

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to Museums and Galleries Act 1992, c.44, section 9(8)

Natural History Museum Annual Report and Accounts 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 23rd JULY 2007

LONDON: The Stationery Office

HC 899

5 February 2009

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Trustees' Annual Report

Reference and administrative details

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

Principal Address

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

Board Members

The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken (Chairman) (b) (c) (d) (e)	To 31 December 2009	Prime Minister
Daniel Alexander QC	To 11 May 2010	Co-opted
Sir William Castell LVO (a) (d)	To 5 February 2008	Prime Minister
Louise Charlton	To 30 April 2010	Prime Minister
Professor Diane Edwards CBE FRS (a)	To 6 February 2011	Prime Minister
Professor Alex Halliday FRS	To 28 February 2010	Royal Society
Professor Michael Hassell CBE FRS (b) (d)	To 5 February 2008	Prime Minister
Ian Henderson CBE FRICS (e)	To 2 February 2009	Co-opted
Professor Jacquie McGlade (c)	To 31 December 2009	Prime Minister
Professor Georgina Mace CBE FRS (e)	To 5 February 2008	Prime Minister
Sir David Omand GCB (a)	To 19 January 2010	Prime Minister
Professor Linda Partridge CBE FRS FRSE (b) (c)	To 31 March 2008	Co-opted
Other Trustees who served during 2006-07 were:		
Dame Judith Mayhew DBE (a)	Retired 30 April 2006	Prime Minister

Notes:

- (a) Member of the Trustees' Audit Committee
- (b) Member of the Trustees' Finance Committee (n.b. Committee discontinued during 2006-07)
- (c) Member of the Trustees' Remuneration Committee
- (d) Member of the Trustees' Nomination Committee
- (e) Member of the Trustees' Darwin Centre Phase Two Committee

Museum Director and Accounting Officer

Dr. Michael Dixon

Bankers

National Westminster Bank plc
186 Brompton Road
London
SW3 1HH

Auditors

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

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

Solicitors

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

Investment Advisors

JP Morgan Fleming Asset Management
10 Aldermanbury
London
EC2V 7RF

Collins Stewart
88 Wood Street
London
EC2V 7QR

Accounts preparation

The annual report and accounts have been prepared in accordance with the accounting policies set out in Note 1 on page 25. They comply with the requirements of the Companies Act 1985, the Statement of Recommended Practice 2005 on 'Accounting and reporting by Charities', except where specified, the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture Media and Sport, with the approval of H.M.Treasury.

Structure, governance and management**Status**

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

Statutory duties

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

The Board of Trustees

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

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

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

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

The Finance Committee was discontinued during 2006-07 with its responsibilities being subsumed within Audit Committee and the main Board of Trustees.

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

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

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

Organisational Structure

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

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

Director of the Museum	Dr. Michael Dixon
Director of Public Engagement	Sharon Ament
Director of the Human Resources	Paul Brereton
Director of Finance and Administration	Neil Greenwood
Director of Science	Dr. Richard Lane
Director of Estates	David Sanders
Deputy Director of the Public Engagement Group, and Director of the Walter Rothschild Zoological Museum	Teresa Wild

Staff and organisation

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

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

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

During the year the Museum employed 909 (average full time equivalents) of which 739 were on permanent contracts.

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

A volunteer force of 266 people assisted the Museum during 2006-2007.

Openness and accountability

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

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

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

Risk Management

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

The Directors' Group has specific responsibility for:

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

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

Relationship with DCMS

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

Group entities

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

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

Objectives and Activities

Mission

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

Objectives

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

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

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

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

The Vision:

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

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

The Darwin Centre

The Darwin Centre is a key component of the delivery of the vision. Phase One which opened in October 2002 houses circa 22 million zoological specimens stored in alcohol, provides visitors with access to those collections and the scientists who work on them, and enables public presentation of the science which is carried out in all areas of the Museum.

Darwin Centre Phase Two, which will safeguard the Museum's entomological and botanical specimens and develop further the public access to the Museum's science, is scheduled to open in 2009. The main contractor for the core building, HBG UK Ltd, started on site in June 2006 with completion scheduled for mid 2008. Also during 2006-07, design work has continued on the components of the building accessible to the public, and planning for occupation and fit out, including the recant of the collections, has commenced.

At 31 March 2007 expenditure on Phase Two amounted to £29.344m funded from both internal and external sources, including £3.75m from DCMS, £8.521m from the Heritage Lottery Fund and £3.782m from the Wellcome Trust. Of this expenditure, £24.405m has been capitalised. Total funds received for the project amounted to £38.999m and thus there was a working fund balance of £9.655m available to fund future committed expenditure.

A further c£30m expenditure will be incurred during 2007-08 and it is estimated that the total funds required for the project will be c£76m with £20.5m from the Heritage Lottery Fund, £10m from the Wellcome Trust, £5m from DCMS, £13.5m raised from other fundraising, and c£13m contributed to date from Museum resources. The balance of the future expenditure will be met from those pledged funds which have yet to be received, further restricted funds which may be generated from the fundraising campaign which continues, and, to the extent it will be necessary, from further designation from other Museum resources.

Achievements and activities during 2006-2007

During 2006-07 the Museum continued to attract a high number and a diverse range of visitors, supported by the permanent exhibitions, a lively and diverse special exhibitions and events programme, and the Darwin Centre. Total visitors to South Kensington and Tring amounted to 3.893m which was an increase of over 600k compared with 2005-06, and this was well in excess of the Funding Agreement target of 3.21m. This is the highest level of visitors since the reintroduction of free admission in 2001.

The main special exhibition at South Kensington was *Dinojaws* – a spectacular display of dinosaurs and their eating habits which opened in July 2006, and included a dino dig on the lawns. Other exhibitions included *The Ship: The Art of Climate Change*, a contemporary art exhibition on climate change in the Jerwood Gallery, followed by the Wildlife Photographer of the Year 2006 exhibition which in its 23rd consecutive year continued to attract over 100,000 visitors. The main exhibition at the Walter Rothschild Zoological Museum at Tring was *Dogs: man made friends?* which contributed to attracting yet another record number of visitors (117,368).

Within the total visitors figure were 1,325,946 children (2006: 1,050,000), including 133,000 school children, and there were 300,000 over 60s. Based on site surveys, there were an estimated 300,000 visitors aged 16 and over from lower socio-economic groups. Both the total children figure and the aged 16 and over from lower socio-economic groups exceeded the Funding Agreement targets.

The number of children in organised educational programmes both on-site and outreach amounted to 360,000 which is a significant increase on the figures for 2005-06 (340,000) and yet again exceeds the funding agreement target.

Building on the successful relaunch of the Museum's website in 2005 there were over 5.1m unique user visits to the site which is well in excess of the figure for 2005-06 (3.7m) and the Funding Agreement target of 3.45m.

