





**NATIONAL  
HERITAGE  
MEMORIAL  
FUND**



**Annual Report and Accounts**

For the year ended 31 March 2009

**Annual Report**

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

**Annual Accounts**

This statement of accounts, and report thereon by the Comptroller and Auditor General, are presented in accordance with Section 7(3) of the National Heritage Act 1980.

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A circular grid of letters, possibly a magic square or a cryptographic device, surrounding the central bird emblem. The letters are arranged in a circular pattern, with some appearing to be in a different script or a specific arrangement. The grid consists of concentric circles and radial lines, creating a series of cells for the letters. The letters themselves are embossed and vary in size and orientation, suggesting a complex arrangement.

## Foreword by Dame Jenny Abramsky

### Chair of the National Heritage Memorial Fund



One of the most prominent cultural news stories of 2008 was the campaign to keep Titian's great painting *Diana and Actaeon* on public display in the UK. Both the campaign and the painting were much debated. Almost everyone had their personal view, but there was a shared feeling that this case was a test of the nation's resolve and resources when it came to saving outstanding examples of cultural and artistic heritage for everyone to enjoy. And the bid to the National Heritage Memorial Fund (NHMF), representing the equivalent of our entire annual income, was a challenge that we were determined to rise to.

For a while, *Diana and Actaeon* was the most famous painting in Britain. I was delighted to hear in February that its joint purchase by the National Gallery and the National Galleries of Scotland had been successful. The Fund's £10million contribution was crucial to this success. NHMF's unique role as the UK's 'fund of last resort' for heritage gives us as Trustees the responsibility and the privilege of taking the long view, working for future generations.

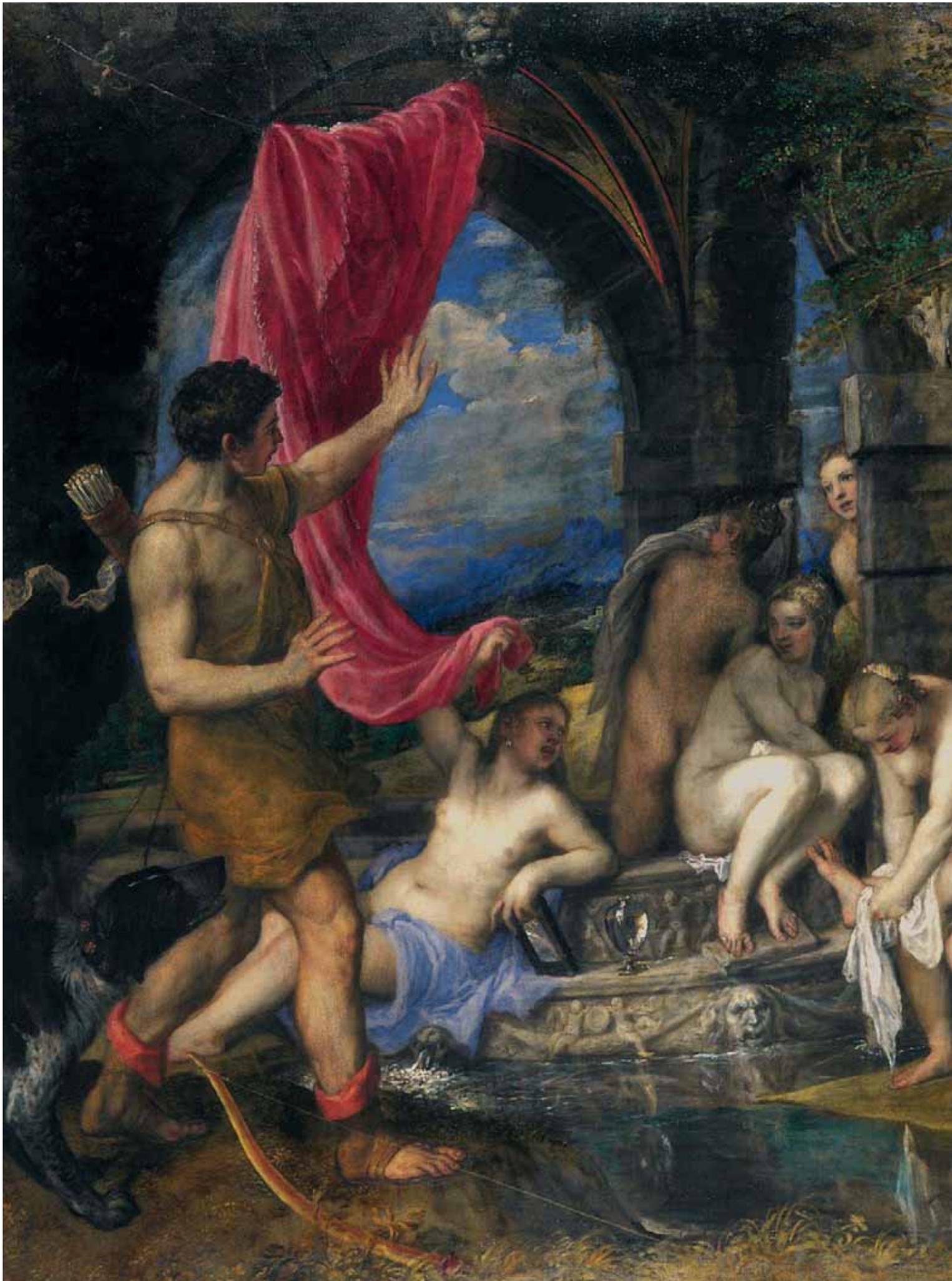
The ability of NHMF to act decisively when the situation demands a rapid response was well illustrated this year in the case of the Canterbury astrolabe quadrant (reverse shown left). This beautifully crafted brass instrument, probably mislaid by a traveller at a Canterbury inn around 1390, was one of the most sophisticated scientific tools of its day, allowing a skilled user to calculate time and direction. Of the few such early astrolabes that survive, this is the only one definitely made and used in England. It was about to be sold abroad; it is now prominently displayed in the British Museum's new Medieval gallery.

During 2008–09, NHMF also enabled Tate Britain to secure Rubens's sketch for his magnificent painted ceiling in the Banqueting House, Whitehall, and helped the British Library to acquire the 13th-century Dering Roll, an extremely rare heraldic manuscript representing a 'Who's Who' of medieval knights. We also assisted the National Portrait Gallery, Imperial War Museum Duxford, University of Glasgow and other national and local institutions in making major additions to their collections.

Grants such as these bring incalculable long-term benefits – for the visiting public and for cultural institutions, for learning and enjoyment. I believe that NHMF plays an essential part in the UK's cultural life. The fact remains, however, that its annual grant-in-aid from the government, currently set at £10million, can only stretch so far. Although our grant for *Diana and Actaeon* is to be spread over three years, the size of the award will constrain NHMF's scope for action still further. I am confident, nevertheless, that our small, highly experienced team, our Board of Trustees and our expert advisers will continue to achieve the best possible results with the limited resources available. I take this opportunity to thank them all for their skill and dedication. I would also like to thank my predecessor, Dame Liz Forgan, who, during seven years as Chair of NHMF, has done so much for the organisation and for the UK's heritage as a whole.

A handwritten signature in black ink, reading "Jenny Abramsky". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Dame Jenny Abramsky**  
Chair of NHMF





## Titian's *Diana and Actaeon*

National Gallery/National Galleries of Scotland

Award: £10million

Titian (c.1485–1576) was at the height of his powers when he painted *Diana and Actaeon* between 1556 and 1559 for the young King Philip II of Spain. It is one of six large-scale mythological pictures made for the King by the artist and inspired by Ovid's *Metamorphoses*.

The pieces explore the loves of the gods and the tragic fates of mortals who become entangled in their affairs. This particular painting shows the young hunter Actaeon stumbling upon the goddess Diana bathing with her nymphs. He is transformed into a stag as punishment, then torn apart by his own hounds – a scene depicted in the National Gallery's *Death of Actaeon*.

The painting has long been recognised as one of Titian's finest creations and a supreme masterpiece of Venetian art. The scale of ambition, the masterful use of light, colour and texture, its excellent condition and its significance for art historians are all factors that make this one of the most important Renaissance paintings in the world.

The canvas was purchased by the Duke of Bridgewater in 1798 and is part of the Bridgewater Collection, on loan to the National Gallery of Scotland since 1945. In 2008 *Diana and Actaeon* was offered for sale by the Duke of Sutherland to the National Galleries of Scotland and the National Gallery, London, which together launched a successful campaign to acquire the painting, backed by the public and contemporary artists. The galleries will now take turns to display the painting.



## Wing Commander George Unwin collection

Imperial War Museum Duxford

Award: £39,844

From his Distinguished Flying Medal, to uniforms, pilot log books and combat reports, this collection covers George 'Grumpy' Unwin's entire 32-year career in the Royal Air Force (RAF).

Unwin was born in 1913 near Barnsley in Yorkshire. The son of a miner, he enlisted in the RAF in 1929 as an apprentice records clerk. He was selected for pilot training in 1935 and posted to No. 19 Squadron at Duxford in 1936. As a sergeant pilot, he was one of the first to fly the new Supermarine Spitfire, and by the time World War II broke out, he was an experienced Spitfire pilot.

Unwin's resourcefulness during the Battle of Britain earned him a Distinguished Flying Medal. He became an officer in 1941. Following World War II, he provided ground support during the Malaya emergency and was awarded a Distinguished Service Order. His bravery, as well as his remarkable rise through the ranks of the RAF – where at the time promotion could still be linked to social class – have made Wing Commander Unwin one of the most extraordinary figures in British military history.

