

MUSEUMS AND GALLERIES ACT 1992

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

Natural History Museum Annual Report and Accounts 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 17th JULY 2008

LONDON: The Stationery Office

27 February 2009

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Trustees' Annual Report

Reference and administrative details

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

Principal Address

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

Board Members

The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken (Chairman) (b) (c) (d)	To 31 December 2009	Prime Minister
Daniel Alexander QC (b)	To 11 May 2010	Co-opted
Professor Sir Roy Anderson FRS FMedSci (appointed 1 April 2008)	To 31 March 2012	Co-opted
Louise Charlton (d)	To 30 April 2010	Prime Minister
Professor David Drewry (appointed 6 May 2008)	To 5 May 2012	Prime Minister
Professor Dianne Edwards CBE FRS (a)	To 6 February 2011	Prime Minister
Professor Alex Halliday FRS (b)	To 28 February 2010	Royal Society
Ian Henderson CBE FRICS (d)	To 2 February 2009	Co-opted
Dr Derek Langslow CBE (a) (appointed 6 May 2008)	To 5 May 2012	Prime Minister
Professor Jacquie McGlade (b)	To 31 December 2009	Prime Minister
Professor Georgina Mace CBE FRS (d)	To 5 February 2012	Prime Minister
Sir David Omand GCB (a)	To 19 January 2010	Prime Minister
Other Trustees who served during 2007-08 were:		
Sir William Castell LVO (a) (c)	Retired 5 February 2008	Prime Minister
Professor Michael Hassell CBE FRS (c)	Retired 5 February 2008	Prime Minister
Professor Linda Partridge CBE FRS FRSE (b)	Retired 31 March 2008	Co-opted

Notes:

- (a) Member of the Trustees' Audit and Risk Committee
- (b) Member of the Trustees' Remuneration Committee
- (c) Member of the Trustees' Nomination Committee
- (e) Member of the Trustees' Darwin Centre Phase Two Committee

Museum Director and Accounting Officer

Dr. Michael Dixon

Bankers

National Westminster Bank plc
186 Brompton Road
London
SW3 1HH

Auditors

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

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

Solicitors

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

Investment Advisors

JP Morgan Fleming Asset Management
10 Aldermanbury
London
EC2V 7RF

Accounts preparation

The annual report and accounts have been prepared in accordance with the accounting policies set out in Note 1 on pages 29 to 32. They comply with the requirements of the Companies Act 1985, the Statement of Recommended Practice 2005 on 'Accounting and Reporting by Charities', except where specified, the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture Media and Sport, with the approval of H.M.Treasury.

Structure, governance and management**Status**

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

Statutory duties

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

The Board of Trustees

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

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

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

- Audit and Risk Committee
- Remuneration Committee
- Darwin Centre Phase Two Committee
- Nominations Committee

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

The Board meets generally four times a year, and in addition strategy days are arranged with at least one taking place annually.

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

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

Organisational Structure

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

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

Director of the Museum:	Dr. Michael Dixon
Director of Public Engagement:	Sharon Ament
Director of the Human Resources:	Paul Brereton
Director of Finance and Administration, and Programme Director, Darwin Centre Phase Two:	Neil Greenwood
Director of Science:	Prof. Richard Lane
Director of Estates:	David Sanders
Director of Policy and Planning and Director of the Natural History Museum at Tring:	Teresa Wild

Staff and organisation

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

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

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

During the year the Museum employed 904 (average full time equivalents) of which 722 were on permanent contracts.

Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 7 to the Accounts).

In May 2008 the Museum was awarded the Investors in People Standard.

A volunteer force of 313 people assisted the Museum during 2007-2008.

Openness and accountability

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

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

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

The Museum Director as Accounting Officer has recognised his responsibilities regarding the handling of personal data and an action plan has been developed to meet the Cabinet Office requirements.

The Museum has suffered no protected personal data incidents during 2007-08 and has made no report to the Information Commissioner's Office.

Risk Management

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

The Directors' Group has specific responsibility for:

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

A statement of key risks and the risk profile is considered and determined by the Board of Trustees on an annual basis, as advised and informed by Audit and Risk Committee and the Director. During the year the Director reports significant changes and developments in the risk profile to the Audit and Risk Committee and the Board of Trustees.

The current key risks include:

- the impact of an economic downturn
- the threat of terrorism
- the delivery of capital investment programmes including Darwin Centre Phase Two
- recruitment and retention of key staff
- the development of the Museum's presence in the virtual world

Relationship with DCMS

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

Group entities

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

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

Objectives and Activities

Mission

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

Objectives

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

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

In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring.

The Museum is committed to excellence and in order to contribute fully to the imperatives facing the natural world the Museum has a corporate plan which sets high ambitions to be realised over the period 2007-12. This is enshrined in the Museum's vision.

The Vision:

Our vision for the future is to advance our knowledge of the natural world, inspiring better care of our planet. There are seven ways in which we will do this:

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

The Darwin Centre

The Darwin Centre is a key component of the delivery of the vision. The first phase which opened in September 2002 houses circa 22 million zoological specimens stored in alcohol, provides visitors with access to those collections and the scientists who work on them.

Darwin Centre Phase Two, which will safeguard the Museum's entomological and botanical specimens and develop further the public access to the Museum's science, is scheduled to open in autumn 2009. The main contractor for the core building, HBG UK Ltd, started on site in June 2006 with completion scheduled for mid 2008. Also during 2007-08, design work has continued on the components of the building accessible to the public, and planning for occupation and fit out, including the recant of the collections, has commenced.

At 31 March 2008 expenditure on Phase Two amounted to £59.273m funded from both internal and external sources, including £5.0m from DCMS, £17.379m from the Heritage Lottery Fund and £9.401m from the Wellcome Trust. Of this expenditure, £54.324m has been capitalised. Total funds received for the project amounted to £61.980m and thus there was a working fund balance of £2.707m available to fund future committed expenditure.

A further £16m expenditure will be incurred during 2008-10 and hence it is estimated that the total funds required for the project will be c£76m with £20.5m from the Heritage Lottery Fund, £10m from the Wellcome Trust, £10.7m from DCMS, £13.5m raised from other fundraising, and c£21m from Museum resources.

Achievements and activities during 2007-2008

During 2007-08 the Museum continued to attract a high number and a diverse range of visitors, supported by the permanent exhibitions, a lively and diverse special exhibitions and events programme, and the Darwin Centre. Total visitors to South Kensington and Tring amounted to 3.779m which was a small decrease of 113k compared with 2006-07, which itself was a record year since the reintroduction of free admission in 2001. However the 2007-08 outturn was well in excess of the Funding Agreement target of 3.35m.

The main special exhibition at South Kensington was Ice Station Antarctica featuring the challenging environment of the Antarctic region, which opened in May 2007. In addition *Systema Metropolis*, a contemporary art exhibition celebrating 300 years since the birth of Carl Linnaeus the father of modern classification took place in the Jerwood Gallery from June 2007 and was followed by the Wildlife Photographer of the Year exhibition from the Autumn. The main exhibition at the Natural History Museum at Tring was *Walter Rothschild: The Man, the Museum and the Menagerie* which contributed to attracting yet another record number of visitors (129,853).

Within the total visitors figure were 1,251,131 children (2007: 1,325,946), including 135,000 school children, and there were 249,000 over 60s. Based on site surveys, there were an estimated 290,000 visitors aged 16 and over from lower socio-economic groups (2007: 300,000). Both the total children figure and the aged 16 and over from lower socio-economic groups exceeded the Funding Agreement targets.

The number of children in organised educational programmes both on-site and outreach amounted to 339,646 which is a decrease on the figures for 2006-07 (360,000) though yet again exceeds the funding agreement target.

Building on the successful relaunch of the Museum's website in 2005 there were over 5.5m unique user visits to the site which is an increase on the figure for 2006-07 (5.1m) and well above the Funding Agreement target of 3.625m.

