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**NATIONAL
HERITAGE
MEMORIAL
FUND**



Annual Report and Accounts

For the year ended 31 March 2008

Annual Report

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

Annual Accounts

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

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2007–08 was a vintage year for the National Heritage Memorial Fund. A year of greats – wonderful pieces of heritage that tell part of our national story and greatly enrich the cultural life of the UK.

Amongst the highlights, the d’Offay collection stands out. The acquisition by Tate and National Galleries of Scotland of over 700 pieces of post-war and contemporary art, including works by Andy Warhol, Damien Hirst and Gilbert & George, creates a truly national treasure of world-class quality. Loaning the works out to museums and galleries across the UK will ensure that the benefits of the collection are felt across the whole country. The great philanthropy of Anthony d’Offay, in selling the works for the £26 million he originally paid, rather than the £125 million they are now worth, stands as an example to others of the great benefits of cultural giving.

The last-minute reprieve for Dumfries House and its unsurpassed collection of Chippendale furniture was exactly the job for which the Fund was created. In 1977, the failure of the Land Fund to save

Mentmore Hall led to a national outcry and the subsequent setting up of NHMF in 1980. Thirty years later the Fund has played its part in saving one of the country’s most architecturally significant houses for the nation.

Two archives saved this year each tell very different parts of the national story. The papers of Prime Minister Henry Addington, 1st Viscount Sidmouth, are a treasure trove of correspondence with George III, Pitt the Younger, Nelson, Wilberforce and many others. Harold Pinter’s playscript archive, purchased for the British Library, represents an unparalleled record of the work of one of Britain’s greatest 20th-century dramatists.

And thanks to a doubled grant-in-aid this year – £10 million – the list goes on: a Neolithic jade axe, Mary, Queen of Scots’ execution warrant, a collection of 2nd-century Christian and Jewish antiquities, a

great variety of precious, important or beautiful objects, each of significance to our national story.

Looking back over the past year, it is clear that the job the Fund does today is as important as when NHMF was set up. Not least because the on-going debate about national identity – who we are and how we live together – needs to be grounded in some sense of where we have come from, if it is to have any depth and relevance.

As I prepare to stand down after more than seven years as Chair of NHMF, I remember the heritage that the Fund has saved in that time and the rich story that it tells. From the Cabinet War Rooms

to Skokholm Island, Shackleton's manuscripts to Turner's *Blue Rigi*, the Flying Scotsman to the Tyntesfield estate, each piece of the varied heritage secured by NHMF tells us something about what has gone before.

The loss of those pieces of our history would have impoverished modern Britain. Without the National Heritage Memorial Fund they would have left our shores or vanished from the public realm altogether. Long may it last.



Dame Liz Forgan
Chair of NHMF

This year has seen a remarkable and varied portfolio of 13 cases supported by the NHMF.

Five of these grants were for items held temporarily in the country after an Export Stop had been placed on them. One of these – the Mary, Queen of Scots' execution warrant, acquired by Lambeth Palace – had been given a star by the Reviewing Committee for Export of Works of Art, indicating that every effort should be made to prevent it leaving the country. These grants show NHMF's vital role in underpinning the Government's mechanisms for securing cultural property at risk of loss to the nation.

The ability of NHMF to act quickly and flexibly has also allowed the Fund to help in real emergencies, whether assessing cases to meet auction deadlines – as with Pieter Andreas Rysbrack's *A View of Chiswick House From the South West* – or providing the final piece of a funding jigsaw, as with Dumfries House, where our support for HRH The Prince of Wales's initiative with other funding bodies ensured this national treasure was saved.

The small NHMF assessment team based in our London office is ably assisted in its task by a

wide range of expert advisers and valuers, who often provide advice at short notice. In addition, we have another level of expertise in our National Heritage Memorial Fund Panel – Rosalind Savill, Sir John Guinness, Giles Waterfield and Noel Annesley – who meet quarterly to discuss all applications and have been enormously helpful in assisting the Board to consider the relative priority of cases.

It is clear that NHMF continues to perform a valuable function in stepping in as a fund of last resort. Despite the welcome uplift to £10 million grant-in-aid per annum, resources continue to be under pressure – this year we had to dip into our endowment so that we could respond to the national heritage need, spending £6.3 million more than our annual allocation. This year's report illustrates the treasures that have been saved for the nation, and what the Fund is able to achieve to enrich public collections around the land.



Eilish McGuinness
Head of NHMF

ARTIST ROOMS: the Anthony d'Offay collection National Galleries of Scotland/Tate

Images clockwise from top left: Damien Hirst, *Away from the Flock* 1995, lamb in formaldehyde solution in steel and glass vitrine; Robert Mapplethorpe, *Patti Smith* 1979, black and white photograph; Damien Hirst, *Controlled Substances Key Painting (Spot 4a)* 1994, acrylic on canvas; Gilbert & George, *Exists* 1984, 241x351 cm, mixed media; Ed Ruscha, *Pay Nothing Until April* 2003, acrylic on canvas; and Jeff Koons, *Winter Bears* 1988, polychromed wood.

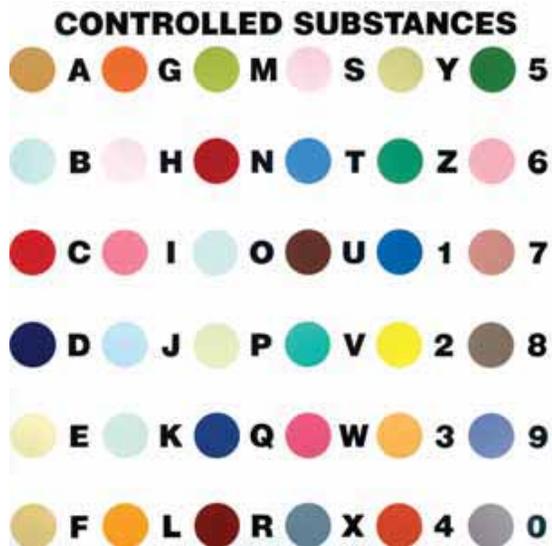
Anthony d'Offay opened his gallery in London in 1969 with his wife Anne Seymour, an art curator, and Marie-Louise Laband, Director of the gallery. Together they inaugurated a programme of international contemporary art, starting with a seminal exhibition by Joseph Beuys in August 1980. The art dealer's collection, gathered through his gallery over 28 years, focuses on the artists he encouraged and brought to the attention of UK audiences, often for the first time.



The collection, known as ARTIST ROOMS, has now been acquired by the National Galleries of Scotland (NGS) and Tate for £26.5 million – the original total cost of these works, which are today valued at around £125 million – making it one of the largest gifts of art ever made to museums in the UK. ARTIST ROOMS comprises 725 works and takes the form of 50 rooms of post-war and contemporary art by 25 artists, with a further 10 works by 7 artists. Individual rooms are devoted to particular artists – including Andy Warhol, Jeff Koons and Damien Hirst

– allowing viewers to appreciate their work in depth. The collection will establish a national resource available to museums and galleries across the UK, and will be launched in 2009 with exhibitions and displays at Tate, NGS and a number of venues across the country.

ARTIST ROOMS will transform the way in which contemporary art can be seen across the UK, and has the special purpose of inspiring new audiences, especially young people.



Rawlinson bookcase by Gillows of Lancaster

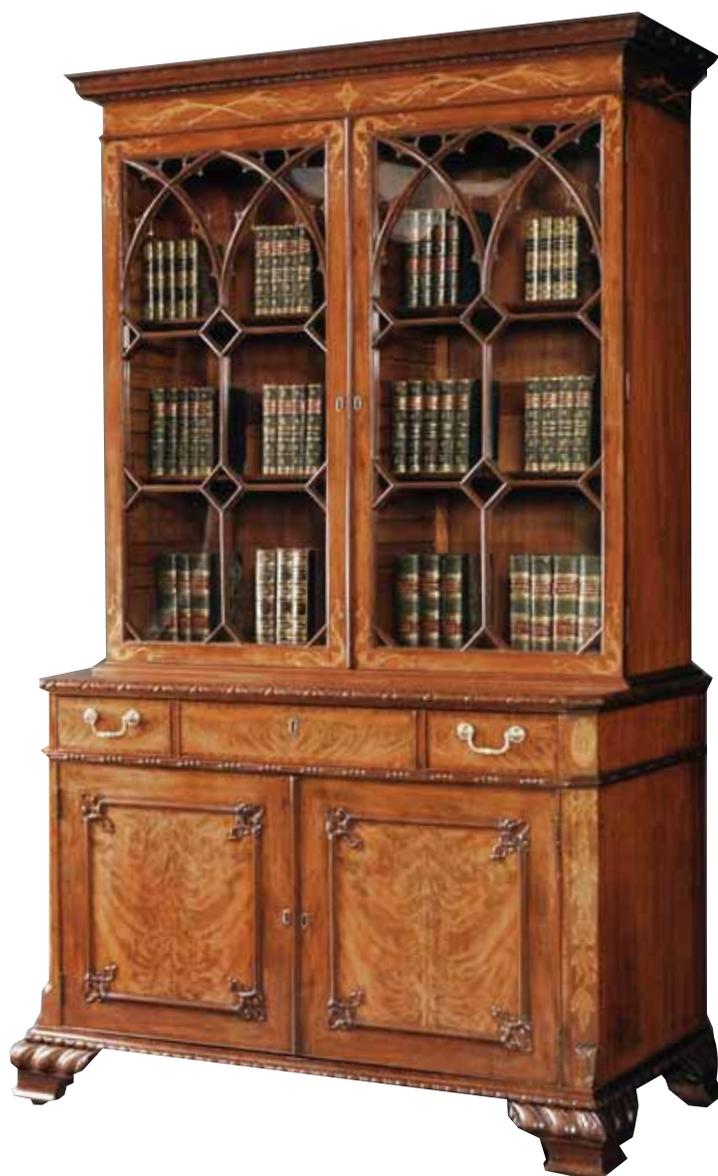
Lancashire County Museum Service

Described as a 'Gillow masterpiece', this bookcase was made in 1772 for Mary Hutton Rawlinson, widow of wealthy Lancaster merchant Thomas Hutton Rawlinson, and it remained in the ownership of her descendants for more than two centuries. The piece was purchased by Lancashire County Council and has now returned to Lancaster, to be exhibited permanently at the Judges' Lodgings museum.

