

Natural History Museum Annual Report and Accounts 2011-2012

Natural History Museum Annual Report and Accounts 2011-2012

Presented to Parliament pursuant to Section 9(8) of the Museums and Galleries Act 1992

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Trustees' Annual Report

Reference and administrative details

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

Principal Address The Natural History Museum, Cromwell Road, London, SW7 5BD.

Board Members The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken (Chairman) (b) (c)	To 31 December 2013	Prime Minister
Daniel Alexander QC (b)	To 11 May 2014	Co-opted
Professor Sir Roy Anderson FRS FMedSci (a)	To 31 March 2016	Co-opted
Louise Charlton (b)	To 30 April 2014	Prime Minister
Professor David Drewry	To 5 May 2016	Prime Minister
Professor Christopher Gilligan	To 17 May 2015	Prime Minister
Professor Alex Halliday FRS (b)	To 28 February 2014	Royal Society
Ian Henderson CBE FRICS	To 2 February 2013	Co-opted
Professor Sir John Holman	To 30 June 2015	Prime Minister
Dr Derek Langslow CBE (a)	To 5 May 2016	Prime Minister
Professor Georgina Mace CBE FRS	To 5 August 2012	Prime Minister
Sir David Omand GCB (Chairman of the Audit and Risk Committee) (a)	To 19 January 2014	Prime Minister

Notes:

- (a) Member of the Trustees' Audit and Risk Committee
- (b) Member of the Trustees' Remuneration Committee
- (c) Chair of the Trustees' Nomination Committee

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

Museum Director and Accounting Officer Dr. Michael Dixon

Bankers National Westminster Bank plc, 186 Brompton Road, London, SW3 1HH.

Auditors Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD (for subsidiary accounts)

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

Investment Advisors JP Morgan Fleming Asset Management, 10 Aldermanbury, London EC2V 7RF

Accounts Preparation The annual report and accounts have been prepared in accordance with the accounting policies set out in Note 1 (page 32). They comply with the Statement of Recommended Practice 2005 on 'Accounting and Reporting by Charities', except where specified, the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Olympics, Media and Sport, with the approval of H.M.Treasury.

Structure, governance and management

Status	<p>The Trustees of The Natural History Museum were established as a body corporate under the British Museum Act 1963, when the Museum was formally separated from the British Museum, of which it had been a part since the British Museum's establishment in 1753. The Museum is also an exempt charity as listed in Schedule 2 of the Charities Act 1993.</p> <p>The Trustees have complied with the duty in section 11 of the Charities Act 2011 to have due regard to guidance published by the charity commission.</p>								
Statutory duties	<p>Under Section 3 of the British Museum Act 1963, the Museum is responsible for keeping its collections and making them available for inspection by the public.</p>								
The Board of Trustees	<p>The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Culture, Olympics, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister or co-opted are appointed by open competition.</p>								
Organisational structure	<p>During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.</p> <p>The Executive Board reflects the functional operation of the Museum and consists of:</p> <table border="0" style="margin-left: 20px;"> <tr> <td>Director of the Museum</td> <td>: Dr. Michael Dixon</td> </tr> <tr> <td>Director of Public Engagement</td> <td>: Sharon Ament</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>: Neil Greenwood</td> </tr> <tr> <td>Director of Science</td> <td>: Professor Ian Owens (from 3 October 2011)</td> </tr> </table> <p>Sharon Ament has given notice that she will resign from the position of Director of Public Engagement on 31 August 2012.</p> <p>Professor Richard Lane retired from the position of Director of Science on 31 May 2011, and Professor Phil Rainbow was acting Director of Science for the period 1 June to 2 October 2011.</p>	Director of the Museum	: Dr. Michael Dixon	Director of Public Engagement	: Sharon Ament	Director of Finance and Corporate Services	: Neil Greenwood	Director of Science	: Professor Ian Owens (from 3 October 2011)
Director of the Museum	: Dr. Michael Dixon								
Director of Public Engagement	: Sharon Ament								
Director of Finance and Corporate Services	: Neil Greenwood								
Director of Science	: Professor Ian Owens (from 3 October 2011)								
Staff and organisation	<p>The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.</p> <p>Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.</p> <p>The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.</p> <p>During the year the Museum employed 894 (average full time equivalents) of which 605 were on permanent contracts.</p> <p>The average days sickness per year for permanent and fixed term contract staff was 5.14 days per full time equivalent (2011: 6.66).</p> <p>Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 6 to the Accounts).</p> <p>In May 2011 the Museum was re awarded the Investors in People Standard.</p> <p>A volunteer force of c400 people assisted the Museum during 2011-2012.</p>								

Openness and accountability

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

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

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

Relationship with DCMS

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

The Secretary of State for Culture, Olympics, Media and Sport acts as the principal regulator for the Museum as an exempt charity.

Group entities

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

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

Objectives and Activities

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

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

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

In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring, Hertfordshire, which houses the collections bequeathed by Lionel Walter Rothschild and is also home to the world-class research and collections of the Natural History Museum's Bird Group.

The Museum is committed to excellence and in order to contribute fully to the imperatives facing the natural world the Museum has a corporate plan which sets high ambitions to be realised over the period 2011-16. This is enshrined in the Museum's vision.

The Natural History Museum Vision:

The Museum's vision is that we will be widely acknowledged at the world's leading natural history museum, valued by our stakeholders as a major scientific research institution and a centre for innovative public engagement with science and the natural world through our collections and expertise.

Strategic Plan 2011-16:

A new five-year strategic plan was introduced during 2011-12 that responds to the changing external environment and focuses on delivery following the opening of the Darwin Centre. The key themes are:

- **Developing knowledge of the natural world**
Our strategy for supporting innovation and ideas
- **Inspiring a sustained engagement with the natural world**
Our strategy for engaging with our stakeholders
- **Managing resources; investing in infrastructure**
Our strategy for the best use of our assets for the long term future of the Museum

Achievements and activities during 2011-2012

Continuing the upward trend since the opening of the Darwin Centre in September 2009, 2011-12 marked another record year for visitor numbers. Supported by the special exhibition programme, permanent galleries and the programme of public events, total visitors to South Kensington and Tring amounted to just under 5 million which was a significant increase of 180,000 (4%) compared with 2010-11.

In December 2011 the Museum hosted the celebrations for the tenth anniversary of the reintroduction free admission to museums across the UK, which has enabled the Museum to welcome almost 40 million visitors since 2001.

The main special exhibitions at South Kensington were Sexual Nature which focussed on the diverse seduction and reproduction methods used by the animal kingdom, Age of the Dinosaur which displayed life-size animatronic specimens in their natural environments and fossil specimens from the Museum's collections, Scott's Last Expedition produced in conjunction with Canterbury Museum, New Zealand and the Antarctic Heritage Trust (NZ) marking the centenary of Scott reaching the South pole, focusing on the journey and the scientific studies, Sensational Butterflies housed on the east lawns in summer 2011, and the Veolia Environnement Wildlife Photographer of the Year from the autumn. The main exhibitions at the Natural History Museum at Tring were Animal Record-Breakers highlighting the world record holders from each of the animal groups and The Secret World of Museum Science which explored ways in which historically and scientifically significant specimens can spark brand new discoveries by museum scientists.

Within the total visitors figure were 1,243,000 children (2011: 1,169,000) and based on site surveys, there were an estimated 186,000 UK visitors aged 16 and over from lower socio-economic groups (2011: 313,000).

The number of children in organised educational programmes both on-site and outreach amounted to 497,000 (2011: 474,000) maintaining the growth from recent years and reflecting a growth in school bookings and the opportunities in the Darwin Centre. A key component of the outreach programme is Real World Science where the Museum coordinates and leads a national partnership with other UK museums to provide out of class room learning for secondary schools, and this has resulted in over 93,000 contacts since the partnership was formed in 2004.

The website continued to attract a high level of visitors with almost 8.0m unique user visits to the site (2011: 7.4m). This was underpinned by the continuing development of NaturePlus, an area on the Museum's website where virtual visitors can engage in surveys, forums and blogs with Museum's scientists and science, and explore further with the use of a NaturePlus card containing material saved during their visit to the Museum. In addition an online dinosaur scrapbook facility for children was launched during the year, and the Dictionary of UK species, a web-based reference covering flora and fauna of the British Isles was developed.

A new on line feature introduced during the year was Nature Live in the Field which allows videoconferencing between students in the classroom and Museum scientists before they embark on their fieldwork and whilst in the field.

A mobile-friendly version of the website was launched in December 2011.

In September 2011 the second EU funded event Science Uncovered took place in the Museum, attracting almost 6,000 public visitors to South Kensington and 200 to Tring for an evening of extensive contact and interaction with the Museum's scientific activities and staff, demonstrating the importance of scientific research and collections based study. As part of Science Uncovered the Museum arranged a Life Sciences Career Fair for schools and this was followed up later in the year with an Earth Sciences Careers Fair.

The Museum continued to operate Dinosnores events where almost 300 children and accompanying adults sleep over in the main hall, and also introduced a number of other evening events for adults such as Night Safaris, Crime Scene Live based on the Museums forensic science work, evening discussions, and After Hours Lates.

A Big Nature Day took place at the Museum on 22 May 2011 to celebrate the International Day for Biological Diversity and the start of the UN Decade on Biodiversity where visitors were engaged by scientists and wildlife experts from the Museum and natural history societies. The event included a bio-blitz to find and identify how many different species of plants and animals were in the Wildlife Garden at South Kensington.

In Spring 2011, the Museum again participated in the Lyme Regis Fossil Festival on the Jurassic Coast World Heritage Site. Over 12,000 visitors attended, and Museum staff across all disciplines delivered a programme of activities including on Charles Darwin, marine environments and reconstructing dinosaur environments.

Launched in January 2012 by the Museum, Stakeholder Forum and the British Council, four Earth Debates took place in the Attenborough Studio to contribute to discussions surrounding the June 2012 UN Conference on Sustainable Development (Rio+20).