A new gallery *The Vault* opened in November 2007, being the first new permanent public exhibition gallery space to open since autumn 2002. The exhibition includes world class examples of rare metals, gems, crystals and meteorites, most of which are on permanent display for the first time.

In August 2007 the Museum was part of a consortium which was awarded funding of just under £12m for a 5 year project to develop an Open Air Laboratories Network (OPAL). OPAL is an England-wide initiative designed to encourage the public to engage with some of the country's leading scientists while becoming involved in environmental projects tailored to their region, and will provide the training, practical experience, tools and support needed for communities to record the plants, animals and fungi in their local environments.

During the early part of the year the Museum reached agreement on a claim lodged by the Australian Government in November 2005 and to a request under that claim from the Tasmanian Aboriginal Centre (TAC) for the return of aboriginal remains. The Trustees agreed to transfer, after limited data collection, the remains of 17 Tasmanian aboriginal people to the Australian Government, which designated the TAC to be the receivers of these remains, and to also return the skull of an aboriginal person from Australia to the Australian Government. Both decisions were in line with advice the Trustees had received from its Human Remains Advisory Panel. The data collected from the remains will continue to be available to the world-wide anthropological community for research purposes. In addition, the agreement provides for the preservation of DNA material that had been obtained from the remains prior to the Museum's decision to return them. It was agreed that future access to this material for science research purposes will be explored in discussion between the Museum and the TAC and these samples will be held in an agreed repository under shared control.

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

- The fourth year of the *Synthesys* project, an EU funded programme of 13 million euros led by the Museum for developing and accessing collections, linking 20 museums and botanical gardens across Europe, was completed. Subsequently in June 2008 a further programme led by the Museum, which will provide funding for further research visits, networking activities building on the previous programme and, also, a research project focusing on the extraction of DNA from museum and herbarium collections has been awarded of c7 million euros of EU funding;

- Work continued on another significant EU funded partnership project in which the Museum plays a leading role – the European Distributed Network of Taxonomy (EDIT) which aims to overcome fragmentation of research in taxonomy. The Museum is leading on the allocation of development of websites, known as “scratchpads”, with communities of taxonomists. First launched in March 2007, by December 2008 over 50 sites were already in operation;
- The Museum has continued to develop the Species Dictionary on behalf of the National Biodiversity Network. This is a compilation of the complete fauna and flora of the British Isles, and it has been agreed the Museum will become responsible for the taxonomic accuracy of the UK Biodiversity Action Plan;
- In February 2008 the Museum submitted evidence to the House of Lords’ Science and Technology follow up inquiry into the systematic biology research and taxonomy;
- Digitisation work commenced at the Museum as part of the contribution to the Biodiversity Heritage Library (BHL) project. This is a partnership of ten international major natural history and botanical libraries which are collaborating to digitise the biodiversity literature to make it freely available on the web. The BHL is a key component of the Encyclopaedia of Life, established in May 2007 with the website launched in February 2008, which is an international collaboration to develop an online reference source and database for every one of the 1.8 million species that are named and known on the planet, as well as all those later discovered and described;
- Work was completed on a £1.6m programme, known as the MOA project, developing a unified database for all the Museum’s collections;
- The Museum purchased a state of the art micro-focus X-ray computed tomography (CT) scanner which produces 3-D X-rays of objects which can then be processed to produce virtual images of the internal structures of specimens at very high resolution;
- In May 2007 a landmark work *Order out of Chaos: Linnaean plant names and their types* by Museum research botanist Dr. Charlie Jarvis was published. This is the culmination of 25 years work and addresses the correct usage of scientific names which is crucial for stability in nomenclature;
- The 2nd International Conference on the *Environmental Effects of Nanoparticles and Nanomaterials* was hosted and co-sponsored by the Museum in September 2007;
- In July 2007, the Mammal Group in Zoology took delivery of a 4 metre long skull of a sperm whale, *Physeter catodon*, which was originally stranded on the north coast in the 1930s;
- 571 peer reviewed papers were published;
- Approximately 13,000 scientific visitor days were recorded, including those visiting under the *Synthesys* project;
- Approximately £26.2m scientific grant funding (including value to collaborators) was secured from 84 successful major awards (2007: 47 awards 2006-07). The value to the Museum from these awards amounted to £6.7m (2007: £1.5m);
- Over 50,000 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- The Museum continued to lead on the Real World Science project which is a partnership with four regional partners to inspire secondary school science students, increase their participation in scientific activity, and to enhance their knowledge. In November the Museum hosted a Real World Science Conference at which the Rt Hon Margaret Hodge MBE MP Minister for Culture, Creative Industries & Tourism participated in a question and answer session. The Department for Children, Schools and Families and the Department for Culture Media and Sport have agreed to extend the funding for the project for the three year period 2008-11.
- In July 2007 the Museum hosted a British Council initiative, International Networking for Young Scientists, which is aimed at promoting the exchange of ideas and knowledge between young researchers from the UK and other countries;
- During June 2007, the Museum worked closely with the Grant Museum at University College London to put on a week long summer school for year 12 (AS Level) students – *Conservation and Extinction: past, present and future*;

- The 2nd International Student Summit: *Greening Cities* was organised in conjunction with the British Council and hosted by the Museum in July 2007;
- A new and improved visitor map and signage system was completed;
- A major clean of the Whale Hall, one of the most popular galleries, was carried out during April – July 2007;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001;
- In April 2007 the Museum was awarded OHSAS 18001 BSI certification which is the internationally recognized assessment specification for occupational health and safety management systems;
- The Museum exceeded significantly the Funding Agreement targets for net generated income from trading activities and efficiency savings.

Achievement against performance indicators for 2007-08, including core targets as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2008-2009

The main special exhibitions at South Kensington are *Amazing Butterflies* which includes a tropical butterfly house and which opened on the east lawns in May 2008, *Wildlife Photographer of the Year* from the autumn and *Darwin*, a celebration of Charles Darwin's ideas and their impact which will open in November 2008. The Darwin Exhibition forms part of *Darwin200*, a national programme of events, with the Museum acting as co-ordinator, involving many organisations celebrating Charles Darwin's life and legacy which is centred around his two hundredth birthday on 12 February 2009.

The main construction work for Darwin Centre Phase Two will be completed in mid summer and this will be followed by commencement of the fit out from September 2008, and recant of collections and occupation by staff from January 2009.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to increase the proportion of research that is published in recognised titles as well as competing for and increasing peer reviewed funding. New approaches to web based taxonomy will continue to be developed, in particular by contributing to the European Distributed Institute of Taxonomy project, and the CATE (Creating a Taxonomic e-Science).

For the collections, developments plans will be completed for each of the collection departments which will underpin an overall collections development strategy. This will be complemented by a collections standards project supplemented and the Museum will be seeking to achieve Museum Accreditation.

In recognition of the increasing importance of the virtual environment the Museum will be investing in infrastructure and a digital information system to underpin the delivery, access to and management of information.

A Masterplan Development Framework for the most effective use of the Museum's estate for collections storage, research and public gallery space, including a programme of gallery developments will be completed.

There will be significant investment in the implementation of the fire precautions strategy in the Waterhouse Building at South Kensington

Financial Review 2007-08

The Natural History Museum

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Trading Company, the Special Funds Trust, The Cockayne Trust and the Benevolent Fund, the overall level of funds increased by £39.7m from £494.4m to £534.1m (see Statement of Financial Activities). Of the increase £22.8m is attributable to the indexation of fixed assets, while there was a surplus of £17.1m on net incoming resources. Unrestricted designated funds within the total fund balance have increased from £439.9m to £467.6m which largely represents the non-donated estate (including most of the South Kensington site), funds which the Museum has invested in capital assets and programmes, and there are £3.4m of designated funds for future projects. The balance on the General Fund has decreased by £3.8m to a surplus of £3.8m (2007: £7.6m), while the restricted fund balance has increased from £46.2m to £62.0m which primarily reflects further capital investment in Darwin Centre Phase Two.

