has been released to the Museum's unrestricted General Fund. The liabilities arising from the release of sinking fund monies have been recognised in the financial statements at 31 March 2006 on the basis that the decision to release funds had been taken prior to the financial year end.
2. In October 2006 the Museum entered into a contract for £42m with HBG UK Ltd. in respect of the main construction works for Darwin Centre Phase Two.

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2005-06 in excess of 95% of creditors were paid within the agreed period (2004-05: in excess of 95%).

External Auditors

The fees paid to the National Audit Office (NAO) audit services which are included in Note 5 amounted to £36k. Further project grant audit certification work to the value of £3,000 was performed by the NAO during 2005-06.

Disclosure of relevant audit information

At the time of approving the financial statements:

- so far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the external auditors are unaware; and
- the Trustees and Accounting Officer have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the external auditors are aware of that information.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

Appendix 1

Performance indicator information, including those indicators listed in the Funding Agreement

Performance indicator	05-06 Outturn	05-06 Core Targets*	04-05 Outturn	03-04 Outturn	02-03 Outturn	01-02 Outturn
Visitors						
Number of total visitors	3,281,810	3,000,000	3,328,478	3,143,935	2,893,337	2,196,416
Number of child visitors	1,049,808	870,000	1,030,492	970,990	914,620	693,482
Number of over 60s visitors	223,643		228,861	162,440	132,258	97,625
Number of repeat visitors			1,883,066	1,824,000	1,562,402	1,253,363
Number of visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over	422,482	115,000	N/a	N/a	N/a	N/a
Number of visitors from socio-economic categories C2, D & E	N/a		964,399	709,425	N/a	N/a
% of visitors who thought the museum was good / very good	96		93	93	94	39
Other Access						
Number of unique website visits	3,756,365	3,265,000	N/a	N/a	N/a	N/a
Number of website visits	11,049,336		7,955,846	7,671,077	6,205,858	4,734,833
Number of specimens loaned	70,483					
Number of scientific enquiries answered	44,589					
Learning						
Number of children aged 15 and under in on and off site organised educational sessions	339,744	310,000	270,935	339,388	343,000	N/a
Research						
Number of peer reviewed research papers	603		512	525	535	488
Value of research grants won (£s total value to the Museum and collaborators)	13,315,724		6,141,047	13,307,000	9,449,973	5,188,188
Number of visitor days for visiting researchers	14,899		14,954	18,967	15,416	15,074
Efficiency / other						
Net income from trading activities (£m)	5.97	4.45				
Efficiency Savings (£m)	4.02	2.73				
Average days lost sick per employee excluding long term sickness	6.69		3.13	6.31	5.42	5.75

* Under the Funding agreement between the Museum and DCMS dated 31st March 2006 there are six core targets.

Remuneration Report

Remuneration committee

The Board has established a Remuneration Committee to support them in undertaking their responsibilities for overseeing the performance and remuneration of the Museum's senior staff. In particular it oversees the performance and remuneration of the Museum Director and receives and approves recommendations from the Director with regard to the remuneration of other senior members of staff.

Membership of the Committee

The membership of the Remuneration Committee comprises:

Oliver Stocken (Chair)
Professor Linda Partridge
Professor Jacqui McGlade

The Director, and the Director of Human Resources attend any meetings which review senior staff remuneration except for discussion concerning their own pay and performance.

Policy on the Remuneration of senior managers for current and future financial year

The senior staff whose remuneration is approved by Remuneration Committee is as follows:

Director
Director of Public Engagement
Director of Science
Director of Estates
Director of Finance and Administration
Director of Human Resources
Assistant Director of Public Engagement and Director of the Walter Rothschild Museum
Head of Audit and Assurance
Project Director, Darwin Centre Phase Two

At the beginning of the year, senior staff are set objectives based on the Museum's strategic plan. At the end of the year they are assessed by the Director on how far they have achieved their objectives and their performance is rated accordingly. The Chairman of Trustees assesses and rates the Director's performance. All ratings are then reviewed by the Remuneration Committee. All components of senior managers' remuneration, including an incentive bonus scheme, are dependent on delivery and performance.

When determining salary levels, a number of factors are taken into account:

- the projected budget for the annual staff settlement;
- salary levels internally and in the market place (through salary surveys);
- job size and whether this has changed over the period (through formal evaluation, where applicable); and
- the performance and contribution of the individual over the period, assessed through performance appraisal.

Policy on duration of contracts, notice periods and termination payments

Senior staff, including the Director, are permanent employees of the Natural History Museum. Notice periods for senior employees are between three and six months with the period for the Director being six months. Termination payments are in accordance with contractual terms.

Director

Dr Michael Dixon, was Director and Accounting Officer throughout the year to 31 March 2006, having been appointed on a permanent contract from 10 May 2004. His remuneration is subject to a three year arrangement determined by the Remuneration Committee. He has use of the Lodge on the South Kensington site for accommodation (value of benefit in kind £1,512 for 2005-06). The salary and pension entitlements of the Director are as follows:

	2006	2005
	£	£
Dr Michael Dixon		
Remuneration	149,422	114,226
Benefit in kind	1,512	1,137
Employer's pension contribution	25,978	21,132
Total accrued pension at age 60 as at 31 March	3,332	1,861
Real increase in pension at age 60	1,773	1,837
Total lump sum at age 60 as at 31 March	0	0
Real increase in lump sum at age 60	0	0
Cash equivalent transfer value at 31 March ^{#1}	52,287	22,392
Real increase in cash equivalent transfer value ^{#1}	24,120	20,273

^{#1} 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 including 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 CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006. The Real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of 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.

Dr Dixon did not hold any other positions or have any business interests which represented a conflict of interest in connection with his position at the Museum.

As the Trustees and the Director exercise ultimate responsibility and authority for controlling the major activities of the Natural History Museum, it has been deemed that additional disclosure of emoluments and pension entitlements is inappropriate.

All Museum employees are eligible to be members of the Principal Civil Service Pension Scheme with associated redundancy and early retirement conditions. Any pension liabilities are referred to in Note 19 to the Accounts.

The Trustees of the Natural History Museum are not remunerated. Expenses paid are disclosed in Note 6 to the Annual Accounts.

Oliver Stocken
Chairman of the Remuneration Committee

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

Statement of Trustees' and Director's Responsibilities

Under Sections 9(4) and (5) of the Museums and Galleries Act 1992, the Board of Trustees of The Natural History Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at the end of the year.