The 7ft-tall and 4ft-wide bookcase is significant as much for the outstanding craftsmanship as it is for being a fully documented example of furniture by the famous cabinet-making firm Gillows of Lancaster. It was made only 40 years after the establishment

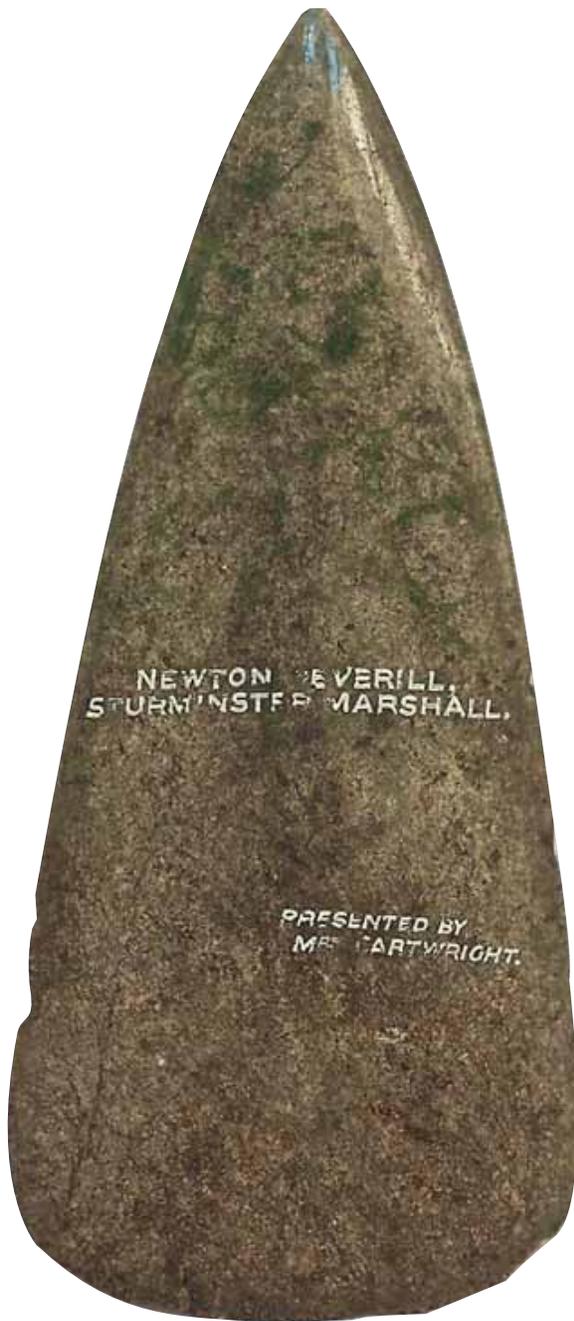
of the firm by Robert Gillow I in 1728. From the late 1770s his two sons, Richard and Robert II, expanded the thriving Lancaster firm, which already catered to the local gentry and industrialists, and turned it into one of the leading metropolitan upholsterers of the 19th century. Gillows activity during this later period is well documented, from archival sources, numerous stamped pieces, and some substantial commissions surviving in country houses. But very little of Gillows pre-1790 production is accredited, let alone fully documented, as with this piece.

The intimate connection of the bookcase's original owner with Lancaster should also be noted. The Rawlinsons were one of the principal West Indies merchant families trading from the Port of Lancaster, and it is very likely that the bookcase was made from mahogany imported by the Rawlinsons themselves.



Neolithic jade axe Newton Peverill, Dorset

Dorset Natural History and
Archaeological Society



It's small and unassuming, yet the story of this ancient axe-head is as long as it is fascinating. Made of polished jade and dating back to the early Neolithic era, it was found at Newton Peverill in the Stour Valley, an area of outstanding archaeological importance in Dorset.

The axe-head is considered one of the finest examples of its type in Britain. The jade itself comes from an outcrop in the foothills of the Italian Alps, and axe-heads of this type were polished and finished at working sites in south-west France and Brittany. Brought to Britain nearly 6,000 years ago, axe-heads such as this one would have been prized by the first pioneer farming communities. They would have also been valued as community treasures, perhaps as symbols of power or objects with magical properties.

The Newton Peverill axe was first displayed in the 1890s by General Augustus Pitt-Rivers (1827–1900) at his museum in Farnham, north Dorset. Pitt-Rivers was one of the foremost archaeologists and anthropologists of his age, and the museum was a reflection of his work and interests. The axe and other objects at the museum were sold when it closed in 1966.

An inscription painted carefully in white lettering reads 'Newton Peverill, Sturminster Marshall, Presented By Mrs Cartwright'. Although around 100 jade axes and fragments have been found in Britain, few have good provenance, making this an even more important find. Only seven prehistoric objects of jade have been recorded in Dorset. The Newton Peverill axe-head has joined five of them on display at the Dorset County Museum, after being bought by the Dorset Natural History and Archaeological Society with NHMF help.

The Sidmouth papers

Devon County Council

From church matters and royalty to foreign affairs, the correspondence of Henry Addington, 1st Viscount Sidmouth, charts British and European history at an important turning point.

Addington was Prime Minister between 1801 and 1804, and also held the posts of Speaker of the House of Commons, Chancellor of the Exchequer, Home Secretary and MP for Devizes. The collection, known as the Sidmouth papers, covers the period up to 1824 and includes letters to and from other prominent national figures of the day. These include George III, William Pitt (the Younger), Lord Nelson, Lord Grenville, the Duke of Wellington and William Wilberforce. Among the letters' topics are the repression of the Luddites, the Peterloo Massacre, and negotiations for the peace of Amiens during the Napoleonic wars.

The papers also include some family and personal correspondence of Addington's father, Dr Anthony Addington MD, whose medical practice in London brought him into contact and close friendship with many politically prominent people. He treated William Pitt, 1st Earl of Chatham, in 1767, and George III in 1788.

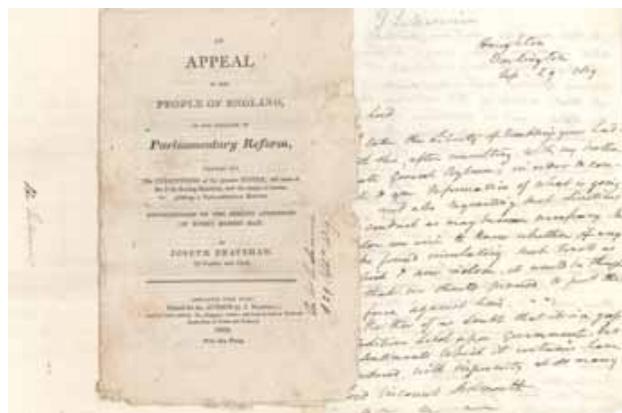
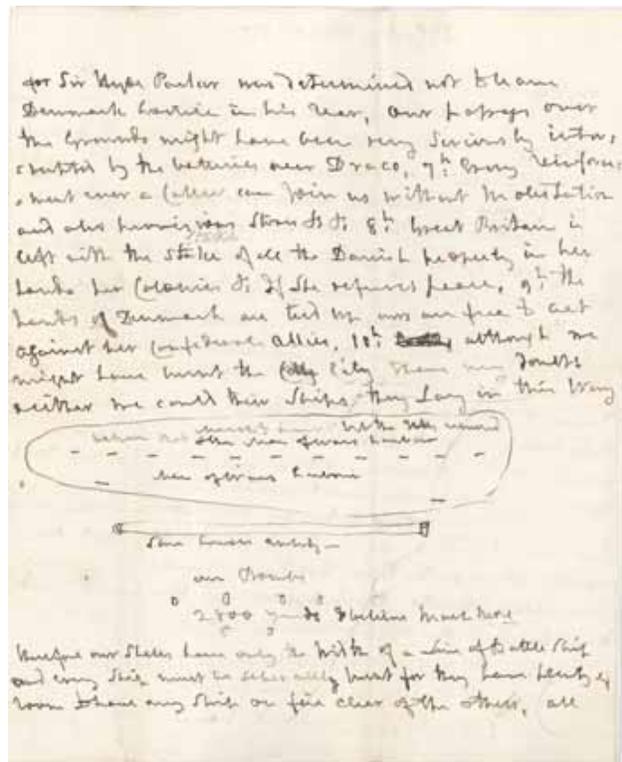
The family, though not Devonian by birth, had a seat in Upottery, where the 1st Viscount spent much of his retirement. The Sidmouth papers have been acquired by the Devon Record Office and will now join other historic archives, including the correspondence of Francis Drake, who held diplomatic positions at Genoa and Munich during the Napoleonic Wars.

Images clockwise from top left:
 Lord Nelson, autograph letter signed, 9 April 1801. To Addington as Prime Minister, the second Copenhagen despatch, with a sketch of the battle;

Queen Caroline, 'Protest and Remonstrance' signed to George IV, 17 July 1821. Forwarded to Sidmouth, as Home Secretary: the Queen's protest at not being crowned;

Henry 'Orator' Hunt, autograph letter signed, 4 February 1817. To Sidmouth, as Home Secretary: Hunt's political testament;

Rev J Le Mesurier, autograph letter signed, 29 September 1819. To Sidmouth, as Home Secretary: an example of seditious literature enclosed by a magistrate.