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

- A continuing contribution to the Biodiversity Heritage Library which is a global partnership of natural history and botanical libraries that is working to digitise biodiversity literature. The Museum has contributed over 2 million pages to the 38 million pages now digitised.
- The Museum also remains a core partner of the development of the Encyclopaedia of Life which provides online access to information on nearly 700,000 species;
- The UK Science and Technology Facilities Council awarded c£470,000 to the Museum for research on meteorite formation and composition, which will look at heating events in the early solar system;
- Three Marie Curie awards from the EU were confirmed during the year, recognising the Museum's importance as an international centre for training professional researchers. In addition the Museum is engaged in the EU-funded Marie Curie Initial Training Network INTERCROSSING consortium which will train young researchers in exploiting the next generation of sequencing technologies for DNA analysis;
- Zoology researchers have been awarded £476,000 for the study and implementation of schistosomiasis elimination in Zanzibar. The project is in collaboration with the Ministry of Health, Zanzibar and the Swiss Tropical Public Health Institute, and is funded by the Schistosomiasis Consortium for Operational Research;
- The London Centre for Ore Deposits (LODE) an initiative between the Museum and Imperial College, linking applied mineral deposit research entered into an agreement with Anglo American and Rio Tinto to fund and develop analytical facilities at the Museum;
- Zoology and Palaeontology research groups published a paper in Molecular Phylogenetics and Evolution on the most comprehensive molecular evolutionary tree to date of bryozoans, complex marine and fresh water organisms;

- Palaeontology scientists were part of an international team which published a paper in *Nature* on the earliest fossil evidence for complex compound eyes in *Anomalocaris*, a group of Cambrian marine predators that grew up to two metres long;
- Museum Zoologists were part of an international collaboration that published a paper in *Nature Genetics* on the full genome sequence for a human parasite, *Schistosoma haematobium*, a blood fluke which causes a tropical disease affecting 200 million people worldwide;
- The first ever Global EMu (collections database) user meeting was held in October 2011 focusing on enhancing knowledge through the use of the collections database;
- Museum staff co-chaired and organised the 74th Annual Meeting of the Meteoritical Society held in Greenwich in August 2011;
- The new Centre for Arts and Humanities Research which aims to foster links between the Museum's scientific, library, art, manuscript and archive collections and arts and humanities researchers was launched in July 2011;
- A collaboration with the Royal Botanic Garden, Kew, the British Library, and the Calcutta Botanical Garden focussed in the south Asian collections of plant specimens and drawings of the c19th botanist Nathaniel Wallich and included an international conference and website launch;
- Following on from the award of £11.7m from the Big Lottery to a consortium in August 2007, spread over a 5 year period, the Museum continued to play a significant role in Open Air Laboratories Network (OPAL), an England-wide initiative designed to encourage the public to engage with some of the country's leading scientists while becoming involved in environmental projects tailored to their region. A Bugs Count app was launched in September 2011, which helped scientists track down six of Britain's most wanted bugs in Species Quest. OPAL was runner-up in the UK's Best Environment Projects at the National Lottery Awards 2011;
- Following nearly two years of dialogue between the Museum and Torres Strait Island (TSI) representatives the process of returning 138 ancestral remains collected in the 19th Century to the Islands. To deepen the relationship the Museum welcomed and supported, in conjunction with the Australian Government two TSI and aboriginal fellowships;
- A horned dinosaur new to science *Spinops sternbergorum* was discovered in the Museum's collections, identified from fossilised skull bones dating back to the late Cretaceous period;
- Using stratigraphic and archaeological data Palaeontology scientists published a paper in *Nature* featuring a fragment of human jaw bone from Kent's Cavern, Devon, representing the oldest known modern human fossil in north-western Europe;
- The Museum's fossil of *Archaeopteryx lithographica* which demonstrates the critical shift in evolution between dinosaurs and birds was officially declared the primary reference specimen (or type);
- A rare Martian meteorite, Tissint, was acquired with support of a anonymous donor, being the largest piece from a shower that fell in Morocco during 2011;
- The Annual Science Lecture The Origin of Our Species was delivered by Professor Chris Stringer the Museum's research leader in human origins;
- 807 peer reviewed papers were published;

- Approximately £4.9m scientific grant funding (including value to collaborators) was secured from 14 major awards. The value to the Museum from these awards amounted to £1.8m (2011: £3.3m);
- Approximately 13,600 scientific visitor days were recorded, including those visiting under the Synthesys project;
- Over 13,700 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- A memorandum of understanding was signed with the Royal Botanic Garden, Kew, formalising the long standing intention to develop a strategic partnership;
- Work continued on the collections storage infrastructure programme, including the completion of the refurbished large vertebrate store, and completion of a molecular collections facility which enables the preservation of genetic material as a collection for scientific study. Work began on a new store for the Museum archives and also on a quarantine facility for incoming specimens and collections;
- In July 2011 the memorial to the British victims of the 2004 Indian Ocean tsunami was unveiled by His Royal Highness The Prince of Wales in the Darwin Centre courtyard;
- The Wildlife Garden Landscaping was completed in February 2012, and included new paths and a dry stone wall, a relocated heather habitat, and access to the Darwin Centre;
- The Birds of America, the C19th illustrated book by John James Audubon was digitised and made available in various formats including the Museum's first eBook;
- A new volunteer initiative V Factor was launched in January based around the specimen preparation area in the Darwin Centre;
- An inaugural Learning Volunteer Conference was held during National Volunteers' Week in June;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001;
- The Museum was re-awarded OHSAS 18001 certification which is the internationally recognized assessment specification for occupational health and safety management systems.

Achievement against performance indicators for 2011-12, including core indicators as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2012-2013

The main special exhibitions at South Kensington are Wild Planet featuring award-winning photographs on the east lawns from the Wildlife Photographer of the Year exhibition over the years, Scott's Last Expedition which opened in 2011-12 and which will continue until September, Animal Inside Out featuring plastinated animals and capillary specimens displaying internal anatomy, the Veolia Environnement Wildlife Photographer of the Year from the autumn, and an exhibition on extinction from January 2013. A new permanent gallery, Treasures, will open in November 2012 displaying the very best of the Museum's collections.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to

increase the proportion of research that is published in recognised titles as well as competing for and increasing peer reviewed funding.

For the collections, developments plans will be completed for each of the collection departments which will underpin an overall collections development strategy. This will be complemented by developing further plans to enhance collections storage.

The Museum will continue to play an active and significant role in international partnership projects to digitise, share and make electronically available biodiversity, for example via the Biodiversity Heritage Library which focuses on published literature as part of the Encyclopaedia of Life project.

There will be continued investment in galleries including in the central hall area and the completion of collections storage, other core estate infrastructure at both South Kensington and Tring including digital infrastructure.

Restructuring will take place in both the Science and Public Engagement areas of activity so that the Museum is best place to deliver the strategic plan.

Financial Review 2011-12

The Natural History Museum

The Museum managed an overall reduction in incoming resources, primarily a reduction in grant in aid and donation income, by generating increased trading income, and by a marginal reduction in charitable expenditure, and also by maintaining a reduced but core level of capital expenditure. This is demonstrated by the net incoming resources before transfers for the General Fund which amounted to £7.7m (2011: £7.4m).

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Natural History Museum Trading Company, the Special Funds Trust, the Cockayne Trust and the Benevolent Fund, the overall level of funds increased by £0.5m from £461.8m to £462.3m. This reflects an increase on indexation of fixed assets of £5.3m and a deficit of £4.8m on net incoming resources.

The total incoming resources for the year reduced by £1.4m to £75.7m (2011: £77.1m) of which £46.5m (2011: £48.7m) was grant-in-aid, £2.5m (2011: £4.2m) was restricted and unrestricted donations (including lottery funding) and sponsorship. The total reduction on incoming resources takes account of significant increases in income from trading activities to £15.1m (2011: £12.9m) and from admissions from the special exhibition programme and membership to £2.8m (2011: £1.9m). Scientific grants and contracts income reduced by £0.6m to £6.2m (2011: £6.8m)

The total resources expended amounted to £80.5m (2011: £80.4m) with the total expenditure on charitable activities decreasing by £1.0m to £60.3m (2011: £61.3m), reflecting reduced staffing expenditure, and 2010-11 expenditure including significant costs of a redundancy and early retirement programme. The expenditure included a capital grant payment of £3.5m to the Natural History Museum Development Trust. Total depreciation amounted to £12.6m (2011: £12.4m) and support costs excluding support costs depreciation amounted to £13.6m (2011: £13.0m).

Within the total fund balance of £462.3m, unrestricted designated funds which largely represents the non-donated estate (including most of the South Kensington site) and funds which the Museum has invested in capital assets and programmes have decreased by £0.4m from £384.2m to £383.8m, reflecting the indexation of fixed assets, capital expenditure and depreciation. The balance on the General Fund has increased by £1.1m to a surplus of £4.7m (2011: £3.6m), while there is £4.3m (2011: £2.6m) of designated funds for future, mostly capital projects and £0.9m (2011: £0.9m) for future scientific research projects. The restricted fund balance has decreased from £73.3m to £73.0m reflecting capital expenditure funded by donation and donation funding received for future capital expenditure, offset by the impact of indexation and depreciation.

Capital expenditure for the year amounted to £4.9m (2011: £6.4m) which included expenditure on collection storage projects, scientific equipment, lift replacements, the commencement of the Treasures Gallery development and a significant meteorite purchase. Tangible and heritage fixed assets at 31 March 2012 amounted to £447.9m (2011: £450.3m) which predominantly represents land and buildings, and also includes £1.9m of capitalised collections purchases.

The net current assets at 31 March 2012 amounted to £14.5m (2011: £11.8m), including a cash balance of £24.0m (2011: £21.6m). This includes restricted funds amounting to £3.3m held for specific projects including redevelopment of the Museum's central hall and balconies, funds to meet other capital expenditure plans and significant amounts received for scientific grants, including for EU-funded projects, which will be dispersed during 2012-13.

The Natural History Museum Trading Company Limited

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

The net operating profit for 2011-12 amounted to £4.1m (2011: £2.5m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2011-2012 this amounted to £4.1m (2011: £2.5m).

The results of the Trading Company are included in the Museum's consolidated accounts and are summarised in Note 10.

