

NATIONAL
HERITAGE
MEMORIAL
FUND



2005–2006
Report and Accounts



1	Foreword by Dame Liz Forgan, Chair of the National Heritage Memorial Fund	20	Report of the Trustees and Accounting Officer
3	Introduction by Stephen Johnson, Head of the National Heritage Memorial Fund	23	Management Commentary
4	The Archers by Sir Joshua Reynolds The Wenlock Jug	26	Financial Review
5	The Easton Neston Model	26	Remuneration Report
6	The Papers of Field Marshal Alan Brooke	26	Statement of Trustees' and Director's Responsibilities
8	Skokholm Island The Coenwulf Coin	27	Statement on Internal Control
9	The Prospect by Samuel Palmer	29	Audit Opinion of the NAO on the National Heritage Memorial Fund Accounts
10	The Cassel Collection	31	Income and Expenditure Account
12	Hengrave Hall Manuscripts	31	Statement of Total Recognised Gains and Losses
13	The Prujean Dish Drawing of Mary Hamilton by Sir Thomas Lawrence	32	Balance Sheet
14	Ullswater, Cumberland by JMW Turner	33	Cash Flow Statement
16	Keynes at Charleston by Duncan Grant My Ladye Nevells Booke	34	Notes to the Accounts
17	Kohler Darwin Collection	13c	Chair, Trustees and Management Acknowledgements
18	The Durham Bible		
19	Christopher Dresser Teapots Portrait of Barbara Villiers and her Son as Madonna and Child by Sir Peter Lely		

**NATIONAL
HERITAGE
MEMORIAL
FUND**



Annual Report and Accounts
For the year ended 31 March 2006

Annual Report

This has been prepared in accordance with Section 7(1) of the National Heritage Act 1980 by the Secretary of State for Culture, Media and Sport.

Annual Accounts

These have been prepared in accordance with Section 7(3) of the National Heritage Act 1980 and presented by the Comptroller and Auditor General.

Ordered by the House of Commons to be printed 19 July 2006
Laid before the Scottish Parliament by the Scottish Ministers 20 July 2006

HC 1373
SE/2006/111

London: The Stationery Office

£15.10

Foreword by Dame Liz Forgan
Chair of the National Heritage Memorial Fund

The year 2005 marked the twenty-fifth anniversary of the National Heritage Memorial Fund, which was set up in 1980 to save outstanding heritage at risk. The Fund's Silver Jubilee was celebrated at heritage sites around the UK with exhibitions, presentations and a host of special events. These celebrations, with generous sponsorship from Farrer and Co, AXA Art and Christies, gave us – and the many thousands of visitors who enjoyed them – a welcome chance to take stock of NHMF's achievements. We were reminded of the vast range of really exceptional heritage that NHMF has saved for the nation, and also of the way this has enriched collections and communities right across the country.

In Edinburgh, Antonio Canova's *Three Graces* – that most magical of Neoclassical sculptures – was a centrepiece of the National Galleries of Scotland's *Choice* exhibition. In London, shows at the British Museum, National Gallery and British Library highlighted the wonderful additions to their collections that NHMF has made possible. What a loss it would have been if we'd no longer been able to see Holbein's haunting portrait *Lady with a Squirrel and a Starling*, bought for the National Gallery with an NHMF grant in 1993, or the British Library's *Sherborne Missal*. Reminding us, too, that NHMF has stepped in to save many distinctive historic buildings, there was a lively summer programme of local family events at places like Ellenroad Engine House in Lancashire.

It's been a marvellous year. And not only because we have seen so much evidence of NHMF's vital contribution to the UK's heritage since 1980. We also have a dazzling array of new grants to announce. As you will see from the examples in this report, all have deep roots in the UK's heritage. In many cases, too, we have helped to ensure that artworks

and historic objects will go on display in local settings where they belong. The beautiful Durham Bible has returned to Durham Cathedral after 500 years, the rare Wenlock Jug can be seen at Luton Museum, near to where its medieval owner lived, and Duncan Grant's portrait of the great economist Maynard Keynes now hangs in Charleston farmhouse, where it was painted.

Among the 19 grants this year, there are works of art, archives, silverware, and a nature reserve. It is amazing that, in an era of rising art market and property prices, NHMF has been able to do so much with the £5 million annual grant from government. Yet the demand for NHMF support far outstrips our resources. Next year, when our grant is due to increase to £10 million, we look forward to being able to extend our efforts on behalf the UK's most outstanding heritage.

Even then, it is likely that NHMF will not be able to prevent the loss of many heritage items, either to places abroad or into private collections. The fantastic range of treasures we have helped to secure this year underlines the importance of public collecting. There is real value in being able to have a full appreciation of our diverse heritage – the window on the past provided by objects like the Coenwulf Coin, the natural beauty and biodiversity of places like Skokholm Island. Understanding our heritage is as crucial for our sense of individual identity as for our national sense of history. So, when we talk of saving heritage, we mean saving it for people in the UK to enjoy – to delight in and to learn from. This is the priceless gift that NHMF has made, and continues very actively to make, from the past to the future.



Dame Liz Forgan
Chair

Introduction by Stephen Johnson Head of the National Heritage Memorial Fund

This year has seen a remarkable portfolio of 19 cases supported by the NHMF.

Five of these grants were for items held temporarily in the country after an Export Stop had been placed on them: three of these – Lawrence's *Portrait of Mary Hamilton*, Reynolds's *The Archers* and the Coenwulf Coin – had been given a star by the Reviewing Committee on the Export of Works of Art, indicating that every effort should be made to prevent the works leaving the country.

Two other items – the Hengrave Hall Manuscripts and My Ladye Nevells Booke – were offered to the nation in lieu of tax, and NHMF funds were needed to secure both of them. A further two pieces – the Easton Neston Model and the Durham Bible – were acquired after successful bids at auction were supported by the Fund. The remaining eight items were secured by negotiating a private sale: in several of these cases, if agreement had not been reached, there was a real prospect that the items would be sold abroad, or the collections would be scattered.

NHMF, therefore, continues to perform a valuable function in stepping in as a funder of last resort when it has the resources to do so, but is also able to help to encourage the retention of key pieces so that such emergency action does not become necessary. The Fund deals robustly with the unpredictability of the market place and is able to respond quickly and flexibly to emergencies. This year's catalogue of achievements portrays this exceptionally well.



Stephen Johnson

Sir Joshua Reynolds
The Archers
 Tate Britain

'A superb and breathtaking image,' was how Tate director Sir Nicholas Serota described the portrait known as *The Archers* by Sir Joshua Reynolds (1723–92). He added that, even during Reynolds' lifetime, when he was feted as the foremost portraitist of the age, *The Archers* was always recognised ... as being one of his most important paintings. It's aesthetically important, not least because of the quality of Reynolds' painting. After a government export ban halted the sale of the painting to a European institution, NHMF funding helped to ensure that this 18th century masterpiece will stay in the UK, on public display.

The Archers is a double full-length portrait of Colonel John Dyke Acland (1746–78; on the right) and Dudley Alexander Sydney Cosby (1732–74). Acland was an MP, while Cosby was a diplomat who in 1774 reportedly committed suicide by 'a dose of Danish poison'. Reynolds depicted his subjects as dynamic 'men of action', in the act of releasing arrows from their bows. His flamboyant composition is a deliberate homage to the great mythological hunting scenes of the Old Masters Titian and Claude Lorraine.

The Archers is currently on show at Tate Britain and there are plans to tour it to UK regional museums.



The Wenlock Jug
 Luton Museums Service

The Wenlock Jug is an extraordinary example of English medieval bronzeworking. With its dedication to 'my Lord Wenlok', it provides a rare insight into the life and times of John, Lord Wenlock. Its decoration with badges and coats of arms, including the royal arms used between 1340 and 1405, gives fascinating clues to its use and significance. As Chief Butler of England from 1461 to 1469, Lord Wenlock would have served the king with wine from the seven-litre jug on royal occasions. His estates lay round Luton, where the Wenlock Jug is now displayed in the local museum.

There are only two other comparable medieval jugs known in the world. This one, cast by a medieval Norfolk bronze-founder and bearing his mark, was virtually unknown before it came up for sale in 2005. Its outstanding importance led the government to impose an export stop, which gave NHMF the chance to step in and secure its acquisition by Luton Museums Service against fierce overseas competition.