In November 2006 the Trustees considered advice from its Human Remains Advisory Panel (NHMHRAP) on the return of human remains from the Museum's collection to their countries of origin. The advice related to a claim lodged by the Australian Government in November 2005 and to a request under that claim from the Tasmanian Aboriginal Centre (TAC). The Trustees agreed to transfer the remains of 17 Tasmanian aboriginal people to the Australian Government, which designated the TAC to be the receivers of these remains, and to also return the skull of an aboriginal person from Australia to the Australian Government. Both decisions were in line with the advice of the NHMHRAP. The Trustees also accepted the panel's advice that the Museum should complete collection of data from the Tasmanian human remains prior to their return. The TAC contested the part of the decision dealing with data collection and initiated legal proceedings in February 2007. In response the Museum undertook to limit the range of techniques involved in the data collection until the dispute was resolved. In April 2007 some of the items for which data collection had been completed as originally planned, using techniques permitted within the terms of the Museum's earlier undertaking, were handed over to the TAC. Agreement was subsequently reached in mediation for the return of the remainder of the remains in May 2007, following collection of some data. These data collected will continue to be available to the world-wide anthropological community for research purposes. In addition, the agreement provides for the preservation of DNA material that had been obtained from the remains prior to the Museum's decision to return them, the processing of this DNA having been held in abeyance during the legal proceedings. It was agreed that future access to this material for science research purposes will be explored in discussion between the Museum and the TAC and these samples will be held in an agreed repository under shared control.

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

- The third year of the *Synthesys* project, an EU funded programme of 13 million euros led by the Museum for developing and accessing collections, linking 20 museums and botanical gardens across Europe, was completed;
- Worked commenced on another significant EU funded partnership project in which the Museum will play a part leading role – the European Distributed Network of Taxonomy (EDIT) which aims to overcome fragmentation of research in taxonomy;
- The EU awarded a four year grant of 2.6 million euros to a network of institutions led by the Museum to study the formation and origins of the solar system;
- Digitisation work commenced at the Museum as part of the contribution to the Biodiversity Heritage Library (BHL) project. This is a partnership of ten international major natural history and botanical libraries who are collaborating to digitize the biodiversity literature to make it freely available on the web. The BHL is a key component of the Encyclopaedia of Life, launched in May 2007, which is an international collaboration to develop an online reference source and database for every one of the 1.8 million species that are named and known on this planet, as well as all those later discovered and described;
- Work continued on the third year (of four) of a £1.6m programme, known as the MOA project, which is developing a unified database for all the Museum's collections;

- In April 2006 the Museum, supported by a grant of £712k from the National Heritage Memorial Fund purchased the largest, most comprehensive collection of books by and about Charles Darwin (the Kohler Darwin Collection). The collection amounts to almost 3,500 items and includes almost everything Darwin published from 1829 onwards;
- The skeleton of the Thames Whale, a northern bottle-nosed whale, was received into the collections and made available for research;
- A comprehensive set of Collections Management Policies was approved by the Trustees in November 2006;
- 544 peer reviewed papers were published;
- Approximately 13,000 scientific visitor days were recorded, including those visiting under the *Synthesys* project;
- Approximately £25.9m scientific grant funding (including value to collaborators) was secured from 47 successful awards;
- Almost 49,000 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- In July 2006, the Museum organised and hosted an international student summit on climate change which was addressed by Ian Pearson, Minister of State of Climate Change and the Environment;
- The Museum continued to lead on the Real World Science project which is a partnership with 4 regional partners to inspire secondary school science students, increase their participation in scientific activity, and to enhance their knowledge;
- Nature Live, a daily programme of informal talks by Museum and visiting scientists was relaunched at a new venue within the Waterhouse Building;
- The Walter Rothschild Zoological Museum at Tring was rebranded as the Natural History Museum at Tring;
- A new and improved visitor map and signage system launched;
- A significant project to replace the flooring in parts of the Waterhouse building was completed;
- A new and improved Dino Store was completed;
- A contract for the provision of energy services by way of a public private partnership which encompassed refurbishment of the boilerhouse and installation of a combined heat and power plant was signed;
- The second and final phase of the project to replace the Museum's data network was completed;
- Following the successful application in 2005 which secured a £2.8m grant from the Government's Invest to Save initiative, work commenced on the project – a Carbon Neutral Future for the South Kensington cultural and academic estate;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001;
- A competency framework was introduced for curation staff;
- The Museum exceeded significantly the Funding Agreement targets for net generated income from trading activities and efficiency savings.

Achievement against performance indicators for 2006-07, including core targets as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2007-2008

The main special exhibition at South Kensington is *Ice Station Antarctica* which opened in May 2007, featuring the challenging environment of the Antarctic region. In addition *Systema Metropolis*, a contemporary art exhibition celebrating 300 years since the birth of Carl Linnaeus the father of modern classification is taking place in the Jerwood Gallery from June followed by the Wildlife Photographer of the Year exhibition from the Autumn. The main exhibition at Tring will be *Walter Rothschild: The Man, the Museum and the Menagerie*.

In conjunction with the main construction work for Darwin Centre Phase Two, there will be considerable planning for occupation of the building and delivery of the public component.

For the collections, both the collections management procedures and the collections databasing project, MOA, will be completed, and a collections development strategy will be progressed. The Museum will continue to participate in the Synthesys project.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to increase the proportion of research that is published in recognised titles as well as competing for peer reviewed funding. New approaches to web based taxonomy will be developed, in particular by contributing to the European Distributed Institute of Taxonomy project, and diagnostic tools and automated identification techniques will be developed as part of a continuing contribution to DNA barcoding.

Financial Review 2006-07

The Natural History Museum

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Trading Company, the Special Funds Trust, The Cockayne Trust and the Benevolent Fund, the overall level of funds increased by £64.4m from £430.0m to £494.4m (see Statement of Financial Activities). Of the increase £55.1m is attributable to the indexation of fixed assets, while there was a surplus of £9.3m on net incoming resources, and a deficit of £0.2m on fund transfers. Unrestricted designated funds within the total fund balance have increased from £387.0m to £439.9m which largely represents the non-donated estate (including most of the South Kensington site) and funds which the Museum has invested in capital assets and programmes, and also £2.6m of designated funds for future investment in Darwin Centre Phase Two. The balance on the General Fund has decreased by £2.0m to a surplus of £7.6m (2006: £9.6m), while the restricted fund balance has increased from £32.7m to £46.2m. The restricted fund includes £7.0m held for future investment in Darwin Centre Phase Two.

The total incoming resources for the year amounted to £77.7m (2006: £72.8m) of which £43.4m (2006: £41.5m) was grant-in-aid. The increase of £4.9m was predominantly attributable to grant in aid (increase of £1.9m), income from donations (increase of £5.4m) and the Heritage Lottery Fund (£3.1m) including for Darwin Centre Phase Two, while 2005-06 included a profit on disposal of fixed assets of £5.6m.

The total resources expended amounted to £68.4m (2006: £74.8m). The reduction of £6.4m was attributable to a number of significant factors. Firstly, 2005-06 included the write off of the Entomology Building (£3.4m) arising from demolition; secondly 2005-06 also included non capitalised Darwin Centre Phase Two expenditure (£3.9m); thirdly, there was a reduction in trading costs; and finally there was a reduction in the costs attributable to the exhibition programme.

Capital expenditure for the year amounted to £19.8m of which £15.4m was attributable to Darwin Centre Phase Two and £1m was for the purchase of the Kohler Darwin Collection. Tangible fixed assets at 31 March 2007 amounted to £474.3m (2006: £407.9m) which predominantly represents land and buildings.