In preparing the Museum's accounts the Trustees are required to:

- observe the accounts direction issued by the Secretary of State*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

* A copy of which is available from the Director of Finance, The Natural History Museum, Cromwell Road, London SW7 5BD. A charge will be made for this.

Statement on Internal Control

Scope of responsibility

On behalf of the Board of Trustees and the Accounting Officer, we have agreed this Statement on Internal Control in order to set down our respective responsibilities for ensuring that the Natural History Museum has a sound system of internal control that:

- supports the achievement of the aims and objectives of the Natural History Museum;
- safeguards the assets and public funds for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Government Accounting and specifically in the Management Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport; and
- recognises that the appointment of the Director as Accounting Officer reflects the fact that under the Trustees the Director has personal responsibility for the overall organisation, management and staffing of the Museum and for museum wide procedures in financial and other matters within the direction laid down by the Trustees.

The purpose of the system of internal control

The system of internal control is designed to manage rather than eliminate risks to the achievement of aims and objectives; it can therefore only provide reasonable rather than absolute assurance of effectiveness.

The system of internal control is based on a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2006 and up to the date of signature of the accounts.

Capacity to handle risk, risk management, and the risk environment

The Museum has a risk management policy which sets out the attitude to risk, and responsibilities including those of the Trustees, the Director, Audit and Assurance, managers and staff, and the Directors Group which has overall responsibility for risk management during the year. Specifically the Directors Group has responsibility for:

- developing and monitoring the implementation of the risk management strategy; and
- assessing, categorising, reviewing and monitoring the key inherent, significant and emerging risks to the achievement of aims and objectives.

The Directors Group reports significant changes and developments in the risk profile to the Audit Committee and the Board of Trustees. The risk profile is presented to and endorsed by the Board of Trustees on an annual basis.

At the detailed level, responsibility for key risks is allocated to managers and the Directors Group monitors quarterly the progress of action taken to manage these key risks and for the emergence of new risks.

Comprehensive guidance has been produced and widely disseminated on risk awareness and risk management, and a robust risk assessment methodology has been widely implemented. The Directors and managers are responsible for assessing the risks associated with their actions. They will do so within the guidance on risk appetite that is part of the strategic guidance provided by the Board of Trustees, and by the Audit Committee on their behalf, using a framework of key documents including Financial Regulations, Collections Management guidelines, Procurement Manual, the Staff Handbook and Health and Safety guidelines.

The Audit and Assurance unit is responsible for examining and reporting on the adequacy and effectiveness of the risk management, internal control and governance processes. It takes a risk-based approach to audits, working to a plan approved by the Audit Committee and operating to the HM Treasury internal audit standards. An annual report on audit activity, which includes an opinion on the adequacy and effectiveness of the risk management, and control framework is prepared by the Head of Audit and Assurance and presented to the Accounting Officer and the Audit Committee.

The Audit Committee meets four times a year to receive and advise on reports on risk management and internal control issues from Audit and Assurance, reports from senior managers, matters arising from external audits, and to review progress on the implementation of recommendations. The Chairman of Audit Committee reports any matters arising directly to the Board of Trustees.

Significant internal control matters arising during the year

During the year the Museum took the decision to close *Diamonds*, the main special exhibition of the year, prior to the end of the intended opening period. This was based on an assessment of a heightened security risk and was managed successfully in accordance with the security strategy for the exhibition and the Museum's crisis management plan.

A gateway review of the Darwin Centre Phase Two by the Office of Government Commerce highlighted some matters that should be considered prior to letting of the main construction contract for the project. The Museum was already aware of these matters at the time of the review and they have subsequently been addressed.

No significant control failures arose during the year.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2005-06 has been informed by:

- a the work of the Audit and Assurance unit;
- b an Office of Government Commerce gateway review of Darwin Centre Phase Two;
- c assurance statements and reports from executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework;
- d the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- e comments made by the external auditors in their management letters and other reports;
- f a peer review of the scientific and curation work of the Palaeontology department carried out by a visiting group;
- g the Individual Merit Promotion scheme run by the Biotechnology and Biological Sciences Research Council (BBSRC) which provides independent assurance on the quality of individual researchers employed by the Museum;
- h an independent review of the Museum's payroll provider which is carried out at six monthly intervals ; and
- i reviews of the operation of the Board of Trustees, the Audit Committee, and the Audit and Assurance unit.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a mechanism to ensure continuous improvement is in place.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the consolidated financial statements of the Natural History Museum for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Summary Income and Expenditure Account, the Consolidated Balance Sheet and the Museum Balance Sheet, the Consolidated Cash flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board of Trustees, the Director, and auditor

The Board of Trustees, and the Director, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, and for ensuring the regularity of financial transactions funded by Parliamentary grant ("Grant in Aid"). These responsibilities are set out in the Statement of the Board of Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Natural History Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 16-17 reflects the Natural History Museum's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Natural History Museum's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Natural History Museum's and the group's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, of the state of affairs of the Natural History Museum and the group as at 31 March 2006 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no other observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

30 October 2006

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

The maintenance and integrity of the Natural History Museum's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Consolidated Summary Income and Expenditure for the year ended 31 March 2006

	2006	2005
	£000	£000
Total income from continuing operations	72,791	61,540
Operating expenditure	(74,771)	(60,243)
Surplus/(deficit) for the year	(1,980)	1,297
Adjustment for capital projects	(646)	(1,053)
Operating surplus/(deficit)	(2,626)	244

Capital projects represent net income after depreciation charged in the year which the Trustees have identified as being designated for capital projects.

Gross income for the year ended 31 March 2006 includes £8,900,000 of restricted income.