The registered office of the Trading Company is at The Natural History Museum, Cromwell Road, London SW7 5BD.

The Natural History Museum Special Funds Trust

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

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

During the year the fund received income amounting to £40.5k (2011: £33.2k) and incurred expenditure of £63.4k (2011: £79.6k). At 31st March 2012 the value of the Fund amounted to £1.212m (2011: £1.235m) including investments valued at £1.138m (2011: £1.138m) and cash of £0.078m (2011: £0.099m).

The Cockayne Trust

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

During the year the fund received income amounting to £5.4k (2011: £5.1k) and incurred expenditure of £29.0k (2011: £9.5k). At 31st March 2012 the value of the Fund amounted to £140.8k (2011: £163.0k) including investments valued at £120.1k (2011: £118.7k) and cash of £20.6k (2011: £44.3k).

The Benevolent Fund

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

The balance of funds held at 31 March 2012 was £29.3k (2011: £29.9k).

The Funding Agreement

The Museum has a Funding Agreement with the Department for Culture, Media and Sport which sets out what the Government expects the Museum to deliver for the grant-in-aid it receives. The previous Funding Agreement expired on 31 March 2011 and a new Funding Agreement covering 2011-12 only was agreed in May 2011.

The core grant-in-aid which the Museum is to receive over the period 2011-12 to 2014-15 is as follows:

£m	2011-12	2012-13	2013-14	2014-15
Resource Grant-in-Aid	44.404	43.583	42.926	42.793
Capital Grant-in-Aid	2.076	2.177	2.278	2.379
Total	46.480	45.760	45.204	45.172

Reserves Policy

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

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in November 2011 a minimum level of General Fund of £2.5m. At the 31 March 2012 the General Fund amounted to £4.7m.

Trustees also designate funds for specific projects and activities. Designations currently include funds for capital expenditure projects, and funds for scientific research which have been derived over a number of years from income from scientific activities exceeding an annual target.

Investment powers and policy

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

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

The Museum invests cash funds identified as surplus to short term working capital requirements on short to medium term facilities in accordance with a policy approved by the Trustees which is reviewed biannually. The policy addresses liquidity, credit, interest rate and procedural risk.

Sustainability

A sustainability report including performance data, prepared in accordance with the Greening Government commitments and the Government Financial Reporting Manual can be found at <http://www.nhm.ac.uk/>.

Key performance data:

	2009-10	2010-11	2011-12
Greenhouse gas emissions (tonnes CO ₂)	15,225	15,914	14,495
Energy consumption (MWh)	22,417	22,221	22,333
Water consumption (m ³)	107,601	118,024	85,991
Waste (tonnes)	n/a	n/a	497

Specific activities undertaken during 2011-12 include:

- The Museum continued to achieve accreditation to ISO 14001 for the environmental management system;
- The Environmental Management Policy and the Energy Management Policy were reapproved by the Executive Board in June 2012;
- A second energy services contract came into operation from November 2011 (see Note 23). This enabled the installation of low energy efficient light fittings at South Kensington and combined heat and power systems at Tring and Wandsworth, and will reduce carbon emissions by 1,700 tonnes per annum;
- A carbon reduction masterplan funded as part of a H.M. Treasury invest to save project managed by the Museum, setting out how the South Kensington academic and cultural institutions could collaborate to significantly reduce carbon emissions was launched in November 2011 at the Museum with a keynote speech by the Minister of State for Climate Change;
- A museum wide sustainability programme focussing on reducing environmental impact at organisation and individual level is in preparation.

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2011-12 in excess of 95% of creditors were paid within the agreed period (2011: in excess of 95%).

External Auditors

The fees paid to the National Audit Office (NAO) for audit services for the Museum and Consolidated accounts which are included in Note 5 amounted to £49k.

The fees paid to Kingston Smith LLP for the provision of audit services for the subsidiary accounts amounted to £23k.

Disclosure of relevant audit information

At the time of approving the financial statements:

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

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

3 July 2012

Appendix 1

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

Performance indicator	11-12 Outturn	10-11 Outturn	09-10 Outturn	08-09 Outturn	07-08 Outturn
Visitors					
Total number of visitors	4,991,692	4,812,197	4,388,944	3,843,310	3,779,420
Number of child visitors #1	1,243,000	1,169,000	1,164,000	1,131,000	1,251,000
Number of over 60s visitors #1	200,000	375,000	307,000	269,000	249,000
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	186,000	313,000	430,000	334,000	290,000
% of visitors who thought the Museum was good/very good #1	97	98	97	96	97
Other Access					
Number of unique website visits	7,992,592	7,397,821	7,517,026	6,598,515	5,547,626
Number of specimens loaned	n/a	36,746	40,940	60,988	43,790
Number of UK loan venues	131	182	n/a	n/a	n/a
Number of scientific enquiries answered #2	13,743	15,825	28,667	47,041	50,075
Learning					
Number of children aged 16 and under in on and off site organised educational sessions	497,139	474,211	416,283	406,858	339,646
Research					
Number of peer reviewed research publications #3	807	974	642	603	571
Value of major research grants won (£m total value to the Museum)	1.8	3.3	4.5	7.7	n/a
Number of visitor days for visiting researchers	13,572	13,829	12,557	14,154	13,047
Income generation					
Net income from trading activities (£m)	9.37	7.49	6.87	6.13	6.38

#1 Based on sampling.

#2 The reduction in outturn from 2010-11 reflects a change in the definition and also the counting methodology.

#3 The recording and reporting methodology was changed during 2010-11 and this in part accounts for the increase from 2009-10.

Report on the Remuneration of Senior Management

The senior management of the Museum are considered to be the Executive Board, with whom responsibility and delegated authority for the management of the Museum rests. The Executive Board is under the leadership of the Director of the Museum, who is appointed by the Board of Trustees, and who, as the Accounting Officer, is responsible to Parliament. The Executive Board reflects the functional operation of the Museum.

Service contracts

Senior management appointments are made in accordance with the Civil Service Commissioners' Recruitment Code, which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

The senior management of the Museum hold appointments which are open-ended with a notice period of six months. Termination payments are in accordance with contractual terms. During the year 2011-12 there were no compensation or severance payments to senior management.

Remuneration Committee

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

The membership of the Remuneration Committee for 2011-12 comprised:

Professor Alex Halliday (Chair)
Daniel Alexander
Louise Charlton
Oliver Stocken

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

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

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

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

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

The Director is eligible for a bonus up to a maximum of 15% of gross salary. This determined by an assessment of his performance and achievement of delivery targets carried out by the Chairman of the Trustees which is reviewed and confirmed by the Remuneration Committee.

Senior management other than the Director are eligible for a bonus up to a maximum of 7.5% of their gross salary, based upon achievement of their objectives and their performance, as assessed by the Director and reviewed and confirmed by the Remuneration Committee.

Salary and pension entitlements

The following sections provide details of the remuneration and pension interests of the senior management of the Museum.

Remuneration

	2011-12			2010-11		
	Total salary paid £'000	Bonus Payments £'000	Benefits in kind nearest £100	Total salary paid £'000	Bonus Payments £'000	Benefits in kind nearest £100
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	175-180	20-25	1,800	175-180	20-25	1,800
Sharon Ament <i>Director of Public Engagement</i>	115-120	5-10	–	115-120	5-10	–
Neil Greenwood <i>Director of Finance and Corporate Services</i>	115-120	5-10	–	110-115	5-10	–
Professor Richard Lane <i>Director of Science (Retired 31 May 2011)</i>	30-35 (FTE salary 110-115)	5-10	–	115-120	5-10	–
Professor Philip Rainbow <i>Acting Director of Science (From 1 June 2011-2 October 2011)</i>	10-15 (FTE salary 105-110)	–	–	–	–	–
Professor Ian Owens <i>Director of Science (From 3 October 2011)</i>	50-55 (FTE salary 110-115)	–	–	–	–	–

The above information has been subject to audit.

Salary

'Salary' includes gross salary; performance pay or bonuses paid in the year but relating to prior year performance; overtime; and any allowance to the extent that it is subject to UK taxation.

This presentation is based on payments made by the Museum and thus recorded in these accounts.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. Dr Michael Dixon has use of the Lodge on the Museum's South Kensington site for accommodation. The cost of utility services provided to the Lodge are met by Dr Michael Dixon.

Pay multiples

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

The banded remuneration of the highest-paid director in the financial year 2011-12 was £175,000-£180,000. This was 6.2 times the median remuneration of the workforce, which was £28,723.

In 2011-12, nil employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,066 - £120,000.

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

Pension benefits

	Accrued pension age as at 31/3/12 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/12 £'000	CETV at 31/3/11 £'000	Real increase in CETV £'000
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	17.0	2.1	299.3	242.1	32.6
Sharon Ament <i>Director of Public Engagement</i>	22.9 plus lump sum of 11.1	1.0 plus lump sum of 0	341.2	301.1	6.1
Neil Greenwood <i>Director of Finance and Corporate Services</i>	27.3 plus lump sum of 82.1	0.2 plus lump sum of 0.8	459.9	420.5	0.9
Professor Richard Lane <i>Director of Science (retired 31 May 2011)</i>	15.6	0.1	309.0	294.7	1.2
Professor Philip Rainbow <i>Acting Director of Science (1 June 2011- 2 October 2011)</i>	42.0	6.7 plus lump sum of 12.8	929.0	771.3	142.1
Professor Ian Owens <i>Director of Science (from 3 October 2011)</i>	1.2	1.2	12.1	0.0	10.2

The actuarial factors used to calculate CETVs were changed in 2011-12. For consistency the CETVs at 31/3/11 and 31/3/12 have both been calculated using the new factors. The CETV at 31/3/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

The above information has been subject to audit.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Museum employees may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Consumer Prices Index (CPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension 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**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with CPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary

(in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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

Other information

None of the Directors held any other positions or have any business interests which represented a conflict of interest in connection with their position at the Museum.