The net current assets at 31 March 2007 amounted to £19.2m (2006: £21.0m), incorporating a cash balance of £22.8m. This includes the funds (restricted and designated) held to meet committed expenditure for Darwin Centre Phase Two amounting to £9.6m. The net current assets balance also underpins the further Museum investment in 2007-08 of c£7m of the total c£30m expenditure which will be incurred on the project during the year.

The Natural History Museum Trading Company Limited

The Museum established a trading company, The Natural History Museum Trading Company Limited, on 1 April 1994. It comprises the activities of retailing, conferencing and banqueting, catering, brand management, the picture library, touring exhibitions, the Wildlife Photographer of the Year Competition, consultancy, and for part of 2006-07 the operations of the boiler house and telephone switchboard.

The net operating profit for 2006-07 amounted to £2.814m (2005-06: £2.355m). This takes account of a bad debt provision of £500k which reflects a delay beyond the control of the Trading Company in the Restless Planet project in Dubai, and the potential loss of profit.

Profits from the Trading Company are donated to the Museum under gift aid. For 2006-2007 this amounted to £2.714m (2006: £2.349m).

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

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

The Natural History Museum Special Funds Trust

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

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

During 2006-07 income amounted to £40.8k (2006: £36.6k) and expenditure to £11.6k (2006: £20.4k). At 31st March 2007 the value of the Fund amounted to £1.313m (2006: £1.233m) including investments valued at £1.182m (2006: £1.132m) and cash of £132.5k (2006: £103.3k).

The Cockayne Trust

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

During the year the fund received income amounting to £4.3k (2006: £4.6k) and incurred expenditure of £0.7k (2006: £15.8k). At 31st March 2007 the value of the Fund amounted to £164.6k (2006: £153.2k) including investments valued at £132.2k (2006: £124.5k) and cash of £32.4k (2006: £28.6k).

The Benevolent Fund

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

The balance of funds held at 31 March 2007 was £29.8k (2006: £28.1k).

The Funding Agreement

The Museum receives the majority of its income from Government funding (grant-in-aid). This is currently derived from a three-year Funding Agreement, dated 31 March 2006, between the Museum and the Department for Culture, Media and Sport (DCMS) covering the years 2005-2008, which:

- sets out DCMS' aims and objectives, key priorities and targets established in its Public Service Agreement and Service Delivery Agreement with Treasury and shows how the Museum's own objectives will contribute to their achievement;
- identifies further key objectives to which the Museum is working; and
- lays out performance targets against which the achievement of the DCMS' objectives are to be measured.

The core grant-in-aid which the Museum has received or will receive over the period 2005-06 to 2007-08 under the Funding Agreement is as follows:

£m	2005-06	2006-07	2007-08
Resource Grant-in-Aid	39.370	40.585	41.840
Capital Grant-in-Aid	2.100	2.250	3.250
Total	41.470	42.835	45.090

In addition during 2006-07 the Museum received £300k from the Modernisation Fund to assist with restructuring and £947k from the Invest to Save Budget for the Carbon Neutral Project.

Reserves Policy

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

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in November 2006 a minimum level of General Fund of £2m. At the 31 March 2007 the General Fund amounted to £7.573m, and up to the extent that this exceeds the minimum level, the designations will be made during 2007-08.

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

Investment powers and policy

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

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

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

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2006-07 in excess of 95% of creditors were paid within the agreed period (2005-06: in excess of 95%).

External Auditors

The fees paid to the National Audit Office (NAO) for audit services which are included in Note 6 amounted to £40k. Further project grant audit certification work to the value of £2k was performed by the NAO during 2006-07.

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

Disclosure of relevant audit information

At the time of approving the financial statements:

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

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

17 July 2007

Appendix 1

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

Performance indicator	06-07 Outturn	06-07 Core Targets ^{#1}	05-06 Outturn	04-05 Outturn	03-04 Outturn	02-03 Outturn
Visitors						
Number of total visitors	3,892,878	3,210,000	3,281,810	3,328,478	3,143,935	2,893,337
Number of child visitors	1,325,946	931,000	1,049,808	1,030,492	970,990	914,620
Number of over 60s visitors	290,977		223,643	228,861	162,440	132,258
Number of visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over ^{#2}	299,622	123,000	422,482	N/a	N/a	N/a
% of visitors who thought the museum was good / very good	95		96	93	93	94
Other Access						
Number of unique website visits	5,139,426	3,450,000	3,756,365	N/a	N/a	N/a
Number of website visits	N/a		11,049,336	7,955,846	7,671,077	6,205,858
Number of specimens loaned	55,525		70,483			
Number of scientific enquiries answered	48,977		44,589			
Learning						
Number of children aged 15 and under in on and off site organised educational sessions	360,488	320,000	339,744	270,935	339,388	343,000
Research						
Number of peer reviewed research papers	544		603	512	525	535
Value of research grants won (£s total value to the Museum and collaborators)	25,885,708		13,315,724	6,141,047	13,307,000	9,449,973
Number of visitor days for visiting researchers	13,053		14,899	14,954	18,967	15,416
Efficiency/other						
Net income from trading activities (£m)	6.58	5.27	5.97			
Efficiency Gains and Savings – cash and non-cash (£m) ^{#3}	11.281	3.38	4.02			
Average days lost sick per employee excluding long term sickness ^{#4}	4.28		6.69	6.87	6.31	5.42

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

^{#2} The reduction in outturn for 2006-07 compared with 2005-06 reflects a change in counting methodology which is based on sample surveys.

^{#3} The total of cash efficiency gains for 2006-07 amounted to £3.074m and non-cash efficiency gains amounted to £8.207m of which £7.957m reflected the increase in visitors above the agreed baseline.

^{#4} 2004-05 outturn figure amended from previous audited annual reports and accounts.

Remuneration Report

Remuneration committee

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

Membership of the Committee

The membership of the Remuneration Committee comprises:

Oliver Stocken (Chair)
Professor Linda Partridge
Professor Jacqui McGlade

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

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

The senior staff whose remuneration is approved by Remuneration Committee is as follows:

Director
Director of Public Engagement
Director of Science
Director of Estates
Director of Finance and Administration and Project Director, Darwin Centre Phase Two
Director of Human Resources
Assistant Director of Public Engagement and Director of the Natural History Museum at Tring
Head of Audit and Assurance

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

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

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

Policy on duration of contracts, notice periods and termination payments

Senior staff, including the Director, are permanent employees of the Natural History Museum. Notice periods for senior employees are between three and six months with the period for the Director being six months. Termination payments are in accordance with contractual terms.