The notes on pages 26 to 41 form part of these accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2006

	Notes	Unrestricted Funds Designated	Unrestricted Funds General	Restricted Funds	Permanent Endowment Funds	Total Funds 2006	Total Funds 2005 restated
		£000	£000	£000	£000	£000	£000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	2		40,220	1,250		41,470	39,647
National Lottery				2,334		2,334	886
Donations			297	1,973		2,270	1,909
Donations in kind				163		163	286
Activities for generating funds:							
Trading Activities	3		12,786			12,786	10,368
Sponsorships			567			567	939
Shared services		1,591				1,591	1,295
Other income	4		1,141	18		1,159	1,452
Investment income	4	42	510	169		721	665
Incoming resources from charitable activities							
Admissions and membership			1,077			1,077	678
Scientific grants and contracts			43	2,993		3,036	3,415
Other incoming resources							
Profit on disposal of fixed assets	7		5,617			5,617	-
Total incoming resources		1,633	62,258	8,900	0	72,791	61,540
Resources expended							
Costs of generating funds							
Costs of generating voluntary income	6	1,306	5,657	140		7,103	5,870
Fundraising trading: cost of goods sold and other costs	6	1,615	8,696	18		10,329	9,417
Investment management costs	6	1				1	1
Charitable activities							
Exhibitions	6	1,902	6,727	942		9,571	7,022
Learning	6	662	2,442	61		3,165	2,028
Libraries	6	906	3,759	54		4,719	3,852
Scientific curation and research	6	4,636	17,939	3,459		26,034	23,203
Visitor services	6	2,042	7,395	120		9,557	8,389
Governance costs	6	70	446	4		520	461
Other resources expended							
Loss on disposal of fixed assets	6,7	400	3,372			3,772	
Total resources expended		13,540	56,433	4,798		74,771	60,243

	Notes	Unrestricted Funds Designated £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total Funds 2006 £000	Total Funds 2005 restated £000
Net incoming/(outgoing) resources before notional costs		(11,907)	5,825	4,102	0	(1,980)	1,297
Notional cost of capital	1	(13,270)			(13,270)	(12,430)	
Net incoming/(outgoing) resources after notional costs		(25,177)	5,825	4,102	0	(15,250)	(11,133)
Reversal of notional cost of capital	1	13,270				13,270	12,430
Net incoming/(outgoing) resources before transfers		(11,907)	5,825	4,102	0	(1,980)	1,297
Transfers							
Gross transfers between funds	16	3,451	(2,091)	(2,687)		(1,327)	(5)
Net incoming/(outgoing) resources before other recognised gains and losses		(8,456)	3,734	1,415	0	(3,307)	1,292
Other recognised gains/losses							
Gains/(losses) on indexation and revaluation of fixed assets for charity's own use	7	30,376	(952)	1,138		30,562	16,910
Gains on investment assets	8	85			109	194	86
Net movement in funds		22,005	2,782	2,553	109	27,449	18,288
Reconciliation of funds							
Total funds brought forward		365,016	6,797	30,177	604	402,594	384,306
Total funds carried forward	16	387,021	9,579	32,730	713	430,043	402,594

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period.

All recognised gains and losses are included in these accounts and the Museum has no recognised gains or losses other than the above.

The profit on disposal of fixed assets (£5,617,000) and the loss on disposal of fixed assets (£3,772,000) arose from preparations for the construction of phase 2 of the Darwin Centre and are detailed in note 7 to the accounts.

The notes on pages 26 to 41 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	7		407,854		388,204
Investments	8		1,276		1,080
<i>Total fixed assets</i>			409,130		389,284
Current Assets					
Stock	10	494		459	
Debtors	11	7,278		5,734	
Cash at bank and in hand	12,13	21,758		16,180	
<i>Total current assets</i>		29,530		22,373	
Liabilities					
Creditors: amounts falling due within one year	14	(8,500)		(8,958)	
<i>Net Current Assets</i>			21,030		13,415
<i>Total assets less current liabilities</i>			430,160		402,699
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	19		(117)		(105)
<i>Net assets</i>			430,043		402,594
The funds of the charity					
Permanent Endowment funds	16		713		604
Restricted income funds	16		32,730		30,177
Unrestricted income funds					
Designated funds	16	387,021		365,016	
General funds	16	9,579		6,797	
<i>Total unrestricted funds</i>			396,600		371,813
<i>Total charity funds</i>			430,043		402,594

The notes on pages 26 to 41 form part of these accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

Museum Balance Sheet as at 31 March 2006

	Note	2006		2005	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	7		407,781		388,149
Investments	8		198		198
<i>Total fixed assets</i>			407,979		388,347
Current Assets					
Stock	10	58		58	
Debtors	11	5,090		4,893	
Cash at bank and in hand	12,13	21,410		15,597	
<i>Total current assets</i>			26,558		20,548
Liabilities					
Creditors: amounts falling due within one year	14		(5,798)		(7,370)
<i>Net Current Assets</i>			20,760		13,178
<i>Total assets less current liabilities</i>			428,739		401,525
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	19		(117)		(105)
<i>Net assets</i>			428,622		401,420
The funds of the charity					
Restricted income funds			32,730		30,177
Unrestricted income funds					
Designated funds		386,245		364,405	
General funds		9,647		6,838	
<i>Total unrestricted funds</i>			395,892		371,243
<i>Total charity funds</i>			428,622		401,420

The notes on pages 26 to 41 form part of these accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

24 October 2006

Consolidated Cash Flow Statement for the year ended 31 March 2006

	Note	2006 £000	2005 £000
Net cash inflow from operating activities	18	904	7,182
Returns on investments and servicing of Finance within net cash flow	18	721	665
Capital expenditure and financial investment	18	3,953	(5,257)
Increase/(Decrease) in cash for the year	18	<u>5,578</u>	<u>2,590</u>

The notes on pages 26 to 41 form part of these accounts.

Notes to the Financial Statements

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention as modified for the inclusion of certain fixed assets at their value to the business by reference to current costs and of investments at market value. The accounts comply with the requirements of the Companies Act 1985, the Statement of Recommended Practice 2005 on 'Accounting by Charities' and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture Media and Sport, with the approval of H.M.Treasury.

Consolidated accounts have been prepared for the Museum which include the Grant-in-Aid account, trust funds administered by the Museum, and its subsidiary company, The Natural History Museum Trading Company. They do not include accounts for the American Friends of the Natural History Museum which is a fund raising organisation based in the USA.

Incoming resources

All income is accounted for on a receivable basis and is net of Value Added Tax.

Grant-in-Aid from the Department for Culture, Media and Sport is shown in its entirety in the Statement of Financial Activities. However, within the Statement of Funds (Note 16), Grant-In-Aid income allocated to capital expenditure is transferred to separate Unrestricted Designated Funds and Grant-In-Aid income allocated to acquisitions for the collection are treated as a transfer to Restricted Funds. The remainder is included within General Funds.

Grants and other income that are awarded subject to specific performance conditions, including scientific grants and income from the Heritage Lottery Fund, are recognised when the performance conditions for their receipt have been met and, where appropriate, income is deferred accordingly.

Donations of unquoted shares are recognised only when a value can be attributed with reasonable certainty, either on sale or on floatation on a recognised stock market.