The total incoming resources for the year amounted to £83.4m (2007: £77.7m) of which £45.4m (2007: £43.4m) was grant-in-aid, and £16.3m was restricted donations, including £8.9m from the Heritage Lottery Fund and £5.6m from the Wellcome Trust for Darwin Centre Phase Two. The total increase of £5.7m was predominantly attributable to grant in aid (increase of £2.0m), and income from the Heritage Lottery Fund (increase of £3.5m).

The total resources expended amounted to £66.3m (2007: £68.4m). The decrease of £2.1m was attributable to a number of significant factors within total support costs – a reduction in the operating costs of the energy centre; a reduction in early retirement and termination costs, a reduction in legal costs, and 2006-07 included significant non capitalised costs arising from Darwin Centre Phase Two.

Capital expenditure for the year amounted to £32.9m of which £29.9m was attributable to Darwin Centre Phase Two. Tangible fixed assets at 31 March 2008 amounted to £521.3m (2007: £474.3m) which predominantly represents land and buildings.

The net current assets at 31 March 2008 amounted to £12.1m (2007: £19.2m), including a cash balance of £15.0m. This includes the funds (restricted and designated) held to meet committed expenditure for Darwin Centre Phase Two amounting to £2.7m. The net current assets balance also underpins the further Museum investment in 2008-10 of c£2m of the total c£16m expenditure which will be incurred on the project during this period.

The Natural History Museum Trading Company Limited

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

The net operating profit for 2007-08 amounted to £2.714m (2006-07: £2.814m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2007-2008 this amounted to £2.709m (2006-07: £2.714m).

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

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

The Natural History Museum Special Funds Trust

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

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

During the year the fund received income amounting to £48.3k (2006-07: £40.8k) and incurred expenditure of £31.0k (2006-07: £11.6k). At 31st March 2008 the value of the Fund amounted to £1.189m (2006-07: £1.313m) including investments valued at £1.041m (2006-07: £1.182m) and cash of £152.4k (2006-07: £132.5k).

The Cockayne Trust

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

During the year the fund received income amounting to £5.8k (2006-07: £4.3k) and incurred expenditure of £0.3k (2006-07: £0.7k). At 31st March 2008 the value of the Fund amounted to £158.8k (2006-07: £164.6k) including investments valued at £121.0k (2006-07: £132.2k) and cash of £37.9k (2006-07: £32.4k).

The Benevolent Fund

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

The balance of funds held at 31 March 2008 was £28.8k (2006-07: £29.8k).

The Funding Agreement

The Museum receives the majority of its income from Government funding (grant-in-aid). For 2007-08 this was derived from the three-year Funding Agreement, between the Museum and the Department for Culture, Media and Sport (DCMS) covering the years 2005-2008. The Agreement, which has now expired, set out:

- DCMS aims and objectives, key priorities and targets established in its Public Service Agreement and Service Delivery Agreement with Treasury and demonstrated how the Museum's own objectives contributed to their achievement;
- further key objectives to which the Museum is working; and
- performance targets against which the achievement of the DCMS' objectives are measured.

Under the Agreement, during 2007-08 the Museum received a total of £41.840m resource grant-in-aid and £3.250m capital grant in aid, and £285k from the Invest to Save Budget for the Carbon Neutral Project.

A further three-year Funding Agreement was signed on 17 June 2008, covering the years 2008-2011. The core grant-in-aid which the Museum will receive over the period 2008-09 to 20010-11 under this Agreement is as follows:

£m	2008-09	2009-10	2010-11
Resource Grant-in-Aid	43.270	44.699	46.229
Capital Grant-in-Aid	7.850	6.350	4.000
Total	51.120	51.049	50.229

Reserves Policy

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

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in March 2008 a minimum level of General Fund of £2.5m. At the 31 March 2008 the General Fund amounted to £3.9m, and up to the extent that this exceeds the minimum level, designations will be made during 2008-09.

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

Investment powers and policy

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

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

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

Environmental Policy

An Environmental Management Policy and an Energy Management policy were approved by the Trustees in November 2005.

Under the Environmental Management Policy the Museum is corporately committed to continual improvement in the environmental management of its core business activities.

Under the Energy Management Policy the Museum is corporately committed to continual improvements in energy efficiency, finding ways of reducing the Museum's energy consumption and carbon dioxide, CO₂, emissions to the lowest practical levels, while maintaining the required operational needs of the organisation.

The Museum continued to achieve accreditation to the international environmental standard, ISO 14001.

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2007-08 in excess of 95% of creditors were paid within the agreed period (2006-07: in excess of 95%).

External Auditors

The fees paid to the National Audit Office (NAO) for audit services which are included in Note 6 amounted to £46k. Further project grant audit certification work to the value of £1k was performed by the NAO during 2007-08.

The fees paid to Kingston Smith LLP for the provision of audit services amounted to £26k. Consultancy work amounting to £13k was also carried out.

Disclosure of relevant audit information

At the time of approving the financial statements:

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

Oliver Stocken
Chairman of the Board of Trustees

15 July 2008

Dr. Michael Dixon
Director and Accounting Officer

Appendix 1

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

Performance indicator	07-08 Core Targets ^{#1}	07-08 Outturn	06-07 Outturn	05-06 Outturn	04-05 Outturn	03-04 Outturn
Visitors						
Number of total visitors	3,350,000	3,779,420	3,892,878	3,281,810	3,328,478	3,143,935
Number of child visitors	971,000	1,251,131	1,325,946	1,049,808	1,030,492	970,990
Number of over 60s visitors		249,139	290,977	223,643	228,861	162,440
Number of visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over ^{#2}	128,000	289,978	299,622	422,482	N/a	N/a
% of visitors who thought the museum was good / very good		97	95	96	93	93
Other Access						
Number of unique website visits	3,625,000	5,547,626	5,139,426	3,756,365	N/a	N/a
Number of website visits		N/a	N/a	11,049,336	7,955,846	7,671,077
Number of specimens loaned		43,790	55,525	70,483		
Number of scientific enquiries answered		50,075	48,977	44,589		
Learning						
Number of children aged 15 and under in on and off site organised educational sessions	325,000	339,646	360,488	339,744	270,935	339,388
Research						
Number of peer reviewed research papers		571	544	603	512	525
Value of research grants won (£s total value to the Museum and collaborators)		26,215,245	25,885,708	13,315,724	6,141,047	13,307,000
Number of visitor days for visiting researchers		13,047	13,053	14,899	14,954	18,967
Efficiency / other						
Net income from trading activities (£m)	6.06	6.38	6.58	5.97		
Efficiency Gains and Savings – cash and non-cash (£m) ^{#3}	2.91	11.321	11.281	4.02		

^{#1} Under the Funding agreement between the Museum and DCMS dated 31st March 2006 there are seven core targets.

^{#2} The reduction in outturn for 2006-07 compared with 2005-06 reflects a change in the classification system and also the counting methodology.

^{#3} The total of cash efficiency gains for 2007-08 amounted to £3.185m and non-cash efficiency gains amounted to £8.136m of which £8.005m reflected the increase in visitors above the agreed baseline.

Report on the Remuneration of Senior Management

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

Service contracts

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

The senior management of the Museum hold appointments which are open-ended with notice period of six months. Termination payments are in accordance with contractual terms. During the year 2007-08, there were no compensation or severance payments to senior management.

Remuneration committee

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

The membership of the Remuneration Committee for 2007-08 comprised:

Oliver Stocken (Chair)
Professor Linda Partridge
Professor Jacqui McGlade

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

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

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

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

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

The Director is eligible for a bonus up to a maximum of 15% of gross salary, determined by the achievement of performance and delivery targets set and assessed by the Chairman of the Trustees.

Senior management other than the Director are eligible for a bonus up to a maximum of 7.5% of their gross salary but at a total cost of no more than 6% of their combined salaries. In order to trigger any bonus payments, two-thirds of the performance targets set by DCMS in the funding agreement must be exceeded by the end of the review period. One half of the available bonus to each senior manager is assigned to the achievement of the DCMS targets proportional to those targets being achieved and will be the same for each person. The remainder is determined by achievement of personal objectives and is assessed by the Director and reviewed by the Remuneration Committee.