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

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2011-12			2010-11		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	7	1	8	6	1	7
£10,000-£25,000	2	0	2	9	1	10
£25,000-£50,000	0	1	1	5	0	5
£50,000-£100,000	0	0	0	7	0	7
£100,000-£150,000	0	0	0	3	0	3
£150,000-£200,000	0	0	0	5	0	5
>£200,000	0	0	0	4	0	4
Total number of exit packages	9	2	11	39	2	41
Total resource cost (£)	67,372	33,710	101,082	3,043,651	14,692	3,058,343

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

3 July 2012

Statement of Trustees' and Director's Responsibilities

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

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

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in Managing Public Money, issued by the Treasury.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

3 July 2012

*A copy of which is available from the Director of Finance and Corporate Services, The Natural History Museum, Cromwell Road, London SW7 5BD.

Governance Statement

The Governance Framework

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

The Board meets generally four times a year, though it met five times during 2011-12 including a special meeting on 30 March 2012 to agree a capital grant payment to the Natural History Museum Development Trust. In addition strategy days are arranged with at least one taking place annually. The Board receives reports on a regular basis covering key performance indicators, financial performance, Science and Public Engagement activities, Audit and Risk committee, health and safety, and an annual report on security. In addition the Board approves the annual budget and future financial plan and the strategic plan, receives an annual external visiting group report on a major area of activity, usually Science based, and receives and approves major strategies and projects where appropriate.

During the year the following served as Trustees:

	Attendance at Board Meetings 2011-12 (max 5)
Oliver Stocken (Chairman)	4/5
Daniel Alexander QC	4/5
Professor Sir Roy Anderson FRS FMedSci	5/5
Louise Charlton	4/5
Professor David Drewry	4/5
Professor Christopher Gilligan (<i>appointed 18 May 2011</i>)	3/4
Professor Alex Halliday FRS	3/5
Ian Henderson CBE FRICS	5/5
Professor Sir John Holman (<i>appointed 1 July 2011</i>)	3/3
Dr Derek Langslow CBE	4/5
Professor Jacquie McGlade (<i>retired 30 June 2011</i>)	0/1
Professor Georgina Mace CBE FRS	3/5
Sir David Omand GCB	5/5

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

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

There are three sub-committees of the Board of Trustees as follows:

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management and internal control issues from the Risk and Assurance unit, and matters arising from external audits, and to review progress on the implementation of recommendations. The Chairman of the Audit and Risk Committee reports any matters arising directly to the Board.
- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Remuneration Report).
- **The Nominations Committee** meets as required to consider Trustee appointments and met twice during 2011-12.

The Board carries out an externally facilitated review of its effectiveness every three years with an internal self assessment carried out in intervening years. An internal self assessment was carried out in June 2012 using a questionnaire completed by Trustees to which the Board Chair added an overall, agreed assessment of each

individual Trustee. The questionnaire responses are to be used by the Chair of the Audit and Risk Committee to provide feedback to the Board Chair on his performance. The summary findings of the review were that the Board considers itself to be meeting its statutory and other designated responsibilities and acknowledges that the frequency and duration of its meetings are appropriate. Further, the review has confirmed satisfaction with the quality, relevance and length of Board papers and the timing and method of their distribution. The review has identified a number of topics to be picked up in Board meetings during 2012-13.

Scope of responsibility

As the Board of Trustees and the Accounting Officer, we have responsibility for ensuring that the Natural History Museum has a sound system of internal control that:

- supports the achievement of the aims and objectives of the Natural History Museum; and
- safeguards the assets and public funds for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Managing Public Money and specifically in the Management Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport.

In practice the Trustees will normally delegate responsibility to the Accounting Officer for the day to day management of all operational activities, which support the system of internal control.

The purpose of the system of internal control

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

The system of internal control is based on a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2012 and up to the date of signature of the accounts.

The risk management, risk profile, capacity to handle risk and the risk environment

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

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

Additionally, the Executive Board has responsibility for overall strategy development and implementation, and for overall Museum management.

A risk profile, highlighting the key risks is prepared annually by the Executive Board, taking account of departmental and project based risk registers as well as museum wide risks and the external environment, and is presented to and endorsed by the Board of Trustees.

At the detailed level, responsibility for each key risk is allocated to managers as risk owners, and the risk owners are required to report quarterly to the Executive Board on the progress of action taken to manage these risks. The Director reports progress in managing the risks to the Audit and Risk Committee, and significant changes and developments in the risk profile including new risks are reported to both the Audit and Risk Committee and the Board of Trustees.

The current major risks being managed include the possibility that:

- Key members of staff move on as a consequence of the long-term pay freeze;
- External funding of science is harder to win and reduces our scientific research activity;
- The Museum's commercial businesses are negatively affected by the economic climate;

- Change management and succession planning for senior management changes impacts upon management effectiveness;
- The absence of a dynamic estate masterplan impedes the ability to undertake necessary short term actions;
- Insufficient staff resources are available to progress collections storage projects and develop a programme of gallery improvements;
- Effective and robust plans are not in place to deliver capital projects over the next three years;
- Suitably skilled web, IT and scientific staff cannot be recruited or retained as a consequence of uncompetitive pay rates;
- A failure to develop the Museum's digital capacity and presence in the virtual world results in loss of scientific competitiveness, public reputation or commercial opportunity;
- Failure of major estates infrastructure requires urgent capital expenditure to the detriment of planned priority projects.

In addition the Museum manages long term inherent risks in relation to security, fire, and health and safety, and long term financial planning.

Comprehensive guidance has been produced and widely disseminated on risk awareness and risk management, and a robust risk assessment methodology has been implemented. The Directors and managers are responsible for assessing risk appetite, using a framework of key documents including Financial Regulations, Collections Management guidelines, Procurement Manual, the Staff Handbook and Health and Safety guidelines.

Significant internal control improvements during the year

A number of specific actions have occurred during the year which have strengthened the internal control framework:

- continuing development of the business continuity plan;
- continuing investment in museum wide security infrastructure and further embedding of physical security systems and processes;
- OHSAS 18001 certification was re-achieved for the occupational health and safety management;
- ISO 14001 was re-secured for the environmental management ;
- refresher training for museum managers and key staff on key museum policies, including fraud awareness and prevention, has taken place;
- further implementation of the security protocol framework in line with Cabinet Office requirements.

Significant internal control matters arising the during year

There were no significant control matters which occurred during the year.

Risks to data and information

Risks to data and information held by the Museum are owned and managed by individuals, responsible as information asset owners, and there is a Senior Information Risk Owner (SIRO) responsible for the information risk policy and risk assessment, and for ensuring that the Museum complies with the Cabinet Office protocols it has assessed as being appropriate for the management of information risk.

During the year the Museum's Risk and Assurance Unit carried out reviews on the adequacy and effectiveness of the internal controls in place for the effective management of information risk. The reviews noted that a sound framework of policies and procedures has been established and promulgated, that significant progress has been made in the implementation of the Cabinet Office requirements on information risk management, and that further actions were planned to ensure full compliance.

There were no sensitive personal data incidents during the year, which required reporting to the Information Commissioner.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2011-12 has been informed by the work of the Museum's Risk and Assurance Unit including the review of the controls in place for effective management of information risk and:

- (a) the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- (b) the Annual Security Report to Trustees, including information risk management and assurance;
- (c) comments made by the external auditors in their management letter.

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

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

The effectiveness of the Museum's Risk and Assurance Unit was reviewed during the year by the Audit and Risk Committee. It was concluded that the work of the Unit provided comprehensive annual assurance to the Audit and Risk Committee and that the work of the Unit was of a high standard.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

3 July 2012

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Natural History Museum for the year ended 31 March 2012 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, the Director and auditor

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Natural History Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Natural History Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Natural History Museum's affairs as at 31 March 2012 and of its incoming resources and resources expended for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements

Amyas C E Morse
Comptroller and Auditor General

6 July 2012
*National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP*

Consolidated Statement of Financial Activities for the year ended 31 March 2012

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2012 £000	Total Funds 2011 £000
		Designated £000	General £000				
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	2		46,480			46,480	48,679
National lottery				463		463	538
Donations			663	1,162		1,825	3,374
Donations in kind				32		32	89
Activities for generating funds:							
Trading activities	3		15,149	1		15,150	12,897
Sponsorship	3		230			230	205
Shared services		1,689		184		1,873	1,694
Other income	4	9	384	142		535	784
Investment income	4	46	53	8		107	83
Incoming resources from charitable activities							
Admissions and memberships			2,785			2,785	1,936
Scientific grants and contracts			857	5,338		6,195	6,836
Total incoming resources		1,744	66,601	7,330	0	75,675	77,115
Resources expended							
Costs of generating funds							
Costs of generating voluntary income							
	6	2,087	6,680	351		9,118	8,945
Fundraising trading: cost of goods sold and other costs							
	6	1,687	8,750	158		10,595	9,692
Charitable activities							
Exhibitions	6	1,115	7,074	903		9,092	10,347
Learning	6	672	2,428	154		3,254	3,601
Libraries	6	713	4,459	103		5,275	5,328
Scientific curation and research	6	4,974	16,839	6,857		28,670	30,720
Visitor services	6	1,425	8,907	228		10,560	11,304
Capital grant	6		3,500			3,500	0
Governance costs	6	108	291	16		415	392
Other resources expended							
Loss on disposal of fixed assets	6		11			11	36
Total resources expended		12,781	58,939	8,770	0	80,490	80,365
Net (outgoing)/incoming resources before transfers	5	(11,037)	7,662	(1,440)	0	(4,815)	(3,250)

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2012 £000	Total Funds 2011 £000
		Designated £000	General £000	£000	£000		
Transfers							
Gross transfers between funds	17	6,585	(6,596)	11		0	13
Net (outgoing)/incoming resources before other recognised gains and losses		(4,452)	1,066	(1,429)	0	(4,815)	(3,237)
Other recognised gains/losses							
Gains/ (Losses) on indexation and revaluation of fixed assets for charity's own use	7	4,082		1,190		5,272	(8,316)
Gains on investment assets	9				2	2	45
Net movement in funds		(370)	1,066	(239)	2	459	(11,508)
Reconciliation of funds							
Total funds brought forward		384,199	3,633	73,252	760	461,844	473,352
Total funds carried forward	17	383,829	4,699	73,013	762	462,303	461,844

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

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

The notes on pages 32 to 52 form part of these accounts.