Expenditure

Expenditure has been classified according to the main activities of the Museum and aggregates all costs related to each activity. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of resources. Support costs have been allocated to activities on the basis of their use of central support services.

Costs of generating voluntary income include all costs associated with the development of the museum's non-scientific income and in particular, support the generation of donations, income from trading activities, admissions, membership and sponsorship. No meaningful allocation of this expenditure across these income sources is possible.

Governance costs are the costs associated with the governance arrangements of the charity and are made up of internal audit, external audit and trustees' costs.

Collection Purchases

Prior to financial year 2001/02, as the value of the collection was considered to be incalculable, no amount was included for collection purchases in the published Balance Sheets. From financial year 2001/02 onwards, new collection acquisitions are accounted for as non-depreciable assets at acquisition value.

Donated assets are included in the Statement of Financial Activities as incoming and expended resources at the value determined by experts in the relevant field.

Fund accounting

The Museum's accounts are a consolidation of a number of individual funds which divide into distinct categories which are defined as follows:

Unrestricted funds general

The general funds consist of the accumulated surplus or deficit on the Statement of Financial Activities. They are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

Unrestricted funds designated

These funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. They consist mainly of the following:

Special Funds – a collection of funds which have arisen from various legacies and donations, largely held as investments, the income from which is used for scientific purposes.

Capital Projects – expenditure funded from non restricted sources which has been capitalised.

Future Scientific Research – a fund set aside from income derived from the Museum's scientific activities to be used to fund research.

Darwin Centre Phase 2 – monies set aside from non-restricted sources at the discretion of the trustees to fund the construction of phase 2 of the Darwin Centre. This includes the proceeds of disposal of land and buildings that are retained by the Museum with the permission of HM Treasury to fund capital projects.

Restricted funds

These funds are subject to specific restriction imposed by the donor, by the purpose of an appeal or are received for a specific purpose. They consist mainly of the following:

Scientific Grants and Contracts – grant and contract awards for specific scientific projects.

The Walter Rothschild Zoological Museum at Tring – see note 7.

Sponsored Exhibitions – permanent exhibitions which were at least partly funded by sponsorship or lottery funding.

Sponsored Assets -building projects which have been funded at least in part by sponsorship or donations.

Equipment Reserve – a fund established for replacement of the telephone exchange and the boiler – see Note 1 (Shared Services) and Note 16.

Permanent endowment funds

These comprise funds donated on condition that the original funds be held permanently by the Museum, although the constituent assets may change.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

Depreciation is provided on all tangible fixed assets, other than freehold land and collection items, at rates calculated to write off the cost or valuation, less estimated residual value, on a straight line basis for each asset over its expected useful life as follows:

Freehold buildings	between 15 and 100 years depending on the building.
Plant and machinery	between 5 and 20 years depending upon the nature of the asset.
Permanent Exhibitions	20 years
Equipment	between 3 and 22 years depending on the nature of the asset
IT equipment	between 3 and 20 years depending on the nature of the asset
Scientific equipment	5,10,15 or 20 years
Furniture and Fittings	between 4 and 20 years depending on the nature of the asset
Vehicles	between 5 and 10 years depending on the nature of the asset

Including assets at their value to the business by reference to current costs is achieved as follows:

Land and Buildings	by external professional valuation at least every five years and using appropriate indices in the intervening periods.
Equipment/Furniture and Fittings	indexation by appropriate indices.

Exhibitions are not revalued but are stated at historic depreciated cost.

Since 1 April 2001 collections acquisitions have been capitalised at historic cost. They are not depreciated nor revalued as a matter of routine.

Tangible fixed assets with an original cost of under £5,000 are written off in the year of acquisition.

Capital expenditure on permanent exhibitions includes only the cost of materials and externally contracted services. No allocations are made of related internal labour costs.

Heritage assets

Since 1 April 2001, collections acquisitions have been capitalised at historic cost and included in tangible fixed assets.

The Museum's collections acquired before 1 April 2001 are assets of historical and scientific importance held to advance the Museum's conservation and educational objectives and through public access contribute to the nation's culture and education. These assets were not capitalised in past accounting periods, reliable cost information is not available and conventional valuation approaches lack sufficient reliability. Accordingly these assets are not capitalised in the balance sheet.

Investments

Investments are stated at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no accounting gain or loss arising. As a result the Statement of Financial Activities only includes those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year.

Market value is taken to be the middle market price ruling at the balance sheet date.

Stocks

Stocks are stated at the lower of cost price or net realisable value and consist of goods for resale.

Leases

The Museum has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease. Forward liabilities are disclosed in Note 15.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Transactions in foreign currencies are recorded at the rate at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

Subscriptions

Subscriptions for the purchase of scientific periodicals are treated as expenditure in the period in which the final commitment to a subscription is placed. This may be in advance of the period in which actual delivery occurs.

Pension Costs

Staff of the Museum are employed under the same conditions of service as civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For 2006 contributions of £4,440,000 (2005 £3,146,000) were paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury. For 2006 there were variable rates which applied to specified grades of employment which ranged from 16.2% to 24.6% (2005 12.0% to 18.5%).

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is non-contributory and unfunded, and within which the Natural History Museum is unable to identify its share of the underlying assets/liabilities. A full actuarial valuation was carried out as at 31 March 2003, details of which can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Although the scheme is a defined benefit scheme, liability for the payment of future benefits is a charge to the PCSPS. The NDPB, and other bodies covered by the PCSPS, meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

Notional Cost of Capital

In accordance with Treasury guidance, notional cost of capital are charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. These are reversed so that no provision is included on the balance sheet.

Notional cost of capital, £13,270,000 (2005: £12,430,000) is calculated as 3.5% (2005: 3.5%) of the average capital employed by the Museum in the year but excluding donated assets and assets funded by the Heritage Lottery Fund.

Provision for Shared Services

During 2005 the Museum supplied telephone services, electricity and heating to the Victoria and Albert Museum, and telephone services and electricity to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve. During 2005 the participants decided that accumulated funds amounting to £2,561,000 were no longer required and should be released to the participants in accordance with their contributions to the funds. This decision is reflected in the accounts.

Contributions to and releases from the Equipment Reserve are shown in the Statement of Financial Activities, Restricted Funds and Note 16.

Liquid Resources

Liquid resources comprise solely short term bank deposits.