Caroline R

To the King's Most Excellent
Majesty

The Protest and Remonstrance
of Her Majesty Caroline Queen of
the United Kingdom of Great Britain
and Ireland

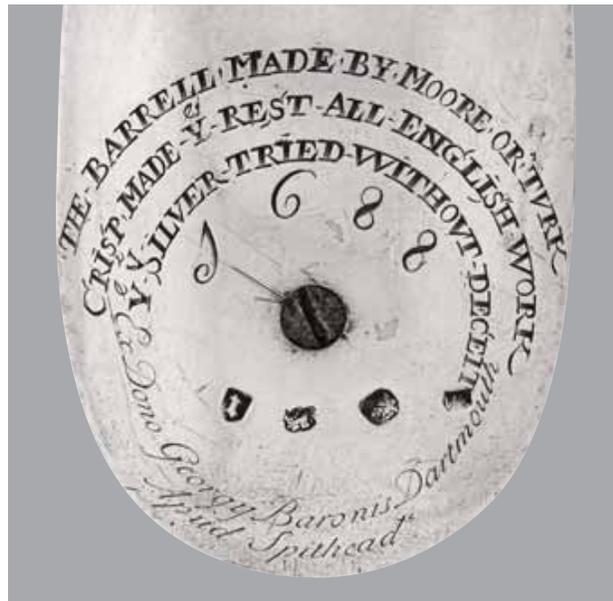
Your Majesty having been pleased to refer
to your Privy Council the Queens Memorial
claiming as of right, to celebrate the Ceremony
of Her Coronation on the nineteenth day of
July, being the day appointed for the
Celebration of Your Majesty's Royal
Coronation and Lord Viscount Sidmouth

17th-century silver-mounted sporting gun

The Royal Armouries

"The barrell made by Moore or Turk, Crisp made ye rest all English work/Ye silver tried without deceit, 1688"

The inscription on the buttplate of this 17th-century flintlock gun is at once humorous and patriotic, and already begins to reveal its history. One of the best gunmakers of his day, Henry Crisp, Furbisher at the Tower of London, built the gun in 1688 around an earlier Turkish barrel. Turkish artillery was the finest available at the time, and re-used barrels were only very occasionally encountered in pieces from the European mainland; they were virtually unheard of in English guns. It was also usual for even the finest-quality guns to be mounted merely in iron, and the gun's rare silver mount is another indication that it was a high-prestige piece. What is more, the silver furniture made by William Knight is the earliest recorded silver mount on a surviving English gun.



Crisp lived and worked within the Tower, and it is likely that this particular gun was made there. The Royal Armouries, originally the main royal and national arsenal at the Tower of London, also have strong ties with the piece through the gun's commissioner: George Legge, 1st Baron Dartmouth, was Governor of the Tower of London and was eventually imprisoned there after he was accused of conspiring against the king during William of Orange's invasion of England and subsequent ascension to the throne. Legge died in the Tower from apoplexy at just 43.



The gun has never been publicly exhibited, nor has information regarding it been published. It will initially be displayed at the Royal Armouries in Leeds and in time returned to the Tower of London to form part of a display dedicated to George Legge.

A View of Chiswick House From the South West **by Pieter Andreas Rysbrack** English Heritage

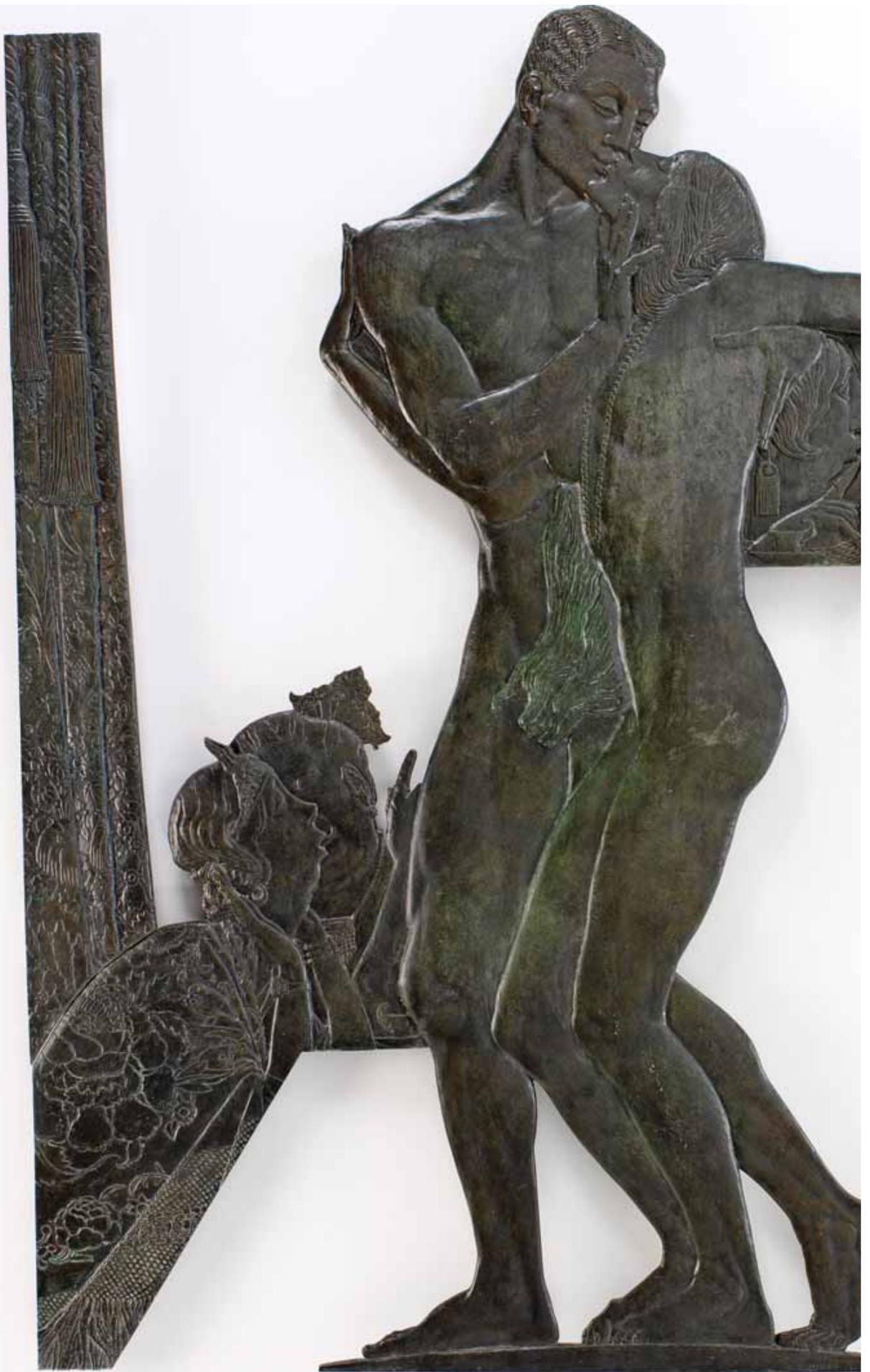
This is one of a series of eight views of Chiswick House painted by Pieter Andreas Rysbrack (1684–1748) between 1729 and 1732. The set was commissioned for Lady Bedingfeld, who was the sister of the 3rd Earl of Burlington, owner and designer of the House and gardens. Lady Bedingfeld was the wife of Sir Henry Bedingfeld of Oxburgh Hall – the paintings were sold and dispersed from there in 1952.

Rysbrack, a renowned landscape artist, chose a variety of panoramic views to depict the gardens in detail. Five of the eight views were already owned by English Heritage and on display at Chiswick House, and with help from NHMF this south-west view has now joined them. The paintings in general

show the gardens during a period of change and development. Lord Burlington completed construction of his Palladian villa, alongside the original Jacobean house, in 1729. The gardens were originally landscaped by Burlington in a highly formal style which gave way to a softer and more naturalistic layout by his protégé William Kent in the 1730s. Rysbrack's paintings are the earliest known representation of Burlington's original landscaping and are currently being used to inform the Heritage Lottery Fund-supported restoration of the House and gardens. The south-west view is the only one that shows the relationship of the old and new houses from this particular perspective.

The artist and his Chiswick views hold an important place in the history of English gardenscape painting. This set of paintings has been described as both influential and historically important, not just as evidence of the development of the Grade I-listed Chiswick House and Gardens, but also of the history of landscape design in Britain.





Scandal by Charles Sargeant Jagger Victoria and Albert Museum (V&A)

Scandal (1930) depicts a naked couple embracing, with an audience of disapproving onlookers in the background peering at them with hands raised in horror. Henry Mond and his wife Gwen, important patrons of contemporary British art at the time, commissioned the relief as a reference to high society's reaction to their early ménage à trois with writer Gilbert Cannan.

The 1.6m x 1.3m Art Deco bronze relief was made as part of a decorative remodelling of the Monds' drawing room in Mulberry House, Smith Square, Westminster. An original work of art rich in symbolism, the piece was an integral part of their opulently decorated 1930s home.

Scandal was an unusual foray into domestic decoration for sculptor CS Jagger (1885–1934). He was appointed Official British War Artist in 1918 after serving in the First World War. His most widely known work was in the form of public art, including the Royal Artillery Memorial at Hyde Park Corner in London, controversial at the time of its unveiling in 1925.

With help from NHMF, the Art Fund and private donors, the relief has now been acquired by the V&A museum. The work is a companion piece to Jagger's Melchett fire basket, also commissioned by the Monds and acquired by the V&A in 2005. The two will now be displayed together, as intended by the artist, for the first time in over 30 years.