Director

Dr Michael Dixon, was Director and Accounting Officer throughout the year to 31 March 2007, having been appointed on a permanent contract from 10 May 2004. His remuneration is subject to a three year arrangement determined by the Remuneration Committee. He has use of the Lodge on the South Kensington site for accommodation (value of benefit in kind £1,502 for 2006-07). The salary and pension entitlements of the Director are as follows:

Audited information:

	2007	2006
	£	£
Dr Michael Dixon		
Remuneration	159,740	149,422
Benefit in kind	1,502	1,512
Employer's pension contribution	27,693	25,978
Total accrued pension at age 60 as at 31 March	5,237	3,332
Real increase in pension at age 60	£1,785	1,773
Total lump sum at age 60 as at 31 March	0	0
Real increase in lump sum at age 60	0	0
Cash equivalent transfer value at 31 March ^{#1}	81,046	52,287
Real increase in cash equivalent transfer value ^{#1}	23,820	24,120

^{#1} 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 including 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 CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. The factors used to calculate the CETV were revised on 1 April 2006 on the advice of the Scheme Actuary. The Real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of 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.

Dr Dixon did not hold any other positions or have any business interests which represented a conflict of interest in connection with his position at the Museum.

As the Trustees and the Director exercise ultimate responsibility and authority for controlling the major activities of the Natural History Museum, it has been deemed that additional disclosure of emoluments and pension entitlements is inappropriate.

All Museum employees are eligible to be members of the Principal Civil Service Pension Scheme with associated redundancy and early retirement conditions. Any pension liabilities are referred to in Note 20 to the Accounts.

Audited information:

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

Oliver Stocken
Chair of Remuneration Committee

Dr Michael Dixon
Director and Accounting Officer

17 July 2007

Statement of Trustees' and Director's Responsibilities

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

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

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum, issued by the Treasury and published in Government Accounting.

Mr. Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

17 July 2007

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

Statement on Internal Control

Scope of responsibility

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

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

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

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2007 and up to the date of signature of the accounts.

Capacity to handle risk and the risk environment

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

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

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

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

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

Significant internal control improvements during the year

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

- an ethical review framework has been established for considering sponsorship proposals;
- a review of the project management arrangements for Darwin Centre Phase Two was carried out;
- a comprehensive set of collections management policies was approved by the Trustees;
- OHSAS 18001 certification was achieved for the occupational health and safety systems;

- a competency framework for curators was introduced;
- ISO 14001 was re-secured for the environmental monitoring systems;
- refresher presentations on key museum policies have taken place, attended by all managers and key staff.

Significant internal control matters arising the during year

No significant internal control matters or failures arose during the year.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2006-07 has been informed by:

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

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

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

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

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

17 July 2007

The Natural History Museum

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

I certify that I have audited the consolidated financial statements of the Natural History Museum for the year ended 31 March 2007 under the Museums and Galleries Act 1992. These comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet and Museum Balance Sheet, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder. I report to you whether, in my opinion, certain information given in the Trustees' Report, which comprises the Trustees' Annual Report and the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure income and resources funded by grant-in-aid 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 Natural History Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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 Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Natural History Museum and the group's circumstances, consistently applied and adequately disclosed.

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

in aid 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

Audit Opinion

In my opinion:

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

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

20 July 2007

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

Consolidated Statement of Financial Activities for the year ended 31 March 2007

	Notes	Unrestricted Funds Designated £ 000	Unrestricted Funds General £ 000	Restricted Funds £ 000	Permanent Endowment Funds £ 000	Total Funds 2007 £ 000	Total Funds 2006 £ 000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	3		41,585	1,796		43,381	41,470
National Lottery				5,430		5,430	2,334
Donations			348	7,349		7,697	2,270
Donations in kind				118		118	163
Activities for generating funds:							
Trading Activities	4		10,855	25		10,880	12,786
Sponsorships			642			642	567
Shared services		1,539				1,539	1,591
Other income	5		588	107		695	1,159
Investment income	5	46	1,108	62		1,216	721
Incoming resources from charitable activities							
Admissions and membership			1,824			1,824	1,077
Scientific grants and contracts			1,045	3,268		4,313	3,036
Other incoming resources							
Profit on disposal of fixed assets	8					0	5,617
Total incoming resources		1,585	57,995	18,155	0	77,735	72,791
Resources expended							
Costs of generating funds							
Costs of generating voluntary income	7	872	5,323	223		6,418	7,103
Fundraising trading: cost of goods sold and other costs	7	1,568	7,787			9,355	10,329
Investment management costs	7	1				1	1
Charitable activities							
Exhibitions	7	1,399	6,560	596		8,555	9,571
Learning	7	442	2,090	350		2,882	3,165
Libraries	7	729	4,217	105		5,051	4,719
Scientific curation and research	7	3,352	18,335	3,932		25,619	26,034
Visitor services	7	1,465	8,311	258		10,034	9,557
Governance costs							
	7	47	421	6		474	520
Other resources expended							
Loss on disposal of fixed assets	7,8		12			12	3,772
Taxation	7		19			19	0
Total resources expended		9,875	53,075	5,470	0	68,420	74,771
Net incoming/(outgoing) resources before notional costs							
		(8,290)	4,920	12,685	0	9,315	(1,980)
Notional cost of capital	1	(14,591)				(14,591)	(13,270)
Net incoming/(outgoing) resources after notional costs							
		(22,881)	4,920	12,685	0	(5,276)	(15,250)
Reversal of notional cost of capital	1	14,591				14,591	13,270
Net incoming/(outgoing) resources before transfers							
		(8,290)	4,920	12,685	0	9,315	(1,980)
Transfers							
Gross transfers between funds							
	17	7,124	(6,924)	(400)		(200)	(1,327)
Net incoming/(outgoing) resources before other recognised gains and losses							
		(1,166)	(2,004)	12,285	0	9,115	(3,307)

	Notes	Unrestricted Funds Designated £ 000	General Funds £ 000	Restricted Funds £ 000	Permanent Endowment Funds £ 000	Total Funds 2007 £ 000	Total Funds 2006 £ 000
Other recognised gains/losses							
Gains/(losses) on indexation and revaluation of fixed assets for charity's own use	8	54,013		1,126		55,139	30,562
Gains on investment assets	9	25		30	34	89	194
Net movement in funds		52,872	(2,004)	13,441	34	64,343	27,449
Reconciliation of funds							
Total funds brought forward		387,021	9,579	32,730	713	430,043	402,594
Total funds carried forward	17	439,893	7,575	46,171	747	494,386	430,043

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

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

The notes on pages 25 to 43 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8		474,306		407,854
Investments	9		1,365		1,276
<i>Total fixed assets</i>			475,671		409,130
Current Assets					
Stock	11	545		494	
Debtors	12	8,564		7,278	
Cash at bank and in hand	13,14	22,798		21,758	
<i>Total current assets</i>		31,907		29,530	
Liabilities					
Creditors: amounts falling due within one year	15	(12,694)		(8,500)	
<i>Net Current Assets</i>			19,213		21,030
<i>Total assets less current liabilities</i>			494,884		430,160
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	20		(498)		(117)
<i>Net assets</i>			494,386		430,043
The funds of the charity					
Permanent Endowment funds	17		747		713
Restricted income funds	17		46,171		32,730
Unrestricted income funds					
Designated funds	17	439,893		387,021	
General funds	17	7,575		9,579	
<i>Total unrestricted funds</i>			447,468		396,600
<i>Total charity funds</i>			494,386		430,043

The notes on pages 25 to 43 form part of these accounts.