Salary and pension entitlements

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

Remuneration

	2007-08		2006-07	
	Salary £	Benefits in kind £	Salary £	Benefits in kind £
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	166,019	1,538	159,740	1,502
Sharon Ament <i>Director of Public Engagement</i>	104,690	–	99,277	–
Paul Brereton <i>Director of Human Resources</i>	85,692	–	79,663	–
Neil Greenwood <i>Director of Finance and Administration, Programme Director, Darwin Centre Phase Two</i>	103,710	–	99,215	–
Professor Richard Lane <i>Director of Science</i>	112,644	–	108,490	–
David Sanders <i>Director of Estates</i>	75,644	–	62,156	–
Teresa Wild <i>Director of Policy and Planning, Director of the Natural History Museum at Tring</i>	72,301	–	66,908	–

The above information has been subject to audit.

Salary

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

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

Benefits in kind

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

Pension benefits

	Accrued pension at pension age as at 31/3/08 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/08 £'000	CETV at 31/3/07 £'000	Real increase in CETV £'000
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	7	2	125	81	27
Sharon Ament <i>Director of Public Engagement</i>	13 plus lump sum of 10	2 plus lump sum of 0	187	135	21
Paul Brereton <i>Director of Human Resources</i>	4	1	53	30	16
Neil Greenwood <i>Director of Finance and administration, Programme Director, Darwin Centre Phase Two</i>	19 plus lump sum of 58	6 plus lump sum of 4	325	258	21
Professor Richard Lane <i>Director of Science</i>	8	2	163	114	30
David Sanders <i>Director of Estates</i>	41	39	792	26	277 (note 1)
Teresa Wild <i>Director of Policy and Planning, Director of the Natural History Museum at Tring</i>	33	3	648	519	55

The above information has been subject to audit.

Note 1; During the year, Mr Sanders transferred into the scheme an amount representing benefits accrued in a former scheme. The real increase in the value of these benefits from the date of transfer until 31 March 2008 is included in the real increase in CETV disclosed in the table. Employer contributions were made on pensionable salary for the year at the normal rates determined by the Government Actuary for the scheme as a whole and no additional employer contributions were made.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, Museum employees may be in one of four defined benefit schemes; either a 'final salary' scheme (**classic**, **premium** or **classic plus**); or a 'whole career' scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Other information

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

The Trustees of the Natural History Museum are not remunerated. Expenses paid are disclosed in Note 7 to the Annual Accounts.

Oliver Stocken
Chairman of the Board of Trustees

15 July 2008

Dr. Michael Dixon
Director and Accounting Officer

Statement of Trustees' and Director's Responsibilities

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

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

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

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

Oliver Stocken
Chairman of the Board of Trustees

15 July 2008

Dr. Michael Dixon
Director

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

Statement on Internal Control

Scope of responsibility

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

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

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

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2008 and up to the date of signature of the accounts.

Capacity to handle risk and the risk environment

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

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

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

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

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

Significant internal control improvements during the year

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

- continuing development of the business continuity plan including a crisis management training day;
- continuing investment in museum wide security and fire precautions systems and infrastructure;
- OHSAS 18001 certification was maintained for the occupational health and safety systems;
- a competency framework for managers was introduced;
- ISO 14001 was re-secured for the environmental monitoring systems;
- refresher presentations, on key museum policies, including fraud awareness and prevention, have taken place, attended by all managers and key staff.

Significant internal control matters arising the during year

No significant control failures arose during the year.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2007-08 has been informed by:

- (a) the work of the Audit and Assurance team;
- (b) an Office of Government Commerce gateway review of the Darwin Centre 2 project;
- (c) assurance statements and reports from executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework;
- (d) the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- (e) comments made by the external auditors in their management letter;
- (f) a peer review of the scientific and curation work of the Botany department carried out by a visiting group;
- (g) the Individual Merit Promotion scheme run by the Biotechnology and Biological Sciences Research Council (BBSRC) which provides independent assurance on the quality of individual researchers employed by the Museum;
- (h) an independent review of the Museum's payroll provider which is carried out at 6 month intervals;
- (i) an external review of the Museum's corporation tax position.

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

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

The effectiveness of the Audit and Assurance Unit was reviewed during the year by the Audit and Risk Committee and was found to be satisfactory.

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

Oliver Stocken
Chairman of the Board of Trustees

15 July 2008

Dr. Michael Dixon
Director

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

I certify that I have audited the consolidated financial statements of the Natural History Museum for the year ended 31 March 2008 under the Museums and Galleries Act 1992. These comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet and Museum Balance Sheet, the consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and the Director as Accounting Officer are responsible for preparing the Annual Report which includes the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board of Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements 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 Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Reference and Administrative Details, Structure, Governance and Management, and Financial Review 2007-08 included within the Trustees' Annual Report is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Natural History Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Natural History Museum'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 Natural History Museum's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinions

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

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

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture Media and Sport, of the state of the Natural History Museum's and the group's affairs as at 31 March 2008 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder; and
- information, which comprises the Reference and Administrative Details, Structure, Governance and Management, and the Financial Review 2007-08, included within the Trustees' Annual Report, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliament 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.

T J Burr
Comptroller and Auditor General

16 July 2008

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

Consolidated Statement of Financial Activities for the year ended 31 March 2008

	Notes	Unrestricted Funds Designated £ 000	Unrestricted Funds General £ 000	Restricted Funds £ 000	Permanent Endowment Funds £ 000	Total Funds 2008 £ 000	Total Funds 2007 £ 000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	3		43,840	1,535		45,375	43,381
National Lottery				8,882		8,882	5,430
Donations			386	7,407		7,793	7,697
Donations in kind				192		192	118
Activities for generating funds:							
Trading Activities	4		11,463			11,463	10,880
Sponsorships			125			125	642
Shared services		1,589				1,589	1,539
Other income	5		438	440		878	695
Investment income	5	55	1,060	95		1,210	1,216
Incoming resources from charitable activities							
Admissions and membership			1,504			1,504	1,824
Scientific grants and contracts			1,272	3,100		4,372	4,313
Total incoming resources		1,644	60,088	21,651	0	83,383	77,735
Resources expended							
Costs of generating funds							
Costs of generating voluntary income	7	733	5,452	101		6,286	6,418
Fundraising trading: cost of goods sold and other costs	7	1,631	7,499	18		9,148	9,355
Investment management costs	7					0	1
Charitable activities							
Exhibitions	7	1,456	5,889	834		8,179	8,555
Learning	7	371	2,240	235		2,846	2,882
Libraries	7	664	3,696	90		4,450	5,051
Scientific curation and research	7	3,110	17,956	4,103		25,169	25,619
Visitor services	7	1,518	8,093	187		9,798	10,034
Governance costs	7	31	368	3		402	474
Other resources expended							
Loss on disposal of fixed assets	7		34			34	12
Taxation	7					0	19
Total resources expended		9,514	51,227	5,571	0	66,312	68,420

	Notes	Unrestricted Funds Designated £ 000	General £ 000	Restricted Funds £ 000	Permanent Endowment Funds £ 000	Total Funds 2008 £ 000	Total Funds 2007 £ 000
Net incoming/(outgoing) resources before notional costs		(7,870)	8,861	16,080	0	17,071	9,315
Notional cost of capital	1		(16,055)			(16,055)	(14,591)
Net incoming/(outgoing) resources after notional costs		(7,870)	(7,194)	16,080	0	1,016	(5,276)
Reversal of notional cost of capital	1		16,055			16,055	14,591
Net incoming/(outgoing) resources before transfers		(7,870)	8,861	16,080	0	17,071	9,315
Transfers							
Gross transfers between funds	17	12,614	(12,614)			0	(200)
Net incoming/(outgoing) resources before other recognised gains and losses		4,744	(3,753)	16,080	0	17,071	9,115
Other recognised gains/losses							
Gains/(losses) on indexation and revaluation of fixed assets for charity's own use	8	23,048		(219)		22,829	55,139
(Losses)/gains on investment assets	9	(69)		(26)	(85)	(180)	89
Net movement in funds		27,723	(3,753)	15,835	(85)	39,720	64,343
Reconciliation of funds							
Total funds brought forward		439,893	7,575	46,171	747	494,386	430,043
Total funds carried forward	17	467,616	3,822	62,006	662	534,106	494,386