The Unwin collection will be put on permanent display at the Imperial War Museum Duxford, alongside photographs, video and audio interviews with Unwin already exhibited at the Museum.

## Canterbury astrolabe quadrant

British Museum

Award: £125,000

This remarkable 14th-century brass astrolabe quadrant (front shown below) is one of just eight such instruments known to have survived from the Middle Ages. Found in 2005 during an archaeological rescue excavation at the House of Agnes in Canterbury, it is the only example definitely made for use in England. At 70mm in radius, it is also the smallest known instrument of its kind. It is now missing a plumb-bob and two sighting vanes.

Astrolabe quadrants, which take the form of a standard circular astrolabe folded twice into a quarter circle, were sophisticated tools used to determine local time and latitude, and to perform

other calculations relating to the position of the sun. Little is known about the use of such devices outside a court or university setting, and the Canterbury find is set to provide a fascinating insight into medieval mathematical literacy and how portable instruments were used at the time.

Having been outbid at auction in 2007 in its first attempt to buy this unique instrument, the British Museum has now been able to purchase the export-stopped quadrant with help from NHMF, The Art Fund and British Museum Friends. The instrument is now one of the key exhibits in the Museum's new Medieval gallery, 'Europe 1000–1500'.



## Dering Roll British Library

Award: £100,000

This is the oldest known English roll of arms, dating from the reign of Edward I (1272–1307). A decorated parchment manuscript, it measures 264 x 21 cm and bears the names and coats of arms of 324 Kent and Sussex knights – approximately a quarter of the entire English baronage of the time.

As such, it is extremely rare. Only 17 large inscriptions of medieval arms on rolls survive world-wide, all dating between the 13th and 16th centuries. The Dering Roll is a list of the knights who owed feudal service to the constable of Dover Castle at the time, Stephen of Penchester – one of Edward I's closest associates.

Coats of arms first appeared in England in the late 12th century. Originally adopted to identify helmeted combatants in tournaments, by the second half of the 13th century coats of arms were being used by medieval knights, as an emerging social group, to distinguish themselves from lower orders and advertise family status. Rolls of arms would have been used as grand statements of power.

Named after Edward Dering, the antiquary who acquired it in the 17th century, the Roll is available to researchers in the Manuscripts Reading Room at the British Library, and will be displayed on a rotational basis for visitors in the Sir John Ritblat Gallery.





## Portrait of Lady Dacre and Son National Portrait Gallery

Award: £377,500

After Holbein's death, Antwerp-born artist Hans Eworth (c.1520–1574) was considered the most exceptional painter in 16th-century England. Created in 1559, *Lady Dacre and Son* is deemed his masterpiece and one of the gems of Tudor portraiture.

The subjects are Mary Neville, Lady Dacre, and her son Gregory Fiennes, 10th Baron Dacre. When in 1541 Mary's husband, Thomas, 9th Baron Dacre, was executed, the family was stripped of its lands and titles. She promptly requested – and obtained – a dower from her late husband's estates for herself and their three children, and, despite marrying twice more, continued to campaign fiercely for the family honours to be restored. Gregory was finally made 10th Baron Dacre in 1558.

The double depiction, unusual for portraits of the period, was probably commissioned to celebrate the family's changing fortunes. It shows Mary on the left side of the painting, the position traditionally reserved for male authority, which may indicate Mary's spirit and determination. To compensate, Gregory is painted to the fore, but his expression is vacant and hardly reflects his mother's strength of character.

The National Portrait Gallery has been acquiring carefully selected family and group portraits for the last 40 years, and *Lady Dacre and Son*, which it had held on loan for over 20 years, is a crucial addition to its permanent mid-16th-century collection.

## James II coronation cup

Victoria and Albert Museum (V&A)

Award: £80,000



Dating back to 1685, this cup is made from silver stave mounts and bells that adorned the silk canopies held over King James II and his Queen, Mary of Modena, during their coronation ceremony.

Traditionally, these fittings were, along with the canopy silk, gifted to the barons who supported them during the ceremony. Two of the barons – Cresheld Draper, who held the King's canopy, and Gawden Draper, who held the Queen's – are said to have combined their gifted silver and had it made into the magnificent 13cm-tall cup in commemoration of their role in the coronation. 'Recycling' gifted silver appears to have been a tradition among canopy-bearing barons, but coronation silver is rare, with only eight pieces surviving in any form.

The front of the cup (right) shows the Draper coat of arms, while Chinoiserie flat-chasing on the back (above), showing four figures holding a canopy, reflects the Chinese artistic influences en vogue in Europe at the time. It is thought the cup may be the work of a first-generation Huguenot immigrant.

The James II coronation cup is now displayed in the V&A's New Acquisitions Gallery. It will later be shown in the Whiteley Silver Galleries, alongside bells from canopies used at the coronations of Georges II, III and IV, and other British coronation memorabilia.





# Macclesfield Alphabet Book

British Library

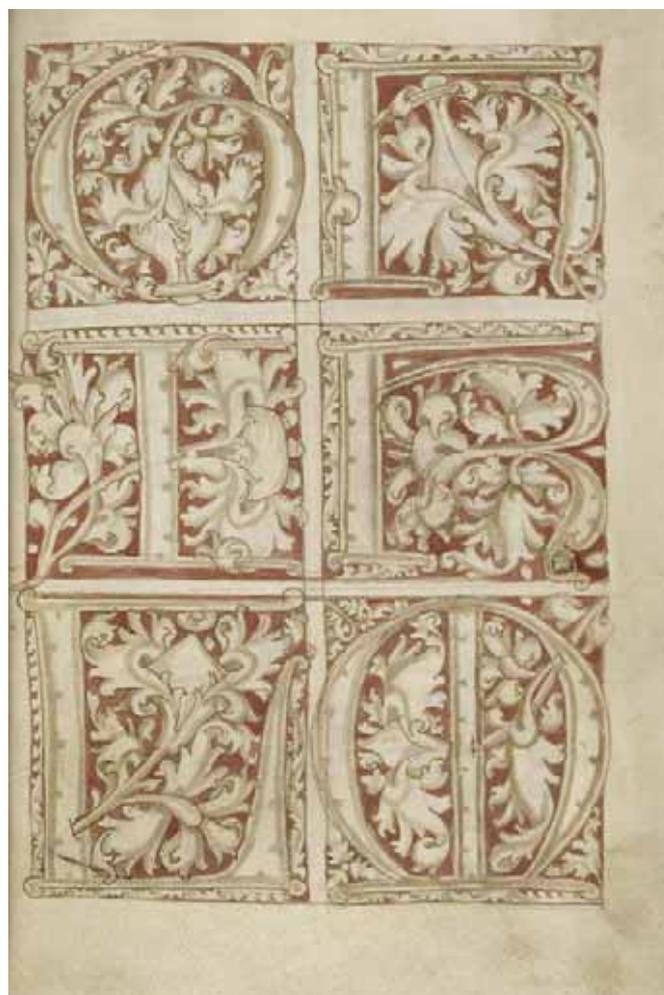
Award: £250,000

This English manuscript is thought to be a model or pattern book – a collection of designs used as a reference tool in the production of luxury books. It dates back to around 1500 and is one of very few medieval model books still surviving.

The production of luxury books in medieval Europe involved many different scribes and artists, and pattern books were workshop tools that provided inspiration and ensured uniformity of design in a single manuscript. They often resembled collections of scraps and sketches copied from other books, stained glass or paintings.

The Macclesfield Alphabet Book is an extraordinary example of a model book, with 14 different types of decorative alphabet drawn in minute detail and coloured beautifully. The expert execution suggests that this may not be a workshop reference book at all, but an exquisite artwork in itself, a type of portfolio designed to attract or inform potential customers. The book has 92 pages (46 folios) and is produced on parchment, with 18th-century calf binding added later.

The Alphabet Book was recently discovered in the Earl of Macclesfield's library at Shirburn. It quickly became a top-priority acquisition for the British Library's Western Manuscripts department and is one of the Library's key acquisitions in 2008–09.