Mary, Queen of Scots' execution warrant

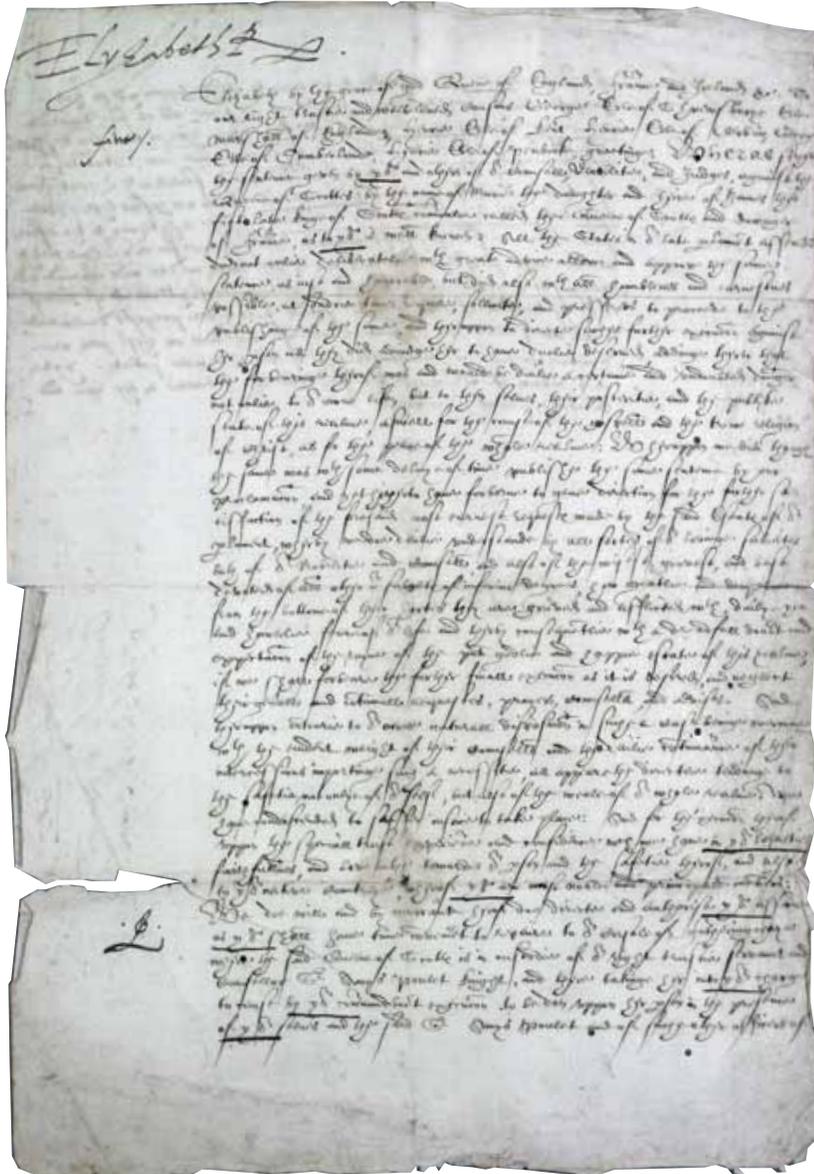
Lambeth Palace Library

Mary, Queen of Scots, with her claims to the crowns of England and Scotland, her beauty and charisma, her marriages, love affairs and years of imprisonment, has long been a heroine in the popular imagination. Her execution on 8 February 1587, after great agonising by her cousin, Elizabeth I, is one of the best known events in British history.

Robert Beale, principal clerk to the Privy Council of the time, was responsible for bearing the warrant to the commissioners who were instructed to "repair to our Castell of Fotheringhaye where the said queene of Scottes is in custodie and cause by your commaundement execution to be don uppon her person".

Elizabeth I signed the execution warrant, but claimed afterwards that she had given no instruction for its enactment. The original warrant disappeared in the recriminations which followed. This copy, which includes Beale's annotation, was delivered by him to Henry Grey, 6th Earl of Kent, one of the two commissioners tasked with organising the execution. The copy was accompanied by a covering letter to the Earl from the Privy Council. The letter has long been part of the collections of Lambeth Palace Library, and the two documents are now reunited in the Library's care.

The Library also holds significant archives relating to Mary, Queen of Scots. These include papers of Henry Grey and George Talbot, 6th Earl of Shrewsbury and the second commissioner responsible for her execution, and the sermon which was to have been preached at the execution, but which Mary declined to hear.





Four torchères by James and Ann Pascall Leeds Museums and Galleries

These four torchères, or candle stands, are from a set of eight originally commissioned by Henry, 7th Viscount Irwin, during his mid-18th-century refurbishment of a Jacobean gallery at the Tudor/Jacobean Temple Newsam House in Leeds.

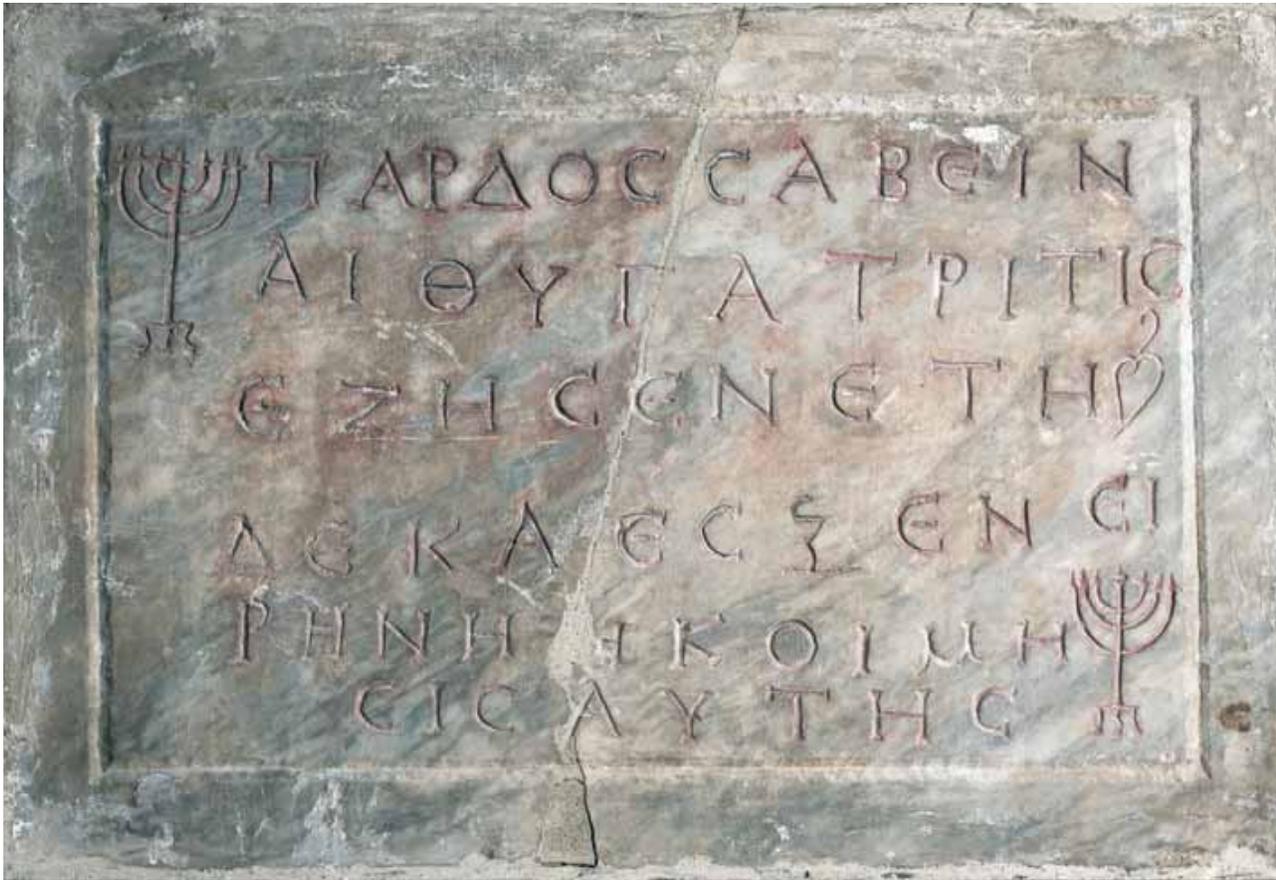
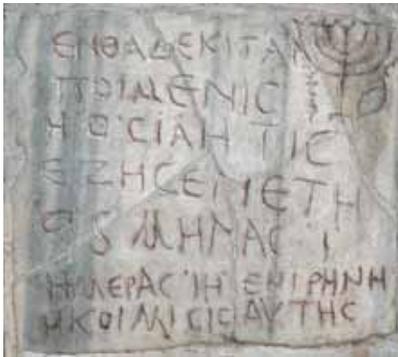
Designed and made by London carvers and gilders James and Ann Pascall, the torchères were part of a suite of furniture which consisted of 39 pieces, including chairs, settees, a couch, tables and two wall lights.

The furniture was specially designed in conjunction with the gallery's overall decorative scheme, based on Ovid's *Metamorphoses*. The female busts on the torchères are thought to represent Syrinx, a nymph

who was pursued through Arcadia by the lustful god Pan before escaping by jumping into the River Ladon and being transformed into a patch of reeds. Pan and a group of cherubs who observed the chase are also represented on tables from the same suite.

Much of Temple Newsam House's original furniture was either sold or retained for future sale by Lord Halifax when the council bought Temple Newsam for the city of Leeds in 1922. Four of the eight torchères, which are unusual examples of the short-lived English rococo style, were bought back in 1976, but the remainder had passed into a private collection in 1961. These have also now returned to their original home, completing the narrative of the gallery and its furnishings.