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

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

The notes on pages 29 to 47 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2008

	Note	2008		2007	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8		521,345		474,306
Investments	9		1,185		1,365
<i>Total fixed assets</i>			522,530		475,671
Current Assets					
Stock	11	521		545	
Debtors	12	7,451		8,564	
Cash at bank and in hand	13,14	14,981		22,798	
<i>Total current assets</i>		22,953		31,907	
Liabilities					
Creditors: amounts falling due within one year	15	(10,848)		(12,694)	
<i>Net Current Assets</i>			12,105		19,213
<i>Total assets less current liabilities</i>			534,635		494,884
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	20		(529)		(498)
<i>Net assets</i>			534,106		494,386
The funds of the charity					
Permanent Endowment funds	17		662		747
Restricted income funds	17		62,006		46,171
Unrestricted income funds					
Designated funds	17	467,616		439,893	
General funds	17	3,822		7,575	
<i>Total unrestricted funds</i>			471,438		447,468
<i>Total charity funds</i>			534,106		494,386

The notes on pages 29 to 47 form part of these accounts.

Mr Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

15 July 2008

Museum Balance Sheet as at 31 March 2008

	Note	2008		2007	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8		521,153		474,213
Investments	9		202		228
<i>Total fixed assets</i>			521,355		474,441
Current Assets					
Stock	11	127		142	
Debtors	12	5,991		6,418	
Cash at bank and in hand	13,14	14,371		22,272	
<i>Total current assets</i>		20,489		28,832	
Liabilities					
Creditors: amounts falling due within one year	15	(8,692)		(9,989)	
<i>Net Current Assets</i>			11,797		18,843
<i>Total assets less current liabilities</i>			533,152		493,284
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	20		(529)		(498)
<i>Net assets</i>			532,623		492,786
The funds of the charity					
Restricted income funds			62,006		46,173
Unrestricted income funds					
Designated funds		466,710		439,040	
General funds		3,907		7,573	
<i>Total unrestricted funds</i>			470,617		446,613
<i>Total charity funds</i>			532,623		492,786

The notes on pages 29 to 47 form part of these accounts.

Mr Oliver Stocken
Chairman of the Board of Trustees
15 July 2008

Dr. Michael Dixon
Director

Consolidated Cash Flow Statement for the year ended 31 March 2008

	Note	2008 £000	2007 £000
Net cash inflow from operating activities	19	23,850	19,655
Returns on investments and servicing of Finance within net cash flow	19	1,210	1,216
Capital expenditure and financial investment	19	(32,877)	(19,812)
Taxation	19	0	(19)
(Decrease)/increase in cash for the year	19	(7,817)	1,040

The notes on pages 29 to 47 form part of these accounts.

Notes to the Financial Statements

1 Accounting Policies

Basis of Accounting

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

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

Incoming resources

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

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

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

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

Expenditure

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

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

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

Collection Purchases

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

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

Fund accounting

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

Unrestricted funds general

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

Unrestricted funds designated

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

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

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

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

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

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

Restricted funds

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

Scientific Grants – grant awards for specific scientific projects.

Natural History Museum at Tring – see note 8

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

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

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

Permanent endowment funds

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

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

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

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

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

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

Equipment/Furniture and Fittings indexation by appropriate indices.

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

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

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

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

Heritage assets

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

The Museum's collections acquired before 1 April 2001 are assets of historical and scientific importance held to advance the Museum's conservation and educational objectives and through public access contribute to the nation's culture and education. These assets were not capitalised in past accounting periods, reliable cost information is not available and conventional valuation approaches lack sufficient reliability. Accordingly these assets are not capitalised in the balance sheet. A description of the collections and their management is given in note 2.

Investments

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

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

Stocks

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

Leases

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

Foreign Currencies

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

Taxation

The charitable activities of the Museum are exempt from corporation tax. Profits from trading activities within the trading subsidiary are subject to corporation tax to the extent that they are not paid to the Museum by gift aid. The Museum and its subsidiaries are registered for value added tax and have agreed a scheme for recovery of certain proportions of VAT on expenditure.

Subscriptions

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

Pension Costs

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

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

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

Notional Cost of Capital

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

Notional cost of capital is calculated as 3.5% of the average capital employed by the Museum in the year but excluding donated assets and assets funded by the Heritage Lottery Fund.

Provision for Shared Services

During 2007-08 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

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

2 Collections and collections management

Introduction

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

Scope of the collections

The life and earth science collections of the Museum comprise some 70 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. These collections of specimens are complemented by the collections of the Museum's Library. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. Very brief details of the collections of each of the Museum's five science departments and the Library are given below.

Botany

The botanical collections comprise an estimated 5.2 million specimens of seed plants, pteridophytes, bryophytes, lichens, myxomycetes and algae (including substantial diatom collections). Collections are worldwide in origin with around 10% from the British Isles. They span a period from the 16th century to the present and include a number of historically important collections such as those of Sir Hans Sloane, Sir Joseph Banks and Charles Darwin. Most collections are arranged systematically, some alphabetically and important historical collections such as the Sloane Herbarium are kept as separate entities.

Entomology

The collections of insects and other terrestrial and freshwater arthropods, including spiders, mites and myriapods, comprise an estimated 28 million prepared specimens. They include named representatives of about half of the more than one million described species. The collections are arranged systematically; only two personal collections, those of Sir Hans Sloane and Sir Joseph Banks, are kept as separate entities as a matter of policy. About 10% of the specimens in the collections are from the British Isles.

Library and Information services

The Museum's Library houses the World's largest collection of natural history literature and art. The collections have a comprehensive coverage of most aspects of natural history and are international in content. They include over one million printed volumes and 25,000 serial titles (10,000 current). The Library has a very large and rich international collection of important natural history antiquarian books, manuscripts and original artworks dating from the 15th century onwards. It also holds the Museum's Archives, a collection of some four million items that represent the institution's 'corporate memory': a record of its activities and interaction with the world of natural history.

Mineralogy

The collections comprise four main elements: minerals, including gems, (about 180,000 specimens), rocks, including building stones and ocean bottom deposits, (about 160,000 specimens), meteorites (about 3,000 specimens) and ores (about 30,000 specimens). The minerals collection is arranged systematically and contains examples of about two thirds of all known mineral species. Historical material includes specimens collected by the Challenger expedition, Captain Flinders, Shackleton and the British mineral collection of Sir Arthur Russell.

Palaeontology

The collections comprise microfossils, macro-invertebrates, vertebrates and plants, with an estimated 116,000 type and figured specimens. The geographical range is worldwide, with British material predominant and well represented, and extensive foreign material, especially from ex-colonial areas, and regions of economic importance. The collections are arranged systematically. Some of the collections are historical, for example, Charles Darwin, William Smith, Charles Dietrich Eberhard Koenig, Gideon Mantell, Sir Charles Lyell, Captain Scott.

Zoology

The collections comprise some 28 million specimens, housed at South Kensington, Tring and Wandsworth. They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides. The specimens are arranged systematically where possible and include recent and archaeozoological material. The collections have worldwide coverage and are amongst the most comprehensive in the world. In addition to their immense value for systematic biology, they have historic importance as documents from famous voyages of discovery and the work of eminent biologists of the past two centuries.

The vast majority of items in the science collections serve research and reference functions and have not been collected with public exhibition in mind. Relatively, very small numbers of specimens are collected and specially prepared for exhibition.