## Stoddard-Templeton archive

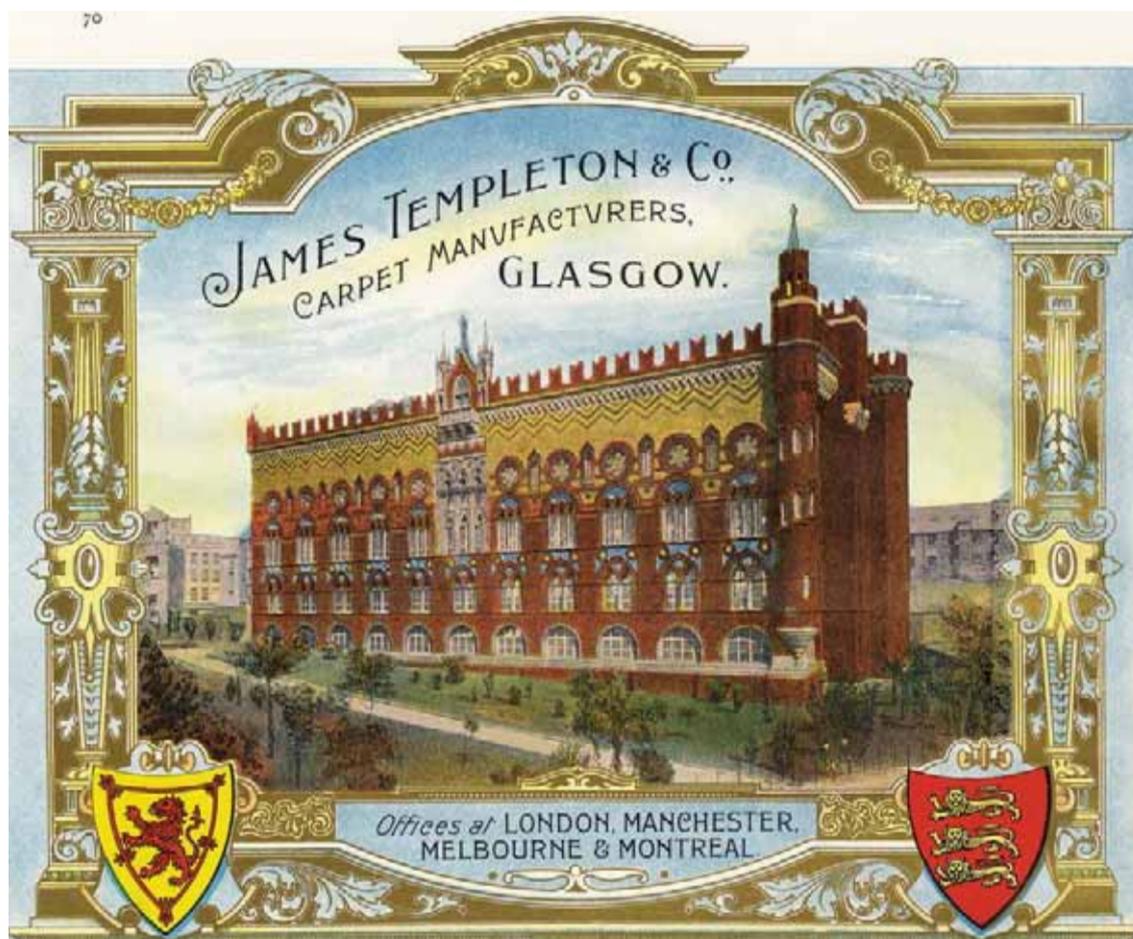
University of Glasgow/Glasgow Museums/  
Glasgow School of Art

Award: £171,905

Scotland's carpet industry was responsible for one-third of British carpet production at the peak of the industrial revolution. Set up in the 19th century, Stoddard International and Glasgow-based James Templeton & Co were the most successful Scottish carpet manufacturers. Between them, the two companies have supplied carpet for the wedding of Queen Elizabeth II, ocean liners such as the Titanic, and numerous historic buildings including Windsor Castle, the Whitehouse, and the parliament buildings of London, Canberra, Wellington and Cape Town. Stoddard's absorbed Templeton's in the 1980s, and went into liquidation in 2005.

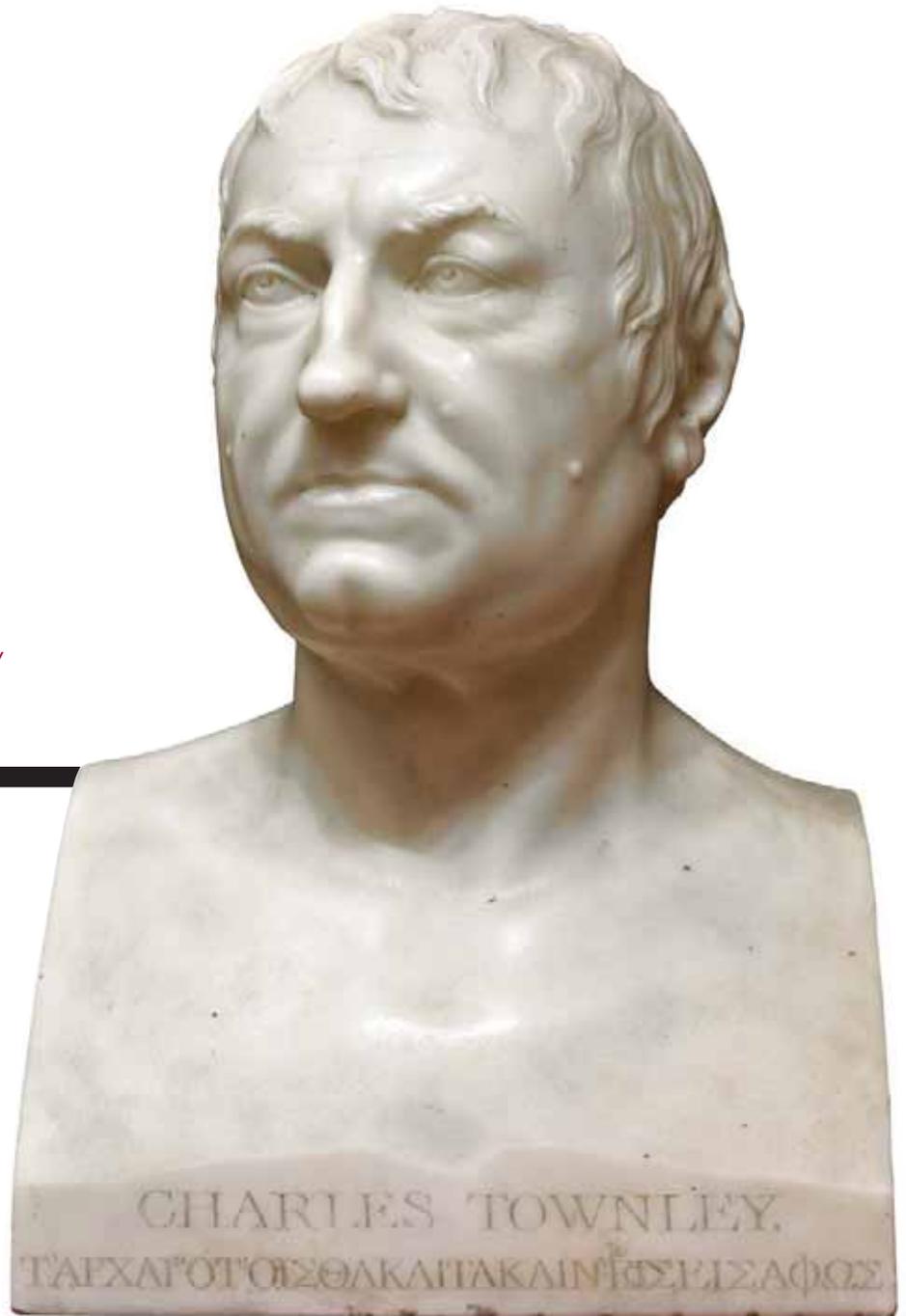
The Stoddard-Templeton collection comprises 3,800 design drawings and patterns, 2,000 design sketches, a design library of 1,500 titles, 226 carpet pieces, advertising material, photographs, press cuttings and even records relating to factory pay and conditions, together giving a fascinating insight into the entire process of carpet manufacturing and selling. Complete carpets, including the Twelve Apostles, made for the Paris Exhibition of 1867, also feature in the collection.

Its acquisition by the Glasgow School of Art, Glasgow Museums and the University of Glasgow, whose Archive Services have held the company's corporate archive since the 1980s, will ensure the collection is preserved and continues to be available for research by international historians and designers.



**Bust of Charles Townley**  
Towneley Hall Art Gallery  
and Museum

**Award: £178,000**



Charles Townley was an 18th-century antiquary, art connoisseur and scholar. Starting in 1767, he amassed an extraordinary collection of marble sculptures, bought chiefly in Italy. He was a Fellow of the Society of Antiquaries and the Royal Society, and in 1791 was appointed a Trustee of the British Museum, where he played a part in planning the Museum's new exhibition rooms. After his death in 1805, the Museum purchased the collector's marbles, bronzes and terracottas for £20,000 – less than half of their value.

This Carrara-marble bust of Townley is particularly valuable as it was made by

distinguished English sculptor Joseph Nollekens (1737–1823), a friend and associate of Townley. It is Neoclassical in style, but atypically modest in form. Naturalistic, lacking in ornament, and without a base or plinth, it is masterfully executed and shows Townley in herm form – head and neck only, without full shoulders or arms – with a bare neck, dishevelled hair and a pensive expression.

The bust, made in 1807, was saved from being exported abroad and has now returned to Towneley Hall Art Gallery and Museum, housed in the collector's former family home near Burnley.

The textile industry was in the initial stages of mechanisation when Preston-born hairdresser and wig-maker Richard Arkwright began designing a new cotton-spinning machine with the help of clockmaker John Kay. The water wheel-powered spinning frame surpassed earlier inventions with its productivity and could be run efficiently by unskilled workers, revolutionising Britain's textile industry. In 1771 Arkwright created the world's first factory in Cromford, Derbyshire, dedicated entirely to cotton-spinning, and went on to build mills across Derbyshire, Lancashire and Scotland.

**Portrait of Sir Richard Arkwright**  
National Portrait Gallery/  
Harris Museum & Art Gallery

**Award: £131,420**

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This portrait is from a series of canvasses of the Arkwright family by Joseph Wright (1734–1797), one of the most outstanding painters of Britain's industrial revolution. The painting is not commonly known, having been kept by the family and last exhibited in public in 1883. Unlike the other portraits of Arkwright in the series, this one is highly personal, revealing the man rather than the successful industrialist, while also showcasing Wright's great technical proficiency and skilful use of light.

The painting will be shared by the Harris Museum & Art Gallery, Preston, and the National Portrait Gallery (NPG), London. It will be a key exhibit in the Harris's forthcoming Industrial Revolutionaries exhibition, and form part of the NPG's Science and Industry gallery.