Successive curators of Temple Newsam House have, since it was gifted to Leeds Council in 1922, worked steadily to repatriate all 39 pieces to the Picture Gallery. Decades of effort have now seen the return of all of the pieces bar two side tables.



Wilshire collection of early Christian and Jewish antiquities Ashmolean Museum

Dating from the 2nd to the 4th centuries AD, this group of antiquities gives an insight into early Christian and Jewish life in Rome and the use of artistic motifs. The collection consists of 34 fragments of gold glass and 23 sculptured reliefs and inscriptions. Originally from Roman catacombs, both the reliefs and glass fragments display a wide variety of Christian, Jewish and pagan themes.



The pieces bridge a gap in the Ashmolean Museum's collection illustrating key chapters in the history of glass-making and the art of Late Antiquity.

The 34 glass roundels form the most important element of the group. The designs are made in gold leaf sandwiched between two layers of glass, and represent several iconographical themes. One of the pieces is the base of a bowl illustrating a married couple surrounded by scenes of Christ's miracles. Others portray a Jewish menorah and pagan subjects such as the labours of Hercules and a lion's head. The Christian themes of the Betrayal of Christ and the Entry into Jerusalem are depicted on some of

the reliefs and inscriptions, while one menorah-decorated group of inscriptions comes from a Jewish catacomb discovered in 1857.

The pieces were gathered by Charles Willes Wilshire in the 19th century. Wilshire was a member of the Oxford Movement, a group of Anglicans who sought to demonstrate that the Church of England was a direct descendant of the Christian church established by the Apostles. Wilshire was a student of ecclesiastical history and antiquities, and the collection illustrates the fascination he shared with others for the origins of Christianity.

Harold Pinter's playscripts

British Library

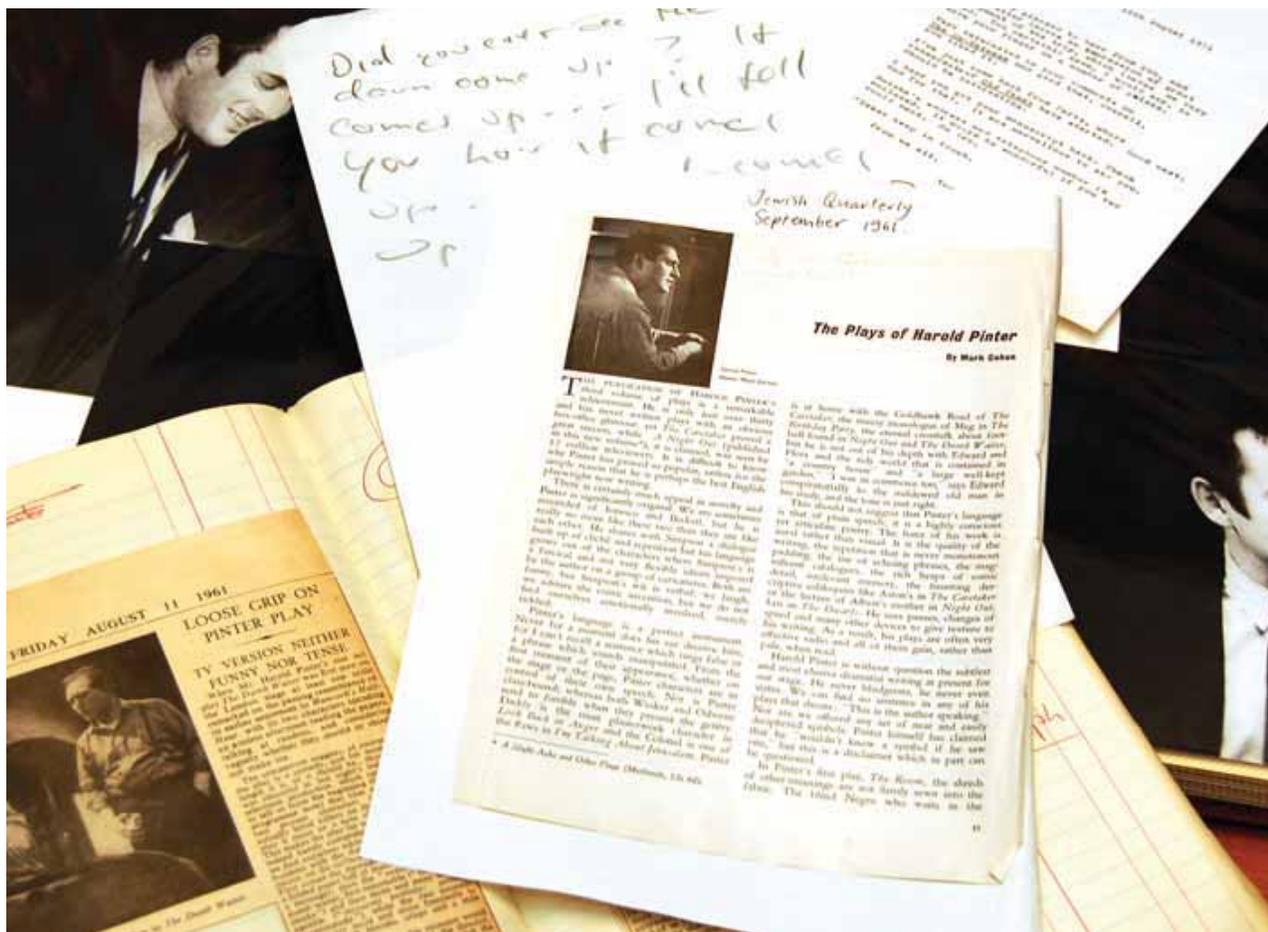
Having acquired Harold Pinter's personal correspondence and journals in 2006, the British Library has now added the writer's playscripts to the collection with help from NHMF, creating one of the most significant post-war literary archives.

The complete works of the influential playwright, which include 29 plays, 15 dramatic sketches and 21 screenplays and filmscripts, is being catalogued and will be made accessible through the British Library's reading rooms.

Pinter, whose career has covered directing, acting, screenwriting, poetry and journalism, was awarded the Nobel Prize for literature in 2005. The playscripts were added to the collection already held at the

British Library of scrapbooks, photographs, emails and correspondence – from amusing exchanges with Philip Larkin to affectionate letters from Samuel Beckett. Pinter's key role in post-war theatre and film is also documented through his extensive correspondence with other leading playwrights and literary figures such as David Hare, David Mamet, Arthur Miller, John Osborne and Tom Stoppard, as well as actors and directors including Sir John Gielgud and Sir Peter Hall.

The complete archive will offer an invaluable resource for researchers and scholars of Pinter's poetry and his work for stage and cinema. Pinter stated publicly in 2005 that he had 'finished' writing drama and was now devoting his energies solely to political activities. Should this be true, this archive, together with Pinter's correspondence, now represents an unparalleled record of the life and work of one of Britain's greatest 20th-century dramatists.





Portrait of General Wolfe c.1760 National Army Museum

James Wolfe was the son of a lieutenant general, and a career soldier who joined the army at 14. He fought at Falkirk and Culloden and also saw action in Ireland and Germany. He served as brigadier general in Canada, two years after the outbreak of the Seven Years' War, and his subsequent victories over the French saw him assigned to lead the British assault on Quebec City in 1759.

His daring raid launched from the St Lawrence river took the French forces by surprise and led to an eventual British victory. This proved to be a pivotal event in the war. By the end of the following year French rule was all but over in North America, resulting in Canada and the 13 American colonies being unified under the British crown. Wolfe himself was shot in the chest during the battle, living long enough to receive news of his victory and then dying in the arms of his lieutenant.

Wolfe's victory at Quebec and his death in battle elevated him to the status of patriotic martyr in the eyes of the British public, an image that remained unparalleled until the death of Nelson 45 years later. Prints and engravings reported to be likenesses of Wolfe were rushed into circulation to satisfy the demand for images of the hero, but the prints released were largely fictional representations. JSC Schaak's painting, completed around 1760, is believed to have been based on life sketches of Wolfe made by his aide-de-camp, Hervey Smyth, during the Canadian campaign. The portrait is thought to be the most authentic likeness of the general.

After losing out to an American collector at an auction in June 2007, the National Army Museum acquired the export-stopped painting with help from NHMF. 2009 will see the 250th anniversary of Wolfe's triumph and death, and the portrait will be the focal point for the museum's commemoration of these events.



Dumfries House

The Art Fund

One of the most architecturally significant houses in the UK, this Palladian mansion was built between 1754 and 1759 for William Dalrymple, 4th Earl of Dumfries, by brothers John, Robert and James Adam.

Dumfries House, near Cumnock in Ayrshire, is category A-listed and has survived almost unaltered, apart from a sympathetic extension at the turn of the 20th century by Scottish-born architect Robert Weir Schultz. But the key to the building's heritage



significance lies in its interior – the House contains one of the most outstanding collections of 18th-century furniture in the UK. Pieces made by Thomas Chippendale and Edinburgh furniture makers William Mathie, Alexander Peter and Francis Brodie were bought as a suite specifically for it. Rococo plasterwork and panelling contrast with the strong simplicity of the exterior, while the Tapestry Room created by Weir Schultz contains a set of Gobelins tapestries given to Lord Stair by Louis XIV.

The House was largely unoccupied through the late Georgian and early and mid-Victorian periods, leaving much of the furniture undisturbed and in the location originally designed for it by Robert

Adam. The completeness of the suite and the fact that it is well documented also add to the importance of Dumfries House.

NHMF responded to the sale of Dumfries House with a grant of £7 million to help purchase it for the nation. An independent trust, The Great Steward of Scotland's Dumfries House Trust, has been established to take over the running of the House, which is now open to the public.