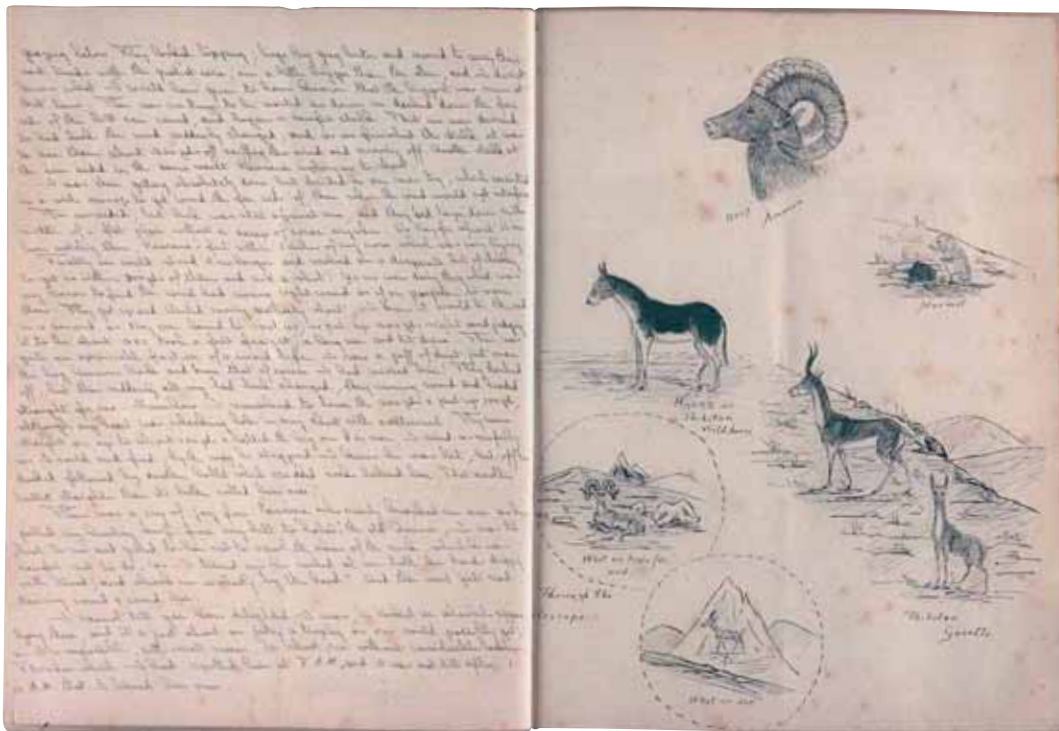
The Easton Neston Model
 Royal Institute of British Architects

This architectural model was made around 1690 to demonstrate Nicholas Hawksmoor's (1664–1736) first proposal for a new country house at Easton Neston in Northamptonshire. Hawksmoor's client Sir William Fermor (1648–1711), probably employed him on the recommendation of Sir Christopher Wren.

The Easton Neston model is the most important domestic architectural model to survive from the 17th century. It shows the interior almost as it was built, but the exterior eventually became much grander, matching the interior far better than the simple façades shown here. The model's interior can be removed to show the extraordinary double-height entrance hall and staircase, which take up a huge amount of space relative to the size of the house.

For most of his life Hawksmoor's model remained at Easton Neston. From the 1920s to the 1950s it was loaned to the Royal Institute of British Architects. When the contents of the house were auctioned in May 2005, an NHMF grant enabled RIBA to make a successful bid for the model.

For much of his career, Hawksmoor was overshadowed by Wren – whose protégé he was – and later Sir John Vanbrugh, with whom he designed Castle Howard and Blenheim Palace. From the 1690s, however, he produced a series of extremely powerful and idiosyncratic Baroque designs for churches and public buildings, including Christ Church, Spitalfields; All Souls, Oxford; and the west tower of Westminster Abbey. Hawksmoor's dramatic use of light and shade influenced several post-war British architects, most significantly Sir Denys Lasdun's in his designs for the National Theatre on the South Bank, London.



The Papers of Field Marshal Alan Brooke
 Liddell Hart Centre for Military Archives,
 King's College, London

On the eve of Remembrance Day 2005, NHMF stepped in to secure the papers, diaries and letters of Field Marshal Alan Brooke (1883-1963), which would otherwise have been split up and sold to private collectors.

Known as 'the soldiers' soldier', Brooke (created 1st Viscount Alanbrooke in 1946) was prime minister Winston Churchill's leading military adviser, famous for being able to moderate Churchill's bold impetuosity. According to Patricia Methven, Director of Archives and Information Management at King's, his papers are 'without parallel in the UK as a source of study for the Second World War'.

The papers cover Brooke's whole military career: Born in Fermanagh in 1883, he served first in India, then as an artillery officer on the Western Front during the First World War. In the early stages of the Second World War, he commanded the II Corps of the British Expeditionary Force in France and played a vital role in the evacuation from Dunkirk. He later became chief of the imperial general staff (1941), and the fourth most decorated man in British military history.

The papers contain vivid first-hand descriptions of War Cabinet meetings and details of informal conversations. There are records of official meetings with Allied army commanders and members of British, US and Russian high commands, including Churchill's first meeting with Stalin. The collection will now be publicly available at the Liddell Hart Centre, King's College.



Skokholm Island Wildlife Trust of South and West Wales

Skokholm Island lies off the Pembrokeshire coast. Its 107 hectares provide a spectacular and internationally important wildlife haven. Skokholm is a designated Site of Special Scientific Interest and has long been a special focus for research into nature and the environment. It was Britain's first bird observatory, established by the naturalist Ronald Lockley in 1933. Its wildlife also features in letters by children's author Beatrix Potter who visited the island.

Skokholm's magnificent red cliffs shelter thousands of seabirds, including puffins, razorbills and kittiwakes. Together with the adjoining island of Skomer (also leased by the Trust), it holds the largest concentration of breeding seabirds in England and Wales. It is home to three priority habitats and thirteen priority species from the UK Biodiversity Action Plan. Skokholm has the world's largest concentration of Manx Shearwaters (some 15% of the total population). Each evening, once darkness offers some protection from the gulls, tens of thousands of shearwaters return to their burrows – an event unique to the island. The waters around Skokholm abound with marine mammals, including porpoises, dolphins and seals.

Since 1948 Skokholm has been managed by the Wildlife Trust of South and West Wales. The Trust's lease was due to expire in 2006, and conservationists were concerned that, if the island were sold to a private buyer, its very sensitive ecological balance might be endangered and public access would be lost. A grant from NHMF has now secured Skokholm's future as a nature reserve.

The Coenwulf Coin British Museum

Unearthed in 2001 by a metal detectorist near Bedford, this rare gold coin depicts Coenwulf, who ruled the Anglo-Saxon kingdom of Mercia between 796–821. Historians are excited by the new light it casts on early 9th century England. Gareth Williams, Anglo-Saxon coin curator at British Museum, described the find as 'tremendously significant as a new source of information on Anglo-Saxon kingship'.

Coenwulf succeeded, probably by force, to the vast territories of the Mercian king Offa in southern England. The Coenwulf Coin is thought to be the earliest example of a gold currency issued by an English ruler. Beautifully struck and exceptionally well-preserved, it contains intriguing evidence about the status of London at the time. The coin's inscription describes London as a *vicus* rather than a *civitas*, implying that Coenwulf saw it as a trading centre rather than the seat of royal authority. The wording echoes the inscription on a gold coin struck by Coenwulf's great contemporary Charlemagne, suggesting that the Mercian king was comparing his authority to that of the most powerful ruler in Europe.

The coin is now on public display in the British Museum's HSBC Money Gallery, in the context of other Anglo-Saxon gold coins and related objects. There are plans to exhibit the coin at local museums in Coenwulf's former territories, starting at Norwich Castle Museum.



Samuel Palmer *The Prospect* Ashmolean Museum

This exceptional watercolour is one of the most poetic late works of the English Romantic painter Samuel Palmer (1805–81). It is one of a set of eight large watercolours illustrating Milton's lyric pastoral poems 'L'Allegro' and 'Il Penseroso'. Palmer had always had a special affection for these poems, and the watercolours were conceived as four pairs, depicting the times of the day, with each pair comprising an illustration to both 'L'Allegro' and 'Il Penseroso'. *The Prospect*, seen at midday, illustrates lines 69–80 of the ebullient 'L'Allegro'.

The series preoccupied Palmer for his last 13 years. He completed the first of the watercolours in 1868 and the final one on his deathbed. The imaginary landscape in *The Prospect* combines reminiscences of Shoreham (Palmer's early base in Kent), Naples and a generalised Italian vista.

The Ashmolean's existing collection of Palmer's works is the most important in the world. When it was formed during the 1930s and 1940s, however, Palmer's later work was unfashionable. It was therefore much less well represented in the collection before the acquisition of *The Prospect* – the only one of his Milton watercolours in a UK public collection. Soon after NHMF helped the museum to buy the painting, it went on public display in the British Museum's exhibition celebrating the 200th anniversary of the artist's birth.

The Cassel Collection

Ashmolean Museum, British Museum, Museum of London, Geffrye Museum, Victoria and Albert Museum, National Museums and Galleries of Wales

A consortium of museums was able to buy 11 exceptional pieces of English silver and goldwork from a superb collection assembled by the banker Sir Ernest Cassel (1852–1921). Cassel arrived in Liverpool from Germany in 1869 with just a violin and bag of clothes, and eventually became Europe's most powerful financier. His collection was shaped by his fascination for all things English.

The earliest piece is a medieval beaker dating from 1496–7. There are three rare Elizabethan pieces. The Proctor-Mosley Ewer and basin exemplify the high-status tableware commissioned by the rising merchant class, in this case used for cleansing hands with rosewater between courses. The beautiful 1580 Capstan Salt and 1597 Bell Salt were likewise socially symbolic objects. Salt was a costly commodity, and people's rank was judged from their place at table in relation to the salt cellar.