## The Trafalgar Medal of Lieutenant Reeve

Royal Marines Museum

Award: £39,812

This Naval General Service Medal with Trafalgar clasp was awarded to Lieutenant Lewis Buckle Reeve in 1849. Born in East Meon, Hampshire, Reeve was the son of a doctor from Cork. He joined the Royal Marines in 1804 and was a Lieutenant of Marines on board HMS *Victory*, Nelson's flagship, at the Battle of Trafalgar on 21 October 1805.

Injured badly during the battle by grapeshot, Lt Reeve was laid next to the mortally wounded vice admiral and attended to by Mr Beatty, Nelson's surgeon. The rare medal is therefore tightly linked not only to the famous battle, but to Nelson's final moments as well. It also serves as a reminder of the important role of the four Royal Marines officers on board the *Victory*. Reeve recovered from his wounds and went on to fight against the French in Senegal in 1809 and serve aboard HMS *Minerva*. He retired in 1817 and died at Douglas, the Isle of Man, in 1861, aged 75. He was one of the last surviving officers from the *Victory*.

The medal is now on show in the Royal Marines Museum's Trafalgar exhibition, together with other memorabilia from Reeve's long naval career, and is an important addition to the Museum's renowned collection of over 8,000 medals.



## Rubens's sketch for the Banqueting House ceiling

Tate

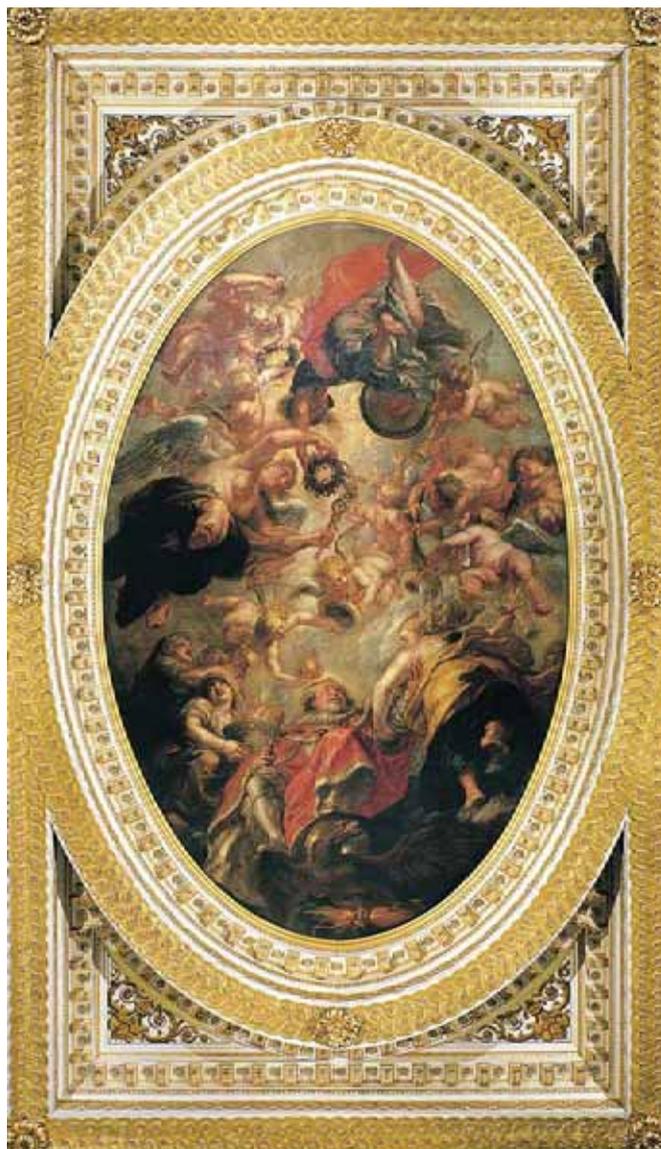
Award: £2,221,239

Sir Peter Paul Rubens's great ceiling in the Banqueting House, once part of the Palace of Whitehall, London, comprises nine painted canvasses set in compartments. Charles I commissioned them from Rubens (1577–1640), to celebrate and depict the achievements of his father, James I. These included the peaceful unification of Scotland and England following the Scottish king's succession to the English throne in 1603. The central oval (below) depicts James's apotheosis – his elevation to heaven.

The ceiling, created around 1629–30, was the most adventurous work of art commissioned in 17th-century Britain, and it is the only painted ceiling by Rubens to have remained in place anywhere.

This large preliminary oil sketch on wooden panel (right) is Rubens's earliest visualisation of the design, and his only sketch for the whole ceiling to survive. Freely and beautifully drawn, it is wholly in Rubens's own hand, and demonstrates how the artist first brought the apotheosis theme to life.

Last-minute increases of their original pledges by NHMF, Tate Members and The Art Fund ensured that Tate Britain could secure the sketch. It is now on permanent display at the gallery, with its importance as a work commemorating England and Scotland's unification highlighted to visitors.





# Report of the Trustees and Accounting Officer

## Management commentary

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### Background information

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

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

### Principal activities

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

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

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

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

### Financial Instruments

FRS 29 Financial Instruments Disclosure requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which FRS 29 mainly applies. NHMF does not have powers to borrow, but can invest grant-in-aid derived funds. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

### Liquidity risk

In 2008–09, the National Heritage Memorial Fund's income derived from grant-in-aid from the Department for Culture, Media and Sport and from income generated by the endowment fund although the net returns from the endowment fund were negative in the year. The Trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £477,000 at the balance sheet date) and the endowment fund (worth £23.3million at the balance sheet date) to

cover all outstanding grant awards of £10.3million and creditors of £43,000. The endowment is mostly invested in unit trusts which are readily marketable – the prices are quoted daily in the Financial Times. In addition, NHMF received further grant-in-aid of £10million in early April 2009. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash drawdown requirements. NHMF's largest outstanding grant has payment dates set out in the contract. The Trustees consider that the Fund is not exposed to significant liquidity risks.

### Market and Interest Rate Risk

Cash balances, which are used to pay grant commitments and operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 3.4% in the year. The sharp decline in market interest rates has had an impact on returns, but as there is no room for rates to fall further, the risk is small. Returns on cash handled by our investment managers were 4.7% in the year. The year end cash balances, held by the Fund in the bank and with their endowment fund investment managers, were £1.8million. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

JP Morgan Asset Management (London) Limited manages the NHMF's endowment and invests in a wide range of assets from marketable shares to cash. At the year-end, the market value of the endowment, including its cash element, was £23.3million. Returns are dependent upon global stock markets and performance of companies included within the portfolio. In the year, the return on the endowment was a fall of 20.5%. The Trustees keep the performance of investments under review through their Finance & Resources Committee. They also employ the services of an independent firm of consultants, WM Company, to compare the performance of the investment managers with their peers.

	2008-09 £'000	2007-08 £'000
Cash balances		
– sterling at floating interest rates	477	346
– sterling at a mixture of fixed and floating rates	1,353	5,330
	<b>1,830</b>	<b>5,676</b>

### Credit Risk

NHMF's debtors comprise prepayments mostly on property leases. It is not, therefore, exposed to significant credit risk.

### Foreign Currency Risks

The majority of endowment fund investments are denominated in sterling (69%). The Fund has minor exposure to foreign exchange risks, which are managed by our investment managers, and Trustees do not consider these to be material. Indeed, the recent collapse of sterling against all other major currencies resulted in improved returns from the 31% of the endowment denominated in foreign currencies. Assets in foreign currencies are converted to sterling at the balance sheet date. Note 11 discloses the global analysis of investments.

Financial assets by category	2008-09 £'000	2007-08 £'000
Assets per the balance sheet		
– loans and receivables		
Debtors		
– prepayments and accrued bank interest	7	26
Financial liabilities by category	2008-09 £'000	2007-08 £'000
Liabilities per the balance sheet		
– other financial liabilities		
Grant commitments	10,348	8,836
Operating creditors	2	3
Other creditors	4	3
Accruals	37	34
	<b>10,391</b>	<b>8,876</b>

### Fair Values

Set out below is a comparison, by category, of book values and fair values of NHMF's financial assets and liabilities as at 31 March 2009.

#### Financial assets at 31 March 2009

	Book value £'000	Fair value £'000
Cash <sup>1</sup>	1,830	1,830
Investments <sup>2</sup>	23,387	21,933
Debtors <sup>3</sup>	7	7
	<b>25,224</b>	<b>23,770</b>

#### Financial assets at 31 March 2008

	Book value £'000	Fair value £'000
Cash	5,676	5,676
Investments	20,060	26,236
Debtors	26	26
	<b>25,762</b>	<b>31,938</b>

#### Financial liabilities at 31 March 2009

	Book value £'000	Fair value £'000
Grant commitments <sup>4</sup>	10,348	10,348
Operating creditors <sup>5</sup>	2	2
Other creditors <sup>5</sup>	4	4
Accruals <sup>5</sup>	37	37
	<b>10,391</b>	<b>10,391</b>

#### Financial liabilities at 31 March 2008

	Book value £'000	Fair value £'000
Grant commitments	8,836	8,836
Operating creditors	3	3
Other creditors	3	3
Accruals	34	34
	<b>8,876</b>	<b>8,876</b>

#### Basis of fair valuation

- The figure here is the value of short term money market investments and deposits with commercial banks. It is expected that book value equals fair value.
- Investments are made in readily marketable securities and are valued at mid-market at close of business on the balance sheet date. Where relevant the closing exchange rate between the base currency and sterling is taken at the balance sheet date. Book cost reflects the price actually paid in sterling at the date of completion of the transaction.
- No provision for bad debt is deemed necessary. None of the debts are long-term and so no discounting factor has been applied.
- No discount factor has been applied.
- All creditors are due within normal contractual terms, usually 14–30 days, and so no difference exists between book cost and fair value.