Almost all of the Museum's collections are the National (UK) Collections in their particular fields. However, the Museum recognises that the natural history heritage of the UK is preserved and studied in a network of British museums, libraries and other institutions in both the public and private sectors. It exercises its responsibility as the national institution through formal and informal agreements and links with a variety of other bodies. On a global level, the collections are probably the most comprehensive of their kind. Although a few other institutions have equally large holdings, those of the Museum's are unrivalled in the depth and breadth of their coverage and in the level of their organisation. The Museum is thus one of a handful of institutions that are the international reference points for the science of taxonomy and related biodiversity studies.

Geographical limits

The collections are worldwide in their scope.

Chronological limits

There are no chronological limits to the collections; they cover a period from the origin of the solar system up to today. Historically, the collections comprise material collected over a period from the fifteenth century to the present day and include specimens gathered on many famous expeditions of discovery and the collections of numerous eminent scientists.

Preservation of materials and preservation standards

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

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

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

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

The Museum meets the government-endorsed standard expected of museums in the UK, as it is a Registered Museum under the MLA Registration/Accreditation Scheme

Collections management policy

The Museum has a comprehensive series of policies covering all aspects of the collections and their management. These are publicly available on the museum website (<http://www.nhm.ac.uk/research-curation/collections/collections-management/collections-policy-procedures/index.html>) and upon written request for public unable to access them online. Of particular importance for this report are the Acquisition Policy, Collection Management Audit Policy, Deaccession, Disposal and Dispersal Policy and the Valuation Control Policy.

Valuation

Natural History Specimens are acquired by the Museum primarily for their scientific value and also their scientific research potential. As there is no ready commercial market for scientific natural history specimens the Museum's approach to valuation is based on the pragmatic adoption of theoretical valuation factors. However any valuation is completed within the confines of the Museum's Valuation Control Policy and the valuation methodologies outlined in the Museum's Valuation Control General Procedures.

Historically, for the reason above, the NHM has never assigned a financial value to its natural history specimens. A full valuation of its entire inventory (70+ million items) is considered impractical, lacking in reliability and of no significant benefit.

3 Grant-in-Aid

	2008	2007
	£000	£000
Department for Culture, Media and Sport RfR1		
Resource grant-in-aid	41,840	39,335
Capital grant-in-aid	3,250	3,500
Capital modernisation fund	0	300
Invest to save fund	285	246
	45,375	43,381
General Funds	43,840	41,585
Restricted Funds	1,535	1,796
	45,375	43,381

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

4 Trading Activities Income

	2008	2007
	£000	£000
Brand Management	189	138
Retail	4,963	4,475
Catering and Functions	3,883	3,421
Exhibitions and Education	471	544
Touring Exhibitions	877	698
Robotic model sales	199	826
Other	881	778
	11,463	10,880

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

Trading subsidiary turnover	12,262	12,255
Less:		
Shared services income (included in shared services)	0	(210)
Science consultancy (included in Scientific grants and contracts)	(1,151)	(1,034)
Commercial sponsorship (included in Sponsorship)	(125)	(642)
Add:		
Other trading activities income (Museum income)	477	511
	11,463	10,880

5 Investment income and other income

	2008	2007
	£000	£000
Income from UK equities	26	21
Income from other investments	20	19
Bank interest	1,164	1,176
Total	1,210	1,216
Other Income		
Rentals	160	250
Other	718	445
	878	695

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

6 Net incoming resources before transfers

is stated after crediting:

	2008	2007
	£000	£000
Scientific grants from the European Union	1,244	840
and after charging:		
Expenditure in respect of scientific grants from the European Union	1,244	840
Auditors' remuneration – Museum auditors		
Museum Audit	46	40
other services	1	2
Auditors' remuneration – subsidiaries auditors		
Trading Company Audit	25	22
Special Funds Audit	1	1
other services	13	–
Hire of Plant and Machinery	356	404
Travel, subsistence and hospitality	1,262	1,092

7 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2008 £000	Total 2007 £000
Costs of generating voluntary income	4,170		2,116	6,286	6,418
Fundraising trading: cost of goods sold and other costs	9,148			9,148	9,355
Investment management costs				0	1
Exhibitions	6,063		2,116	8,179	8,555
Learning	1,774		1,072	2,846	2,882
Libraries	3,213		1,237	4,450	5,051
Scientific curation and research	17,915	273	6,981	25,169	25,619
Visitor services	6,060		3,738	9,798	10,034
Governance	320		82	402	474
Loss on disposal of fixed assets	34			34	12
Taxation	0			0	19
	<u>48,697</u>	<u>273</u>	<u>17,342</u>	<u>66,312</u>	<u>68,420</u>

Support costs by activity

2007-08	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	152	152	6	77	89	500	268	1,244
Human Resources	196	196	8	99	114	645	345	1,603
Estates	729	729	27	370	427	2,409	1,291	5,982
Finance	117	117	5	59	68	386	206	958
Information Technology	152	152	6	77	89	500	268	1,244
Depreciation	770	770	30	390	450	2,541	1,360	6,311
	<u>2,116</u>	<u>2,116</u>	<u>82</u>	<u>1,072</u>	<u>1,237</u>	<u>6,981</u>	<u>3,738</u>	<u>17,342</u>

2006-07	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	159	155	8	76	102	619	297	1,416
Human Resources	192	188	10	93	124	750	361	1,718
Estates	911	887	45	438	588	3,550	1,705	8,124
Finance	139	135	7	67	90	541	260	1,239
Information Technology	156	152	8	75	101	609	293	1,394
Depreciation	704	687	36	338	455	2,745	1,319	6,284
	<u>2,261</u>	<u>2,204</u>	<u>114</u>	<u>1,087</u>	<u>1,460</u>	<u>8,814</u>	<u>4,235</u>	<u>20,175</u>

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

Staff costs

	2008 Permanent contracts £000	2008 Other contracts £000	2008 Total £000	2007 Total £000
Salaries and Wages	22,966	2,101	25,067	25,350
Superannuation	4,556	224	4,780	4,636
National Insurance	1,787	170	1,957	1,996
Cost of agency staff		3,030	3,030	2,591
	<u>29,309</u>	<u>5,525</u>	<u>34,834</u>	<u>34,573</u>

Included in the above staff costs are redundancy costs of £287,000 (2007 – £336,000).

In addition there were early retirement costs of £43,000 (2007 – £351,000).

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). A full actuarial valuation was carried out as at 31 March 2007, details of which can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Superannuation contributions were paid at rates determined from time to time by the Government Actuary and advised by the Treasury. For 2008 there were variable rates which applied to specified grades of employment which ranged from 17.1% to 25.5% (2007 17.1% to 25.5%). Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The last review took place at 31 March 2007. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

The Chairman and Board of Trustees received no remuneration for their services during 2007-08. Travel and subsistence expenses of £671 (2007 £1,263) were reimbursed to 2 Trustees.

The Remuneration of the senior management of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 14 to 17.

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

	2008	2007
£160,000 to £170,000	1	0
£150,001 – £160,000	0	1
£140,001 – £150,000	0	0
£130,001 – £140,000	0	0
£120,001 – £130,000	0	0
£110,001 – £120,000	1	0
£100,001 – £110,000	2	1
£90,001 – £100,000	0	2
£80,001 – £90,000	1	0
£70,001 – £80,000	8	4
£60,001 – £70,000	9	13

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £390,997 (2007 £373,285)

No employees received any benefit in kind except as disclosed in the Remuneration Report.