From the 17th century come two pieces: a silver-gilt tankard made in 1698 by the French Huguenot immigrant Daniel Garnier and the 1652 Fauconberg Porringer, made during the Commonwealth period for Thomas Belaysse, Viscount Fauconberg, later a prominent figure in Restoration politics and society. Further masterpieces of Huguenot metalworking are the Palmerston Chocolate Cups (c.1700), fashioned from gold mourning rings inherited by Anne Houblon, Lady Palmerston. Finally, a magnificent Rococo cup and cover made by Paul Crespin (1694–1770) represents the high point of 18th century London goldsmithing.

All these pieces featured in a touring display that visited Oxford, Birmingham, Cardiff, Leeds and London in 2005–6.



Hengrave Hall Manuscripts

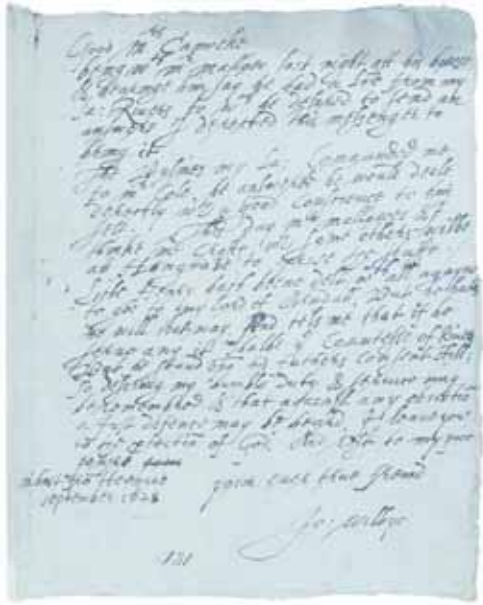
Cambridge University Library

The Tudor mansion of Hengrave Hall in Suffolk was built by Sir Thomas Kitson in the early 16th century. Over the years it was home to several prominent families. The Hengrave Hall Manuscripts are a treasure trove of family, household and estate papers spanning the 12th to the 20th centuries.

From the 16th century alone come letters from King Henry VIII, Queen Mary, Sir Philip Sidney and many other leading figures. One letter from Henry VII to Sir Richard Long commands Long to support the king with 100 footmen and 6 horsemen in his decision to 'invade the Realme of fraunce this somer with a Roiall Armye in our owne personne'. A letter signed by Edward VI just after his fourteenth birthday summons the Earl of Bath (who married Kitson's widow), to court, 'being very desirouse ... to have you here for a tyme and to use your advise and counsel'.

The household accounts give fascinating glimpses of Tudor domestic life, while the building accounts detail Hengrave Hall's construction in the 1520s. There are records of the theatrical and musical performances that often took place in the house, including an inventory of the room used by celebrated madrigalist John Wilbye.

Cambridge University Library, where the manuscripts have been available to researchers for over 50 years, had been trying since the 1970s to secure a permanent future for them. An online catalogue is being prepared, which will make the collection more accessible than ever.



The Prujean Dish

Royal College of Physicians

Sir Francis Prujean (1597–1666) was an eminent London doctor who served as President of the Royal College of Physicians from 1650 to 1654. Prujean was also a patron of the arts, who played rare musical instruments and is mentioned in the diaries of Samuel Pepys and John Evelyn. Knighted by Charles II in 1661, Prujean famously cured Queen Catherine of typhus in 1663.

The Royal College of Physicians has a small group of objects associated with Prujean: a portrait by Robert Streater from 1662 and Prujean's chest of surgical instruments, to which has now been added this silver dish.

The Prujean dish is a magnificent silver fluted fruit dish. It is engraved with the coats of arms of Sir Francis Prujean and his second wife, Dame Margaret Fleming. The dish may have been a wedding gift, as Sir Francis and Margaret were married in Westminster Abbey in 1664. The gift may also have celebrated the new couple's recovery from illness – their marriage licence mentions that both had recently been dangerously ill. It bears the maker's mark 'AF', possibly referring to the goldsmith Anthony Ficketts, who ran a busy London workshop.

The Prujean dish is one of the only two known examples of this type of sideboard dish in England. It was probably displayed in the dining room of the Prujeans' London home. As a status symbol, it shows us the taste of the rising professional classes, which deliberately imitated the established landed gentry.



Sir Thomas Lawrence

Drawing of Mary Hamilton

British Museum

The celebrated portraitist Sir Thomas Lawrence (1769–1830) was a child prodigy and self-taught draughtsman. Delacroix described his drawing of heads as 'incomparable', and in these he was rivalled in his own period only by Ingres. This pencil and chalk drawing shows Mary Hamilton, wife of his friend the artist William Hamilton (1751–1801). Lawrence's biographer recorded that the two friends 'used to draw a great deal from the antique statues at night, whilst Mrs Hamilton would read to them either poetry, history or works of the imagination'.

This drawing has all the vigour and freedom of Lawrence's early work, and is one of the most beautiful female portraits of its type. It was completed at a pivotal moment for Lawrence, just as his career was taking off, and was exhibited in 1789 at the Royal Academy together with 12 others works in oils, pastels and chalk. Lawrence considered his finished portrait drawings such a vital element of his work and reputation that he later commissioned a series of engravings not only to record them, but also to make them available to a wider audience.

A grant from NHMF enabled the British Museum to add the drawing to its existing collection of Lawrence's work, after the government made it the subject of a 'starred' (top priority) temporary export bar.

JMW Turner
Ullswater, Cumberland
The Wordsworth Trust

In 1825 JMW Turner (1775–1851) embarked on his most ambitious series of topographical watercolours, *Picturesque Views in England and Wales*. Out of a planned 120 views, no less than 96 were eventually engraved and published. This beautiful watercolour of Ullswater in the Lake District shows the landscape that was most closely associated with British Romanticism through the eyes of the greatest landscape artist of the age.

The Wordsworth Trust runs the Centre for British Romanticism in Grasmere and manages Dove Cottage, home of William Wordsworth between 1799 and 1808 when he was writing much of his finest poetry. The Trust has an extensive collection of manuscripts, books and art, including works by most of the Romantic artists who visited the Lakes. This painting by Turner, the first original work of his to be acquired by the Trust, is now on display in the region that inspired it. It helps to complete a comprehensive collection of watercolours showing the development of landscape art in the Lake District.

Acting director Charles Wood explains, 'It has been our ambition for so long to have a Turner as the keystone to this collection ... we also knew this would be our very last chance to acquire a Turner of exhibition standard: From April to June 2006 *Ullswater* was a popular focus for the exhibition *Treasures of the Wordsworth Trust*.



**Duncan Grant
Keynes at Charleston
Charleston Trust**

Duncan Grant's (1885–1978) portrait of John Maynard Keynes was painted in the garden at Charleston House, Sussex, in 1917. Both Grant and Keynes were associated with the Bloomsbury Group, whose members often gathered at Charleston, home of the artist Vanessa Bell, Virginia and Leonard Woolf, EM Forster, Lytton Strachey and Roger Fry were frequent visitors.

Arguably the most significant British economist of the 20th century, Keynes was much photographed but rarely painted. Grant's portrait shows him seated with his back to a flint wall, pen in hand. Despite the calmness of the scene, it's thought that it depicts Keynes drafting the letter that secured the crucial loan from the American government that safeguarded Britain's survival during the First World War. Keynes used Charleston as a sanctuary from the pressures of his Treasury work. It was there that he developed his controversial and influential economic theories: *The Economic Consequences of the Peace*, *Treatise on Probability* and *A Revision of the Treaty* were all written there.

Alastair Upton, Director of the Charleston Trust, calls the portrait 'quite simply a wonderful painting by an artist at the height of his powers. I am so pleased that ... we will be able to hang it at Charleston for everyone to experience.'



**My Ladye Nevells Booke
British Library**

This 16th-century keyboard music manuscript containing 42 works by pre-eminent Elizabethan composer William Byrd (1543–1623) was saved for the nation when it was bought by the British Library with the help of NHMF.

My Ladye Nevells Booke is the most important of the four surviving sources of Byrd's keyboard music. It is unique in that it was copied under the composer's personal direction by John Baldwin, the famed music scribe. Consisting of a 'digest' of Byrd's output up to the midpoint of his career (1591), it almost certainly contains alterations and additions by the composer himself.

An extremely rare survival and considered to be one of the finest Tudor manuscripts in existence for its calligraphic beauty, My Ladye Nevells Booke consists of one manuscript volume containing 192 folios. The precise identity of the original dedicatee, Lady Nevelle, has been a subject of debate since the 18th century. However, it is known that the manuscript was probably passed by the Nevill family to Queen Elizabeth in around 1593 – one of the book's end-papers bears a letter dateable to 1669 which states that it was once in her possession. The manuscript was later passed on to various prominent music collectors and dealers. The book eventually returned, via the auction of a bookseller's stock, to the Nevill family in 1833. The family ultimately offered the manuscript to the British Library under a hybrid Acceptance in Lieu agreement.



**Kohler Darwin Collection
Natural History Museum**

The Kohler Darwin Collection is the world's biggest collection of works by and about Charles Darwin (1809–82). It includes almost everything Darwin published. At £985,000, it is also the biggest collection purchase in the museum's history, made possible through an NHMF grant.

The collection joins the many items associated with Darwin already held by the Natural History Museum. Said Richard Lane, the museum's Science Director: 'Darwin brought about a revolution in how humans think about themselves and the natural world. This acquisition makes the Natural History Museum the ultimate Darwin resource.'