### Maturity of financial liabilities

	2008–09 £'000	2007–08 £'000
In less than one year	3,724	8,876
In more than one year, but less than two	3,333	0
In two to five years	3,334	0
In more than five years	0	0
	<b>10,391</b>	<b>8,876</b>

### Future developments

In 2007–08, government grant-in-aid was doubled to £10million per annum and will remain at that level for the next three years. This increased grant-in-aid has given Trustees greater scope to save items at risk of loss. However, in view of the large drawdown from the endowment fund to pay for the first instalment to the National Galleries of Scotland and National Gallery for Titian's *Diana & Actaeon*, and significant awards to acquire Dumfries House and the D'Offay Collection in 2008, as well as the underlying performance of the investments in the endowment fund, will have an impact on the grant budget for allocation. This means that Trustees do not expect to be able to award all £10million in the coming financial years, expecting to award around £4million in 2009–10 and £4million in the following year, leaving sums available to replenish the endowment fund. The ongoing poor performance of the endowment fund has led Trustees to strengthen its oversight of the investment managers by setting up a specialist investment panel and appointing external members to it with extensive investment experience.

It is too early to say what impact the recession will have on the activities of the Fund – any falls in the market price of heritage assets could be offset by increased demand for awards as other sources of funding dry up and more assets come on to the market.

The government has introduced the requirement that all public sector bodies change to using international financial reporting standards. The Fund will adopt these standards from 1 April 2009 onwards. This is not expected to have a significant impact of the numbers reported in the year-end accounts.

### **Employee consultation**

The nature of the operations of the Fund means that grant application processing staff work closely with Trustees. Staff are involved in project evaluation and applicant visits with Trustees. Many members of staff attend meetings of Trustees, which enables them to be aware of thinking about the development of the Fund and its operations. Additionally, senior management ensures, through summaries of Management Board meetings in the weekly Newsletter, face-to-face meetings and a high level of personal accessibility, that matters of concern to staff can be readily addressed. It is essential that all staff are given the opportunity to contribute to the development of the Fund as well as achieving their own potential through regular consultation and discussion. To this end, a Staff Council is in existence. Comprising representatives from each department, it discusses matters of interest to staff with representatives from management. It meets nine times a year.

### **Equal opportunities**

As an employer, the National Heritage Memorial Fund abides by equal opportunities legislation. It does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly and that decisions on recruitment, selection, training, promotion and career management are based solely on objective and job related criteria. It does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 4% of our workforce are people with disabilities. All staff are required to co-operate in making this policy work effectively.

### **Creditors**

The National Heritage Memorial Fund adheres to the Government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2008–09, the average age of invoices paid was 11 working days. Over 92% of invoices were paid within 30 calendar days.

### **Pension liabilities**

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

### **Register of interests**

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

### **Appointment of auditors**

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

### **Key Stakeholder**

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

### **Post balance sheet events**

There were no events that occurred after 31 March 2009, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 9 July 2009, which was the date the accounts were certified by the Comptroller and Auditor General.

### Personal Data

NHMF has had no incidents where personal data was inadvertently disclosed to a third party. NHMF will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvements of its systems.

### Sickness absence

In 2008–09, 2,655 days were lost due to 494 sickness episodes. That represents 2.92% of all working days and is very modest.

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

#### Chair

Dame Jenny Abramsky <sup>2</sup> *Trustee from 1 September 2008 and Chair from 1 October 2008*

Dame Liz Forgan *until 30 September 2008*

#### Chief Executive

Carole Souter <sup>2</sup>

#### Trustees

Madhu Anjali *until 21 July 2008*

Mike Emmerich

Kim Evans <sup>2</sup> *from 22 July 2008*

Yinnon Ezra <sup>1</sup>

Kathy Gee

Catherine Graham-Harrison *until 22 July 2008*

Doug Hulyer <sup>1</sup>

Tristram Hunt

Dan Clayton-Jones

Hilary Lade <sup>2</sup> *from 1 October 2008*

Brian Lang

Alison McLean <sup>1</sup>

Matthew Saunders

Ronnie Spence <sup>1</sup>

Richard Wilkin <sup>2</sup>

Christopher Woodward

<sup>1</sup> Member of Audit Committee

<sup>2</sup> Member of Finance & Resources Committee

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

7 July 2009

## Financial review

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In 2008–09, the Trustees of the National Heritage Memorial Fund received 18 very varied applications, 15 of which were considered by the Board. Thirteen of the projects were supported, with grant awards totalling £13.8million, which was £3.8million more than the NHMF's allocation of £10million for the year from the Department for Culture, Media and Sport. Two bids were rejected, and one bid was withdrawn before decision. The two remaining applications will be considered in 2009–10.

NHMF was asked to support three items which were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art – the Canterbury Astrolabe, the Dering Roll and the bust of Charles Townley. All three were starred by the Reviewing Committee, meaning their importance was so great that every effort should be made to retain them in the country. The NHMF grants awarded to these export-stopped items demonstrate the Fund's continuing key role in underpinning the mechanisms for securing cultural property at risk of loss to the nation.

The remaining 10 items were no less at risk of loss. The range of items grant-aided was significant – from Rubens's sketch for the Banqueting House ceiling, to one of our largest grants to secure Titian's *Diana and Actaeon*, part of the Sutherland Collection, which will be shared between the National Galleries of Scotland and the National Gallery in London. In the case of the Rubens, the Board agreed an initial grant and then a grant increase, when it was clear that the remaining shortfall of over £200,000 could not be raised from other sources before the pressing deadline for acquisition. This was using the NHMF as a fund of last resort, and the Board felt that the importance of the sketch to the UK meant that the additional grant was justified.

This year we had three applications from partnerships, including the joint bid from the National Gallery and the National Galleries of Scotland for the Titian and a bid from the National Portrait Gallery and Harris Museum & Art Gallery for the acquisition of a portrait of industrialist Richard Arkwright. NHMF also supported a consortium of Glasgow University, Glasgow Museums and Glasgow School of Art, to acquire

the Stoddard-Templeton archive, the design archive and library of carpet manufacturer Stoddard International, which had gone into receivership. This important business archive, which incorporates the records of James Templeton & Co, has now been saved in Scotland for the nation.

There were two grant awards to the British Library this year: for the Dering Roll, one of the oldest English rolls of arms dating from the 13th century, and for the acquisition of the Macclesfield Alphabet Book, a unique and previously unknown English writing pattern book from the early 16th century.

The Board was also delighted to be able to award a grant of £125,000 to the British Museum for the Canterbury astrolabe quadrant. In March 2007, a grant had been made to the British Museum to acquire the astrolabe, but the Museum was outbid at auction and so the grant was not taken up. When the item was stopped for export another opportunity presented itself to the museum to acquire this 14th-century English astrolabe, the only known example of certain English origin.

In June, the Board awarded a grant to the Charles Dickens Museum to bid at auction for Dickens's writing desk. However, the sale realised a significantly higher price than had been envisaged, and the desk was acquired by a private buyer, so the grant could not be taken up. The situation with the astrolabe and Dickens's desk shows the unpredictable nature of auction sales, where prices can often be significantly higher than predicted, and so beyond the means of public institutions. However, in contrast, the Royal Marines Museum successfully bid at auction to acquire the Naval General Service Medal awarded to Lt. Lewis Buckle Reeve, for service on board HMS *Victory* at the Battle of Trafalgar. This application had been approved by the Board as a decision between meetings in order to accommodate the tight timescale and allow the museum to bid at auction.

In September, the Board awarded a grant of £80,000 to the Victoria and Albert Museum (V&A) to acquire the James II coronation cup, a unique silver cup commemorating the coronation of James II in 1685, and which was made from the original silver stave mounts and bells of the canopy carried over the King and Queen by Cresheld and Gawden Draper, Barons of the Cinque Ports. If the V&A had

A full list of all the grants awarded is as follows:

Applicant	Acquisition	Grant
British Museum	Canterbury astrolabe quadrant	£125,000
British Library	Dering Roll	£100,000
Charles Dickens Museum	Charles Dickens's writing desk	£75,000
Tate	Rubens's sketch for the Banqueting House ceiling	£2,221,239
Royal Marines Museum	The Trafalgar Medal of Lieutenant Reeve	£39,812
University of Glasgow/Glasgow Museums/ Glasgow School of Art	Stoddard-Templeton archive	£171,905
National Portrait Gallery/ Harris Museum & Art Gallery	Portrait of Sir Richard Arkwright	£131,420
Victoria and Albert Museum	James II coronation cup	£80,000
National Portrait Gallery	Portrait of Lady Dacre and Son	£377,500
Towneley Hall Art Gallery and Museum	Bust of Charles Townley	£178,000
National Gallery/ National Galleries of Scotland	Titian's <i>Diana and Actaeon</i>	£10,000,000
British Library	Macclesfield Alphabet Book	£250,000
Imperial War Museum Duxford	Wing Commander George Unwin collection	£39,844

not acquired it, it is likely that the silver cup would have been exported and lost to the nation.