Management Commentary

Background information

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

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

Principal activities

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

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

Section 4 of the 1993 Act extends the powers of Trustees to improving the display of items of outstanding interest to the national heritage by

providing financial assistance to construct, convert or improve any building in order to provide facilities designed to promote the public's enjoyment or advance the public's knowledge.

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

Financial Instruments

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

Liquidity risk

In 2007–08, the National Heritage Memorial Fund's income derived from grant-in-aid from the Department for Culture, Media and Sport and from income generated by the endowment fund although the net returns from the endowment fund were negative in the year. The Trustees are satisfied that they have sufficient liquid resources, in the form of their endowment and cash (worth £31.9 million at the balance sheet date) to cover all outstanding grant awards of £8.8 million. The Trustees consider that the Fund is not exposed to significant liquidity risks.

Interest Rate Risks

Cash balances, which are used to pay grant commitments and operating costs, are held in instant access variable rate bank accounts, which on average carried an interest rate of 5.3% in the year.

The year end cash balances, held by the Fund in the bank and with their endowment fund investment managers, were £5.7 million.

JP Morgan Asset Management (London) Limited manages the NHMF's endowment and invests in a wide range of assets from marketable shares to cash. At the year-end, the market value of the endowment, including its cash element was £31.6 million. Returns are dependent upon the stock market and performance of companies included within the portfolio. In the year, the return on the endowment was a fall of 8%. The Trustees keep the performance of investments under review. The Trustees consider that the Fund is not exposed to significant interest rate risks.

Foreign Currency Risks

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

Cash flow, price and credit risk

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

Future developments

In 2007–08 government grant-in-aid was doubled to £10 million per annum and will remain at that level for the next three years. This increased grant-in-aid has given Trustees greater scope to save items at risk of loss. A large drawdown from the endowment fund to pay for Dumfries House and the significant award to help pay for the d'Offay collection mean that Trustees do not expect to be able to award all £10 million in the following financial year. The underlying performance of the investments in the endowment fund will also have an impact on likely grant budgets. At present, Trustees expect to award around £6 million in 2008–09 and £7 million in each of the following two years, whilst replenishing the endowment fund.

Employee consultation

The nature of the operations of the Fund means that grant application processing staff work closely with Trustees. Staff are involved in project evaluation and applicant visits with Trustees. Many members of staff attend meetings of Trustees, which enables

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

Equal opportunities

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

Creditors

The National Heritage Memorial Fund adheres to the Government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2007–08, the average age of invoices paid was 12 working days. Over 91% of invoices were paid within 30 calendar days.

Pension liabilities

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

sufficient. Further information is available in the notes to the accounts.

Register of interests

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

Appointment of auditors

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

Key Stakeholder

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

Post balance sheet events

There were no events that occurred after 31 March, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 4 July, which was the date the accounts were certified by the Comptroller and Auditor General.

Chair and Trustees of the National Heritage Memorial Fund

Chair

Dame Liz Forgan ²

Chief Executive

Carole Souter ²

Trustees

Madhu Anjali

Mike Emmerich

Yinnon Ezra ¹ from 4 February 2008

Kathy Gee

Catherine Graham-Harrison ²

Doug Hulyer ¹

Tristram Hunt

Dan Clayton Jones

Brian Lang

Derek Langslow ¹ until 18 February 2008

Alison McLean from 18 February 2008

Mike Phillips until 31 December 2007

Matthew Saunders

Ronnie Spence ¹

Richard Wilkin ²

Christopher Woodward

¹ Member of Audit Committee

² Member of Finance & Investment Committee

Dame Liz Forgan
Chair

Carole Souter
Chief Executive

1 July 2008

Financial Review

In 2007–08, the Trustees of the National Heritage Memorial Fund received 19 very varied applications, 16 of which were considered by the Board. 13 of these were supported, with grant awards totalling £16.4 million which was £6.4 million more than the NHMF's allocation of £10 million for the year from the Department for Culture, Media and Sport. Three bids were rejected.

NHMF was asked to support five items which were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art. These included a Neolithic jadeite axe head which met all three Waverley criteria and was judged to be of particular significance to Dorset. A grant of £14,000 was awarded to the Dorset Natural History & Archaeological Society. In December the Board also supported the export-stopped 18th-century Rawlinson bookcase, which was acquired by the Lancashire County Museum Service with a grant of £92,000 from NHMF. We also awarded a grant of £57,500 to the Royal Armouries for a 17th-century silver gun to return to the Tower of London, where it was made in 1688, and acted as the fund of last resort with a grant of £17,485 to Lambeth Palace for the acquisition of Mary Queen of Scots' execution warrant. The warrant had been starred by the Reviewing Committee, meaning its importance meant that every effort should be made to retain it in the country. In February 2008, a grant of £80,000 was awarded to the National Army Museum to acquire a 1760 portrait of General James Wolfe, whose victory at Quebec and death in battle elevated him to the role of patriotic martyr. The NHMF grants awarded to these export-stopped items demonstrate its continuing key role in underpinning the mechanisms for securing cultural property at risk of loss to the nation.

The remaining nine items were no less at risk of loss. They cover a wide range – from the major archive of Henry Addington, 1st Viscount Sidmouth (1754–1844) – the Sidmouth papers – which had been on loan to the Devon Record Office for over 50 years and if not acquired by them would be sold on the open market. NHMF awarded a grant of £1.6 million to Devon County Council for the

archive. The British Library was awarded a grant of £214,000 for the Harold Pinter Playscripts Archive – the first time the Memorial Fund had helped purchase an archive from a living author.

As with the Tower of London silver sporting gun, the Fund has assisted with the return of several items to their original locations. A grant of £60,000 was awarded to Leeds City Museums for four torchères, made in the mid-18th century as part of a complete set of furniture for the Picture Gallery at Temple Newsam House, and which had been dispersed in 1922 when Lord Halifax sold the house and estate. In June, NHMF facilitated English Heritage bidding at auction for the painting *A View of Chiswick House From the South West* by Pieter Andreas Rysbrack. The painting was one of a series of eight views originally commissioned by the 3rd Earl Burlington, five of which were already on display at Chiswick House. NHMF had contributed grant aid to the purchase of three of the currently owned views, one in 1995 and two in 1996. In December NHMF awarded the Victoria & Albert Museum £45,000 to bid at auction for a bronze relief, *Scandal* (1930) by Charles Sargeant Jagger. The relief was originally commissioned for the drawing room of Mulberry House in Westminster – the interior is now lost – but the V&A had its companion piece from the original design scheme – a fire basket – and the relief will be reunited in display at the museum.

In July the Fund awarded a grant of £100,000 to the Wilshire Collection of antiquities which had been gathered in the 19th century and which had been on loan to the museum since 1957. The grant ensured that the collection would remain part of the Ashmolean Museum collection destined for redisplay in their HLF-funded capital project.

The two largest awards this year were for the acquisition of Dumfries House, with a grant of £7 million, and the d'Offay Collection, also awarded £7 million. There was a tight deadline for the acquisition of Dumfries House. In order to take advantage of tax-related benefits the award was originally made to the Art Fund, and then transferred to the new managing trust, the Great Steward of Scotland's Dumfries House Trust. There were a number of major funders, including the Prince of

Wales, but the NHMF contribution ensured the acquisition of the house and contents in the tight timescale imposed by the auction date.

The proposal to acquire the d'Offay collection – a collection of modern and contemporary art – was a joint bid from the Tate and National Galleries of Scotland to form 'Artist's Rooms', available as a national resource for loan exhibitions across the UK. The offer price was considerably discounted and a range of funders worked together to secure the deal, including the Scottish Executive and DCMS. The NHMF award of £7 million was only possible by using the endowment fund, but the Board felt that the extraordinary nature of the offer, and the unprecedented opportunity to strengthen the national collection in post-war international art, was worth a grant of this scale.

In several of these cases, if agreement had not been reached, there was a real prospect that the items would be sold abroad, or the collections would be scattered, and a number of them were secured through the special mechanism of private treaty sales, which provides an incentive for owners to meet expected tax liabilities by negotiating a special price for the purchase with an accredited national or local museum or other body.

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

Applicant	Acquisition	Grant
English Heritage	A View of Chiswick House by Rysbrack	£100,000
Dorset Natural History and Archaeological Society	Neolithic jade axe	£14,000
British Library	Harold Pinter's playscripts	£214,000
Leeds Museums and Galleries	Four torchères made by Pascall	£60,000
The Art Fund	Dumfries House	£7,000,000
Ashmolean Museum	Wilshere collection of early Christian and Jewish antiquities	£100,000
Devon County Council	The Sidmouth papers	£1,618,000
Lambeth Palace Library	Mary, Queen of Scots, execution warrant	£17,485
Victoria and Albert Museum	Scandal by Charles Jagger	£45,000
Royal Armouries	17th-century sporting gun	£57,500
Lancashire County Museum Service	Rawlinson bookcase	£92,000
National Galleries of Scotland and Tate Gallery	Anthony d'Offay collection	£7,000,000
National Army Museum	Portrait of General Wolfe	£80,000

The three applications which were not supported this year were for a large request of £1.9 million from the Museum of Science & Industry, Manchester, towards the acquisition at auction of U44, the oldest surviving Rolls Royce motor car. In the event there was such private interest that even if a grant had been awarded the museum would have had insufficient funds to bid. The Board also rejected a bid from the National Galleries of Scotland for £150,000 to acquire the painting *The Transfiguration*, (c. 1588) by Lodovico Carracci (1555–1619), and in March rejected a bid from the Fitzwilliam Museum for a grant of £76,000 to acquire the proofs of *Jude the Obscure* by Thomas Hardy. In that case it was felt that the funds could be found elsewhere.