Assembled over 20 years by the antiquarian booksellers Chris and Michèle Kohler, the collection numbers almost 3,500 items, of which 1,628 are by Darwin. As well as books and printed materials, it includes 152 letters by Darwin and his circle. There are first editions of all Darwin's works, including presentation copy of *On the Origin of Species* with an accompanying letter from Darwin to WB Tegetmeier, the poultry expert, pigeon fancier and naturalist who assisted with his researches into evolution.

The Kohler Darwin Collection also adds to the museum's existing library of books by Darwin's contemporaries, forming an extraordinary resource on the theory of evolution. Over the next three years it will be catalogued, conserved and re-housed. During this time it will be available to visiting researchers at the museum. Items from the collection will form a part of a Darwin exhibition at the Natural History Museum in autumn 2008.

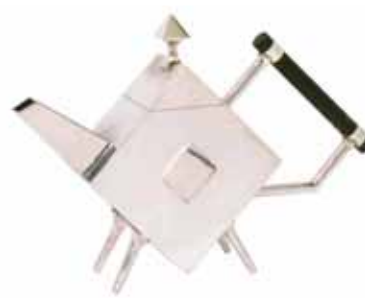


The Durham Bible Durham Cathedral

Some time around the start of the 13th century, a monk at Durham Priory penned this Latin Bible as a devotional aid. The book was handed down through several owners – you can still make out notes in the margins and thumb-marks from the days it was pored over by candlelight. Thanks to an NHMF grant, it has returned to its original home for the first time since the Dissolution of the Monasteries under Henry VIII.

Inscriptions made by four of the monks who owned the Bible over the years showed up when pages were scanned with ultraviolet light. The earliest were by Robert Graystones, a monk of Durham from 1304 to 1334, and the last were those of John Auckland, prior of Durham from 1484 to 1494. Known as the John Auckland Bible, the book was lost in 1539 during the dissolution of Durham Priory. It surfaced much later in a private collection, and was loaned to Nottingham University.

When the Bible came up for auction in November 2005, an NHMF grant meant that it could be returned to Durham after an absence of almost five centuries. The Dean of Durham, the Very Reverend Michael Sadgrove, explained how the Bible provides a living link to Durham Cathedral's spiritual roots: 'The picture we have is of an ordinary monk with an ordinary Bible, a good, honest, devout, holy man who loved the scriptures and wanted to get to know them better – to have it back in Durham is very moving.'



Christopher Dresser Teapots Victoria and Albert Museum

Christopher Dresser (1834–1904) was one of the most prolific and radical British designers of the Victorian age. Born in Yorkshire, he studied design in London and later designed for over 50 prominent British companies, including Coalbrookdale and Wedgwood. Dresser's work covered a broad spectrum, from metalwork to linoleum. He was one of the first designers to grasp the potential of machine production and was also an early proponent of Japanese design. His botanical researches gained him a doctorate from the University of Jena, and he lectured widely on how to apply botanical forms to design.

Dresser's commercial work was hugely successful. His high-quality symmetrical and linear pieces needed little in the way of complex hand finishing and were ideal for mass production. Designed at the height of Dresser's success, these teapots are among his most experimental works. There are no other examples of these designs in British public collections.

One, dated 1879 and made in the Sheffield workshop of James Dixon, draws on both Western and Japanese conventions. Its striking diamond shape is combined with an ebony handle that recalls the gates of Shinto shrines. Intended as a prototype, it was never put into production. Japanese influence is clearer still in the other teapot (1878–9), with its lid decorated with Shibayma work (a technique of carving encrustations of ivory, bone and shell and other materials).

The pots join other examples of Dresser's metalwork in the V&A's British Galleries, where they are currently on loan. In summer 2006 they will be loaned to Sheffield Millennium Galleries to form the centrepiece of an exhibition about James Dixon.

Sir Peter Lely Portrait of Barbara Villiers and her Son as Madonna and Child National Portrait Gallery

Barbara Villiers (1640–1709), created Duchess of Cleveland in 1670, was Charles II's leading mistress in the first decade of his reign and the mother of five of his children. She set the standard for beauty in her day. After being lost for almost a century, Peter Lely's (1618–80) double portrait of her with her eldest son, Charles Fitzroy (later Duke of Southampton and Duke of Cleveland) has become a centrepiece of the National Portrait Gallery's collection of Restoration portraits.

The Dutch-born Lely came to England in the 1640s and was much in demand in court circles as a virtuoso portraitist; he was knighted in 1680. His sensuous handling of clothing and the human form is evident in this image of the duchess and her young son, painted in around 1664 in the guise of a Madonna and Child.

To Puritan sensibilities, Lely's decision to show the king's mistress and illegitimate son as figures of the deepest religious veneration, together with the image's Catholic associations, was considered deeply shocking. Charles II's critics saw Barbara Villiers as representing all that was bad about the new regime, and her portrait embodied the hedonism and irreverence associated with his court. It first came to renewed public attention in 2001, on loan to the National Portrait Gallery's exhibition *Painted Ladies: Women at the Court of Charles II*.



Management Commentary

Background information

The National Heritage Memorial Fund (NHMF) is vested in and administered by a body corporate known as the Trustees of the National Heritage Memorial Fund, consisting of a Chair and not more than 14 other members appointed by the Prime Minister. The Fund was set up on 1 April 1980 by the National Heritage Act 1980 (the '1980 Act') in succession to the National Land Fund as a memorial to those who have given their lives for the United Kingdom. The powers of the Trustees and their responsibilities were extended by the provisions of the National Lottery etc. Act 1993 (the '1993 Act'), the National Heritage Act 1997 (the '1997 Act') and the National Lottery Act 1998.

Under the 1993 Act, Trustees became responsible for the distribution of that proportion of the National Lottery proceeds allocated to the heritage. Trustees of the National Heritage Memorial Fund have to prepare separate accounts for the receipt and allocation of grant-in-aid and for their operation as a distributor of National Lottery funds. Trustees have chosen to refer to the funds as the National Heritage Memorial Fund for sums allocated under the provisions of the 1980 Act and the Heritage Lottery Fund for the receipts under the provisions of the 1993 Act.

Principal activities

Under section 3 of the 1980 Act, Trustees may make grants and loans out of the National Heritage Memorial Fund for the purpose of acquiring, maintaining or preserving, inter alia:

- a) any land, building or structure which in the opinion of the Trustees is of outstanding scenic, historic, aesthetic, architectural, archaeological or scientific interest;
- b) any object which in their opinion is of outstanding historic, artistic or scientific interest;
- c) any collection or group of objects, being a collection or group which taken as a whole is in their opinion of outstanding historic, artistic or scientific interest.

Section 4 of the 1993 Act extends the powers of Trustees to improving the display of items of outstanding interest to the national heritage by providing financial assistance to construct, convert or improve any building in order to provide facilities designed to promote the public's enjoyment or advance the public's knowledge.

Under the 1993 Act and the 1997 Act, Trustees are now also able to assist projects directed to increasing public understanding and enjoyment of the heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. Trustees propose to use these extended powers primarily in connection with the Heritage Lottery Fund. Trustees believe that the National Heritage Memorial Fund has a vital role as the central bulwark in the nation's defence of items of outstanding importance which are at risk. Trustees will continue to use the resources provided by Government, as well as resources generated by its endowment fund, to offer financial assistance as a fund of last resort towards the acquisition, preservation and maintenance of heritage which is threatened by destruction or loss.

Financial Instruments

FRS 13, 'Derivatives and other Financial Instruments', requires disclosure of the role which financial instruments have had, during the period, in creating or changing the risks the Fund faces in undertaking its role.

Liquidity risk

In 2005-06, the National Heritage Memorial Fund's income derived from grant-in-aid from the Department for Culture, Media and Sport and from income generated by the endowment fund. The net returns from the endowment fund and current asset investments were positive in the year. The Trustees are satisfied that they have sufficient liquid resources, in the form of their endowment and cash (worth £32.8 million at the balance sheet date) to cover all current contracted commitments of £3 million. The Trustees consider that the Fund is not exposed to significant liquidity risks.

Interest Rate Risks

Cash balances, which are used to pay grant commitments and operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 4.4% in the year. The year end cash balances, held by the Fund in the bank and with their endowment fund investment managers, were £1 million.

JP Morgan Fleming Asset Management (UK) Limited manages the NHMF's endowment and invests in a wide range of assets from marketable shares to cash. At the year end, the market value of the endowment, including cash, was £32.7 million. Returns are dependent upon the stock market and performance of companies included within the portfolio. In the year, the return on the endowment was a rise of 27.0%. The Trustees keep the performance of investments under review. The Trustees consider that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risks

The overwhelming majority of endowment fund investments are denominated in sterling. The Fund has very minor exposure to foreign exchange risks and Trustees do not consider these to be material.

Cash flow, price and credit risk

Trustees consider that the Fund is not exposed to anything other than immaterial risks in these areas.

Future developments

In 2007-08 government grant-in-aid will be doubled to £10 million per annum. This will give Trustees greater scope to save items at risk of loss. In 2006-07, Trustees aim to award £5 million.