As the Fund was set up in the memory of those who have given their lives for this country, the Board was delighted to make two significant Memorial grants in this financial year: £39,812 to allow the Royal Marines Museum to secure the Trafalgar Medal, and, in March, a grant of £39,844 to the Imperial War Museum Duxford, to acquire the medals, uniforms, log books, pamphlet and combat reports of Wing Commander George Unwin. Unwin was one of the first pilots to fly the Supermarine Spitfire and flew in the Battle of Britain with the Duxford Wing of Squadron 19 under the command of Douglas Bader.

All of these important items were at risk of loss to the UK, with a real prospect that they could be sold abroad, or the collections scattered.

The two applications which were not supported this year were a grant of £381,180 for initial repair work to HMS Stalker, the last landing ship tank built to British design for the Royal Navy. The Board recognised the heritage importance of the ship and the memorial connections, but there were concerns about future costs of restoration and long-term sustainability. A request from the V&A for £70,655 to acquire a pair of stools from Warwick Castle was also not supported. The Board acknowledged

that the stools were important historical items, but did not consider these as the highest priority for funding in the context of significant demand for NHMF funding.

NHMF maintains an endowment fund which fell in value by £8.2million in the year from £31.5million to £23.3million. This was due mainly to the world-wide decline in the value of stock markets – the fund's money is mostly invested in unit trusts – as well as Trustees drawing down £2million during the year to fund grant payments. The underlying performance of the endowment fund was a fall of 20.5%. Trustees are aware that the value of the endowment fund is below its original value at today's prices by £9.8million at 31 March 2009. Trustees will monitor the situation over the long term in conjunction with its newly formed investment panel, and will transfer funds to the endowment fund if the underlying investment performance is insufficient over the long term to raise its value back to its original value.

Trustees received donations totalling £46,000 during the year from the estates of Lady Beryl Rook and Ms Marian Dobree. Trustees wish to express their gratitude for the generosity of these individuals in helping to save heritage assets for the enjoyment of future generations.

## Remuneration report

### Remuneration of the Chair and Trustees

All Trustees were entitled to receive an annual salary for the time spent on the activities of the National Heritage Memorial Fund. In addition, the National Heritage Memorial Fund reimbursed travel expenses of certain Trustees from their homes to their office of employment in London, Edinburgh, Cardiff or Belfast. The Fund met the tax liability on these expenses. The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table on the right. One Trustee, Yinnon Ezra, waived his right to a salary.

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by the National Heritage Memorial Fund. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%:1%. The total remuneration of Trustees in 2008–09 was £207,674 (2007–08: £227,946). The pay and contracts of Trustees are discussed and set by the Department for Culture, Media and Sport.

### Remuneration of employees

The remuneration of directors was as follows:

	Salary including performance bonus 2008–09 £'000	Salary including performance bonus 2007–08 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/3/09 £'000	Cash Equivalent Transfer Value (CETV) at 31/3/08* £'000	Real increase in CETV funded by NHMF £'000
<b>Carole Souter</b> Chief Executive	125–130	120–125	0–2.5 plus 2.5–5 lump sum	40–45 plus 130–135 lump sum	801	715	20
<b>Robert Bewley</b> Director of Operations	90–95	65–70**	0–2.5 plus 5–7.5 lump sum	25–30 plus 75–80 lump sum	510	436	34
<b>Judith Cligman</b> Director of Policy and Strategy	85–90	85–90	0–2.5 plus 2.5–5 lump sum	25–30 plus 75–80 lump sum	452	395	21
<b>Karen Brookfield***</b> Acting Director of Policy and Strategy	70–75	65–70	0–2.5 plus 2.5–5 lump sum	25–30 plus 75–80 lump sum	450	434	21
<b>Steve Willis</b> Director of Finance & Corporate Services	105–110	105–110	0–2.5 plus 0–2.5 lump sum	45–50 plus 145–150 lump sum	1,037	958	1

\* These figures are different to those quoted in last year's accounts. This is due to CETV factors being updated to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

\*\* Robert Bewley joined us part way through 2007–08; hence the apparent large rise in salary

\*\*\*Karen Brookfield was made acting Director for 15 weeks during the temporary absence of Judith Cligman

### Audited information

	2008–09 £'000*	2007–08 £'000
Dame Liz Forgan	20–25	40–45
Dame Jenny Abramsky (Chair)	20–25	0
Madhu Anjali	0–5	5–10
Mike Emmerich	5–10	5–10
Kim Evans	0–5	0
Yinnon Ezra	0–5	0–5
Kathy Gee	10–15	5–10
Catherine Graham-Harrison	0–5	5–10
Doug Hulyer	10–15	10–15
Tristram Hunt	5–10	5–10
Dan Clayton-Jones	20–25	20–25
Hilary Lade	5–10	0
Brian Lang	20–25	20–25
Alison McLean	5–10	0–5
Matthew Saunders	5–10	5–10
Ronnie Spence	20–25	20–25
Richard Wilkin	10–15	10–15
Christopher Woodward	5–10	5–10

\* Significant changes in reported remuneration including taxable expenses are due to Trustees not being employed for a full year in either 2007–08 or 2008–09

The accrued pension quoted is the pension the member is entitled to receive when they reach 60, or immediately on ceasing to be an active member of the scheme if they are already 60.

### **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.

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Schemes. Their costs were allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%: 1% (2007–08: 99%: 1%). The pay and contracts of senior employees are discussed and set by the Finance & Resources Committee. (Membership of this committee is disclosed on page 22). The remuneration of senior managers

is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Trustees, and the Chief Executive in turn agrees personal objectives with the function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system and performance is reviewed in line with this. Performance is reviewed annually in March/April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance & Resources Committee's view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than six months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

**Carole Souter**  
Chief Executive

7 July 2009

## Statement of Trustees' and Chief Executive's responsibilities

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Under section 7(2) of the National Heritage Act 1980, Trustees of the National Heritage Memorial Fund are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Fund's state of affairs at the year end, of its recognised gains and losses and of its income and expenditure and cash flows for the financial year.

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

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

The Accounting Officer of the Department for Culture, Media and Sport has appointed the senior full-time official, the Chief Executive, as the Accounting Officer for the Fund. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances, for the safeguarding of the Fund's assets and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Managing Public Money.

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

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

7 July 2009

## Statement on internal control

### Scope of responsibility

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

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

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

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

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

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Fund for the year ended 31 March 2009 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

### Capacity to handle risk

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

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

Staff, from middle management upwards, have received training in risk management techniques.

### The risk and control framework

The Management Board devised a risk management statement that details how the NHMF identifies, monitors and controls risks and opportunities. This statement is reviewed regularly. On an annual basis, risks are categorised by considering the likelihood of occurrence should no risk mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high form the NHMF risk register. The Management Board then assigns to senior managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk. The Management Board reviews the effectiveness of

their work on a quarterly basis. The Audit Committee also regularly reviews and questions the activities of risk owners.

NHMF has an information risk policy to be followed by all staff – new staff read it as part of their induction. The policy, which is reviewed on an annual basis, requires all data to be held securely.

In 2008–09, the NHMF considered the following to be the most significant areas of risk:

- i) decline of our income beyond expectations;
- ii) failure of awarded grants to meet our strategic objectives;
- iii) failure of our strategy to keep pace with the needs of the heritage and changes in the external environment, and therefore lack of support for it by our stakeholders;
- iv) failure to set and follow efficient procedures thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;
- v) failure to recruit, retain and develop staff;
- vi) lack of adequate acknowledgement of the HLF/NHMF contribution by grantees;
- vii) that support and influence lessens as a result of low awareness and understanding of our contribution by stakeholders and the Lottery-playing public;
- viii) changes to membership and delegations of Board and Committees leads to confusion and inconsistency in decision making.

### **Review of effectiveness**

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

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

I have investigated allegations of impropriety in relation to the calculation of the pay award for staff which arose towards the end of the financial year. A forensic audit carried out by a specialist team from our internal auditors (Grant Thornton) found no evidence of fraud or impropriety. It did, however, identify errors in calculation over a number of years. These errors may have led to the agreement of higher pay approvals than may otherwise have been obtained, although this is not considered to be significant and still within Treasury guidelines. The team's process recommendations for the future have been discussed by the Audit Committee, accepted and fully implemented. They also identified control weaknesses in relation to segregation of duties and oversight. A further governance review is to be undertaken during the current financial year and will identify any other areas where similar weaknesses may exist.

As a result of the above, there is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate.

**Carole Souter**  
Chief Executive

7 July 2009

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2009 under the National Heritage Act 1980. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Recognised Gains and Losses 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, Chief Executive and Auditor**

The Trustees and Chief Executive, as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Trustees' and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury. I report to you whether, in my opinion, the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them

In addition, I report to you if the National Heritage Memorial Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if

information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

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

## **Basis of audit opinion**

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

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

overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

### **Opinions**

In my opinion:

- i) the financial statements give a true and fair view, in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the National Heritage Memorial Fund's affairs as at 31 March 2009 and of its deficit, recognised gains and losses and cash flows for the year then ended;
- ii) the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- iii) the Management Commentary, included within the Annual Report, is consistent with the financial statements.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

### **Report**

I have no observations to make on these financial statements.