Consolidated and Museum Balance Sheets as at 31 March 2012

		Group	Group	Museum	Museum
		2012	2011	2012	2011
Fixed Assets	Note	£000	£000	£000	£000
Tangible assets	7	446,055	448,776	445,616	448,299
Heritage assets	8	1,852	1,522	1,852	1,522
Investments	9	1,278	1,276	300	300
<i>Total fixed assets</i>		449,185	451,574	447,768	450,121
Current Assets					
Stock	11	833	885	180	261
Debtors	12	5,739	6,120	3,982	4,608
Cash at bank and in hand	13,14	23,960	21,576	23,677	21,231
<i>Total current assets</i>		30,532	28,581	27,839	26,100
Liabilities					
Creditors: amounts falling due within one year	15	(16,048)	(16,757)	(13,096)	(14,251)
<i>Net current assets</i>		14,484	11,824	14,743	11,849
<i>Total assets less current liabilities</i>		463,669	463,398	462,511	461,970
Provision for liabilities and charges	20	(1,366)	(1,554)	(1,366)	(1,554)
<i>Net assets</i>		462,303	461,844	461,145	460,416
The funds of the charity					
Permanent Endowment funds	17	762	760	0	0
Restricted income funds	17	73,013	73,252	73,012	73,253
Unrestricted income funds					
Designated funds	17	383,829	384,199	382,771	383,055
General funds	17	4,699	3,633	5,362	4,108
<i>Total unrestricted funds</i>		388,528	387,832	388,133	387,163
<i>Total charity funds</i>	17	462,303	461,844	461,145	460,416

The notes on pages 32 to 52 form part of these accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

3 July 2012

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Note	2012 £000	2011 £000
Net cash inflow from operating activities	19	7,178	11,286
Returns on investments and servicing of finance within net cash flow	19	107	83
Capital expenditure and financial investment	19	(4,901)	(6,475)
Increase in cash	19	<u>2,384</u>	<u>4,894</u>

The notes on pages 32 to 52 form part of these accounts.

Notes to the Financial Statements

1 Accounting Policies

Basis of accounting

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

Consolidated accounts have been prepared for the Museum which include the Grant-in-Aid account, trust funds administered by the Museum, and its subsidiary company, The Natural History Museum Trading Company. They do not include accounts for the American Friends of the Natural History Museum which is a fund raising organisation based in the USA, nor do they include The Natural History Museum Development Trust which is based in the UK.

Incoming resources

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

Grant-in-Aid from the Department for Culture, Media and Sport is shown in its entirety in the Statement of Financial Activities. Grant-in-aid for specific projects or activities is credited to Restricted Funds and all other Grant-in-aid income is credited to General Funds. However, within the Statement of Funds (Note 17), Grant-In-Aid income allocated to capital expenditure other than specific projects is transferred from General Funds to Unrestricted Designated Funds and Grant-In-Aid income allocated to acquisitions for the collection is transferred from General Funds to Restricted Funds.

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

Donations in kind, including donated collections are recognised when received and valued at their value to the Museum. Donations of unquoted shares are recognised only when a value can be attributed with reasonable certainty, either on sale or on floatation on a recognised stock market. The contribution of volunteers is excluded from the Statement of Financial Activities as the value of their contribution cannot be reasonably quantified in financial terms.

Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure has been classified according to the main activities of the Museum and aggregates all costs related to each activity. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of resources. Support costs are allocated according to the number of permanent staff directly employed in each activity as an appropriate measure of the use of these resources by activity.

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

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

Fund accounting

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

Unrestricted funds general

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

Unrestricted funds designated

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

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

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

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

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

Future Projects – monies set aside to fund agreed projects during the next financial year, not funded out of income expected to be generated in that year.

Restricted funds

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

Scientific Grants – grant awards for specific scientific projects.

Sponsored Assets – buildings and collections which have been funded at least in part by sponsorship or donations.

Equipment Reserve – a fund established for replacement of the telephone exchange and the boiler – see Note 1 (shared services) and Note 17.

Permanent endowment funds

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

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

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

Tangible fixed assets are reviewed annually for evidence of impairments of value and, where there is evidence that recoverable value has fallen below carrying value, a calculation of the recoverable value is made. Any excess of the carrying value over the recoverable value is written off, either within depreciation in the Statement of Financial Affairs, or to the revaluation reserve to the extent that it relates to a previously revalued asset.

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

Land and Buildings – by external professional valuation at least every five years and using appropriate indices in the intervening periods.

Equipment/Furniture and Fittings – indexation by appropriate indices.

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

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

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

Heritage assets

The Museum's collections which are assets of historical and scientific importance held to advance the Museum's scientific and educational objectives and, through public access, contribute to the nation's culture and education, are recognised as heritage assets in accordance with FRS 30 (Heritage Assets) which requires such assets to be reported in the balance sheet where information is available on cost or value. Prior to the financial year 2001/02 these assets were not capitalised, reliable cost information is not available and conventional valuation approaches lack sufficient reliability, with the cost of providing such information unaffordable and unmanageable, and deemed to outweigh the benefits to the users. Accordingly these assets are not capitalised in the balance sheet. However since 1 April 2001 collections acquisitions in excess of the capitalisation threshold of £5,000 have been capitalised at acquisition value, and treated as non depreciable heritage assets in the balance sheet. A description of the collections, their management and developments in the year are given in Note 8.

Investments

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

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

Financial instruments

The Museum does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, investments, receivables and payables (Notes 12,13 and 15). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Museum will be unable to collect an amount due in accordance with agreed terms.

Stocks

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

Leases

The Museum has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease. Forward liabilities are disclosed in Note 16.

Foreign currencies

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

Taxation

The charitable activities of the Museum are exempt from corporation tax. Profits from trading activities within the trading subsidiary are subject to corporation tax to the extent that they are not paid to the Museum by

gift aid. The Museum and its subsidiaries are registered for value added tax and have agreed a scheme for recovery of certain proportions of VAT on expenditure.

Subscriptions

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

Pension costs

The operating costs of providing retirement benefits are recognised in the accounting periods in which the benefits are earned by the employees, and the related costs and changes in value of the assets and liabilities are recognised in the accounting period in which they arise.

Staff of the Museum are employed under the same conditions of service as civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is unfunded, and within which the Natural History Museum is unable to identify its share of the underlying assets/liabilities. Although the scheme is a defined benefit scheme, liability for the payment of future benefits is a charge to the PCSPS. The Museum, and other bodies covered by the PCSPS, meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

The Museum is required to meet the cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. The Museum provides in full for this cost when the early retirement has been announced and is binding on the Museum.

Provision for shared services

During 2011-12 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

Contributions to and releases from the Equipment Reserve are shown in the Statement of Financial Activities, Restricted Funds and Note 17.

2 Grant-in-aid

	2012	2011
	£000	£000
Department for Culture, Media and Sport		
Resource grant-in-aid	44,404	45,839
Capital grant-in-aid	2,076	2,747
Invest to Save fund	0	93
	46,480	48,679
General Funds	46,480	48,586
Restricted Funds	0	93
	46,480	48,679

Grant-in-Aid income credited to General Funds is available for running costs, capital improvements and collection purchases. Grant-in-Aid income credited to Restricted Funds is available only for specific projects defined in the grant conditions by the Department for Culture Media and Sport.

The Museum acts as lead partner for activities under the Invest to Save fund. Of the total grant in aid received £nil has been recognised in 2011-12 in relation to Invest to Save consortium costs (2011: £92,875).

3 Trading activities income

	2012	2011
	£000	£000
Brand Management	154	180
Retail	6,876	6,488
Catering and Functions	3,470	2,630
Exhibitions consultancy	441	628
Touring Exhibitions	1,369	945
Robotic model sales	1,022	188
Other	1,818	1,838
	15,150	12,897

This reconciles to the Trading Company income in Note 10 as follows:

Trading subsidiary turnover	14,764	12,468
Less: Science consultancy (included in Scientific grants and contracts)	(857)	(804)
Commercial sponsorship	(230)	(205)
Add: Other trading activities income (Museum income)	1,473	1,438
	15,150	12,897

4 Investment income and other income

	2012	2011
	£000	£000
Income from UK equities	27	21
Income from other investments	19	17
Bank interest	61	45
Total	107	83
Other Income		
Rentals	125	133
Other	410	651
Other Income	535	784

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

5 Net (outgoing) resources before transfers

	2012	2011
	£000	£000
is stated after crediting:		
Scientific grants from the European Union	1,645	2,992
and after charging:		
Expenditure in respect of scientific grants from the European Union	1,645	2,992
Auditors' remuneration – Museum auditors		
Museum audit	49	49
other services	0	0
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	21	20
Special Funds audit	2	3
other services	2	7
Hire of plant and machinery	452	425
Travel, subsistence and hospitality	1,414	1,379
Depreciation	12,553	14,449

Incoming resources of the Museum were £60,863,000 (2011: £64,520,000).

6 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2012 £000	Total 2011 £000
Costs of generating voluntary income	4,501		4,617	9,118	8,945
Fundraising trading: cost of goods sold and other costs	10,595			10,595	9,692
Exhibitions	6,624		2,468	9,092	10,347
Learning	1,767		1,487	3,254	3,601
Libraries	3,852		1,423	5,275	5,328
Scientific curation and research	19,268		9,402	28,670	30,720
Visitor services	7,409		3,151	10,560	11,304
Capital grant payment		3,500		3,500	0
Governance	187		228	415	392
Loss on disposal of fixed assets	11			11	36
	54,214	3,500	22,776	80,490	80,365

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

Total resources expended by the Museum only were £66,059,000 (2011: £70,219,000).

A grant of £3,500,000 (2011: £nil) was awarded to the Natural History Museum Development Trust, restricted for furtherance of the Natural History Museum's charitable objectives.