Employee consultation

The nature of the operations of the Fund means that grant application processing staff work closely with Trustees. Staff are involved in project evaluation and applicant visits with Trustees. Many members of staff attend meetings of Trustees, which enables them to be aware of thinking about the development of the Fund and its operations. Additionally, senior management ensures, through summaries of Management Group meetings in the weekly

Newsletter, face-to-face meetings and a high level of personal accessibility, that matters of concern to staff can be readily addressed. It is essential that all staff are given the opportunity to contribute to the development of the Fund as well as achieving their own potential through regular consultation and discussion. To this end, a Staff Council is in existence. Comprising representatives from each department, it discusses matters of interest to staff with representatives from management. It meets nine times a year.

Equal opportunities

As an employer, the National Heritage Memorial Fund abides by equal opportunities legislation. It does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria. It does not tolerate any form of discrimination, harassment or victimisation. During the year the Fund employed an average of four people who are registered disabled. All staff are required to co-operate in making this policy work effectively.

Creditors

The National Heritage Memorial Fund adheres to the Government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2005-06, the average age of invoices paid was 13.7 working days. Over 87% of invoices were paid within 30 calendar days.

Pension liabilities

The Fund makes contributions to the pension schemes of staff. Other than making these payments, the Fund has no pension liabilities with the exception of one former member of staff. Trustees consider that the balance sheet provision, made for paying the pension of that former member of staff, is sufficient. Further information is available in the notes to the accounts.

Register of interests

As a matter of policy and procedure, the Trustees declare any direct interests in grant applications and commercial relationships with the National Heritage Memorial Fund and exclude themselves from the relevant grant appraisal, discussion and decision processes within the National Heritage Memorial Fund. In their contacts with grant applicants, Trustees seek to avoid levels of involvement or influence that would be incompatible with their responsibilities as a Trustee of the National Heritage Memorial Fund. There are corresponding arrangements for staff to report interests and avoid possible conflicts of interest. The Register of Trustees' Interests is available for public inspection by contacting the Secretary to the Trustees, 7 Holbein Place, London SW1W 8NR.

Appointment of auditors

The National Heritage Act 1980 provides for the annual accounts of the National Heritage Memorial Fund to be audited by the Comptroller and Auditor General. The National Lottery etc. Act 1993 extends this to the lottery activities of Trustees.

Key Stakeholder

The key stakeholder of the National Heritage Memorial Fund is the Department for Culture, Media and Sport.

Chair and Trustees of the National Heritage**Memorial Fund**

Chair

Dame Liz Forgan ²

Trustees

Madhu Anjali

Earl of Dalkeith ² to 19 July 2005Nicholas Dodd ¹

Mike Emmerich

Catherine Graham-Harrison ²

Tristram Hunt

Dan Clayton Jones from 12 July 2005

Brian Lang

Derek Langslow ¹

Dr Mike Phillips

Professor Tom Pritchard to 22 April 2005

Matthew Saunders

Giles Waterfield

Richard Wilkin ² from 3 February 2006

Primrose Wilson

James Wright ¹

Director

Carole Souter ²¹ Member of Audit Committee² Member of Finance & Investment Committee**Dame Liz Forgan**

Chair

4 July 2006

Carole Souter

Director

Financial review

Nineteen awards were made in the year; a huge increase on the six made in 2004–05. Inevitably, as our grant-in-aid remained the same, the average size of an award fell. The grant awards made included:

- i) £850,038 for an award to six different institutions (Ashmolean Museum, British Museum, Museum of London, Geffrye Museum, Victoria & Albert Museum and the National Museums & Galleries of Wales) for parts of the Cassell silver collection;
- ii) £1,600,000 for the acquisition by Tate Britain of Sir Joshua Reynolds' *The Archers*;
- iii) £712,000 to the Natural History Museum for the Kohler collection of papers – a collection of works by and relating to Charles Darwin. This includes the first English editions of all his works, a number of association and variant copies and a large number of foreign language first editions. There are also original manuscripts and a range of related print works on his theories and continuing influence;
- iv) £590,000 to Luton Museums' Service for the purchase of an English medieval jug made of bronze and decorated with coat of arms, including the Royal arms generally in use between 1340–1405;
- v) £336,144 to the British Library for the acquisition of *My Ladye Nevells Booke*; a keyboard music manuscript from 16th century England containing 42 works by William Byrd;
- vi) £283,853 to Cambridge University Library for the archive of Hengrave Hall, which consists of extensive family, household and antiquarian papers from the 12th to the 19th century.

The other awards made were £50,000 to National Portrait Gallery (portrait of Duchess of Cleveland); £108,000 to RIBA (Easton Neston model); £750,000 to the National Trust (Kedleston bookcase – award not taken up); £75,000 and £225,000 to the British Museum (Sir Thomas Lawrence drawing and the Coenwulf coin); £160,000 to the Wordsworth Trust (painting by Turner); £42,000 to the Royal College of Physicians (Prujean dish); £45,000 to the Ashmolean Museum (painting by Samuel Palmer); £182,000 to King's College, London

(papers of Alan Brooke); £60,000 to the Charleston Trust (portrait of Maynard Keynes); £26,000 to Durham Cathedral (purchase of a bible); £150,000 to the Wildlife Trust of South & West Wales (purchase of Skokholm Island); and £48,326 to the Victoria & Albert Museum (purchase of Dresser teapots).

NHMF received grant-in-aid of £5 million, the same as in 2004–05. Other income during 2005–06 included £56,164 from the organisers of Women of World War II project, who were able to complete their work without using all the money they had raised. During the year, NHMF made awards totalling £6.29 million, and made grant payments which totalled £6.02 million. Outstanding grant commitments at the end of the year amounted to £3.0 million, which were covered by the grant-in-aid of £5 million received in April 2006.

Following the assistance we provided to the National Trust in 2002–03 to purchase Tyntesfield Estate, the balance on the endowment fund fell below its value when it was set up, taking inflation into account. It was decided not to replenish immediately the endowment fund from the annual grant-in-aid and Trustees are pleased to note that the value of the fund exceeded its original value at today's prices by £2.3 million at 31 March 2006. During the year the Fund used the endowment to help fund grant payments because, as noted above, payments exceeded grant-in-aid. These sums totalled £750,000 and were repaid to the endowment fund after the year end.

Remuneration Report**Remuneration of the Chair and Trustees**

All Trustees were entitled to receive an annual salary for the time spent on the activities of the National Heritage Memorial Fund. In addition, the National Heritage Memorial Fund re-imbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. The Fund met the tax liability on these expenses.

The remuneration of those Trustees that received payment, including re-imbursment of taxable expenses and the tax thereon, falls into the following bands. Two Trustees waived their right to a salary.

	2005-06 £000	2004-05 £000
Dame Liz Forgan (Chair)	40-45	40-45
Madhu Anjali	10-15	5-10
Earl of Dalkeith	0-5	0-5
Nicholas Dodd	10-15	10-15
Mike Emmerich	10-15	10-15
Sir Angus Grossart	5-10	15-20
Catherine Graham-Harrison	5-10	5-10
Tristram Hunt	5-10	0
Dan Clayton Jones	10-15	0
Brian Lang	20-25	0-5
Derek Langslow	5-10	5-10
Dr Mike Phillips	5-10	5-10
Professor Tom Pritchard	0-5	20-25
Matthew Saunders	5-10	0
Giles Waterfield	5-10	5-10
Richard Wilkin	0-5	0
Primrose Wilson	20-25	15-20
James Wright	5-10	10-15

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by the National Heritage Memorial Fund. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%:1%. The total remuneration of Trustees in 2005-06 was £213,049 (2004-05: £187,020). The pay and contracts of Trustees are discussed and set by the Department for Culture, Media and Sport.

Remuneration of employees

The remuneration of directors was as follows:

	Salary including performance bonus 2005-06 £000	Salary including performance bonus 2004-05 £000	Real increase in pension and lump sum £000	Total accrued pension at age 60 and lump sum £000	Cash Equivalent Transfer Value (CETV) at 31/3/06 £000	Cash Equivalent Transfer Value (CETV) at 31/3/05 £000	Real increase in CETV funded by NHMF £000
Carole Souter Director	110-115	100-105	0-2.5 plus 2.5-5 lump sum	30-35 plus 100-105 lump sum	616	452	26
Stephen Johnson Director of Operations	95-100	90-95	0-2.5	45-50	953	755	40
Judy Cligman Director of Policy	75-80	70-75	0-2.5 plus 2.5-5 lump sum	15-20 plus 55-60 lump sum	321	224	22
Steve Willis Director of Resources & Planning	95-100	90-95	0-2.5 plus 5-7.5 lump sum	40-45 plus 120-125 lump sum	754	571	34

The CETV quoted for 31 March 2005 does not agree with that quoted in last year's accounts. This is because the Principal Civil Service Pension Scheme (PCSPS) has changed the manner in which it calculates the figures during 2005-06.