**Amyas CE Morse**

Comptroller and Auditor General

9 July 2009

National Audit Office  
151 Buckingham Palace Road  
Victoria  
London SW1W 9SS

## Income and Expenditure Account for the year ended 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
<b>Sundry operating income</b>	3	<b>354</b>	18
New awards made in the year	14	(13,793)	(16,398)
De-committed awards	14	102	1,073
		<b>(13,691)</b>	(15,325)
Staff costs	4	(47)	(52)
Depreciation	10	(2)	(1)
Other operating charges	6	(120)	(88)
		<b>(169)</b>	(141)
<b>Operating expenditure</b>		<b>(13,860)</b>	(15,466)
<b>Operating deficit</b>		<b>(13,506)</b>	(15,448)
Income from investments	7	1,098	947
Profit on the sale of investments	8	253	2,294
Interest receivable	9	102	321
<b>Non-operating income</b>		<b>1,453</b>	3,562
Net deficit before notional costs		<b>(12,053)</b>	(11,886)
Notional costs – capital	17	(638)	(944)
Net deficit including notional costs		<b>(12,691)</b>	(12,830)
Reversal of notional costs		638	944
<b>Deficit transferred to the accumulated fund</b>		<b>(12,053)</b>	(11,886)

## Statement of Recognised Gains and Losses for the year ended 31 March 2009

	Note	2008-09 £'000	2007-08 £'000
Movement on fair value reserve	19	<b>(7,630)</b>	(5,946)

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

The notes on pages 35 to 43 form part of the accounts.

## Balance Sheet

as at 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
<b>Fixed assets</b>			
Tangible fixed assets	10	2	3
Investments – available for sale financial assets	11	21,933	26,236
		<b>21,935</b>	26,239
<b>Current assets</b>			
Debtors	12	7	26
Cash at bank and in hand		477	346
Cash at JP Morgan Chase Bank	11	1,353	5,330
		<b>1,837</b>	5,702
<b>Creditors: amounts falling due within one year</b>			
Grant commitments due within one year	13 14	(43) (3,681)	(40) (8,836)
<b>Net current liabilities</b>		<b>(1,887)</b>	(3,174)
<b>Total assets less current liabilities</b>			
Grant commitments due in more than one year		20,048 (6,667)	23,065 0
<b>Provision for liabilities and charges</b>			
Pensions and similar liabilities	5	0	(1)
<b>Total assets less liabilities</b>		<b>13,381</b>	23,064
<b>Fair value reserve</b>	19	<b>(1,454)</b>	6,176
<b>Accumulated fund</b>			
Accumulated fund brought forward		16,888	18,772
Grant-in-aid		10,000	10,002
Result for the year		(12,053)	(11,886)
Accumulated fund carried forward		<b>14,835</b>	16,888
		<b>13,381</b>	23,064

This statement excludes balances relating to the Lottery activities of the National Heritage Memorial Fund which are separately disclosed in the accounts of the Heritage Lottery Fund. The notes on pages 35 to 43 form part of the accounts.

**Dame Jenny Abramsky**  
Chair

**Carole Souter**  
Chief Executive

7 July 2009

## Cash Flow Statement

for the year ended 31 March 2009

	Notes	2008-09 £'000	2007-08 £'000
<b>Operating activities</b>			
Cash from sundry operating income	3	354	18
Cash paid to and on behalf of employees		(49)	(51)
Cash paid to suppliers		(115)	(87)
Cash paid to grant recipients	14	(12,179)	(9,133)
<b>Net cash outflow from operating activities</b>	16a	<b>(11,989)</b>	(9,253)
<b>Returns on investment and servicing of finance</b>			
Interest received		120	301
Dividends received		1,168	940
<b>Net cash inflow from returns on investments</b>		<b>1,288</b>	1,241
<b>Capital expenditure and financial investment</b>	16b	<b>(3,145)</b>	1,817
<b>Cash flow before financing</b>	16c	<b>(13,846)</b>	(6,195)
<b>Financing through grant-in-aid</b>	16c	<b>10,000</b>	10,002
<b>(Decrease)/increase in cash</b>		<b>(3,846)</b>	3,807

## Reconciliation of Net Cash Flow to Movement in Net Funds

for the year ended 31 March 2009

	2008-09 £'000	2007-08 £'000
(Decrease)/increase in operating cash in the period	(3,846)	3,807
Cash used to increase liquid resources	0	0
<b>Changes in net funds</b>	<b>(3,846)</b>	3,807
Net funds at 1 April 2008	5,676	1,869
<b>Net funds at 31 March 2009</b>	<b>1,830</b>	5,676

The notes on pages 35 to 43 form part of the accounts.

# Notes to the Accounts

## for the year ended 31 March 2009

### I. Statement of accounting policies

---

#### a) Accounting convention

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

#### b) Government grants

Government grants are treated as financing because they are regarded as contributions from a controlling party which gives rise to a financial interest. This is done by making an adjustment to the accumulated income and expenditure account. No allocation is made between grants for revenue and capital purposes.

#### c) Fixed assets

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

Short leasehold property – the life of the lease

Office equipment – 4–10 years

Office fittings – 4–10 years

#### d) Investments

Assets within the portfolio that comprises our endowment fund are often bought and sold, which means they have to be categorised as 'available for sale'. They are recognised at 'fair value' and movements in value are taken to a fair value reserve until realised. Realised gains and losses are included in the income and expenditure account and are calculated as the difference between sales proceeds and historic cost. Unrealised gains and losses on fixed asset investments are reflected in the fair value reserve and statement of recognised gains and losses

#### e) Allocation of costs

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

#### f) Taxation

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

### g) Pension

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

### h) Leases

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

### i) Grant awards

Positive decisions by Trustees are recognised in the income and expenditure account at the time of award. De-commitments occur when an award or part-award is not taken up by a grantee.

## 2. Grant-in-aid

	2008-09 £'000	2007-08 £'000
Grant from the Department for Culture, Media and Sport	<b>10,000</b>	10,002

## 3. Other operating income

This entails donations from members of the public (£46,000) and repayments of grant (£308,000).

## 4. Staff costs and numbers

	2008-09 £'000	2007-08 £'000
Salaries	<b>36</b>	39
Employer's NI payments	<b>3</b>	3
Payments to pension scheme (see note 5)	<b>7</b>	8
Temporary staff costs	<b>1</b>	2
	<b>47</b>	52

Additional costs of £9,698,000 have been charged to the Heritage Lottery Fund and are reflected in the accounts of that Fund.

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

	2008-09 Number	2007-08 Number
Grant applications	<b>1</b>	1
Finance and administration	<b>0</b>	0
Policy	<b>0</b>	0
Public relations	<b>0</b>	0
	<b>1</b>	1

Additionally, an average of 230 permanent staff were employed on Heritage Lottery Fund activities.

## 5a. Pensions

Pension benefits are provided through the Civil Service pension arrangements (PCSPS). Since 30 July 2007, new staff without any previous membership of PCSPS are able to join Nuvos. This is a high quality, index linked defined benefit pension scheme. This currently has a 3.5% member contribution rate and will provide a defined benefit pension with a pension age of 65.

Staff who joined before 30 July 2007, or who have qualifying previous PCSPS membership on joining since that date, remain in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

The alternative pension scheme arrangement is a Stakeholder Pension known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. 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. 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 PCSPS to cover the cost of centrally-provided lump sum risk benefit cover (death in service and ill health retirement). There are currently five members of staff with a partnership pension account. No members of staff retired early on health grounds during 2008–09.

Further details about the Civil Service pension arrangements, which prepare their own scheme statements, can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2008–09, employer's contributions of £6,963 (2007–08: £7,281) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Salary in 2008–09	% in 2008–09
£19,000 and under	17.1%
£19,001–£39,000	19.5%
£39,001–£66,500	23.2%
£66,501 and above	25.5%

In 2005–06, the one member of staff who had remained a member of the Joint Superannuation Services (JSS) scheme retired. JSS had provided the Fund with details on the expected provisions that the Fund would be required to make each year so as to enable the Fund to meet the pension liabilities that will accrue under the scheme. The last time such advice was given was 31 March 1998. The scheme is a defined benefit scheme. Pension payments made to this former employee would have been met from the Fund's cash resources, and not through the JSS, which has no assets. However, in view of assurances from PCSPS that no liability exists on NHMF, the provision has been written back. New employees of the National Heritage Memorial Fund do not join the JSS, but instead join the PCSPS.

## 5b. Provision for liabilities and charges

	2008–09 £'000	2007–08 £'000
Provision at 1 April	1	1
Pension payments made and provision write-back	(1)	0
<b>Provision at 31 March</b>	<b>0</b>	<b>1</b>

## 6. Operating deficit

The operating deficit is stated after charging the following:

	2008–09 £'000	2007–08 £'000
Auditor's remuneration including work on the preparation for International Financial Reporting Standards	9	8
Payments under operating leases		
– leasehold premises	7	7
– hire of plant and machinery	0	0

Additional costs of £10,527,000 have been allocated to the accounts of the Heritage Lottery Fund. As disclosed in note 1 to these accounts, the National Heritage Memorial Fund is required to apportion its costs to the Heritage Lottery Fund. At the end of the financial year, the proportion of joint costs apportioned was 99% to the Heritage Lottery Fund.