Mr Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

17 July 2007

Museum Balance Sheet as at 31 March 2007

	Note	2007		2006	
		£000	£000	£000	£000
Fixed Assets					
Tangible assets	8		474,213		407,781
Investments	9		228		198
<i>Total fixed assets</i>			474,441		407,979
Current Assets					
Stock	11	142		58	
Debtors	12	6,418		5,090	
Cash at bank and in hand	13,14	22,272		21,410	
<i>Total current assets</i>		28,832		26,558	
Liabilities					
Creditors: amounts falling due within one year	15	(9,989)		(5,798)	
<i>Net Current Assets</i>			18,843		20,760
<i>Total assets less current liabilities</i>			493,284		428,739
Creditors: amounts falling due after more than one year					
Provision for liabilities and charges	20		(498)		(117)
<i>Net assets</i>			492,786		428,622
The funds of the charity					
Restricted income funds			46,173		32,730
Unrestricted income funds					
Designated funds		439,040		386,245	
General funds		7,573		9,647	
<i>Total unrestricted funds</i>			446,613		395,892
<i>Total charity funds</i>			492,786		428,622

The notes on pages 25 to 43 form part of these accounts.

Mr Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

17 July 2007

Consolidated Cash Flow Statement for the year ended 31 March 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	19	19,655	904
Returns on investments and servicing of Finance within net cash flow	19	1,216	721
Capital expenditure and financial investment	19	(19,812)	3,953
Taxation	19	(19)	–
Increase/(Decrease) in cash for the year	19	<u>1,040</u>	<u>5,578</u>

The notes on pages 25 to 43 form part of these accounts.

Notes to the Financial Statements

1 Accounting Policies

Basis of Accounting

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

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

Incoming resources

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

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

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

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

Expenditure

Expenditure has been classified according to the main activities of the Museum and aggregates all costs related to each activity. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of resources. Support costs have been allocated to activities on the basis of their use of central support services.

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

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

Collection Purchases

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

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

Fund accounting

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

Unrestricted funds general

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

Heritage assets

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

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

Investments

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

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

Stocks

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

Leases

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

Foreign Currencies

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

Taxation

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

Subscriptions

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

Pension Costs

Staff of the Museum are employed under the same conditions of service as civil servants to whom the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply. For 2007 contributions of £4,636,000 (2006 £4,440,000) were paid at rates determined from time to time by the Government Actuary and advised by the Treasury. For 2007 there were variable rates which applied to specified grades of employment which ranged from 17.1% to 25.5% (2006 16.2% to 24.6%). Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is unfunded, and within which the Natural History Museum is unable to identify its share of the underlying assets/liabilities. A full actuarial valuation was carried out as at 31 March 2003, details of which can be found in the Resource Accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

Although the scheme is a defined benefit scheme, liability for the payment of future benefits is a charge to the PCSPS. The NDPB, and other bodies covered by the PCSPS, meet the cost of the pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. There is a separate scheme statement for the PCSPS as a whole.

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

Notional Cost of Capital

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

Notional cost of capital, £14,591,000 (2006: £13,270,000) is calculated as 3.5% (2006: 3.5%) of the average capital employed by the Museum in the year but excluding donated assets and assets funded by the Heritage Lottery Fund.

Provision for Shared Services

During 2006-07 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve. During 2006-07 the participants decided that accumulated funds amounting to £400,000 were no longer required and should be released to the participants in accordance with their contributions to the funds. This decision is reflected in the accounts.

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

Liquid Resources

Liquid resources comprise solely short term bank deposits.

2 Collections and collections management*Introduction*

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

Scope of the collections

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

Botany

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

Entomology

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

Library and Information services

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

Mineralogy

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

Palaeontology

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

Zoology

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

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

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

Geographical limits

The collections are worldwide in their scope.

Chronological limits

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

Preservation of materials and preservation standards

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

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

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

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

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

Collections management policy

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

Valuation

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

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

3 Grant-in-Aid

	2007	2006
	£000	£000
Department for Culture, Media and Sport RfR1		
Resource grant-in-aid	39,335	39,370
Capital grant-in-aid	3,500	2,100
Capital modernisation fund	300	0
Invest to save fund	246	0
	<u>43,381</u>	<u>41,470</u>
General Funds	41,585	40,220
Restricted Funds	1,796	1,250
	<u>43,381</u>	<u>41,470</u>

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

4 Trading Activities Income

	2007	2006
	£000	£000
Brand Management	138	68
Retail	4,475	3,478
Catering and Functions	3,421	2,791
Exhibitions and Education	544	1,491
Touring Exhibitions	698	808
Science consultancy	0	1,371
Robotic model sales	826	2,274
Other	778	505
	<u>10,880</u>	<u>12,786</u>

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

Trading subsidiary turnover	12,255	12,948
Less:		
Shared services income (included in shared services)	(210)	(362)
Science consultancy (included in Scientific grants and contracts)	(1,034)	0
Commercial sponsorship (included in Sponsorship)	(642)	0
Add:		
Other trading activities income (Museum income)	511	200
	<u>10,880</u>	<u>12,786</u>

5 Investment income and other income

	2007	2006
	£000	£000
Interest and Investment Income	1,216	721
Other Income:		
Rentals	250	590
Other	445	569
	<u>695</u>	<u>1,159</u>

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

6 Net incoming resources before transfers

is stated after charging:

	2007	2006
	£000	£000
Auditors' remuneration		
Museum Audit	40	36
Trading Company and Funds Audits	22	21
Special Funds	1	1
Hire of Plant and Machinery	404	109
Travel, subsistence and hospitality	1,092	1,053

7 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2007 £000	Total 2006 £000
Costs of generating voluntary income	4,214	0	2,204	6,418	7,103
Fundraising trading: cost of goods sold and other costs	9,355	0	0	9,355	10,329
Investment management costs	1	0	0	1	1
Exhibitions	6,294	0	2,261	8,555	9,571
Learning	1,795	0	1,087	2,882	3,165
Libraries	3,591	0	1,460	5,051	4,719
Scientific curation and research	16,645	160	8,814	25,619	26,034
Visitor services	5,799	0	4,235	10,034	9,557
Governance	360	0	114	474	520
Loss on disposal of fixed assets	12	0	0	12	3,772
Taxation	19	0	0	19	0
	<u>48,085</u>	<u>160</u>	<u>20,175</u>	<u>68,420</u>	<u>74,771</u>

Support costs by activity

	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total 2007 £000
Management	159	155	8	76	102	619	297	1,416
Human Resources	192	188	10	93	124	750	361	1,718
Estates	911	887	45	438	588	3,550	1,705	8,124
Finance	139	135	7	67	90	541	260	1,239
Information Technology	156	152	8	75	101	609	293	1,394
Depreciation	704	687	36	338	455	2,745	1,319	6,284
	<u>2,261</u>	<u>2,204</u>	<u>114</u>	<u>1,087</u>	<u>1,460</u>	<u>8,814</u>	<u>4,235</u>	<u>20,175</u>

All support costs are allocated according to the number of permanent staff directly employed in each activity.