The average number of employees during 2007-08 was 904 (2006-07 909) organised into the following categories:

	2008 Permanent contracts	2008 other contracts	2008 Total	2007 Total
Costs of generating voluntary income	77	6	83	82
Exhibitions	77	2	79	82
Learning	39	4	43	39
Libraries	45	8	53	55
Scientific curation and research	254	49	303	308
Visitor services	136	80	216	230
Governance	3	1	4	4
Support	91	32	123	109
	<u>722</u>	<u>182</u>	<u>904</u>	<u>909</u>

8 Tangible Fixed Assets

Group	Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2007	381,630	72,658	24,405	1,170	22,141	5,485	12,370	15	519,874
Additions	1,087	449	29,919	45	333	430	615		32,878
Disposals						(86)	(217)		(303)
Revaluation	21,350	3,611	0	0	0	208	370	0	25,539
Balance 31 March 2008	404,067	76,718	54,324	1,215	22,474	6,037	13,138	15	577,988
Depreciation									
Balance 1 April 2007	6,514	14,472	0	0	14,313	2,827	7,427	15	45,568
Charge for year	2,245	5,036			1,157	452	904		9,794
Disposals						(86)	(182)		(268)
Revaluation	400	806				107	236		1,549
Balance 31 March 2008	9,159	20,314	0	0	15,470	3,300	8,385	15	56,643
Net Book Value 31.3.07	375,116	58,186	24,405	1,170	7,828	2,658	4,943	0	474,306
Net Book Value 31.3.08	394,908	56,404	54,324	1,215	7,004	2,737	4,753	0	521,345

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

The professional valuations at 31 March 2004 were as follows:

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

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

Expenditure which has been incurred for Darwin Centre Phase 2 is shown as Assets Under Construction. Depreciation for Phase 2 capital expenditure will commence when the new building is handed over to the Museum upon completion of the construction.

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

The difference between historic and current cost depreciation (2007-08 £1,161,000; 2006-07 £689,000) is transferred to the revaluation reserves.

Museum	Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2007	381,630	72,658	24,405	1,170	22,141	5,416	12,121	15	519,556
Additions	1,087	449	29,919	45	333	397	504		32,734
Disposals						(86)	(154)		(240)
Revaluation	21,350	3,611	0	0	0	208	370	0	25,539
Balance 31 March 2008	<u>404,067</u>	<u>76,718</u>	<u>54,324</u>	<u>1,215</u>	<u>22,474</u>	<u>5,935</u>	<u>12,841</u>	<u>15</u>	577,589
Depreciation									
Balance 1 April 2007	6,514	14,472	0	0	14,313	2,759	7,270	15	45,343
Charge for year	2,245	5,036			1,157	450	864		9,752
Disposals						(86)	(122)		(208)
Revaluation	400	806				107	236		1,549
Balance 31 March 2008	<u>9,159</u>	<u>20,314</u>	<u>0</u>	<u>0</u>	<u>15,470</u>	<u>3,230</u>	<u>8,248</u>	<u>15</u>	56,436
Net Book Value 31.3.07	<u>375,116</u>	<u>58,186</u>	<u>24,405</u>	<u>1,170</u>	<u>7,828</u>	<u>2,657</u>	<u>4,851</u>	<u>0</u>	474,213
Net Book Value 31.3.08	<u>394,908</u>	<u>56,404</u>	<u>54,324</u>	<u>1,215</u>	<u>7,004</u>	<u>2,705</u>	<u>4,593</u>	<u>0</u>	521,153

9 Investments

	Market Value 31-Mar-07 £000	Decrease in market value £000	Market Value 31-Mar-08 £000
Group			
UK Equities	912	(170)	742
Other UK investments	453	(10)	443
	<u>1,365</u>	<u>(180)</u>	<u>1,185</u>
Museum			
UK Equities	228	(26)	202
Other UK investments	0	0	0
	<u>228</u>	<u>(26)</u>	<u>202</u>

FRS13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the Museum faces in undertaking its activities. As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the balance sheet date have not been included in the scope of this note.

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

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

The Museum has an investment of 300,000 fully paid Ordinary Shares of £1 in the Natural History Museum Trading Company Ltd, valued at £198,000 in its Balance Sheet.

10 Trading Subsidiary

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

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

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

	Total 2008 £000	Total 2007 £000
Income and expenditure		
Turnover	12,262	12,255
Cost of sales	(5,147)	(5,144)
Gross profit	7,115	7,111
Other expenses	(4,401)	(4,297)
Operating profit	2,714	2,814
Interest receivable and similar income	9	5
Amount of gift-aided donation to Museum	(2,709)	(2,714)
Profit on ordinary activities before taxation	14	105
Taxation	-	(19)
Retained in subsidiary	14	86
	2008 £000	2007 £000
Balance Sheet		
Fixed assets (equipment)	192	93
Current assets	3,089	3,987
Current liabilities	(2,981)	(3,794)
Net assets	300	286
Share capital and reserves	300	286

11 Stock

	Group 2008 £000	Group 2007 £000	Museum 2008 £000	Museum 2007 £000
Finished goods and goods for resale	502	519	108	116
Work in progress	19	26	19	26
	521	545	127	142

12 Debtors

	Group 2008 £000	Group 2007 £000	Museum 2008 £000	Museum 2007 £000
Trade Debtors	2270	3,608	529	721
Other Debtors	1,614	1,657	1,560	1,567
Amounts due from Subsidiary undertaking	0	0	822	1,085
Prepayments and accrued income	3,567	3,299	3,080	3,045
	7,451	8,564	5,991	6,418

Included in the above figures there were balances due from other central government bodies of £329,000 (2007 £120,000) and due from local authorities of £14,300 (2007 £0) at 31 March 2008.

13 Cash at bank and in hand

	Group 2008 £000	Group 2007 £000	Museum 2008 £000	Museum 2007 £000
Balances held at the office of HM Paymaster General	107	22,229	92	22,120
Balances held with commercial banks and cash in hand	14,874	569	14,279	152
	14,981	22,798	14,371	22,272

14 Cash held for third parties

Included in the cash balances (note 13) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy (see note 9). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2008 the cash balances held for third parties amounted to £2,310,000 (2007 £2,854,000).

15 Creditors: amounts falling due within one year

	Group 2008 £000	Group 2007 £000	Museum 2008 £000	Museum 2007 £000
Trade Creditors	2,528	1,034	2,313	997
Taxation and Social Security	–	169	–	150
Other Creditors	1,290	1,862	1,283	1,822
Deferred income	2,968	3,421	1,934	2,365
Accruals	4,062	6,208	3,162	4,655
	10,848	12,694	8,692	9,989

Included in the above figures there were balances due to other central government bodies of £1,000 (2007 £722,000) and due to local authorities of £506,000 (2007 £17,000) at 31 March 2008.

In order to improve consistency between years, certain creditors at 31 March 2007 have been reclassified.

Deferred Income	Group 2008 £'000	Group 2007 £'000	Museum 2008 £'000	Museum 2007 £'000
As at 1 April	3,421	2,292	2,365	1,253
Deferred in Current Year	2,668	3,222	1,658	2,166
Released from previous Year	(3,121)	(2,093)	(2,089)	(1,054)
As at 31 March	2,968	3,421	1,934	2,365

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

16 Financial Commitments

The Museum has entered into a series of contracts of between three and fifteen years duration to lease premises, vehicles and equipment for use in its operations. Total payments due in the first year of the contracts in place at 31 March 2008 is £671,000 (2007 £768,000). Payments by remaining duration of the lease is as follows:

	Land and buildings £'000	Other assets £'000
Not more than one year	–	10
More than one year but not more than two years	–	32
More than two years but not more than five years	40	79
More than five years	–	594