2 Grant-in-Aid and General Funds

	2006	2005
	£000	£000
Grant-in-aid		
Department for Culture, Media and Sport RfR1	41,470	39,647
	41,470	39,647
General Funds	40,220	38,397
Restricted Funds	1,250	1,250
	41,470	39,647

This money is available for running costs, capital improvements and collection purchases.

3 Trading Activities Income

	2006	2005
	£000	£000
Brand Management	68	52
Retail	3,478	3,045
Catering and Functions	2,791	2,138
Exhibitions and Education	1,491	2,420
Touring Exhibitions	808	1,003
Science consultancy	1,371	1,404
Robotic model sales	2,274	6
Other	505	300
	<u>12,786</u>	<u>10,368</u>

This reconciles to the Trading Company income in Note 9 as follows:

Trading subsidiary turnover	12,948	10,586
Less: Joint venture account (transferred to shared services)	(362)	(273)
Audit services transferred to other income	-	(27)
Add: other income (transferred from museum income)	200	82
	<u>12,786</u>	<u>10,368</u>

4 Investment income and other income

	2006	2005
	£000	£000
Interest and Investment Income	721	665
Other Income:		
Audit services	-	27
Rentals	590	532
Other	569	893
	<u>1,159</u>	<u>1,452</u>

Investment income is shown inclusive of tax credits reclaimed in the year.

5 Net incoming resources before transfers

is stated after charging:

	2005/06	2004/05
	£000	£000
Auditors' remuneration		
Museum Audit	36	43
Trading Company and Funds Audits	21	15
Special Funds	1	1
Hire of Plant and Machinery	109	17
Travel, subsistence and hospitality	1,053	900

6 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Total Support costs £000	Total 2006 £000	2005 Restated £000
Costs of generating voluntary income	4,111		2,992	7,103	5,870
Fundraising trading: cost of goods sold and other costs	10,329			10,329	9,417
Investment management costs	1			1	1
Exhibitions	7,251		2,320	9,571	7,022
Learning	1,647		1,518	3,165	2,028
Libraries	3,027		1,692	4,719	3,852
Scientific curation and research	16,771	107	9,156	26,034	23,203
Visitor services	5,299		4,258	9,557	8,389
Governance	362		158	520	461
Loss on disposal of fixed assets	3,772			3,772	0
	<u>52,570</u>	<u>107</u>	<u>22,094</u>	<u>74,771</u>	<u>60,243</u>

Staff costs

	2006 Permanent contracts £000	2006 Other contracts £000	2006 Total £000	2005 Total Restated £000
Salaries and Wages	23,082	1,939	25,021	23,954
Superannuation	4,290	150	4,440	3,146
National Insurance	1,854	164	2,018	1,873
Cost of agency staff	0	2,087	2,087	1,555
	<u>29,226</u>	<u>4,340</u>	<u>33,566</u>	<u>30,528</u>

Included in the above staff costs are redundancy costs of £143,000 (2005 – £121,000).

In addition there were early retirement costs of £99,000 (2005 – £50,000).

The Chairman and Board of Trustees received no remuneration for their services during 2005-2006. Travel and subsistence expenses of £1,145 (2005 – £1,458) were reimbursed to 5 Trustees.

Dr. Michael Dixon was Director and Accounting Officer throughout the year to 31 March 2006.

Dr. Dixon did not hold any other positions or have any business interests which represented a conflict of interest in connection with his position at the Museum.

The salary and pension entitlements of the Director of the Museum, Dr Michael Dixon, were as follows:

Age:	50
Pensionable salary at 31.3.06	£105,600
Total annual value of accrued pension at 60 at 31.3.06	£3,332
Real increase in value of pension at 60	£1,773
Lump sum at 31.3.06	£0
Real increase in lump sum	£0
Cash equivalent transfer value at 31.3.06	£52,287
Real increase in cash equivalent transfer value	£24,120

Dr. Dixon's total emoluments of £176,912 (2005 £136,495) comprise a salary of £133,942 (2005 £114,226), a bonus payment of £15,480 (2005 £0), other benefits of £1,512 (2005 £1,137) attributable to occupation of the Lodge and superannuation contributions of £25,978 (2005 £21,132) made by the employer.

Pension benefits are provided to Dr. Dixon through the Principal Civil Service Pension Premium Scheme. This is a statutory defined benefit scheme which provides benefits on a "final salary" basis at the normal retirement age of 60. Members of the PCSPS Premium Scheme are required to contribute 3.5% of their salary for all benefits. Benefits accrue at the rate of 1/60th of pensionable pay for each year of reckonable service. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse or partner at a rate of half the member's pension. On death in service, the PCSPS Premium Scheme usually pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's or partner's pension. The enhancement depends on the length of service but cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for spouse/partner pensions.

The following number of senior employees received remuneration falling within the ranges below:

	2006	2005
£140,001 – £150,000	1	0
£130,001 – £140,000	0	0
£120,001 – £130,000	0	1
£110,001 – £120,000	0	1
£100,001 – £110,000	0	0
£90,001 – £100,000	1	1
£80,001 – £90,000	2	1
£70,001 – £80,000	0	3
£60,001 – £70,000	17	11

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £354,147 (2005 £220,687).

The average number of employees during 2005-06 was 932 (2004-05: 926) organised into the following categories:

	2006 Permanent contracts	2006 Other contracts	2006 Total	2005 Total Restated
Costs of generating voluntary income	62	11	73	70
Exhibitions	81	6	87	88
Learning	36	1	37	36
Libraries	43	8	51	51
Scientific curation and research	270	61	331	333
Visitor services	160	65	225	220
Governance	3	2	5	7
Support	101	22	123	121
	<u>756</u>	<u>176</u>	<u>932</u>	<u>926</u>

7 Tangible Fixed Assets

Group	Freehold Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2005	302,647	70,366	5,780	171	21,626	4,235	10,085	26	414,936
Reclassification	(4)					11	(7)		0
Additions	162	178	3,266		5	503	575		4,689
Disposals	(6,933)	(1,701)				(10)	(73)	(11)	(8,728)
Revaluation	31,565	601				29	85		32,280
Balance 31 March 2006	<u>327,437</u>	<u>69,444</u>	<u>9,046</u>	<u>171</u>	<u>21,631</u>	<u>4,768</u>	<u>10,665</u>	<u>15</u>	443,177
Depreciation									
Balance 1 April 2005	1,908	4,743			11,933	2,156	5,971	21	26,732
Reclassification	10					(23)	13		0
Charge for year	2,020	4,801			1,244	322	753	3	9,143
Disposals	(497)	(395)				(10)	(65)	(10)	(977)
Revaluation	300	59				14	52		425
Balance 31 March 2006	<u>3,741</u>	<u>9,208</u>	<u>0</u>	<u>0</u>	<u>13,177</u>	<u>2,459</u>	<u>6,724</u>	<u>14</u>	35,323
Net Book Value 31.3.05	<u>300,739</u>	<u>65,623</u>	<u>5,780</u>	<u>171</u>	<u>9,693</u>	<u>2,079</u>	<u>4,114</u>	<u>5</u>	388,204
Net Book Value 31.3.06	<u>323,696</u>	<u>60,236</u>	<u>9,046</u>	<u>171</u>	<u>8,454</u>	<u>2,309</u>	<u>3,941</u>	<u>1</u>	407,854