Staff costs

	2007 Permanent contracts £000	2007 Other contracts £000	2007 Total £000	2006 Total £000
Salaries and Wages	23,763	1,587	25,350	25,021
Superannuation	4,503	133	4,636	4,440
National Insurance	1,861	135	1,996	2,018
Cost of agency staff		2,591	2,591	2,087
	<u>30,127</u>	<u>4,446</u>	<u>34,573</u>	<u>33,566</u>

Included in the above staff costs are redundancy costs of £336,000 (2006 – £143,000).

In addition there were early retirement costs of £351,000 (2006 – £99,000).

The Chairman and Board of Trustees received no remuneration for their services during 2006-2007. Travel and subsistence expenses of £1,263 (2006 – £1,145) were reimbursed to 2 Trustees.

Dr. Michael Dixon was Director and Accounting Officer throughout the year to 31 March 2007.

Dr.Dixon did not hold any other positions or have any business interests which represented a conflict of interest in connection with his position at the Museum.

The salary and pension entitlements of the Director of the Museum, Dr Michael Dixon, were as follows:

Pensionable salary at 31.3.07	£108,600
Total annual value of accrued pension at 60 at 31.3.07	£5,237
Real increase in value of pension at 60	£1,785
Lump sum at 31.3.07	£0
Real increase in lump sum	£0
Cash equivalent transfer value at 31.3.07	£81,046
Real increase in cash equivalent transfer value	£23,820

Dr.Dixon's total emoluments of £188,935 (2006 £176,912) comprise a salary of £140,642 (2006 £133,942), a bonus payment of £19,098 (2006 £15,480), other benefits of £1,502 (2006 £1,512) attributable to occupation of the Lodge and superannuation contributions of £27,693 (2006 £25,978) made by the employer.

Pension benefits are provided to Dr.Dixon through the Principal Civil Service Pension Premium Scheme. This is a statutory defined benefit scheme which provides benefits on a "final salary" basis at the normal retirement age of 60. Members of the PCSPS Premium Scheme are required to contribute 3.5% of their salary for all benefits. Benefits accrue at the rate of 1/60th of pensionable pay for each year of reckonable service. Pensions increase in line with the Retail Prices Index. On death, pensions are payable to the surviving spouse or partner at a rate of half the member's pension. On death in service, the PCSPS Premium Scheme usually pays a lump sum benefit of three times pensionable pay and also provides a service enhancement on computing the spouse's or partner's pension. The enhancement depends on the length of service but cannot exceed 10 years. Medical retirement is possible in the event of serious ill health. In this case pensions are brought into payment immediately without actuarial reduction and with service enhanced as for spouse/partner pensions.

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

	2007	2006
£150,001 – £160,000	1	0
£140,001 – £150,000	0	1
£130,001 – £140,000	0	0
£120,001 – £130,000	1	0
£110,001 – £120,000	0	0
£100,001 – £110,000	0	0
£90,001 – £100,000	2	1
£80,001 – £90,000	0	2
£70,001 – £80,000	4	0
£60,001 – £70,000	13	17

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £373,285 (2006 £354,147)

No employees received any benefit in kind other than the Director (as disclosed above).

The average number of employees during 2006-07 was 909 (2005-06: 932) organised into the following categories:

	2007 Permanent contracts	2007 other contracts	2007 Total	2006 Total
Costs of generating voluntary income	71	11	82	73
Exhibitions	77	5	82	87
Learning	37	2	39	37
Libraries	45	10	55	51
Scientific curation and research	260	48	308	331
Visitor services	148	82	230	225
Governance	4	0	4	5
Support	97	12	109	123
	<u>739</u>	<u>170</u>	<u>909</u>	<u>932</u>

8 Tangible Fixed Assets

Group	Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2006	327,437	69,444	9,046	171	21,631	4,768	10,665	15	443,177
Additions	300	18	15,359	999	510	703	1,923	0	19,812
Disposals	0	0	0	0	0	(8)	(202)	0	(210)
Revaluation	53,893	3,196	0	0	0	22	(16)	0	57,095
Balance 31 March 2007	<u>381,630</u>	<u>72,658</u>	<u>24,405</u>	<u>1,170</u>	<u>22,141</u>	<u>5,485</u>	<u>12,370</u>	<u>15</u>	<u>519,874</u>
Depreciation									
Balance 1 April 2006	3,741	9,208	0	0	13,177	2,459	6,724	14	35,323
Charge for year	2,024	4,744	0	0	1,136	363	907	1	9,175
Disposals	0	0	0	0	0	(7)	(190)	0	(197)
Revaluation	749	520	0	0	0	12	(14)	0	1,267
Balance 31 March 2007	<u>6,514</u>	<u>14,472</u>	<u>0</u>	<u>0</u>	<u>14,313</u>	<u>2,827</u>	<u>7,427</u>	<u>15</u>	<u>45,568</u>
Net Book Value 31.3.06	<u>323,696</u>	<u>60,236</u>	<u>9,046</u>	<u>171</u>	<u>8,454</u>	<u>2,309</u>	<u>3,941</u>	<u>1</u>	<u>407,854</u>
Net Book Value 31.3.07	<u>375,116</u>	<u>58,186</u>	<u>24,405</u>	<u>1,170</u>	<u>7,828</u>	<u>2,658</u>	<u>4,943</u>	<u>0</u>	<u>474,306</u>

Land and Buildings includes the Walter Rothschild Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets were revalued on a depreciated replacement cost basis at 31 March 2004. The valuation was performed by Gerald Eve, Chartered Surveyors, in accordance with the RICS Appraisal and Valuation Manual (the red book). The Tring Estate includes some cottage properties which are held for investment purposes and have a value of £1.450m.

The professional valuations at 31 March 2004 were as follows:

Property	Value	Basis of Valuation
	31 March 2004	
	£000	
The Natural History Museum, South Kensington retained at 31.03.2007	326,077	Land at market rate for restricted use, buildings at depreciated replacement cost
demolished during 2005-06	3,800	
Natural History Museum at Tring	10,120	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,450	
Premises at Kimber Road, Wandsworth, London retained at 31.03.2007	9,500	Existing use basis Existing use basis and depreciated replacement cost. Freehold purchase 1991.
sold during 2005-06	3,800	

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

On 11 June 2004 a statutory instrument came into force which altered the description of part of the site at Kimber Road, Wandsworth as an authorised repository under Part 2 of Schedule 3 to the British Museum Act 1963. On 31 March 2006 this part of the site was sold yielding proceeds net of disposal costs of £8.8m and a profit on disposal of £5.6m. The Trustees have designated the proceeds towards the construction of phase 2 of the Darwin Centre.

During 2005-06, one of the buildings in the complex at South Kensington was demolished as part of the preparation for the construction of phase 2 of the Darwin Centre Phase 2. The net book value of the building together with the demolition costs, £3.8m., was charged in the Statement of Financial Activities for that year as a loss on disposal.

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

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

The difference between historic and current cost depreciation is transferred to the revaluation reserves.