All senior employees had permanent contracts of employment and were ordinary members of the PCSPS. Their costs were allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%:1% (2004-05: 99%:1%). The pay and contracts of senior employees are discussed and set by the Finance & Investment Committee. (Membership of this committee is disclosed on page 22). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Director are set by the Chair of the Board of Trustees, and the Director in turn agrees personal objectives with the three directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system and performance is reviewed in line with this. Performance is reviewed annually in March/April and rated on a scale of four different

levels of achievement. There is a bonus scheme for the directors which takes into account the Finance & Investment Committee's view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

Carole Souter
Director
4 July 2006

Statement of Trustees' and Director's Responsibilities

Under section 7(2) of the National Heritage Act 1980, Trustees of the National Heritage Memorial Fund 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 on an accruals basis and must give a true and fair view of the Fund's state of affairs at the year end, of its recognised gains and losses and of its income and expenditure and cash flows for the financial year.

In preparing the accounts Trustees of the National Heritage Memorial Fund are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- i) observe the accounts direction issued by the Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- ii) make judgements and estimates on a reasonable basis;
- iii) state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements;
- iv) prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Fund will continue in operation.

The Accounting Officer of the Department for Culture, Media and Sport has appointed the senior full-time official, the Director, as the Accounting Officer for the Fund. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances, for the safeguarding of the Fund's assets 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.

So far as the Accounting Officer is aware, there is no relevant audit information of which our auditors are unaware. The Accounting Officer has taken all steps that she ought to have taken to make herself aware of any relevant audit information and to establish that our auditors are aware of that information.

Dame Liz Forgan **Carole Souter**
 Chair Director
 4 July 2006

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the National Heritage Memorial Fund's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

I work closely with the Trustees of the National Heritage Memorial Fund (NHMF) who share a responsibility to:

- i) Give leadership and strategic direction;
- ii) Define control mechanisms to safeguard public resources;
- iii) Supervise the overall management of NHMF's activities;
- iv) Report on the stewardship of public funds.

This responsibility is enacted through regular meetings of Trustees with senior management to set policy for the NHMF and make decisions in line with policy. In addition, sub-committees of Trustees, particularly the Finance & Investment Committee and the Audit Committee, oversee the activities of management and provide support. All policy setting and grant decision making is informed by the risk management culture of the NHMF. In particular, the Audit Committee regularly discusses the risk reports produced by management and questions them about the methods by which they mitigate risk. In addition, the NHMF is a member of the Lottery Forum Risk Management Group. This group, comprising representatives of Lottery distributors, has created a common risk framework.

The annual operating plan of the NHMF – the Business Plan – is discussed with our sponsor department, the Department for Culture, Media and Sport (DCMS). DCMS has also set Policy and Financial Directions with which we have to comply in our Lottery activities. We also operate in line with an agreed Management Statement and Financial Memorandum based upon a template devised by the Treasury. This includes regular

meetings with senior officers of DCMS and with fellow Lottery distributors.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Fund for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

The Management Group, comprising the most senior managers of the NHMF, takes the lead on all aspects of risk management. It appoints risk owners and charges them with the creation and application of strategies to mitigate the risk under their control.

The Audit Committee, which comprises three Trustees, regularly discusses the risk management process and reports back to the main body of Trustees on the management of risk. Furthermore, both internal and external audit review the risk management processes as part of their work and can provide the benefit of their experience of other organisations' risk management activities.

Staff, from middle management upwards, have received training in risk management techniques from the Civil Service College.

The risk and control framework

Management Group devised a risk management statement that details how the NHMF identifies, monitors and controls risks and opportunities. This statement is reviewed regularly. On an annual basis, risks are categorised by considering the likelihood

of occurrence should no risk mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high form the NHMF risk register. Management Group then assigns to senior managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk. Management Group reviews the effectiveness of their work on a quarterly basis. The Audit Committee also regularly reviews and questions the activities of risk owners.

In 2005–06, the NHMF considered the following to be the most significant areas of risk:

- i) that our income declines beyond expectations;
- ii) that grants awarded fail to meet our strategic objectives;
- iii) that our strategy fails to keep pace with the needs of the heritage and changes in the external environment and therefore is not supported by our stakeholders;
- iv) failure to set and follow efficient procedures correctly or consistently giving rise to the risk of fraud or of making perverse decisions open to challenge in law;
- v) failure to recruit and retain staff of sufficient calibre;
- vi) that the HLF/NHMF contribution is not widely acknowledged.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and senior management within the NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I receive guidance from both the Board and the Audit Committee, which sees reports from both the internal and external auditors, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

All reports of the internal auditors are discussed by the Audit Committee with senior members of staff in attendance. Heads of departments that have failings identified by the internal auditors are required to devise a corrective action and set a completion date for that action in consultation with the internal auditors. I receive a regular report from the auditors notifying me of the progress my department heads have achieved in clearing up points raised by both internal and external auditors.

As a result of the above, there is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate. For example, we have strengthened our checks against fraud during the year by instigating a system for identifying unusual grant applications where certain key information matches with applications from organisations with no apparent connection.

Carole Souter
Director
4 July 2006

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2006 under the National Heritage Act 1980. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees, Director and Auditor

The Trustees and Director are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the 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 National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I also report whether in all material respects the expenditure and income 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 Trustees have 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 27 and 28 reflects the National Heritage Memorial Fund'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 Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the National Heritage Memorial Fund'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 Foreword, the Introduction, the Report of the Trustees and Accounting Officer, the unaudited part of the Remuneration Report and the Management Commentary. 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 Trustees and Director in the preparation of the financial statements, and of whether the accounting policies are most

appropriate to the National Heritage Memorial Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income 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:

- i) the financial statements give a true and fair view, in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the National Heritage Memorial Fund's affairs as at 31 March 2006 and of its surplus for the year then ended;

- ii) the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- iii) in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn

Comptroller and Auditor General
7 July 2006

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

Income and Expenditure Account for the year ended 31 March 2006

	Notes	2005-06 £'000	2004-05 £'000
Grant-in-aid	2	5,002	5,000
Other operating income	3	93	75
Operating income		5,095	5,075
New awards made in the year	15	(6,293)	(2,760)
De-committed awards	15	913	332
		(5,380)	(2,428)
Staff costs	4	(51)	(47)
Depreciation	10	(2)	(3)
Other operating charges	6	(104)	(120)
		(157)	(170)
Operating expenditure		(5,537)	(2,598)
Operating (deficit)/surplus		(442)	2,477
Income from investments	7	839	643
Profit on the sale of investments	8	389	128
Interest receivable	9	108	57
Non-operating income		1,336	828
Net surplus before notional costs		894	3,305
Notional costs – capital	18	(914)	(698)
Net (deficit)/surplus including notional costs		(20)	2,607
Reversal of notional costs		914	698
Surplus transferred to the accumulated fund		894	3,305
Accumulated fund brought forward		17,028	13,723
Accumulated fund carried forward		17,922	17,028

Statement of Total Recognised Gains and Losses for the year ended 31 March 2006

	Note	2005-06 £'000	2004-05 £'000
Net surplus on income and expenditure account		894	3,305
Movement on revaluation reserve	20	5,856	2,270
		6,750	5,575

The income and expenditure account excludes the Lottery activities of the National Heritage Memorial Fund, which are separately reported in the accounts of the Heritage Lottery Fund. All figures shown relate to continuing activities.

The notes on pages 34 to 44 form part of the accounts.

Balance Sheet
as at 31 March 2006

	Notes	2005-06 £'000	2004-05 £'000
Fixed assets			
Tangible fixed assets	10	4	6
Investments	11	31,791	25,320
		31,795	25,326
Current assets			
Debtors	12	4	4
Cash in hand and at Barclay's		66	507
Cash at JP Morgan Chase Bank	11	932	568
		1,002	1,079
Creditors: amounts falling due within one year			
Grant commitments due within one year	15	(2,958)	(3,599)
		(2,306)	(2,587)
Net current assets			
		29,489	22,739
Total assets less current liabilities			
Provision for liabilities and charges			
Pensions and similar liabilities	5	(1)	(1)
Grant commitments due after more than one year	15	0	0
		29,488	22,738
Total net assets			
Revaluation reserve	20	11,566	5,710
Accumulated fund			
Accumulated fund brought forward		17,028	13,723
Result for the year		894	3,305
Accumulated fund carried forward		17,922	17,028
		29,488	22,738

This statement excludes balances relating to the Lottery activities of the National Heritage Memorial Fund which are separately disclosed in the accounts of the Heritage Lottery Fund.

The notes on pages 34 to 44 form part of the accounts.

Dame Liz Forgan **Carole Souter**
Chair Director
4 July 2006

Cash Flow Statement
for the year ended 31 March 2006

	Notes	2005-06 £'000	2004-05 £'000
Operating activities			
Grant-in-aid received	2	5,002	5,000
Cash from other sources	3	388	75
Cash paid to and on behalf of employees		(51)	(48)
Cash paid to suppliers		(116)	(272)
Cash paid to grant recipients	15	(6,021)	(7,027)
Net cash outflow from operating activities	17a	(798)	(2,272)
Returns on investment and servicing of finance			
Interest received		108	57
Dividends received		731	646
Net cash inflow from returns on investments		839	703
Capital expenditure and financial investment			
	17b	(118)	(302)
Cash flow before management of liquid resources		(77)	(1,871)
Management of liquid resources	17c	0	2,066
(Decrease)/increase in cash		(77)	195

Reconciliation of Net Cash Flow to Movement in Net Funds
for the year ended 31 March 2006

	Notes	2005-06 £'000	2004-05 £'000
(Decrease)/increase in cash in the period	17d	(77)	195
Cash used to increase liquid resources	17c	0	(2,066)
Other movements	17d	0	0
Changes in net funds		(77)	(1,871)
Net funds at 1 April 2005		1,075	2,946
Net funds at 31 March 2006		998	1,075

The notes on pages 34 to 44 form part of the accounts.