Land and Buildings includes the Walter Rothschild Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets were revalued on a depreciated replacement cost basis at 31 March 2004. The valuation was performed by Gerald Eve, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual (the red book). The Tring Estate includes some cottage properties which are held for investment purposes and have a value of £1.450m.

The professional valuations at 31 March 2004 were as follows:

Property	Value 31 March 2004 £000	Basis of Valuation
The Natural History Museum, South Kensington retained at end of year demolished during year	326,077 3,800	Land at market rate for restricted use, buildings at depreciated replacement cost
Walter Rothschild Zoological Museum, Tring	10,120	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,450	Existing use basis
Premises at Kimber Road, Wandsworth, London retained at end of year sold during year	9,500 3,800	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

The valuers were of the opinion that the valuation of the premises at Kimber Road, Wandsworth, at market value for general storage and distribution would be £12,100,000. The difference between the market value and the existing use value reflects specialist adaptations for the storage of Museum collections at the property. The specialist adaptations are not likely to have any value for a prospective purchaser. The valuers have stated their opinion that the market value of the main museum site at South Kensington would be significantly lower than the depreciated replacement cost value reported because of the restrictive covenants contained in the Museum's title. For all other properties, the valuers considered that the difference between market value and the stated value would not be significant.

On 11 June 2004 a statutory instrument came into force which altered the description of part of the site at Kimber Road, Wandsworth as an authorised repository under Part 2 of Schedule 3 to the British Museum Act 1963. On 31 March 2006 this part of the site was sold yielding proceeds net of disposal costs of £8.8m and a profit on disposal of £5.6m. The Trustees have designated the proceeds towards the construction of phase 2 of the Darwin Centre.

During the year, one of the buildings in the complex at South Kensington was demolished as part of the preparation for the construction of phase 2 of the Darwin Centre. The net book value of the building together with the demolition costs, £3.8m., was charged in the Statement of Financial Activities as a loss on disposal.

Expenditure has been incurred for the concept and design stages of Phase 2 of the Darwin Centre as well as the preparation of the site. This expenditure is shown as Assets Under Construction. Depreciation for Phase 2 capital expenditure will commence when the new building is handed over to the Museum upon completion of the construction.

Fixture and fittings, and equipment assets have been revalued using an appropriate index from the National Statistics Office. No indexation has been applied to permanent exhibitions as management consider that there is no material difference between current cost and actual cost. The life of these assets is reviewed annually to reflect their true value.

The difference between historic and current cost depreciation is transferred to the revaluation reserves.

Museum	Freehold Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2005	302,647	70,366	5,780	171	21,626	4,140	9,953	26	414,709
Reclassification	(4)					37	(33)		0
Additions	162	178	3,266		5	503	533		4,647
Disposals	(6,933)	(1,701)				(10)	(73)	(11)	(8,728)
Revaluation	31,565	601				29	85		32,280
Balance 31 March 2006	327,437	69,444	9,046	171	21,631	4,699	10,465	15	442,908
Depreciation									
Balance 1 April 2005	1,908	4,743			11,934	2,088	5,866	21	26,560
Reclassification	10					(10)			0
Charge for year	2,020	4,801			1,243	313	739	3	9,119
Disposals	(497)	(395)				(10)	(65)	(10)	(977)
Revaluation	300	59				14	52		425
Balance 31 March 2006	3,741	9,208	0	0	13,177	2,395	6,592	14	35,127
Net Book Value 31.3.05	300,739	65,623	5,780	171	9,692	2,052	4,087	5	388,149
Net Book Value 31.3.06	323,696	60,236	9,046	171	8,454	2,304	3,873	1	407,781

8 Investments

	Group 2006 £000	Group 2005 £000	Museum 2006 £000	Museum 2005 £000
All investments are shown at market value				
UK Equities	817	652	198	198
Other	459	428	0	0
	<u>1,276</u>	<u>1,080</u>	<u>198</u>	<u>198</u>

During the year, cash surplus to daily requirements was invested in fixed rate sterling or Euro term deposits offered by leading UK and European financial institutions. Interest was achieved generally on term deposits to within 0.25% of UK base rate or to within 0.6% of the European Central Bank refinancing rate at the time of deposit, and deposits were timed to mature when there was a requirement to pay suppliers, salaries and project partners. Cash may only be invested with financial institutions which have adequate credit ratings in accordance with the Museum's Investment Policy, and the maximum aggregate investment with any single financial institution is limited to the lower of 25% of total funds available for investment or £5 million. In the event of financial failure at a financial institution at which the Museum holds term deposits, the Museum would be exposed to the risk of losing the investments. Investment in Euros deposits does not expose the Museum to any significant exchange rate risk as they represent funds received from the European Union for onward payment to overseas science project partners. Both incoming and outgoing funds payments are made in Euros.

The equities based investments of the Special Funds are in UK Equities and the Other Investments and are subject to income and capital growth risk in line with equity market conditions in general and with the underlying individual equities specifically.

The Museum has an investment of 300,000 fully paid Ordinary Shares of £1 in the Natural History Museum Trading Company Ltd.

9 Trading Subsidiary

The Museum owns the whole of the issued shared capital of The Natural History Museum Trading Company, a company registered in England and Wales. The company's principal activities are retailing, catering, banqueting, touring exhibitions, the picture library, licensing and the organisation of commercial promotions.

Trading Company profits are transferred to the Museum, as a charity, under a Gift Aid declaration to achieve relief from Corporation Tax.