Museum	Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Value									
Balance 1 April 2006	327,437	69,444	9,046	171	21,631	4,699	10,465	15	442,908
Additions	300	18	15,359	999	510	703	1,874	0	19,763
Disposals	0	0	0	0	0	(8)	(202)	0	(210)
Revaluation	53,893	3,196	0	0	0	22	(16)	0	57,095
Balance 31 March 2007	<u>381,630</u>	<u>72,658</u>	<u>24,405</u>	<u>1,170</u>	<u>22,141</u>	<u>5,416</u>	<u>12,121</u>	<u>15</u>	519,556
Depreciation									
Balance 1 April 2006	3,741	9,208	0	0	13,177	2,395	6,592	14	35,127
Charge for year	2,024	4,744	0	0	1,136	359	882	1	9,146
Disposals	0	0	0	0	0	(7)	(190)	0	(197)
Revaluation	749	520	0	0	0	12	(14)	0	1,267
Balance 31 March 2007	<u>6,514</u>	<u>14,472</u>	<u>0</u>	<u>0</u>	<u>14,313</u>	<u>2,759</u>	<u>7,270</u>	<u>15</u>	45,343
Net Book Value 31.3.06	<u>323,696</u>	<u>60,236</u>	<u>9,046</u>	<u>171</u>	<u>8,454</u>	<u>2,304</u>	<u>3,873</u>	<u>1</u>	407,781
Net Book Value 31.3.07	<u>375,116</u>	<u>58,186</u>	<u>24,405</u>	<u>1,170</u>	<u>7,828</u>	<u>2,657</u>	<u>4,851</u>	<u>0</u>	474,213

9 Investments

	Group 2007 £000	Group 2006 £000	Museum 2007 £000	Museum 2006 £000
All investments are shown at market value				
UK Equities	912	817	228	198
Other	453	459	0	0
	<u>1,365</u>	<u>1,276</u>	<u>228</u>	<u>198</u>

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

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

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

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

10 Trading Subsidiary

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

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

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

	Total 2007 £000	Total 2006 £000
Income and expenditure		
Turnover	12,255	12,948
Cost of sales	(5,144)	(6,396)
Gross profit	7,111	6,552
Other expenses	(4,297)	(4,197)
Operating profit	2,814	2,355
Interest receivable and similar income	5	8
Amount of gift-aided donation to Museum	(2,714)	(2,349)
Profit on ordinary activities before taxation	105	14
Taxation	(19)	0
Retained in subsidiary	86	14
	2007	2006
	£000	£000
Balance Sheet		
Fixed assets (equipment)	93	73
Current assets	3,987	4,217
Current liabilities	(3,794)	(4,090)
Net assets	286	200
Share capital and reserves	286	200

11 Stock

	Group 2007 £000	Group 2006 £000	Museum 2007 £000	Museum 2006 £000
Finished goods and goods for resale	519	494	116	58
Work in progress	26	0	26	0
	545	494	142	58

12 Debtors

	Group 2007 £000	Group 2006 £000	Museum 2007 £000	Museum 2006 £000
Trade Debtors	3,608	3,773	721	466
Other Debtors	1,657	1,099	1,567	1,088
Amount due from subsidiary undertaking	0	0	1,085	1,389
Prepayments and accrued income	3,299	2,406	3,045	2,147
	8,564	7,278	6,418	5,090

Included in the above figures there were balances due from other central government bodies of £120,000 (2006 £30,000) and due from local authorities of £0 (2006 £102,000) at 31 March 2007.

13 Cash at bank and in hand

	Group 2007 £000	Group 2006 £000	Museum 2007 £000	Museum 2006 £000
Balances held at the office of HM Paymaster General	22,229	21,541	22,120	21,409
Balances held with commercial banks and cash in hand	569	217	152	1
	<u>22,798</u>	<u>21,758</u>	<u>22,272</u>	<u>21,410</u>

14 Cash held for third parties

Included in the cash balances (note 13) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy (see note 9). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2007 the cash balances held for third parties amounted to £2,854,000 (2006 £761,000).

15 Creditors: amounts falling due within one year

	Group 2007 £000	Group 2006 £000	Museum 2007 £000	Museum 2006 £000
Trade Creditors	2,165	2,863	2,128	2,433
Taxation and Social Security	159	0	140	0
Other Creditors	741	1,299	701	1,284
Deferred Income	3,421	2,293	2,365	1,254
Accruals	6,208	2,045	4,655	827
	<u>12,694</u>	<u>8,500</u>	<u>9,989</u>	<u>5,798</u>

Included in the above figures there were balances due to other central government bodies of £722,000 (2006 £1,075,000) and due to local authorities of £17,000 (2006 £0) at 31 March 2007.

An analysis of the movement on deferred income by year as required by SORP 2005 "Accounting for Charities" has not been possible for these accounts.

16 Financial Commitments

The Museum has entered into a series of contracts of between three and fifteen years duration to lease premises, vehicles and equipment for use in its operations. Total payments due in the first year of the contracts in place at 31 March 2007 is £768,000 (2006 £173,000). Payments by remaining duration of the lease is as follows:

	Land and buildings	Other assets
Not more than one year	£0	£0
More than one year but not more than two years	£0	£25,000
More than two years but not more than five years	£40,000	£109,000
More than five years	£0	£594,000

17 Statement of Funds

	At 1 April 2006 £000	Income £000	Expenditure £000	Net investment Gains/ losses £000	Revaluation /Indexation £000	Transfers £000	At 31 March 2007 £000
Restricted funds							
Scientific Grants		3,404	(3,404)				0
Grant in aid		546	(332)				214
Sponsored Assets							
BioMedical Laboratory	1,825		(106)		244		1,963
Clore Centre	895		(103)		35		827
Darwin Centre Phase 2	12,531	13,106		30		144	25,811
Projects/Other Activities	687	151	(370)			(144)	324
Collections	143	807					950
Tring	12,333		(387)		841		12,787
Donations in kind		118	(118)				0
Sponsored Exhibitions	3,480		(435)				3,045
Equipment Reserve	836	23	(215)		6	(400)	250
	<u>32,730</u>	<u>18,155</u>	<u>(5,470)</u>	<u>30</u>	<u>1,126</u>	<u>(400)</u>	<u>46,171</u>
General Funds	<u>9,579</u>	<u>57,995</u>	<u>(53,075)</u>			<u>(6,924)</u>	<u>7,575</u>
	9,579	57,995	(53,075)	0	0	(6,924)	7,575
Unrestricted funds – designated							
Special Funds	703	46	(12)	25			762
Darwin Centre Phase 2	5,540		(592)			3,300	8,248
Shared services		1,539	(1,539)				0
Future Scientific Research	722		(285)			309	746
Capital Projects	380,056		(7,447)		54,013	3,515	430,137
	<u>387,021</u>	<u>1,585</u>	<u>(9,875)</u>	<u>25</u>	<u>54,013</u>	<u>7,124</u>	<u>439,893</u>
Permanent Endowment funds							
Special funds	713			34			747
	<u>713</u>	<u>0</u>	<u>0</u>	<u>34</u>	<u>0</u>	<u>0</u>	<u>747</u>
Total Funds	<u>430,043</u>	<u>77,735</u>	<u>(68,420)</u>	<u>89</u>	<u>55,139</u>	<u>(200)</u>	<u>494,386</u>

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

The transfer from Restricted Funds: Projects/Other activities to Restricted Funds: Darwin Centre Phase 2 reflects monies donated for a number of projects whose aims will be achieved through the completion of Darwin Centre phase 2.