Notes to the Accounts
for the year ended 31 March 2006

1. Statement of accounting policies

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State and approved by the Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements of the Companies Act 1985, generally accepted accounting practices in the United Kingdom (UK GAAP) and the disclosure and accounting requirements contained in the Financial Reporting Manual (Frem), so far as those requirements are appropriate, and Accounts' Directions issued by the Secretary of State for Culture, Media and Sport in October 2002. The National Lottery Accounts' Direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts. Copies of the Lottery and Memorial Accounts Directions may be obtained from the Secretary to the Trustees, 7 Holbein Place, London SW1W 8NR.

b) Government grants

Government grants are credited to income in the year of receipt. No allocation is made between grants for revenue and capital purposes.

c) Fixed assets

Depreciation is provided on a straight line basis on all tangible fixed assets, including those held under finance leases, other than certain items of heritage, at rates calculated to write off the cost or valuation of each asset over its expected useful life. These lives are as follows:

Short leasehold property – the life of the lease
Office equipment – 4–10 years
Office fittings – 4–10 years

d) Investments

Fixed asset investments are included in the accounts at current cost. Realised gains and losses are included in the income and expenditure account and are calculated as the difference between sales proceeds and historic cost. Unrealised gains and losses on fixed asset investments are reflected in the revaluation reserve and statement of recognised gains and losses.

e) Allocation of costs

The operations of the National Heritage Memorial Fund are split into two funds – the National Heritage Memorial Fund and the Heritage Lottery Fund – reflecting the two sources of income. The National Heritage Memorial Fund incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. The National Heritage Memorial Fund is required to apportion these indirect costs in accordance with the Fees and Charges Guide issued by HM Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each fund. From 1 April 2002, all activities of the National Heritage Memorial Fund were transferred to Holbein Place, London. Consequently, the costs of operating all other offices is fully recharged to the Heritage Lottery Fund. The results of the Heritage Lottery Fund are reported in a separate set of accounts.

Notes to the Accounts
for the year ended 31 March 2006

f) Taxation

No provision is made for general taxation as the National Heritage Memorial Fund is statutorily exempt. The National Heritage Memorial Fund is unable to recover Value Added Tax charged to it and the VAT inclusive cost is included under the relevant expenditure heads.

g) Pension

The regular cost of providing benefits is charged to the income and expenditure account over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Staff are members of PCSPS and the percentage of pensionable pay is notified by the Cabinet Office at the start of each financial year. One member of staff, now retired, is not in PCSPS. A separate provision is maintained for his pension payments. The NHMF has not followed FRS17 with regard to obtaining an actuarial valuation of this person's pension liabilities. This is due to the cost of obtaining such a valuation.

h) Leases

The annual rentals on operating leases are charged to the income and expenditure account on a straight-line basis over the term of the lease.

2. Grant-in-aid

	2005–06 £'000	2004–05 £'000
Grant from the Department for Culture, Media and Sport	5,002	5,000

3. Other operating income

This includes two significant receipts, £56,164 received from the trustees of the Memorial to the Women of World War II and £36,920 from the estate of the late Lady Rook.

4. Staff costs and numbers

	2005–06 £'000	2004–05 £'000
Salaries	39	37
Employer's NI payments	3	3
Payments to pension scheme (see note 5)	7	5
Temporary staff costs	2	2
	51	47

Additional costs of £10,013,000 have been charged to the Heritage Lottery Fund and are reflected in the accounts of that Fund.

4. Staff costs and numbers (continued)

The average number of employees during the year was as follows:

	2005-06 Number	2004-05 Number
Grant applications	1	1
Finance and administration	0	0
Policy	0	0
Public relations	0	0
	1	1

Additionally, an average of 245 permanent staff were employed on Heritage Lottery Fund activities.

5. Pensions

Pension benefits are provided through the Civil Service pension arrangements (PCSPS). From 1 October 2002, staff may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account). Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

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

Further details about the Civil Service pension arrangements, which prepare their own scheme statements, can be found at the website www.civilservice-pensions.gov.uk

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2005-06, employer's contributions of £7,044 (2004-05: £4,878) were paid to the PCSPS at the rates set out

in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The employer's payments were calculated on the basis of salary banding, as follows:

Salary in 2005-06	% in 2005-06
£18,000 and under	16.2%
£18,001 – £37,000	18.6%
£37,001 – £63,500	22.3%
£63,501 and above	24.6%

During the year, the one member of staff who had remained a member of the Joint Superannuation Services Scheme (JSS) scheme retired. JSS had provided the Fund with details on the expected provisions that the Fund would be required to make each year so as to enable the Fund to meet the pension liabilities that will accrue under the scheme. The last time such advice was given was 31 March 1998. The scheme is a defined benefit scheme. Payments made to this former employee will be paid out of the Fund's cash resources, and not through the JSS, which has no assets. New employees of the National Heritage Memorial Fund do not join the JSS, but instead join the PCSPS.

	2005-06 £'000	2004-05 £'000
Provision at 1 April	1	1
Pension payments made	0	0
Provision at 31 March	1	1

6. Operating (deficit)/surplus

The operating (deficit)/surplus is stated after charging the following:

	2005-06 £'000	2004-05 £'000
Auditor's remuneration	7	7
Payments under operating leases		
– leasehold premises	8	7
– hire of plant and machinery	1	2

Additional costs of £12,496,000 have been charged to the Heritage Lottery Fund and are reflected in the accounts of that Fund. As disclosed in note 1 to these accounts, the National Heritage Memorial Fund is required to apportion its costs to the Heritage Lottery Fund. At the end of the financial year, the proportion of joint costs apportioned was 99% to the Heritage Lottery Fund.

6. Operating (deficit)/surplus (continued)

An analysis of other operating charges, including the above items, is as follows:

	2005-06 £'000	2004-05 £'000
Accommodation	12	11
Postage and telephone	2	3
Office supplies, print and stationery	3	3
Travel, subsistence and hospitality	1	1
Professional fees – grant related	17	7
Professional fees – non-grant related	50	62
Public relations and communications	14	26
Sundry	5	7
	104	120

7. Income from investments

	2005-06 £'000	2004-05 £'000
Fixed asset investments	839	590
Current asset investments	0	53
	839	643

8. Profit on the sale of investments

	2005-06 £'000	2004-05 £'000
Fixed asset investments	389	128

9. Interest receivable

	2005-06 £'000	2004-05 £'000
Bank interest received	108	57

10. Tangible fixed assets

	Improvements to short leasehold property £'000	IT equipment £'000	Office fittings £'000	Total £'000
Cost at 1 April 2005	7	15	9	31
Additions	0	0	0	0
at 31 March 2006	7	15	9	31
Depreciation at 1 April 2005	4	12	9	25
Charge for the year	1	1	0	2
at 31 March 2006	5	13	9	27
Net book value at 31 March 2005	3	3	0	6
at 31 March 2006	2	2	0	4

The Trustees have considered the value of the fixed assets and are satisfied that their value, at 31 March 2006, was not less than their net book value shown in the accounts. The value of fixed assets represents a proportionate split of the assets used by the National Heritage Memorial Fund and the Heritage Lottery Fund. This split is currently 99% Lottery and 1% Memorial.

No fixed assets were held under finance leases.

A review of the current cost values of fixed assets, at 31 March 2006, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of tangible fixed assets.

11. Fixed asset investments

The National Heritage Memorial Fund was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid, the sum of £10 million should be regarded as the residue of that Fund. They decided to invest it and to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable the National Heritage Memorial Fund to meet its obligations. To this end, investment can be made outside the United Kingdom. A table below summarises the regional investment spread. The surplus value of the endowment fund (i.e. the excess over the current value of the initial £10 million) is drawn down to fund NHMF's grant-giving. At 31 March 2006, the original £10 million investment would be worth £30.5 million taking into account indexation – the actual market value is £32.7 million.

Fixed asset investments comprise this endowment fund. A proportion of this fund is held in cash (£931,850 at 31 March 2006) and is disclosed, in these accounts, as a current asset as part of the cash balances of the National Heritage Memorial Fund. These investments are managed, on behalf of NHMF, by JP Morgan Fleming Asset Management (UK) Limited. The Trustees are not required to adopt the Trustee Investment Act 1961 when considering investment policy.

Notes to the Accounts
for the year ended 31 March 2006

11. Fixed asset investments (continued)

	2005-06 £'000	2004-05 £'000
Cost and net book value:		
At 1 April	19,610	19,176
Additions	1,086	1,184
Disposals	(579)	(757)
Accrued income	108	7
At 31 March	20,225	19,610

	2005-06 £'000	2004-05 £'000
Net book value:		
Listed on the London Stock Exchange	0	0
Unlisted investments	20,225	19,610
	20,225	19,610

	2005-06 £'000	2004-05 £'000
Cost	20,225	19,610
Market value	31,791	25,320
Unrealised gain	11,566	5,710

Unlisted investments comprise unit trusts and international government stock. There is no liability to taxation on gains realised by the National Heritage Memorial Fund.