A summary of the results of the subsidiary is shown below:

	Total 2006 £000	Total 2005 £000
Income and expenditure		
Turnover	12,948	10,586
Cost of sales	(6,396)	(5,362)
Gross profit	6,552	5,224
Other expenses	(4,197)	(4,232)
Net profit	2,355	992
Interest receivable and similar income	8	11
Amount of gift-aided donation to Museum	(2,349)	(1,004)
Retained in subsidiary	14	(1)
Balance Sheet		
Fixed assets (equipment)	73	55
Current assets	4,217	2,610
Current liabilities	(4,090)	(2,479)
Net assets	200	186
Share capital and reserves	200	186

10 Stock

	Group 2006 £000	Group 2005 £000	Museum 2006 £000	Museum 2005 £000
Stock	<u>494</u>	<u>459</u>	<u>58</u>	<u>58</u>

11 Debtors

	Group 2006 £000	Group 2005 £000	Museum 2006 £000	Museum 2005 £000
Trade Debtors	3,773	2,602	466	1,051
Other Debtors	1,099	2,770	1,088	2,701
Amount due from subsidiary undertaking	0	0	1,389	892
Prepayments and accrued income	2,406	362	2,147	249
	<u>7,278</u>	<u>5,734</u>	<u>5,090</u>	<u>4,893</u>

Included in the above figures there were balances due from other central government bodies of £30,000 and due from local authorities of £102,000 at 31 March 2006.

12 Cash at bank and in hand

	Group 2006 £000	Group 2005 £000	Museum 2006 £000	Museum 2005 £000
Balances held at the office of HM Paymaster General	21,541	14,503	21,409	14,342
Balances held with commercial banks and cash in hand	217	1,677	1	1,255
	<u>21,758</u>	<u>16,180</u>	<u>21,410</u>	<u>15,597</u>

13 Synthesys Project

Synthesys is a project funded by the European Union where a number of European scientific institutions are collaborating on a project to enhance access to their specimen collections and research. Funds are paid to participants over the life of the project from a bank account managed by the Museum which is included within cash balances held. The cash balances are invested in money market deposits in accordance with the Museum's investment policy (see Note 8) and are always kept separately from Museum funds. The Museum is responsible for the safe custodianship of Synthesys funds and bears the risk of any loss of the cash balances. At 31 March 2006 the cash balance amounted to £761,000 (2005 £739,000) of which £307,000 (2005 £181,000) was due to the Museum for work done to the balance sheet date.

14 Creditors: amounts falling due within one year

	Group 2006 £000	Group 2005 £000	Museum 2006 £000	Museum 2005 £000
Trade Creditors	2,863	2,610	2,433	2,044
Taxation and Social Security	0	2	0	2
Other Creditors	1,299	1,877	1,284	1,866
Deferred Income	2,293	1,892	1,254	1,000
Accruals	2,045	2,577	827	2,458
	<u>8,500</u>	<u>8,958</u>	<u>5,798</u>	<u>7,370</u>

Included in the above figures there were balances due to other central government bodies of £1,075,000 at 31 March 2006.

15 Financial Commitments

The Museum has entered into a series of contracts of between three and five years duration to lease vehicles and equipment for use in its operations. Total payments due over the life of the contracts in place at 31 March 2006 is £621,000.

Payments fall due under these leases as follows:

In not more than one year	£130,000
In more than one year but not more than two years	£127,000
In more than two years but not more than five years	£194,000

16 Statement of Funds

	At 1 April 2005 £000	Income £000	Net Investment Expenditure £000	Gains/ Losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2006 £000
Restricted funds							
Scientific Grants	0	3,016	(3,016)				0
Sponsored Assets							
BioMedical Laboratory	1,775	0	(106)		135	21	1,825
Clore Centre	953	0	(64)		6		895
Darwin Phase 2	7,383	5,148	0				12,531
Projects/Other Activities	976	424	(423)			(147)	830
Tring	11,725	0	(387)		995		12,333
Donations in kind	0	163	(163)				0
Sponsored Exhibitions	3,915	0	(435)				3,480
Equipment Reserve	3,450	149	(204)		2	(2,561)	836
	<u>30,177</u>	<u>8,900</u>	<u>(4,798)</u>	<u>0</u>	<u>1,138</u>	<u>(2,687)</u>	32,730
General Funds	<u>6,797</u>	<u>62,258</u>	<u>(56,433)</u>	<u>0</u>	<u>(952)</u>	<u>(2,091)</u>	9,579
	<u>6,797</u>	<u>62,258</u>	<u>(56,433)</u>	<u>0</u>	<u>(952)</u>	<u>(2,091)</u>	9,579
Unrestricted funds – designated							
Special Funds	612	42	(36)	85			703
Darwin Phase 2	0	0	(3,910)			9,450	5,540
Shared services	0	1,591	(1,591)				0
Future Scientific Research	759	0	(242)			205	722
Capital Projects	363,645	0	(7,761)		30,376	(6,204)	380,056
	<u>365,016</u>	<u>1,633</u>	<u>(13,540)</u>	<u>85</u>	<u>30,376</u>	<u>3,451</u>	387,021
Permanent Endowment funds							
Special funds	604			109			713
	<u>604</u>	<u>0</u>	<u>0</u>	<u>109</u>	<u>0</u>	<u>0</u>	713
Total Funds	<u>402,594</u>	<u>72,791</u>	<u>(74,771)</u>	<u>194</u>	<u>30,562</u>	<u>(1,327)</u>	430,043

Special funds are a collection of 17 funds which have arisen from various legacies and donations to the Museum and which are administered by the Museum.

The transfers to and from Restricted Funds: Sponsored Assets and Unrestricted funds – Designated: Capital Projects reflect the acquisition, net of disposals, in those assets during the year.

The transfer from Restricted Funds: Equipment Reserve reflects the decision to repay monies from this fund to the contributing partners to the Fund. £1,234,000 represents the Museum's interest in these funds and is transferred to the general reserve, the balance of £1,327,000 is repayable to third parties.

The transfer to Unrestricted Funds – designated: Darwin phase 2 reflects the decision of the trustees to designate the proceeds of the sale of land and buildings at Kimber Road, SW18 together with an additional £650,000 from the museum's own resources to the construction of phase 2 of the Darwin Centre.

The transfer to Unrestricted Funds – designated: Future Scientific Research reflects the decision of the trustees to fund future scientific research from the museum's own resources.