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

The transfer from Restricted Funds: Equipment Reserve reflects the decision to repay monies from this fund to the contributing partners to the Fund. £200,000 (2006 £1,234,000) represents the Museum's interest in these funds and is transferred to the general reserve, the balance of £200,000 (2006 £1,327,000) is repayable to third parties.

The transfer to Unrestricted Funds – designated: Darwin phase 2 reflects the decision of the trustees to designate £3,300,000 from the museum's own resources to the construction of phase 2 of the Darwin Centre.

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

18 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
Fund balances at 31 March 2007 are represented by					
Tangible Fixed Assets	435,749		38,557		474,306
Investments	588		30	747	1,365
Current Assets	3,556	20,567	7,784		31,907
Liabilities		(12,992)	(200)		(13,192)
Total Net Assets	<u>439,893</u>	<u>7,575</u>	<u>46,171</u>	<u>747</u>	<u>494,386</u>
Unrealised gains/(losses) included in the above:					
On Tangible Fixed Assets	184,280		2,907		187,187
On Investment Assets	63		30	63	156
Total unrealised gains/(losses) at 31 March 2007	<u>184,343</u>	<u>0</u>	<u>2,937</u>	<u>63</u>	<u>187,343</u>

19 Cash flow information

Reconciliation of operating surplus to net cash inflows from operating activities

	2007 £000	2006 £000
Net incoming resources	9,315	(1,980)
Investment income	(1,216)	(721)
Depreciation	8,487	8,802
Loss/(profit) on disposal of fixed assets	12	(1,845)
Taxation	19	0
(Increase)/decrease in stocks	(51)	(35)
(Increase)/decrease in debtors	(1,286)	(1,544)
Increase/(decrease) in creditors	4,194	(458)
Funds transfer	(200)	(1,327)
Net movement in provision for early retirement	381	12
Net cash inflow from operating activities	<u>19,655</u>	<u>904</u>
Returns on investments and servicing of Finance within net cash flow		
Interest received	1,171	684
Investment income received	45	37
	<u>1,216</u>	<u>721</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(19,812)	(4,689)
Receipts on sale of tangible fixed assets	0	8,642
	<u>(19,812)</u>	<u>3,953</u>
Taxation		
Taxation paid	(19)	0
Changes in cash and cash equivalents		
Reconciliation of net cash flow to movement in net funds		
Increase (decrease) in cash in the period	1,040	5,578
Cash flow from increase/(decrease) in liquid reserves	0	0
	<u>1,040</u>	<u>5,578</u>
Net funds at 31 March 2006	<u>21,758</u>	<u>16,180</u>
Net funds at 31 March 2007	<u>22,798</u>	<u>21,758</u>

Analysis of net funds

	31 March 2006 £000	Cashflow £000	31 March 2007 £000
Cash at bank and in hand	<u>21,758</u>	<u>1,040</u>	<u>22,798</u>

20 Provision for liabilities and charges

The Museum has operated an early Retirement and Severance Scheme from 1990-91 which gives retirement benefits on redundancy terms to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. The total pensions liability up to normal retiring age in respect of each employee is charged to the income and expenditure account in the year of retirement and a provision for future pension payments is created. Funds are released from the provision annually to fund pensions and related benefit payments to the retired employee until retiring age. The provision, which covers a period to 2015, and movements for the year are as follows:

	2007	2006
	£000	£000
Balance at 31 March 2006	117	105
Addition to Provision	449	105
Payments against Provision	(75)	(87)
Unwinding of discount	7	(6)
Balance at 31 March 2007	498	117

21 Capital Commitments

Outstanding capital commitments at 31st March 2007 amounted to £31.1m (2006 £3.1m).

22 Darwin Centre Phase Two

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

At 31 March 2007 a total of £29.344m (2006 £13.393m) had been spent in respect of the project of which £24.405m (2006 £9.046m) had been capitalised and is shown as asset under construction in Note 8. The remaining £4.939m had been charged to the income and expenditure account (including £0.592m in 2007, £3.91m in 2006). Total funds received for the project, restricted and designated, amounted to £38.999m and thus there was a working fund balance of £9.655m (2006 £9.026m) to fund future expenditure. Future expenditure will also be met from restricted funds which have been pledged but yet to be received, further restricted funds which may be generated from the fundraising campaign which continues, and designated funds already identified in Museum budgets over future years. It is estimated that the total funds required for the project will be c£76m.

23 Energy Services and Energy Management Services Contract

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

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

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

24 Related Party Transactions

The Natural History Museum is a Non-Departmental Public Body of the Department for Culture Media and Sport (DCMS). DCMS is regarded as a related party. During the year the Museum has had various material transactions with the Department and with other entities for which the Department is regarded as the parent department. These are as follows:

Receipt of grant-in-aid from DCMS (see note 2) £43,381,000
At 31 March 2007, there was no balance due to or from DCMS

Receipt of grant towards phase 2 of the Darwin Centre construction from the National Heritage Memorial Fund (Heritage Lottery Fund) £4,718,000.
At 31 March 2007, there was accrued income of £1,212,000 due to the Museum.

Supply of electricity and telephone services to the Victoria and Albert Museum £1,056,000.
At 31 March 2007, there was a balance due from the Museum of £66,000.
In addition the Museum, as lead manager of a joint invest to save grant, held funds of £126,000 on behalf of the Victoria and Albert Museum.

Supply of telephone services to National Museum for Science and Industry £778,000.
At 31 March 2007, there was a balance due from the Museum of £106,000.
In addition the Museum, as lead manager of a joint invest to save grant, held funds of £92,000 on behalf of the National Museum of Science and Industry.

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

DCMS sponsored bodies:

British Museum
English Heritage
Imperial War Museum
National Maritime Museum
National Portrait Gallery
UK Film Council

Other bodies:

British Broadcasting Corporation
British Council
Cabinet Office
Companies House
Department for Environment Food and Rural Affairs
English Nature
Environment Agency
Foreign and Commonwealth Office
HM Revenue & Customs
Home Office
Metropolitan Police
Royal Collection Trust

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

Sir William Castell is chairman of the Board of Governors of the Wellcome Trust Limited, the sole trustee of the Wellcome Trust. During the year the Museum received a number of grants from the Wellcome Trust, including £3,782,000 towards the construction of Darwin Centre phase 2.

Professor Alex Halliday is a Council Member of the Natural Environment Research Council (NERC). Professor Michael Hassell is employed within the Faculty of Natural Sciences at Imperial College and is Campus Dean of Silwood Park. Ian Henderson and Dr Michael Dixon are Council Members of the Royal Albert Hall. Professor Georgina Mace is Director of NERC's Centre for Population Biology at Imperial College. During the year the Museum received grants from NERC and cooperated in research programmes with Imperial College. In addition the Museum, as lead manager of a joint invest to save grant, held funds of £412,000 on behalf of Imperial College and £67,000 on behalf of Royal Albert Hall.

25 Contingent Liabilities and assets

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

26 Post Balance Sheet Events

FRS 21 requires that the Museum disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by the Museum to the Secretary of State for Culture, Media and Sport, who then lays them before the Houses of Parliament. The authorised date for issue is 23 July 2007.



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