NHMF maintains an endowment fund which fell in value by £0.8 million in the year from £32.3 million to £31.5 million. This was due mainly to Trustees drawing down a net £2.55 million during the year to fund grant payments. The underlying performance of the endowment fund was a fall of 8%. Trustees are aware that the value of the endowment fund is below its original value at today's prices by £1.5 million at 31 March 2008. Trustees will monitor the situation over the long-term and will transfer funds to the endowment fund if the underlying investment performance is insufficient over the long-term to raise its value back to its original value.

Personal data

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

Remuneration Report

Remuneration of the Chair and Trustees

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

The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the following bands set out on the right.

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by the National Heritage Memorial Fund. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%:1%. The total remuneration of Trustees in 2007–08 was £227,946 (2006–07: £239,470). The pay and contracts of Trustees are discussed and set by the Department for Culture, Media and Sport.

Audited information

	2007–08 £'000	2006–07 £'000
Dame Liz Forgan (Chair)	40–45	40–45
Madhu Anjali	5–10	10–15
Nicholas Dodd	0	5–10
Mike Emmerich	5–10	10–15
Yinnon Ezra	0–5	0
Kathy Gee	5–10	0–5
Catherine Graham-Harrison	5–10	5–10
Doug Hulyer	10–15	5–10
Tristram Hunt	5–10	5–10
Dan Clayton Jones	20–25	20–25
Brian Lang	20–25	20–25
Derek Langslow	5–10	5–10
Alison McLean	0–5	0
Mike Phillips	0–5	5–10
Matthew Saunders	5–10	5–10
Ronnie Spence	20–25	20–25
Giles Waterfield	0	0–5
Richard Wilkin	10–15	5–10
Primrose Wilson	0	0–5
Christopher Woodward	5–10	0–5
James Wright	0	5–10

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary including performance bonus 2007–08 £'000	Salary including performance bonus 2006–07 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/3/08 £'000	Cash Equivalent Transfer Value (CETV) at 31/3/07 £'000	Real increase in CETV funded by NHMF £'000
Carole Souter Chief Executive	120–125	120–125	0–2.5 plus 2.5–5 lump sum	40–45 plus 120–125 lump sum	776	649	25
Stephen Johnson Director of Operations	20–25	100–105	0–2.5	n/a	n/a	1,038	8
Bob Bewley Director of Operations	65–70	n/a	5–7.5 plus 15–17.5 lump sum	20–25 plus 70–75 lump sum	457	289	117
Judith Cligman Director of Policy and Strategy	85–90	80–85	0–2.5 plus 2.5–5 lump sum	20–25 plus 70–75 lump sum	431	348	27
Steve Willis Director of Finance and Corporate Services	105–110	100–105	0–2.5 plus 2.5–5 lump sum	45–50 plus 140–145 lump sum	1,006	853	30

The Cabinet Office, which provides the pension information in the above table, has informed us that due to certain factors being incorrect in last year's CETV calculator there is a difference between the CETV at 31 March 2007 compared with that disclosed in last year's accounts.

Stephen Johnson retired during the year and was replaced by Bob Bewley.

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme

and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the civil service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or

arrangement) and uses common market valuation factors for the start and end of the period.

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Schemes. Their costs were allocated between the Heritage Lottery Fund and the National Heritage Memorial Fund on the basis of 99%: 1% (2006–07: 99%: 1%). The pay and contracts of senior employees are discussed and set by the Finance & Investment Committee. (Membership of this committee is disclosed on page 24.) The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set by the Chair of the Trustees, and the Chief Executive in turn agrees personal objectives with the three function directors. Objectives reflect the strategic and operational goals of the Fund and the contribution expected of each individual senior manager to achieving the goals. The Fund has a performance management system and performance is reviewed in line with this. Performance is reviewed annually in March/April and rated on a scale of four different levels of achievement. There is a bonus scheme for the directors which takes into account the Finance & Investment Committee's view of the individual's contribution towards the wider success of the organisation, with particular reference to their management of their own department and their impact on other areas; the individual's impact on Trustees and their effectiveness; and any exceptional contribution or achievement during the year which was not reflected in the key objectives for the year. This policy is expected to continue in future years. Senior management are appointed on open-ended contracts with notice periods of no more than 6 months. In the event of considering termination payments, the Fund would adhere fully to the rules of the Civil Service Compensation Scheme and any associated guidance from Treasury or DCMS.

Carole Souter
Chief Executive

1 July 2008

Statement of Trustees' and Chief Executive's Responsibilities

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

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

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

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

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

Dame Liz Forgan
Chair

Carole Souter
Chief Executive

1 July 2008

Statement on Internal Control

Scope of responsibility

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

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

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

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

The annual operating plan of the NHMF – the Business Plan – is discussed with our sponsor department, the Department for Culture, Media and Sport (DCMS). DCMS has also set Policy and Financial Directions with which we have to comply in our Lottery activities (and from April 2008, the Welsh Assembly has also issued some policy directions). We also operate in line with an agreed Management Statement and Financial Memorandum based upon a template devised by the Treasury. This includes regular meetings with senior officers of DCMS and with fellow Lottery distributors.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Fund for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts and accords with Treasury guidance.

Capacity to handle risk

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

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

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

The risk and control framework

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

putting procedures in place to monitor and, where possible, mitigate the risk. The Senior Management Team reviews the effectiveness of their work on a quarterly basis. The Audit Committee also regularly reviews and questions the activities of risk owners.

In 2007–08, the NHMF considered the following to be the most significant areas of risk:

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

Review of effectiveness

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

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

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

Carole Souter
Chief Executive

1 July 2008

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2008 under the National Heritage Act 1980. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Chief Executive and Auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder. I report to you if, in my opinion, the Management Commentary, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes

intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Heritage Memorial Fund has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

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

Basis of audit opinion

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

Memorial Fund's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- i) the financial statements give a true and fair view, in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury, of the state of the National Heritage Memorial Fund's affairs as at 31 March 2008 and of its net operating costs, recognised gains and losses, and cashflows for the year then ended;
- ii) the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Media and Sport, with the consent of HM Treasury; and
- iii) information which comprises the Management Commentary, included within the Annual Report, is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

TJ Burr

Comptroller and Auditor General

4 July 2008

National Audit Office

151 Buckingham Palace Road

London SW1W 9SS

Income and Expenditure Account for the year ended 31 March 2008

	Notes	£'000	2007-08 £'000	2006-07 £'000
Sundry operating income	3		18	2
New awards made in the year	14	(16,398)		(6,166)
De-committed awards	14	1,073		78
			(15,325)	(6,088)
Staff costs	4	(52)		(50)
Depreciation	10	(1)		(2)
Other operating charges	6	(88)		(119)
			(141)	(171)
Operating expenditure			(15,466)	(6,259)
Operating deficit			(15,448)	(6,257)
Income from investments	7	947		848
Profit on the sale of investments	8	2,294		1,195
Interest receivable	9	321		62
Non-operating income			3,562	2,105
Net deficit before notional costs			(11,886)	(4,152)
Notional costs – capital	17		(944)	(1,057)
Net deficit including notional costs			(12,830)	(5,209)
Reversal of notional costs			944	1,057
Deficit transferred to the accumulated fund			(11,886)	(4,152)

Statement of Recognised Gains and Losses for the year ended 31 March 2008

	Note	2007-08 £'000	2006-07 £'000
Movement on revaluation reserve	19	(5,946)	556

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

The notes on pages 38 to 46 form part of the accounts.

Balance Sheet
as at 31 March 2008

	Notes	£'000	2007-08 £'000	2006-07 £'000
Fixed assets				
Tangible fixed assets	10	3		3
Investments	11	26,236		31,700
			26,239	31,703
Current assets				
Debtors	12	26		5
Cash at bank and in hand		346		1,248
Cash at JP Morgan Chase Bank	11	5,330		621
			5,702	1,874
Creditors: amounts falling due within one year				
Grant commitments due within one year	14		(8,836)	(2,644)
			(40)	(38)
Net current liabilities			(3,174)	(808)
Total assets less current liabilities			23,065	30,895
Provision for liabilities and charges				
Pensions and similar liabilities	5		(1)	(1)
Total assets less liabilities			23,064	30,894
Revaluation reserve	19		6,176	12,122
Accumulated fund				
Accumulated fund brought forward		18,772		17,922
Grant-in-aid		10,002		5,002
Result for the year		(11,886)		(4,152)
Accumulated fund carried forward			16,888	18,772
			23,064	30,894

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

The notes on pages 38 to 46 form part of the accounts.

Dame Liz Forgan
Chair

Carole Souter
Chief Executive

1 July 2008

Cash Flow Statement

for the year ended 31 March 2008

	Notes	2007-08 £'000	2006-07 £'000
Operating activities			
Cash from sundry operating income	3	18	2
Cash paid to and on behalf of employees		(51)	(49)
Cash paid to suppliers		(89)	(434)
Cash paid to grant recipients	14	(9,133)	(6,402)
Net cash outflow from operating activities	16a	(9,255)	(6,883)
Returns on investment and servicing of finance			
Interest received		301	62
Dividends received		942	833
Net cash inflow from returns on investments		1,243	895
Capital expenditure and financial investment	16b	1,817	1,857
Cash flow before financing	16c	(6,195)	(4,131)
Financing through grant-in-aid	16c	10,002	5,002
Increase in cash		3,807	871

Reconciliation of Net Cash Flow to Movement in Net Funds

for the year ended 31 March 2008

	2007-08 £'000	2006-07 £'000
Increase in operating cash in the period	3,807	871
Cash used to increase liquid resources	0	0
Changes in net funds	3,807	871
Net funds at 1 April 2007	1,869	998
Net funds at 31 March 2008	5,676	1,869

The notes on pages 38 to 46 form part of the accounts.