17 Statement of Funds

	At 1 April 2007 £000	Income £000	Expenditure £000	Net Investment Gains/ Losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2008 £000
Restricted funds							
Scientific Grants	0	3,498	(3,498)				0
Grant in aid	214	285	(275)		9		233
Sponsored assets							
Biomedical Laboratory	1,963		(106)		90		1,947
Clare Centre	827		(63)		32		796
Darwin Centre Phase 2	25,811	16,997	37	(26)			42,819
Collections	950						950
Tring	12,787		(387)		(357)		12,043
Exhibitions	3,045		(435)				2,610
Projects/Other Activities	324	673	(560)				437
Donations in kind	0	192	(192)				0
Equipment Reserve	250	6	(92)		7		171
	46,171	21,651	(5,571)	(26)	(219)	0	62,006
General Funds	7,575	60,088	(51,227)			(12,614)	3,822
	7,575	60,088	(51,227)	0	0	(12,614)	3,822
Unrestricted funds – designated							
Special Funds	762	55	(32)	(69)			716
Darwin Centre Phase 2	8,248	0	(47)			6,010	14,211
Shared services	0	1,589	(1,589)				0
Future Scientific Research	746	0	(273)			445	918
Future Projects	0					3,436	3,436
Capital Projects	430,137	0	(7,573)		23,048	2,723	448,335
	439,893	1,644	(9,514)	(69)	23,048	12,614	467,616
Permanent Endowment funds							
Special funds	747	0	0	(85)			662
	747	0	0	(85)	0	0	662
Total Funds	494,386	83,383	(66,312)	(180)	22,829	0	534,106

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

The transfer to Unrestricted Funds – designated: Darwin phase 2 reflects the decision of the trustees to designate £6,010,000 from the museum’s own resources to the construction of phase 2 of the Darwin Centre

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

The transfer to Unrestricted Funds – Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2008-09, not funded by revenues expected to be generated in that year.

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

18 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
Fund balances at 31 March 2008 are represented by					
Tangible Fixed Assets	462,549		58,796		521,345
Investments	519		4	662	1,185
Current Assets	4,549	14,996	3,408		22,953
Liabilities		(11,177)	(200)		(11,377)
Total Net Assets	467,617	3,819	62,008	662	534,106
Unrealised gains/(losses) included in the above:					
On Tangible Fixed Assets	207,326		2,689		210,015
On Investment Assets			4		4
Total unrealised gains/(losses) at 31 March 2008	207,326	0	2,693	0	210,019

19 Cash flow information

Reconciliation of operating surplus to net cash inflows from operating activities

	2008	2007
	£000	£000
Net incoming resources	17,071	9,315
Investment income	(1,210)	(1,216)
Depreciation	8,633	8,487
Loss on disposal of fixed assets	34	12
Taxation	0	19
Decrease/(increase) in stock	24	(51)
Decrease/(increase) in debtors	1,113	(1,286)
Increase/(decrease) in creditors	(1,846)	4,194
Funds transfer	0	(200)
Net movement in provisions	31	381
Net cash inflow from operating activities	23,850	19,655
Returns on investments and servicing of Finance within net cash flow		
Interest received	1,164	1,176
Investment income received	46	40
	1,210	1,216
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(32,878)	(19,812)
Receipts on sale of tangible fixed assets	1	0
	(32,877)	(19,812)
Taxation		
Taxation paid	0	(19)
Changes in cash and cash equivalents		
Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash in the period	(7,817)	1,040
Net funds at 31 March 2007	22,798	21,758
Net funds at 31 March 2008	14,981	22,798

Analysis of net funds

	31 March 2007	Cashflow	31 March 2008
	£000	£000	£000
Cash at bank and in hand	22,798	(7,817)	14,981

20 Provision for liabilities and charges

The Museum has operated an early Retirement and Severance Scheme from 1990-91 which gives retirement benefits on redundancy terms to qualifying employees. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. Provision is made for these costs in the year of retirement of the employee and released annually to cover payments made until the employee reaches normal retiring age. The provision covers a period to 2015.

The Museum employs a number of staff on fixed term appointments, the end date of which is usually determined by a funding agreement for the post. Due to changes in employment legislation, the Museum is liable to pay redundancy costs on the termination of these appointments unless the appointment is extended or alternative employment is offered. Provision is made for these costs when the contract is within 6 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

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

	2008 £000	2008 £000	2008 £000	2007 £000
	Early retirement	Fixed term appointments	Total	
Balance at 31 March 2007	498	0	498	117
Addition to Provision	48	195	243	449
Payments against Provision	(207)	0	(207)	(75)
Unwinding of discount	(5)	0	(5)	7
Balance at 31 March 2008	<u>334</u>	<u>195</u>	<u>529</u>	<u>498</u>

21 Capital Commitments

Outstanding capital commitments at 31st March 2008 amounted to £5.5m (2007 £31.1m).

22 Darwin Centre Phase Two

Following demolition and site preparation prior to 31 March 2006, the main contractor HBG UK Ltd. started construction on site in June 2006, with completion of the core building scheduled for mid 2008. Fit out and occupation will commence thereafter.

At 31 March 2008 a total of £59.273m (2007 £29.344m) had been spent in respect of the project of which £54.324m (2007 £24.405m) had been capitalised and is shown as asset under construction in Note 8. The remaining £4.949m had been charged to the income and expenditure account (including £0.010m in 2008, £0.592m in 2007). Total funds received for the project, restricted and designated, amounted to £61.98m and thus there was a working fund balance of £2.707m (2007 £9.655m) to fund future expenditure. Future expenditure will also be met from restricted funds which have been pledged but yet to be received, further restricted funds which may be generated from the fundraising campaign which continues, and designated funds already identified in Museum budgets over future years. It is estimated that the total funds required for the project will be c£76m.

23 Energy Services and Energy Management Services Contract

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

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

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

24 Related Party Transactions

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

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

Receipt of grant-in-aid from DCMS (see note 3) £45,375,000

At 31 March 2008, there was no balance due to or from DCMS

Receipt of grant towards phase 2 of the Darwin Centre construction from the National Heritage Memorial Fund (Heritage Lottery Fund) £8,858,000.

At 31 March 2008, there was accrued income of £359,000 due to the Museum.

Supply of electricity and telephone services to the Victoria and Albert Museum £1,217,000.

At 31 March 2008, there was a balance due to the Museum of £56,397

In addition the Museum, as lead manager of a joint invest to save grant, held funds of £27,000 on behalf of the Victoria and Albert Museum.

Supply of telephone services to National Museum for Science and Industry £834,000.

At 31 March 2008, there was a balance due from the Museum of £51,142.

In addition the Museum, as lead manager of a joint invest to save grant, held funds of £20,000 on behalf of the National Museum of Science and Industry.

The Museum also has had transactions with other government departments and other central government bodies. Most of these transactions have been with:

DCMS sponsored bodies:

Imperial War Museum

Tate Gallery

Other bodies:

British Broadcasting Corporation

British Library

British Museum

Companies House

Crown Prosecution Service

DEFRA

EPSRC

English Heritage

Environment Agency

Food Standards Agency

Foreign and Commonwealth Office

Forestry Commission

Health Protection Agency

HM Revenue & Customs

Home Office

National Maritime Museum

National Museums Liverpool

National Museums and Galleries of Wales

Natural England

NERC

OFCOM

Ordnance Survey

Royal Botanic Gardens Kew

Royal Mail

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

Sir William Castell is chairman of the Board of Governors of the Wellcome Trust Limited, the sole trustee of the Wellcome Trust. During the year the Museum received a number of grants from the Wellcome Trust, including £5,619,000 towards the construction of Darwin Centre phase 2. At 31 March 2008, there was accrued income due to the Museum of £549,000.

Professor Alex Halliday is a Council Member of the Natural Environment Research Council (NERC). Professor Michael Hassell is employed within the Faculty of Natural Sciences at Imperial College and is Campus Dean of Silwood Park. Ian Henderson and Dr Michael Dixon are Council Members of the Royal Albert Hall. Professor Georgina Mace is Director of NERC's Centre for Population Biology at Imperial College. During the year the Museum received grants from NERC and cooperated in research programmes with Imperial College. In addition the Museum, as lead manager of a joint invest to save grant, held funds of £111,000 on behalf of Imperial College and £15,000 on behalf of Royal Albert Hall

25 Contingent Liabilities and assets

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

26 Post Balance Sheet Events

FRS 21 requires that the Museum disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Museum to the Secretary of State for Culture, Media and Sport, who then lays them before the Houses of Parliament. The authorised date for issue is 17 July 2008.

There were no other post balance sheet events.



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