Support costs by activity

2011-12	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	166	310	15	100	96	631	211	1,529
Human resources	155	289	14	93	89	589	198	1,427
Estates	879	1,646	81	530	507	3,351	1,123	8,117
Finance	136	254	13	82	78	517	173	1,253
Information technology	138	258	13	83	80	526	176	1,274
Depreciation	994	1,860	92	599	573	3,788	1,270	9,176
	2,468	4,617	228	1,487	1,423	9,402	3,151	22,776

2010-11	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	183	354	16	125	104	727	323	1,832
Human resources	146	283	13	100	83	581	258	1,464
Estates	708	1,370	64	482	404	2,816	1,249	7,093
Finance	114	221	10	78	65	455	202	1,145
Information technology	148	284	13	100	84	585	259	1,473
Depreciation	906	1,752	81	617	517	3,603	1,598	9,074
	2,205	4,264	197	1,502	1,257	8,767	3,889	22,081

All support costs are allocated according to the number of permanent staff directly employed in each activity as an appropriate measure of the use of these resources by activity.

Staff costs	2012 Permanent contracts £000	2012 Other contracts £000	2012 Total £000	2011 Total £000
Salaries and Wages	20,677	4,213	24,890	29,919
Superannuation	3,951	478	4,429	4,814
National Insurance	1,702	337	2,039	2,141
Cost of agency staff		2,664	2,664	3,802
	26,330	7,692	34,022	40,676

Included in the above staff costs are redundancy costs of £78,000 (2011: £540,000).

There were early retirement costs of £75,000 written back in 2011-12 against the 2010-11 provision of £2,530,000 (2011: £2,530,000).

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Museum is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2011-12, the rates were in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees joining after 1 October 2002 may opt to open a partnership pension account, a stakeholder pension with an employer contribution.

The Chairman and Board of Trustees received no remuneration for their services during the year (2011: £nil). Travel and subsistence expenses of £3,435 (2011: £1,918) were reimbursed to five Trustees.

The Remuneration of the senior management of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 16 to 20.

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

	2012	2011
£170,001 – £180,000	1	1
£160,001 – £170,000	0	0
£150,001 – £160,000	0	0
£140,001 – £150,000	0	0
£130,001 – £140,000	0	0
£120,001 – £130,000	0	0
£110,001 – £120,000	2	3
£100,001 – £110,000	0	0
£90,001 – £100,000	2	1
£80,001 – £90,000	1	2
£70,001 – £80,000	9	10
£60,001 – £70,000	13	11

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £474,755 (2011: £485,899).

No employees received any benefit in kind except as disclosed in the Report on the Remuneration of Senior Management.

The average number of employees during the year was 894 (2011: 1002) organised into the following categories:

	2012 Permanent contracts	2012 other contracts	2012 Total	2011 Total
Costs of generating voluntary income	111	54	165	169
Exhibitions	59	9	68	74
Learning	36	7	43	44
Libraries	34	9	43	45
Scientific curation and research	225	103	328	341
Visitor services	76	87	163	246
Governance	6	0	6	6
Support	58	20	78	77
	605	289	894	1,002

Visitor services employees have decreased due to a transfer of security staff to a managed contract.

7 Tangible fixed assets

Group	Land & Buildings	Plant & Machinery	Assets under constr- uction	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Value								
Balance								
1 April 2011	358,621	77,341	855	35,028	10,784	19,586	4	502,219
Additions	407	184	1,410	240	974	1,356		4,571
Disposals						(1,127)		(1,127)
Revaluation	4,227	1,538						5,765
Transfers in/(out)	521		(725)			204		0
Balance								
31 March 2012	363,776	79,063	1,540	35,268	11,758	20,019	4	511,428
Depreciation								
Balance								
1 April 2011	7,302	8,211		20,020	5,988	11,919	3	53,443
Additions	3,896	4,194		1,818	1,038	1,721		12,667
Disposals						(1,116)		(1,116)
Revaluation	175	204						379
Balance								
31 March 2012	11,373	12,609	0	21,838	7,026	12,524	4	65,373
Net Book Value								
31.3.11	351,319	69,130	855	15,008	4,796	7,667	3	448,776
Net Book Value								
31.3.12	352,403	66,454	1,540	13,430	4,732	7,495	1	446,055

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets are revalued at least quinquennially on a depreciated replacement cost basis and indexed using indices from professional sources in the intervening years. The most recent valuation was performed by Gerald Eve, Chartered Surveyors, as at 31 March 2009, in accordance with the RICS Appraisal and Valuation Manual (the red book).

The professional valuations at 31 March 2009 were as follows:

Property	Value 31 March 2009 £000	Basis of Valuation
The Natural History Museum, South Kensington	395,250	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	12,050	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,790	Existing use basis
Premises at Kimber Road, Wandsworth, London	8,300	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

At 31 March 2009 the valuers were of the opinion that the valuation of the premises at Kimber Road, Wandsworth, at market value for general storage and distribution would be significantly lower than the valuation at existing use value, reflecting specialist adaptations for the storage of Museum collections at the property. The specialist adaptations are not likely to have any value for a prospective purchaser. The valuers have stated their opinion that the market value of the main museum site at South Kensington would be significantly lower than the depreciated replacement cost value reported because of the restrictive covenants contained in the Museum's title. For all other properties, the valuers considered that the difference between market value and the stated value would not be significant.

No indexation has been applied to Fixture and fittings, equipment assets and permanent exhibitions as management consider that there is no material difference between current cost and actual cost. The life of these assets is reviewed annually to reflect their true value.

	2012 £000	2011 £000
The current cost depreciation shown above is charged in the Statement of Financial Activities (page 28) as follows:		
Historic cost depreciation included in Total resources expended	12,553	12,449
Depreciation arising on indexation of assets included in Gains/(losses) on indexation and revaluation of fixed assets for charity's own use	114	214
	12,667	12,663
	2012 £000	2011 £000
Gains/(Losses) on indexation and revaluation of fixed assets shown above is recognised in the Statement of Financial Activities as follows:		
Revaluation value	5,765	(7,978)
Prior year depreciation adjustment arising from revaluation	(379)	(124)
Current year depreciation adjustment arising from revaluation	(114)	(214)
	5,272	(8,316)

Museum	Land & Buildings	Plant & Machinery	Assets under construction	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Value								
Balance								
1 April 2011	358,621	77,341	855	35,027	10,498	18,994	4	501,340
Additions	407	184	1,410	240	899	1,356	0	4,496
Disposals						(1,092)		(1,092)
Revaluation	4,227	1,538						5,765
Transfers in/(out)	521		(725)			204		0
Balance								
31 March 2012	363,776	79,063	1,540	35,267	11,397	19,462	4	510,509
Depreciation								
Balance								
1 April 2011	7,302	8,211		20,020	5,871	11,634	3	53,041
Charge for year	3,896	4,194		1,818	999	1,647		12,554
Disposals						(1,081)		(1,081)
Revaluation	175	204						379
Balance								
31 March 2012	11,373	12,609	0	21,838	6,870	12,200	3	64,893
Net Book Value								
31.3.11	351,319	69,130	855	15,007	4,627	7,360	1	448,299
Net Book Value								
31.3.12	352,403	66,454	1,540	13,429	4,527	7,262	1	445,616

8 Collections assets

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Collections Assets:				
Net book value at 31.3.11	1,522	1,522	1,522	1,522
Additions in year	330	0	330	0
Disposals in year	0	0	0	0
Net book value at 31.3.12	1,852	1,522	1,852	1,522

Valuation

As stated in Note 1 the Museum has only capitalised expenditure since 1 April 2001 for acquisitions in excess of the capitalisation threshold of £5,000. They have been capitalised at acquisition value, and treated as non depreciable heritage assets in the balance sheet.

The total number of collection items which have been capitalised amount to less than 1% of the Museum's total collection.

Scope of the collections

The life and earth science collections of the Museum are comprised of over 76 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. These scientific collections are complemented by the collections of the Museum's Library. Brief summary details of the collections of each of the Museum's five science departments and the Library are given below.

Botany

The botanical collection comprises an estimated 6 million specimens including seed plants, pollens and spores, ferns and lycophytes, bryophytes, diatoms, algae, lichens and slime moulds, and is one of the most comprehensive collections in the world.

Collections are worldwide in origin with around 10% from the British Isles.

The collections span a period from the 16th century to the present and include a number of historically important collections such as those of Sir Hans Sloane, Sir Joseph Banks and Charles Darwin.

Most collections are arranged systematically, some alphabetically and important historical collections such as the Sloane Herbarium are kept as separate entities.

Entomology

The entomological collections comprise an estimated 32 million prepared specimens including insects and other terrestrial and freshwater arthropods including spiders, mites and myriapods. * They include named representatives of about half of the more than one million described species.

The collections are worldwide in origin and contain approximately 10% from the British Isles.

The oldest specimens were collected in around 1680, but the major part of the material is of 20th century origin.

The collections are arranged systematically with the exception of two important historical collections of Sir Hans Sloane and Sir Joseph Banks, which are kept as separate entities.

*A prepared specimen is usually an individual, often adult, mounted on a pin, but it can be a microscope slide preparation (of a part, or a whole, or several individuals), or one or a sample of a species in a vial of alcohol, or the work of an insect (such as a leaf mine, a nest or a wood boring).

Mineralogy

The mineralogical collection comprised approximately half a million specimens and consists of four main elements: minerals, including gems, (about 180,000 specimens), rocks, including building stones and ocean bottom deposits, (about 180,000 specimens), meteorites (about 3,000 specimens) and ores (about 30,000 specimens). The collection contains examples of about two thirds of all known mineral species, is worldwide in coverage and has a particular strength in British and European classical material and in specimens from Commonwealth countries.

The collections span a period from 1753 to present day. The mineral and economic collections have been greatly enhanced by the incorporation of the substantial collections of the British Geological Survey in 1985

The minerals collection is arranged systematically with the exception of the Russell Collection of British Minerals and the Ashcroft Swiss collection which have specific terms of bequest to be kept as separate entities.

Palaeontology

The palaeontological collections comprise approximately 9 million specimens including microfossils, macro-invertebrates, vertebrates and plants.

The geographical range is worldwide, with British material predominant and well represented, and extensive foreign material, especially from ex-colonial areas, and regions of economic importance.