I. Statement of accounting policies

a) Accounting convention

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

b) Government grants

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

c) Fixed assets

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

Short leasehold property – the life of the lease

Office equipment – 4–10 years

Office fittings – 4–10 years

d) Investments

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

e) Allocation of costs

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

f) **Taxation**

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

g) **Pension**

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

h) **Leases**

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

i) **Grant awards**

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

2. Grant-in-aid

	2007-08 £'000	2006-07 £'000
Grant from the Department for Culture, Media and Sport	10,002	5,002

3. Other operating income

This normally entails donations from members of the public and repayments of grant.

4. Staff costs and numbers

	2007-08 £'000	2006-07 £'000
Salaries	39	38
Employer's NI payments	3	3
Payments to pension scheme (see note 5)	8	7
Temporary staff costs	2	2
	52	50

Additional costs of £10,271,000 have been charged to the Heritage Lottery Fund and are reflected in the accounts of that Fund.

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

	2007-08 Number	2006-07 Number
Grant applications	1	1
Finance and administration	0	0
Policy	0	0
Public relations	0	0
	1	1

Additionally, an average of 238 permanent staff were employed on Heritage Lottery Fund activities.

5a. Pensions

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

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

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

The alternative pension scheme arrangement is a Stakeholder Pension known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally-provided lump sum risk benefit cover (death in service and ill health retirement). There are currently seven members of staff with a partnership pension account. No members of staff retired early on health grounds during 2007-08.

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

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS

meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2007–08, employer's contributions of £7,281 (2006–07: £7,214) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Salary in 2007–08	% in 2007–08
£19,000 and under	17.1%
£19,001–£39,000	19.5%
£39,001–£66,500	23.2%
£66,501 and above	25.5%

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

5b. Provision for liabilities and charges

	2007–08 £'000	2006–07 £'000
Provision at 1 April	1	1
Pension payments made	0	0
Provision at 31 March	1	1

6. Operating deficit

The operating deficit is stated after charging the following:

	2007–08 £'000	2006–07 £'000
Auditor's remuneration	8	7
Payments under operating leases		
– leasehold premises	7	7
– hire of plant and machinery	0	0

Additional costs of £10,030,000 have been charged to the Heritage Lottery Fund and are reflected in the accounts of that Fund. As disclosed in note 1 to these accounts, the National Heritage Memorial Fund is required to apportion its costs to the Heritage Lottery Fund. At the end of the financial year, the proportion of joint costs apportioned was 99% to the Heritage Lottery Fund.

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

	2007-08 £'000	2006-07 £'000
Accommodation	12	11
Postage and telephone	3	2
Office supplies, print and stationery	2	3
Travel, subsistence and hospitality	2	1
Professional fees		
– grant related	8	8
– non-grant related	43	50
Public relations and communications	14	29
Sundry	4	15
	88	119

7. Income from investments

	2007-08 £'000	2006-07 £'000
Fixed asset investments	947	848

8. Profit on the sale of investments

	2007-08 £'000	2006-07 £'000
Fixed asset investments	2,294	1,195

9. Interest receivable

	2007-08 £'000	2006-07 £'000
Bank interest receivable	321	62

10. Tangible fixed assets

	Improvements to short leasehold property £'000	IT equipment £'000	Office fittings £'000	Total £'000
Cost at 1 April 2007	7	14	9	30
Additions	0	1	0	1
Adjustment on disposal	0	(7)	(8)	(15)
At 31 March 2008	7	8	1	16
Depreciation at 1 April 2007	6	12	9	27
Charge for the year	0	1	0	1
Adjustment on disposal	0	(7)	(8)	(15)
At 31 March 2008	6	6	1	13
Net book value				
At 31 March 2007	1	2	0	3
At 31 March 2008	1	2	0	3

The Trustees have considered the value of the fixed assets and are satisfied that their value, at 31 March 2008, was not less than their net book value shown in the accounts. The value of fixed assets represents a proportionate split of the assets used by the National Heritage Memorial Fund and the Heritage Lottery Fund. This split is currently 99% Lottery and 1% Memorial.

No fixed assets were held under finance leases.

A review of the current cost values of fixed assets, at 31 March 2008, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of tangible fixed assets.

11. Fixed asset investments

The National Heritage Memorial Fund was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established the Memorial Fund, the sum of £10 million should be regarded as the residue of the National Land Fund. They decided to invest it and to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable the National Heritage Memorial Fund to meet its obligations. To this end, investment can be made outside the United Kingdom. A table below summarises the regional investment spread. The surplus value of the endowment fund (i.e. the excess over the current value of the initial £10 million) is drawn down to fund NHMF's grant-giving. At 31 March 2008, the original £10 million investment would be worth £33.1 million taking into account indexation – the actual market value is £31.5 million.

Fixed asset investments comprise this endowment fund. A proportion of this fund is held in cash (£5,329,536 at 31 March 2008) and is disclosed in these accounts as a current asset as part of the cash balances of the National Heritage Memorial Fund. These investments are managed, on behalf of NHMF, by JP Morgan Asset Management (London) Limited. The Trustees are not required to adopt the Trustee Investment Act 1961 when considering investment policy.

	2007-08 £'000	2006-07 £'000
Cost and net book value:		
At 1 April	19,578	20,225
Additions	5,242	1,144
Disposals	(4,766)	(1,805)
Accrued income	6	14
At 31 March	20,060	19,578
Net book value:		
Listed on the London Stock Exchange	0	0
Unlisted investments	20,060	19,578
	20,060	19,578
Cost	20,060	19,578
Market value	26,236	31,700
Unrealised gain	6,176	12,122

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

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

	2007-08 %	2006-07 %
UK	69	67
Europe (excluding UK)	8	10
North America	18	16
Japan and Far East	5	7
	100	100

12. Debtors – all due within one year

	2007-08 £'000	2006-07 £'000
Prepayments and accrued income	26	5

13. Creditors: amounts falling due within one year

	2007-08 £'000	2006-07 £'000
Operating creditors	3	4
Other creditors including taxation and social security	3	3
Accruals and deferred income	34	31
	40	38

None of the liabilities of the National Heritage Memorial Fund was secured. Of the above sums, £9,000 was payable to central government bodies (2006-07: £5,000).

14. Grant commitments

	2007-08 £'000	2006-07 £'000
At 1 April	2,644	2,958
Grants paid in the year	(9,133)	(6,402)
Commitments created in the year	16,398	6,166
De-commitments	(1,073)	(78)
At 31 March	8,836	2,644

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

	2007-08 £'000	2006-07 £'000
In one year	8,836	2,644

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

	2007-08 £'000	2006-07 £'000
Balances owing to central Government	7,271	1,349
Balances owing to local authorities	1,413	0
Balances owing to other bodies	152	1,295
	8,836	2,644

15. Commitments

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

	2007-08 £'000	2006-07 £'000
Short leasehold property		
Expiring in years two to five	7	7
	7	7

In addition, operating lease commitments of £1,397,000 (2006-07: £1,351,000) have been charged to the Heritage Lottery Fund and are disclosed in the accounts of that Fund. This sum is split: £1,374,000 on short leasehold property, and £23,000 on other operating leases.

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

16. Notes to the cash flow statement

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

	2007-08 £'000	2006-07 £'000
Operating deficit	(15,448)	(6,257)
Add back non-cash items:		
– depreciation	1	2
– decrease in provisions	0	0
– increase in grant commitment reserve	6,192	(314)
Decrease in debtors (excluding capital, investments and other non-operating income)	0	0
Increase/(decrease) in non-capital creditors	2	(314)
Net cash outflow from operating activities	(9,255)	(6,883)

b) Capital expenditure and financial investment

	2007-08 £'000	2006-07 £'000
Payments to acquire tangible fixed assets	(1)	1
Payments to acquire fixed asset investments	(5,242)	(1,144)
Receipts from sales of tangible fixed assets	0	0
Receipts from sales of fixed asset investments	7,060	3,000
	1,817	1,857

c) Analysis of changes in net funds

	At 1 April 2007 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2008 £'000
Cash at bank	1,869	(6,195)	10,002	5,676

17. Notional costs

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

18. Related party transactions

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

In addition, the National Heritage Memorial Fund and the Heritage Lottery Fund have had a number of material transactions with other Government departments. These transactions have been with the Department of Business, Enterprise and Regulatory Reform and entities that regard the Treasury (being the Office of Government Commerce) and the National Assembly for Wales (being Cadw) as their parent department.

As set out below, one Trustee of the National Heritage Memorial Fund had an interest in a body to which the Fund made a grant. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

The Royal Armouries: a grant of £57,500 – 17th-century silver mounted sporting gun. Christopher Woodward is a friend of the vendor.

In addition, a member of the NHMF expert panel, Sir John Guinness, had an interest through his connection with the British Museum to a £214,000 grant to the British Library for the acquisition of Harold Pinter's Playscripts Archive. Sir John Guinness took no part in the discussions about the application.

Liz Forgan, the chair of the Trustees, is the chair of a trust owning a newspaper group. The NHMF spent £18,912 with this organisation via a third party. The Trustees are satisfied that in none of the above cases was there any possibility of personal financial gain for the individual. There were no other commercial transactions in which Trustees or staff had a material interest or influence.

19. Revaluation reserve

	2007-08 £'000	2006-07 £'000
At 1 April	12,122	11,566
Movement in the year	(5,946)	556
At 31 March	6,176	12,122

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

20. Financial instruments

Full disclosure under FRS 13, 'Derivatives and other Financial Instruments', is in the Management Commentary.



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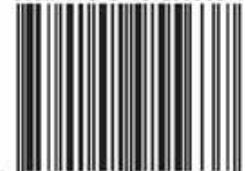
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