17 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
Fund balances at 31 March 2006 are represented by:					
Tangible Fixed Assets	380,056		27,798		407,854
Investments	563			713	1,276
Current Assets	6,452	16,919	6,159		29,530
Liabilities	(50)	(7,340)	(1,227)		(8,617)
Total Net Assets	<u>387,021</u>	<u>9,579</u>	<u>32,730</u>	<u>713</u>	<u>430,043</u>
Unrealised gains/(losses) included in the above					
On Tangible Fixed Assets	121,436		10,612		132,048
On Investment Assets	38			29	67
Total unrealised gains/(losses) at 31 March 2006	<u>121,474</u>	<u>0</u>	<u>10,612</u>	<u>29</u>	<u>132,115</u>

18 Cash flow information

	2006	2005	
	£000	£000	
Reconciliation of operating surplus to net cash inflows from operating activities			
Net incoming resources	(1,980)	1,297	
Investment income	(721)	(665)	
Depreciation	8,802	8,794	
Loss/(profit) on disposal of fixed assets	(1,845)	37	
(Increase)/decrease in stocks	(35)	(10)	
(Increase)/decrease in debtors	(1,544)	(2,090)	
Increase/(decrease) in creditors	(458)	(148)	
Funds transfer	(1,327)	(5)	
Net movement in provision for early retirement	12	(28)	
Net cash inflow from operating activities	<u>904</u>	<u>7,182</u>	
Returns on investments and servicing of Finance within net cash flow			
Interest received	684	622	
Investment income received	37	43	
	<u>721</u>	<u>665</u>	
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	(4,689)	(5,257)	
Receipts on sale of tangible fixed assets	8,642	0	
	<u>3,953</u>	<u>(5,257)</u>	
Changes in cash and cash equivalents			
Reconciliation of net cash flow to movement in net funds			
Increase (decrease) in cash in the period	5,578	2,748	
Cash flow from increase/(decrease) in liquid reserves	0	(158)	
	<u>5,578</u>	<u>2,590</u>	
Net funds at 1 April 2005	16,180	13,590	
Net funds at 31 March 2006	<u>21,758</u>	<u>16,180</u>	
Analysis of net funds			
	31 March 2005	Cashflow	31 March 2006
	£000	£000	£000
Cash at bank and in hand	<u>16,180</u>	<u>5,578</u>	<u>21,758</u>

19 Provision for liabilities and charges

The Museum has operated an early Retirement and Severance Scheme from 1990-91 which gives retirement benefits on redundancy terms to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year of retirement and a provision for future pension payments is created. Funds are released from the provision annually to fund pensions and related benefit payments to the retired employee until retiring age. The provision, which covers a period to 2009, and movements for the year are as follows:

	2006	2005
	£000	£000
Balance at 31 March 2005	105	133
Addition to Provision	105	61
Payments against Provision	(87)	(78)
Unwinding of discount	(6)	(11)
Balance at 31 March 2006	<u>117</u>	<u>105</u>

20 Capital Commitments

Outstanding capital commitments at 31st March 2006 amounted to £2,137,000. In addition, an amount of £1,000,000 was committed under letters of intent with regard to phase 2 of the Darwin Centre construction (see note 21).

21 Darwin Centre Phase 2

During the year the decanting of scientific staff and collections from the Entomology Building was completed, prior to its demolition to make way for the new Darwin Centre Phase 2 building. The demolition was largely complete by 31 March 2006, and subsequently the main contractor HBG UK Ltd. has started construction on site with completion of the core building scheduled for completion in mid 2008. Fit out and occupation will commence thereafter.

At 31 March 2006 a total of £13.393m had been spent in respect of the project of which £9.046m had been capitalised and is shown as asset under construction in Note 7. The remaining £4.347m had been charged to the income and expenditure account (including £0.437m in 2004-05). Total funds received for the project, restricted and designated, amounted to £22.419m and thus there was a working fund balance of £9.026m to fund future expenditure. Future expenditure will also be met from restricted funds which have been pledged but yet to be received, further restricted funds which may be generated from the fundraising campaign which continues, and designated funds already identified in Museum budgets over future years. It is estimated that the total funds required for the project will be c£73m.

22 Related Party Transactions

The Natural History Museum is a Non-Departmental Public Body of the Department for Culture Media and Sport (DCMS).

DCMS is regarded as a related party. During the year the Museum has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department. These are as follows:

Receipt of grant-in-aid from DCMS (see note 2) £41,470,000
At 31 March 2006, there was no balance due to or from DCMS

Receipt of grant towards phase 2 of the Darwin Centre construction from the National Heritage Memorial Fund (Heritage Lottery Fund) £2,334,000
At 31 March 2006, there was accrued income of £321,000 due to the Museum

Supply of electricity, heating and telephone services to the Victoria and Albert Museum £1,051,000
At 31 March 2006, there was a balance due from the Museum of £664,000

Supply of electricity and telephone services to National Museum for Science and Industry £521,000
At 31 March 2006, there was a balance due from the Museum of £12,000

In addition the Museum has had transactions with other government departments and other central government bodies. Most of these transactions have been with:

DCMS sponsored bodies:

British Library
 British Museum
 English Heritage
 Geffrye Museum
 Horniman Museum
 Imperial War Museum
 Museum of London
 Museum of Science and Industry in Manchester
 National Gallery
 National Maritime Museum
 National Museums Liverpool
 National Portrait Gallery
 Royal Armouries
 Tate Gallery
 Wallace Collection

Other bodies:

British Broadcasting Corporation
 Channel Four Television Corporation
 Companies House
 Crown Prosecution Service
 Department for Education and Skills
 Department for Environment Food and Rural Affairs
 Department for Transport
 English Nature
 Environment Agency
 Foreign and Commonwealth Office
 Ofcom
 Patent Office
 Royal Botanical Gardens
 Scottish Natural Heritage

During the year none of the Trustees, members of the key management staff or other related parties has undertaken any material transactions with the Museum.

23 Post Balance Sheet events

Adjusting event

In July 2006 the Museum entered a public private partnership for the provision of a combined heat power plant in the central boilerhouse on the South Kensington site. The V&A Museum were also a party to this agreement. A consequence of the agreement is that in July 2006 the Museum released £2m cash from the boilerhouse sinking fund which is a restricted fund. £1m has been released to the V&A and £1m has been released to the Museum's unrestricted General Fund. The liabilities arising from the release of sinking fund monies have been recognised in the financial statements at 31 March 2006 on the basis that the decision to release funds had been taken prior to the financial year end.

Non-adjusting event

In October 2006 the Museum entered into a contract for £42m with HBG UK Ltd. in respect of the main construction works for Darwin Centre phase 2.