A regional analysis of investments (at book cost), at the year end, was:

	2005-06 %	2004-05 %
UK	73	66
Europe (excluding UK)	9	10
North America	10	16
Japan and Far East	8	7
Latin America	0	1
	100	100

12. Debtors – all due within one year

	2005-06 £'000	2004-05 £'000
Prepayments and accrued income	4	4

Notes to the Accounts
for the year ended 31 March 2006

13. Current asset investments

	Cost and net book value 2005-06 £'000	Cost and net book value 2004-05 £'000
At 1 April 2005	0	2,066
Additions	0	0
Disposals	0	(2,066)
At 31 March 2006	0	0

The current asset investments were liquidated in February 2005.

14. Creditors: amounts falling due within one year

	2005-06 £'000	2004-05 £'000
Operating creditors	13	3
Other creditors including taxation and social security	322	22
Accruals and deferred income	15	42
	350	67

None of the liabilities of the National Heritage Memorial Fund was secured. Of the above sums, £323,000 was payable to central government bodies (2004-05: £1,000).

15. Grant commitments

	2005-06 £'000	2004-05 £'000
At 1 April	3,599	8,198
Grants paid in the year	(6,021)	(7,027)
Commitments created in the year	6,293	2,760
De-commitments	(913)	(332)
At 31 March	2,958	3,599

The balance at the year end represents amounts due in the following periods:

	2005-06 £'000	2004-05 £'000
In one year	2,958	3,599
In two to five years	0	0
	2,958	3,599

Commitments at the year end represent amounts owing by sector, as follows:

	2005-06 £'000	2004-05 £'000
Balances owing to central Government	1,752	648
Balances owing to local authorities	22	0
Balances owing to other bodies	1,184	2,951
	2,958	3,599

Notes to the Accounts
for the year ended 31 March 2006

16. Commitments

Annual commitments of the National Heritage Memorial Fund under operating leases are as follows:

	2005-06 £'000	2004-05 £'000
Short leasehold property		
Expiring within one year – gross	0	80
– recharged to the Heritage Lottery Fund	(0)	(80)
	0	0
Expiring in years two to five – gross	875	754
– recharged to the Heritage Lottery Fund	(868)	(747)
	7	7
Expiring thereafter – gross	446	474
– recharged to the Heritage Lottery Fund	(446)	(460)
	0	14
	7	21
Other operating leases		
Expiring within one year – gross	1	16
– recharged to the Heritage Lottery Fund	(1)	(16)
	0	0
Expiring in years two to five – gross	24	17
– recharged to the Heritage Lottery Fund	(24)	(17)
	0	0
Expiring thereafter – gross	0	0
– recharged to the Heritage Lottery Fund	(0)	(0)
	0	0
	0	0

The National Heritage Memorial Fund has no capital commitments contracted for, or capital commitments approved but not contracted for.

17. Notes to the cash flow statement

a) Reconciliation of operating deficit to net cash outflow from operating activities

	2005-06 £'000	2004-05 £'000
Operating (deficit)/surplus	(442)	2,477
Add back non-cash items:		
– depreciation	2	3
– decrease in provisions	0	0
– increase in grant commitment reserve	(641)	(4,599)
Increase in debtors (excluding capital, investments and other non-operating income)	0	0
Increase/(decrease) in non-capital creditors	283	(153)
Net cash outflow from operating activities	(798)	(2,272)

Notes to the Accounts
for the year ended 31 March 2006

b) Capital expenditure and financial investment

	2005-06 £'000	2004-05 £'000
Payments to acquire tangible fixed assets	0	(2)
Payments to acquire fixed asset investments	(1,086)	(994)
Receipts from sales of tangible fixed assets	0	0
Receipts from sales of fixed asset investments	968	694
	(118)	(302)

c) Management of liquid resources

	2005-06 £'000	2004-05 £'000
Payments to acquire current asset investments	0	0
Receipts from sales of current asset investments	0	2,066
	0	2,066

d) Analysis of changes in net funds

	At 1 April 2005 £'000	Cash flows £'000	Other changes £'000	At 31 March 2006 £'000
Cash at bank	1,075	(77)	0	998

18. Notional costs

The National Heritage Memorial Fund does not insure its assets under Government Accounting rules. The National Heritage Memorial Fund is provided with funds from grant-in-aid. A notional charge for the cost of capital was calculated and disclosed in the income and expenditure account on the instruction of HM Treasury. The calculation is based upon 3.5% of the average capital employed in the year.

19. Related party transactions

The National Heritage Memorial Fund is a non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party. During the year, the National Heritage Memorial Fund and the Heritage Lottery Fund have had various material transactions, other than grant awards, with DCMS and other entities for which DCMS is regarded as the sponsor department, being the Big Lottery Fund, English Heritage and the British Museum.

In addition, the National Heritage Memorial Fund and the Heritage Lottery Fund have had a number of material transactions with other Government departments. These transactions have been with entities that regard the Department for Environment, Food and Rural Affairs as their parent department (being English Nature and the Countryside Agency), the National Audit Office and the Scottish Executive (being Scottish Natural Heritage).

During the year, no Trustees of the National Heritage Memorial Fund had an interest in any bodies in receipt of a grant from the National Heritage Memorial Fund. Dame Liz Forgan, the chair of the Trustees, is the chair of a trust owning a newspaper group. The NHMF spent £28,680 directly with this organisation or via a third party. The Trustees are

19. Related party transactions (continued)

satisfied that in neither case was there any possibility of personal financial gain for the Trustee. There were no other grant or commercial transactions in which Trustees or staff had a material interest or influence.

20. Revaluation reserve

	2005-06 £'000	2004-05 £'000
At 1 April	5,710	3,440
Movement in the year	5,856	2,270
At 31 March	11,566	5,710

The revaluation reserve was created following a change in Treasury guidance on the preparation of NDPB accounts. All fixed assets are shown at current cost. Fixed asset investments (see note 11) are shown at market value on the balance sheet.

Chair, Trustees and Management

Board of Trustees

Dame Liz Forgan ² Chair
Madhu Anjali
Earl of Dalkeith ² to 19 July 2005
Nicholas Dodd ¹
Mike Emmerich
Catherine Graham-Harrison ²
Tristram Hunt
Dan Clayton Jones from 12 July 2005
Brian Lang
Derek Langslow ¹
Dr Mike Phillips
Professor Tom Pritchard to 22 April 2005
Matthew Saunders
Giles Waterfield
Richard Wilkin ² from 3 February 2006
Primrose Wilson
James Wright ¹

Management Group

Carole Souter ² Director
Clara Arokiasamy
Stephen Boyce
Karen Brookfield
Kate Clark
Judith Cligman
Stephen Johnson
Louise Lane
Patricia Langley
Helen Palmer
Steve Willis

¹ Member of Audit Committee
² Member of Finance & Investment Committee

Acknowledgements

Photography of The Archers by Sir Joshua Reynolds courtesy of Tate Britain; The Wenlock Jug courtesy of Sothebys; The Easton Neston Model courtesy of RIBA; The Papers of Field Marshal Alan Brooke courtesy of Liddell Hall Centre for Military Archives; Skokholm Island courtesy of Wildlife Trust of South and West Wales and ©Andrew Darrington/Alamy; Coenwulf Coin courtesy of British Museum; The Prospect by Samuel Palmer ©Ashmoleum Museum Oxford; The Cassel Collection courtesy of Ashmoleum Museum, British Museum, Museum of London, Geffrye Museum, Victoria & Albert Museum, National Museums and Galleries of Wales; Hengrave Hall Manuscripts courtesy of Cambridge University Library; The Prujean Dish courtesy of Royal College of Physicians; Drawing of Mary Hamilton by Sir Thomas Lawrence courtesy of British Museum; Ullswater, Cumberland by JMW Turner ©the Wordsworth Trust; Keynes at Charleston by Duncan Grant courtesy of Charleston Trust; Kohler Darwin Collection courtesy of National History Museum; My Ladye Nevells Booke courtesy of British Library; The Durham Bible courtesy of Durham Cathedral; Christopher Dresser Teapots ©Victoria & Albert Museum; Portrait of Barbara Villiers and her Son as Madonna and Child courtesy of National Portrait Gallery.

Designed and produced by the right stuff.
Editorial consultant, Michael Bird.

Printed by Beacon Press using their **pureprint** environmental print technology. The electricity was generated from renewable sources and vegetable based inks were used throughout. The printer is registered to environmental management system ISO 14001 (certificate no. E9586) and Eco Management and Audit Scheme (EMAS, reg. no. UK-S-00011). On average 87% of any waste associated with this report is recycled.

The cover and text paper is Revive Silk which is manufactured in the UK to ISO 14001 (certificate no. LRQ072979), it consists of 75% de-inked post-consumer waste and 25% mill broke and virgin fibres. It meets the National Association of Paper Merchants (NAPM) recycling standards and is bleached using an Elemental Chlorine Free (ECF) process.

**NATIONAL
HERITAGE
MEMORIAL
FUND**



7 Holbein Place
London
SW1W 8NR

Telephone
020 7591 6000
Facsimile
020 7591 6001
Textphone
020 7591 6255
Website
www.nhmf.org.uk

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,
London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-293851-2



9 780102 938517