The collections are arranged systematically.

Zoology

The zoological collections comprise some 29 million specimens, housed at South Kensington, Tring and Wandsworth. They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides.

The range of the collections is worldwide.

The bulk of the collections were assembled in the late 19th and early 20th centuries, but they also include some 16th century and much modern material.

The collection is arranged where possible in systematic order.

Library and Information services

The Museum's Library houses over 1 million items, the World's largest collection of natural history literature and art, ranging from 1469 to the present day. The collection has a comprehensive coverage of most aspects of natural history and is international in content. Where possible it is arranged in systematic order.

In addition more than 4 million documents are preserved in the Archives, providing a unique resource of the institution's "corporate memory" containing a record of its activities and interaction with the world of natural history since the late 18th Century to the present day. The archives include manuscripts, typescripts, correspondence, photographs, artwork and printed ephemera. The Museum is recognised by the National Archives as a place of deposit for the records it creates.

Preservation of materials and preservation standards

In broad terms, the science collections use three main ways of preservation: dry (usually pressed, pinned, boxed, slides, articulated skeletons, disarticulated skeletons, study skins or mounted), in fluid (primarily in alcohol, as Industrial Methylated Spirit), or at extreme low temperatures (for example, in freezers at -80 deg C).

The preservation of items in the collections is influenced by practical considerations and contemporary developments. The Museum is always open to new possibilities of exploiting information in specimens and the need to develop and exploit new methods of preservation. For example, cryopreservation, at extremely low temperatures, is increasingly being used for tissue samples and whole specimens, in order to preserve DNA and other bio-molecules.

The Museum does not maintain any cultures of live organisms as part of its permanent collections. The Museum, however, does maintain such cultures as part of ongoing, long-term research programmes.

The Museum aims to preserve its paper-based collections in the best environmental conditions it can achieve, aspiring to BS5454 provisions for its archives and manuscript collections wherever possible.

The Museum meets the government-endorsed standard expected of museums in the UK, as it is a Registered Museum under the Museums, Libraries and Archives Council (MLA) Registration/Accreditation Scheme which following the disbandment of the MLA in 2011 this scheme is now managed by the Arts Council.

Collections management policy

The Museum has a comprehensive series of policies covering all aspects of the collections and their management. They set the tone and framework for ensuring that the institution acts legally and ethically whilst aspiring to the highest professional standards.

"These are publicly available on the Museum website (<http://www.nhm.ac.uk/research-curation/collections/collectionsmanagement/collections-policy-procedures/index.html>) and upon written request for those unable to access online. The policies were reviewed in 2011-12.

Of particular importance for this report are the Acquisition Policy, Audit Policy and Inventory Control, Deaccession, Disposal and Dispersal Policy, Valuation Control Policy and Loan Policies.

Disposal is only permitted within the limits of British Museum Act (1963), Museums & Galleries Act (1992), Human Tissue Act (2004), Holocaust (Return of Cultural Objects) Act 2009 and the NHM Deaccession, Disposal and Dispersal Policy and any money raised must be used to purchase items to be added to the collection.

Access to the Collections

Increasing access to the collections whether physically or virtually is one of the highest priorities for the Museum. The Museum is actively working towards greater access to its collections by providing opportunities to use, enjoy and learn from collections.

The opening of the second phase of the Darwin Centre in September 2009 enabled increased public engagement with both the Museums science and collections.

Over 27,000 specimens are on public display and the Museum welcomed over 4.8 million visitors to its public galleries during 2011-12.

On average more than 7,000 scientific researchers spend 15-20,000 research days per year in the Museum's facilities.

Many collections are now available via searchable on-line databases accessed via the NHM website <http://www.nhm.ac.uk/research-curation/collections/search/index.jsp?mode=collections>.

Significant developments during 2011-12

During the year approximately £45,000 was spent on collections purchases, below the capitalisation threshold, including collections of insects from Central America, Laos and Madagascar; a late Cretaceous Octopus from Lebanon and a small primitive Mosasaur from Morocco. Additionally £330,000 was spent on the Tissint Meteorite acquisition which has been added to the assets register.

Progress was made with Collections Storage Infrastructure Programme (CSIP), including completion of the refurbishment of the large vertebrate store and the new molecular collections stores. The quarantine facilities and new archives store at South Kensington are nearing completion (due September 2012). The Museum has commenced projects for a quarantine and large vertebrate preparation facility at the other site in South London.

"During 2011-12 the Museum committed to return the human remains of 138 individuals to the Torres Strait Islands. This return is undertaken through provisions in the Human Tissue Act 2004. In November representatives from the Torres Strait Island communities came to the Museum to formally receive the remains. There are a number of remains of limited provenance being cared for by the Museum until further notice, in agreement with the communities.

Acquisitions Summary 2007-12

	2007-08	2008-09	2009-10	2010-11	2011-12
	£000	£000	£000	£000	£000
Acquisitions >£5k	45	266	40	0	330
Donations > £5k	n/a	n/a	n/a	0	0

9 Investments

Group	Market Value		Increase/ (Decrease) in market value £000	Market Value 31 March 2012 £000
	31 March 2011 £000	Additions £000		
Group				
UK Equities	795	0	(26)	769
Other UK investments	481	0	28	509
	1,276	0	2	1,278
Museum				
UK investment in Subsidiary	300	0	0	300
	300	0	0	300

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

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

10 Trading Subsidiary

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

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

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

	Total 2012 £000	Total 2011 £000
Income and expenditure		
Turnover	14,764	12,468
Cost of sales	(5,767)	(6,009)
Gross profit	8,997	6,459
Other expenses	(4,909)	(3,959)
Operating profit	4,088	2,500
Interest receivable and similar income		
Amount of gift-aided donation to Museum	(4,107)	(2,500)
(Loss) on ordinary activities before taxation	(19)	0
Taxation	19	0
Retained in subsidiary	0	0
	2012 £000	2011 £000
Balance Sheet		
Fixed assets (equipment)	437	475
Current assets	2,808	2,651
Current liabilities	(2,945)	(2,826)
Net assets	300	300
Share capital and reserves	300	300

11 Stock

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Finished goods and goods for resale	807	816	154	192
Work in progress	26	69	26	69
	833	885	180	261

12 Debtors

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Trade Debtors	1,551	2,685	534	1,223
Other Debtors	351	488	351	368
Amounts due from subsidiary undertaking	0	0	0	325
Prepayments and accrued income	3,837	2,947	3,097	2,692
	5,739	6,120	3,982	4,608

Included in the above figures are balances due from central government bodies of £191,000 (2011: £660,000) at 31 March 2012.

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Debtors includes the following financial instruments:				
Gross trade debtors	2,332	3,555	547	1,225
Less: provision for impairment	(781)	(870)	(13)	(2)
	1,551	2,685	534	1,223
Other debtors	312	488	351	368
Amounts due from subsidiary undertaking	0	0	0	325
	1,863	3,173	885	1,916

As the Museum receives a substantial part of its income from the Department for Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex or play a significant medium to long-term role in the financial profile of the Museum. Trade debtors include amounts due to the Museum in foreign currency, mostly US dollar and Euro, which are not significant to the overall financial risk of the Museum.

The age profile of non-impaired trade debtors is as follows:

Not due	£ 662,530
up to 30 days past due	506,424
30-60 days past due	229,463
Over 60 days past due	152,505
	<u>1,550,922</u>

13 Cash at bank and in hand

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Balances held with the Government Banking Service	21,078	18,101	21,078	18,101
Balances held with commercial banks and cash in hand	2,882	3,475	2,599	3,130
	23,960	21,576	23,677	21,231

Included in the above are balances in Euros of £2,175,277 (2011: £3,125,691) These balances do not expose the Museum to any significant exchange rate risk as they are held in connection with grants received from the European Union for onward payment to project partners where both incoming and outgoing payments are made in Euros.

During the year, cash surplus to daily requirements was either deposited with the Government Banking Service or invested short term with leading European financial institutions. Interest was achieved generally on investments to within 0.25% of UK base rate or to within 0.6% of the European Central Bank refinancing rate at the time of deposit. Cash may only be invested with financial institutions which have adequate credit ratings in accordance with the Museum's Investment Policy, and the maximum aggregate deposit with any counterparty other than the Government Banking Service is limited to the lower of 25% of total funds available for investment or £5 million. In the event of financial failure at a financial institution at which the Museum holds term deposits, the Museum would be exposed to the risk of losing the investments.

14 Cash held for third parties

Included in the cash balances (Note 13) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy (see Note 13). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2012 the cash balances held for third parties amounted to £230,280 (2011 £962,550).

15 Creditors: amounts falling due within one year

	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
Trade Creditors	2,535	3,995	2,405	3,767
Other Creditors	1,726	1,554	1,676	1,521
Deferred income	5,138	6,627	2,842	5,301
Accruals	6,649	4,581	6,173	3,662
	16,048	16,757	13,096	14,251

Included in the above figures there were balances due to other central government bodies of £12,000 (2011 £3,000) and due to local authorities of £790,000 (2011 £844,000) at 31 March 2012.

Amounts classified above as Trade creditors and Other creditors fall within the definition of financial instruments. The Financial Memorandum between the Museum and the Department for Culture, Media and Sport prohibits the Museum from borrowing and accordingly financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex, play a significant medium to long-term role in the financial profile of the Museum or fall due in more than one year. Trade creditors include amounts due by the Museum in foreign currency, mostly Japanese Yen, US dollars and Euros, which are not significant to the overall financial risk of the Museum.

Deferred Income	Group 2012 £000	Group 2011 £000	Museum 2012 £000	Museum 2011 £000
As at 1 April 2011	6,627	7,292	5,301	6,197
Deferred in Current Year	3,409	5,087	1,208	3,883
Released from previous Year	(4,898)	(5,752)	(3,667)	(4,779)
As at 31 March 2012	5,138	6,627	2,842	5,301

Deferred income represents income received on contracts and performance related grants where the work required by the contract or the performance clauses of the grant has not been completed.