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

	2008–09 £'000	2007–08 £'000
Accommodation	11	12
Postage and telephone	2	3
Office supplies, print and stationery	3	2
Travel, subsistence and hospitality	1	2
Professional fees		
– grant related	4	8
– non-grant related	69	43
Public relations and communications	24	14
Sundry	6	4
	<b>120</b>	<b>88</b>

## 7. Income from investments

	2008-09 £'000	2007-08 £'000
Fixed asset investments	<b>1,098</b>	947

## 8. Profit on the sale of investments

	2008-09 £'000	2007-08 £'000
Fixed asset investments	<b>253</b>	2,294

## 9. Interest receivable

	2008-09 £'000	2007-08 £'000
Bank interest receivable	<b>102</b>	321

## 10. Tangible fixed assets

	Improvements to short leasehold property £'000	IT equipment £'000	Office fittings £'000	Total £'000
Cost at 1 April 2008	7	8	1	16
Additions	0	1	0	1
Adjustment on disposal	0	(1)	0	(1)
<b>At 31 March 2009</b>	<b>7</b>	<b>8</b>	<b>1</b>	<b>16</b>
Depreciation at 1 April 2008	6	6	1	13
Charge for the year	1	1	0	2
Adjustment on disposal	0	(1)	0	(1)
<b>At 31 March 2009</b>	<b>7</b>	<b>6</b>	<b>1</b>	<b>14</b>
Net book value At 31 March 2008	1	2	0	3
<b>At 31 March 2009</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>2</b>

The Trustees have considered the value of the fixed assets and are satisfied that their value, at 31 March 2009, was not less than their net book value shown in the accounts. The value of fixed assets represents a proportionate split of the assets used by the National Heritage Memorial Fund and the Heritage Lottery Fund. This split is currently 99% Lottery and 1% Memorial.

No fixed assets were held under finance leases.

A review of the current cost values of fixed assets, at 31 March 2009, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of tangible fixed assets.

## 11. Fixed asset investments

The National Heritage Memorial Fund was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established the Memorial Fund, the sum of £10million should be regarded as the residue of the National Land Fund. They decided to invest it and to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable the National Heritage Memorial Fund to meet its obligations. To this end, investment can be made outside the United Kingdom. A table below summarises the global investment spread. The surplus value of the endowment fund (i.e. the excess over the current value of the initial £10million) can be drawn down to fund NHMF's grant-giving. At 31 March 2009, the original £10million investment would be worth £33.1million taking into account indexation – the actual market value is £23.3million.

Fixed asset investments comprise this endowment fund. A proportion of this fund is held in cash (£1,352,796 at 31 March 2009) and is disclosed in these accounts as a current asset as part of the cash balances of the National Heritage Memorial Fund. These investments are managed, on behalf of NHMF, by JP Morgan Asset Management (London) Limited. The Trustees are not required to adopt the Trustee Investment Act 1961 when considering investment policy.

	2008-09 £'000	2007-08 £'000
Cost and net book value:		
At 1 April	20,060	19,578
Additions	5,406	5,242
Disposals	(2,009)	(4,766)
Accrued income	(70)	6
<b>At 31 March</b>	<b>23,387</b>	<b>20,060</b>
Net book value:		
Listed on the London Stock Exchange	0	0
Unlisted investments	23,387	20,060
	<b>23,387</b>	<b>20,060</b>
Cost	23,387	20,060
Market value	21,933	26,236
Unrealised (loss)/gain	(1,454)	6,176

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

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

	2008-09 %	2007-08 %
UK	69	69
Europe (excluding UK)	8	8
North America	18	18
Japan and Far East	5	5
	<b>100</b>	<b>100</b>

## 12. Debtors – all due within one year

	2008–09 £'000	2007–08 £'000
Prepayments and accrued income	7	26

## 13. Creditors: amounts falling due within one year

	2008–09 £'000	2007–08 £'000
Operating creditors	2	3
Other creditors including taxation and social security	4	3
Accruals and deferred income	37	34
	<b>43</b>	<b>40</b>

None of the liabilities of the National Heritage Memorial Fund was secured. Of the above sums, £10,000 was payable to central government bodies (2007–08: £9,000).

## 14. Grant commitments

	2008–09 £'000	2007–08 £'000
At 1 April	8,836	2,644
Grants paid in the year	(12,179)	(9,133)
Commitments created in the year	13,793	16,398
De-commitments	(102)	(1,073)
<b>At 31 March</b>	<b>10,348</b>	<b>8,836</b>

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

	2008–09 £'000	2007–08 £'000
In one year	3,681	8,836
In two to five years	6,667	0
	<b>10,348</b>	<b>8,836</b>

Amounts due in more than one year represent the second and third payments to the National Gallery/ National Galleries of Scotland to purchase Titian's *Diana and Actaeon*. Owing to its size, it was agreed that this grant would be paid over three years.

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

	2008–09 £'000	2007–08 £'000
Balances owing to central Government	10,348	7,271
Balances owing to local authorities	0	1,413
Balances owing to other bodies	0	152
	<b>10,348</b>	<b>8,836</b>

## 15. Commitments

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

	2008-09 £'000	2007-08 £'000
<b>Short leasehold property</b>		
Expiring in one year	4	0
Expiring in years two to five	0	7
	<b>4</b>	<b>7</b>

In addition, operating lease commitments of £1,023,000 (2007-08: £1,397,000) have been charged to the Heritage Lottery Fund and are disclosed in the accounts of that Fund. This sum is split £958,000 on short leasehold property and £64,000 on other operating leases.

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

## 16. Notes to the cash flow statement

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

	2008-09 £'000	2007-08 £'000
Operating deficit	(13,506)	(15,448)
Add back non-cash items:		
– depreciation	2	1
– decrease in provisions	1	0
– increase in grant commitment reserve	1,512	6,192
Decrease in debtors (excluding capital, investments and other non-operating income)	0	0
Increase in non-capital creditors	2	2
Net cash outflow from operating activities	<b>(11,989)</b>	<b>(9,253)</b>

### b) Capital expenditure and financial investment

	2008-09 £'000	2007-08 £'000
Payments to acquire tangible fixed assets	(1)	(1)
Payments to acquire fixed asset investments	(5,406)	(5,242)
Receipts from sales of tangible fixed assets	0	0
Receipts from sales of fixed asset investments	2,262	7,060
	<b>(3,145)</b>	<b>1,817</b>

### c) Analysis of changes in net funds

	At 1 April 2008 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2009 £'000
Cash at bank	5,676	(13,846)	10,000	<b>1,830</b>

## 17. Notional costs

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

## 18. Related party transactions

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

In addition, the National Heritage Memorial Fund (including its Lottery distribution activities) has had a number of material transactions with other Government departments. These transactions have been with the Department of Business, Enterprise and Regulatory Reform and entities that regard the National Assembly for Wales (being Cadw) as their parent department. Further details of the transactions and balances with the Big Lottery Fund, English Heritage and Cadw can be found in the accounts of the Lottery distribution activities of NHMF.

Liz Forgan, the former chair of the Trustees, is the chair of a trust owning a newspaper group. The NHMF spent £23,244 with this organisation via a third party whilst she was chair of the Trustees. No Trustee of the National Heritage Memorial Fund had an interest in a body to which the Fund made a grant. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

Two members of the NHMF expert panel, Noel Annesley and Sir John Guinness, had interests in a number of awards made in the year. The panel advises Trustees on the heritage merits of grant applications. Noel Annesley is Honorary Chairman of Christies who had links with the following awards:

- i) An award of £178,000 to Towneley Hall Art Gallery to purchase a bust of Charles Townley.
- ii) An award of £10million to the National Gallery and National Galleries of Scotland to purchase *Diana and Actaeon* by Titian.
- iii) Two awards to the Tate totalling £2,221,239 for the purchase of Rubens's sketch for the Banqueting House ceiling.

Sir John Guinness is a member of the development committee of the British Library. The British Library received a grant of £250,000 for the acquisition of the Macclesfield Alphabet Book and a grant of £100,000 for the Dering Roll.

The Trustees are satisfied that in none of the above cases was there any personal involvement in the decision-making process or the possibility of personal financial gain for the individual. There were no other commercial transactions in which Trustees or staff had a material interest or influence.

## 19. Fair value reserve

	2008-09 £'000	2007-08 £'000
At 1 April	6,176	12,122
Movement in the year	(7,630)	(5,946)
<b>At 31 March</b>	<b>(1,454)</b>	<b>6,176</b>

The reserve relates to the difference between book cost and fair value of fixed asset investments (see note 11). The difference between book and fair value of fixed assets (see note 10) is not material.

## 20. Financial instruments

Full disclosure under FRS29 Financial Instruments Disclosure is in the Management Commentary.

# Chair, Trustees and Management

## Chair

Dame Jenny Abramsky <sup>2</sup>  
*Trustee from 1 September 2008  
and Chair from 1 October 2008*

Dame Liz Forgan  
*until 30 September 2008*

## Board of Trustees

Madhu Anjali  
*until 21 July 2008*

Mike Emmerich

Kim Evans <sup>2</sup>  
*from 22 July 2008*

Yinnon Ezra <sup>1</sup>

Kathy Gee

Catherine Graham-Harrison  
*until 22 July 2008*

Doug Hulyer <sup>1</sup>

Tristram Hunt

Dan Clayton-Jones

Hilary Lade <sup>2</sup>  
*from 1 October 2008*

Brian Lang

Alison McLean <sup>1</sup>

Matthew Saunders

Ronnie Spence <sup>1</sup>

Richard Wilkin <sup>2</sup>

Christopher Woodward

## Management Board

Carole Souter <sup>2</sup>  
*Chief Executive*

Robert Bewley

Stephen Boyce

Karen Brookfield

Judith Cligman

Louise Lane

Patricia Langley

Sheena Vick

Steve Willis

## NHMF expert-panel members

Noel Annesley

Sir John Guinness

Richard Ovenden

Rosalind Savill

Giles Waterfield

## NHMF team

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www.nhmf.org.uk

## Acknowledgements

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