16 Financial Commitments

The Museum has entered into a series of contracts of between three and fifteen years duration to lease premises, vehicles and equipment for use in its operations. Total payments £991,000 (2011: £786,000) due in the next year of the contracts in place at 31 March 2012 by remaining duration of the lease is as follows:

	Land and buildings £'000	Other assets £'000	Total 2012 £'000	Total 2011 £'000
within one year	20	41	61	31
in second to fifth year		30	30	55
over 5 years	200	700	900	700
	220	771	991	786

17 Statement of Funds

	At 1 April 2011 £000	Income £000	Expenditure £000	Net Revaluation/ Investment Gains/losses £000	Indexation £000	Transfers £000	At 31 March 2012 £000
Restricted Funds							
Scientific Grants	0	5,951	(5,951)	0	0	0	0
Grant in aid	262	0	(134)	0	0	0	128
Sponsored assets:	72,320	1,055	(2,336)	0	1,191	0	72,230
Projects/Other Funds	520	292	(315)	0	0	0	497
Donations in kind	0	32	(32)	0	0	0	0
Equipment Reserve	150	0	(2)	0	(1)	11	158
	73,252	7,330	(8,770)	0	1,190	11	73,013
General Funds	3,633	66,601	(58,939)	0	0	(6,596)	4,699
	3,633	66,601	(58,939)	0	0	(6,596)	4,699
Unrestricted Funds – Designated							
Special Funds	670	46	(94)	0	0	0	622
Projects/Other Activities	0	0	0	0	0	284	284
Shared services	0	1,689	(1,689)	0	0	0	0
Future scientific research	869	9	(701)	0	0	723	900
Future Projects	2,610	0	0	0	0	1,368	3,978
Capital Projects	380,050	0	(10,297)	0	4,082	4,210	378,045
	384,199	1,744	(12,781)	0	4,082	6,585	383,829
Permanent Endowment Funds	760	0	0	2	0	0	762
	760	0	0	2	0	0	762
Total Funds	461,844	75,675	(80,490)	2	5,272	0	462,303

Special funds are a collection of 17 funds which have arisen from various legacies and donations to the Museum and which are administered by the Museum, plus the Cockayne Trust and the Benevolent Fund.

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

The transfer to Unrestricted Funds – Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2011-12, not funded by revenues expected to be generated in that year.

The transfers to and from Unrestricted Funds – Designated: Capital Projects reflect the acquisitions, net of disposals, of those assets which have been funded from the Museum's own resources during the year.

18 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
Fund balances at 31 March 2012 are represented by					
Tangible and Heritage Fixed Assets	378,046		69,861		447,907
Investments	516			762	1,278
Current Assets	5,272	22,108	3,152		30,532
Liabilities	(5)	(17,409)			(17,414)
Total Net Assets	383,829	4,699	73,013	762	462,303
Unrealised gains included in the above:					
On Tangible Fixed Assets	133,784		5,138		138,922
Total unrealised gains at 31 March 2012	133,784	0	5,138	0	138,922

19 Cash flow information

Reconciliation of operating surplus to net cash inflows from operating activities

	2012 £000	2011 £000
Net (outgoing) resources	(4,815)	(3,250)
Investment income	(107)	(83)
Depreciation	12,553	12,449
Loss on disposal of fixed assets	11	36
Decrease / (Increase) in Stock	52	(120)
Decrease / (Increase) in debtors	381	(104)
(Decrease) / Increase in creditors	(709)	1,112
Funds transfer	0	13
Net movement in provisions	(188)	1,233
Net cash inflow from operating activities	7,178	11,286

Returns on investments and servicing of finance within net cash flow

Interest received	61	45
Investment income received	46	38
	107	83

Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(4,901)	(6,475)
Receipts on sale of tangible fixed assets	0	0
	(4,901)	(6,475)

Changes in cash and cash equivalents

Reconciliation of net cash flow to movement in net funds

Increase in cash in the period	2,384	4,894
Net funds at 31 March 2011	21,576	16,682
Net funds at 31 March 2012	23,960	21,576

Analysis of net funds

	31 March 2011 £000	Cashflow £000	31 March 2012 £000
Cash at bank and in hand	21,576	2,384	23,960

20 Provision for liabilities and charges

The Museum has operated an early Retirement and Severance Scheme from 1990-91 which gives retirement benefits on redundancy terms to qualifying employees. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. Provision is made for these costs in the year of retirement of the employee and released annually to cover payments made until the employee reaches normal retiring age. The provision covers a period to 2021.

The Museum employs a number of staff on fixed term appointments, the end date of which is usually determined by a funding agreement for the post. Under employment legislation, the Museum is liable to pay redundancy costs on the termination of these appointments unless the appointment is extended or alternative employment is offered. Provision is made for these costs when the contract is within 3 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

The equipment reserve provision relates to an excess energy savings pool which is derived from the energy services contracts. The provision is available to be released to the Museum to underpin any shortfall in the energy savings which the contractor is required to deliver each year over the life of the contract. Any balance remaining at the conclusion of the contract is shared equally between the contractor and the Museum.

Detail of these provisions and the movement on them is as follows:

Early Retirement	Group	Group	Museum	Museum
	2012	2011	2012	2011
	£000	£000	£000	£000
Balance at 31 March 2011	1,532	194	1,532	194
Addition to provision	38	1,406	38	1,406
Payments against provision	(308)	(79)	(308)	(79)
Adjustment to existing provision	(75)	11	(75)	11
Balance at 31 March 2012	1,187	1,532	1,187	1,532
Redundancy Provision	Group	Group	Museum	Museum
	2012	2011	2012	2011
	£000	£000	£000	£000
Balance at 31 March 2011	22	127	22	31
Addition to provision	22	23	22	23
Payments against provision	(22)	(101)	(22)	(5)
Adjustment to existing provision	0	(27)	0	(27)
Balance at 31 March 2012	22	22	22	22
Equipment Reserve Provision	Group	Group	Museum	Museum
	2012	2011	2012	2011
	£000	£000	£000	£000
Balance at 31 March 2011	0	0	0	0
Addition to provision	11	0	11	0
Payments against provision	0	0	0	0
Adjustment to existing provision	146	0	146	0
Balance at 31 March 2012	157	0	157	0
Total Provision for liabilities and charges	Group	Group	Museum	Museum
	2012	2011	2012	2011
	£000	£000	£000	£000
Balance at 31 March 2011	1,554	321	1,554	225
Addition to provision	71	1,429	71	1,429
Payments against provision	(330)	(180)	(330)	(84)
Adjustment to existing provision	71	(16)	71	(16)
Balance at 31 March 2012	1,366	1,554	1,366	1,554

21 Capital Grants

During 2011-12 the Trustees approved a capital grant of £3.5m to the Natural History Museum Development Trust.

This is recognised as expenditure in the statement of financial activities.

22 Capital commitments

Outstanding capital commitments at 31 March 2012 amounted to £0.391m (2011: £0.264m).

23 Energy services and energy management services contracts

i) On the 19th July 2006 a contract was signed between the Natural History Museum and Vital Energi Utilities Limited for the provision of energy and energy management services at the Natural History Museum and the Victoria and Albert Museum. Under the contract Vital Energi Utilities Limited designed, supplied, installed, and commissioned plant and equipment to provide co-generation of electrical power and heating, and chilling services. They also are responsible for the on going operation and maintenance of the plant and equipment for a 15 year period commencing on 19 December 2006. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment which is to charge the monthly fee payable to Vital Energi Services Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 5.

In addition there is a separate interface agreement between the Natural History Museum and the Victoria and Albert Museum which governs the relationship between them in relation to the energy services and energy management services contract.

ii) On the 22nd October 2010 a contract was signed between the Natural History Museum and Total Gas Contracts Limited for the provision of energy and energy management services at the Museum's sites at South Kensington, Wandsworth and Tring. Under the contract Total Gas Contracts Limited are required to design, supply, install and commission plant and equipment to deliver electrical power, lighting, heating, low temperature hot water, and chilling services. They are also responsible for the on going operation and maintenance of the plant and equipment for a 15 year period commencing on 31 October 2011. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment which is to charge the monthly fee payable to Total Gas Contracts Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 5.

24 Related party transactions

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

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

Receipt of grant-in-aid from DCMS (see note 2) £46,480,000 (2011: £48,679,000).

At 31 March 2012, there was no balance due to or from DCMS.

Supply of heat and power to the Victoria and Albert Museum £1,149,000 (2011: £1,014,000).

At 31 March 2012, there was a balance due from the Victoria and Albert Museum of £118,900 (2011: £468,000).

Supply of power and Health and Safety advisory services to the National Museum for Science and Industry £670,000.

At 31 March 2012, there was a balance due from the National Museum for Science and Industry of £66,152 (2011: £518,000).

Supply of Health and Safety advisory services to the National Portrait Gallery of £21,279 (2011: £20,350) and to the Horniman Museum of £20,118 (2011: £12,475).

During the year Oliver Stocken, the chairman held a private event at the Museum which was charged at the appropriate commercial rate. None of the other Trustees or members of the senior management undertook any material transactions with the Museum.

Professor Alex Halliday is a Council Member of the Natural Environment Research Council (NERC) from which the Museum received grants during the year.

Ian Henderson and Dr Michael Dixon are Council Members of the Royal Albert Hall. The Museum manages the grant funding for the Invest to Save project in which the Royal Albert Hall is a partner and from which they have received funding.

Professor Georgina Mace is Director of NERC's Centre for Population Biology at Imperial College, and Professor Sir Roy Anderson is Professor of Infectious Disease Epidemiology in the faculty of Medicine at Imperial College. During the year the Museum cooperated in research programmes with Imperial College, and operated in partnership with Imperial College on the Open Air Laboratory Project for which the Museum received National Lottery funding via Imperial College. In addition the Museum manages the grant funding for the Invest to Save project in which Imperial College is a partner and from which they have received funding.

25 Contingent liabilities and assets

There were no contingent liabilities or assets at the balance sheet date.

26 Post Balance Sheet Events

The authorised date for issue of these accounts is the date on which the accounts are certified by the Comptroller and Auditor General.

There are no post balance sheet events to report.



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