

1980~2010
NATIONAL
HERITAGE
MEMORIAL
FUND



Report and Accounts
2009–2010

NHMF 30th anniversary



**1980~2010
NATIONAL
HERITAGE
MEMORIAL
FUND**



National Heritage Memorial Fund
Annual Report and Accounts
For the year ended 31 March 2010

Report presented to Parliament pursuant to Section 7(1) of the National Heritage Act 1980, and accounts presented to Parliament pursuant to Section 7(3) of the National Heritage Act 1980.

Ordered by the House of Commons to be printed 14 July 2010
Laid before the Scottish Parliament by the Scottish Ministers 15 July 2010
Laid before the Northern Ireland Assembly 8 September 2010

© National Heritage Memorial Fund copyright 2010

The text of this document (this excludes, where present, the Royal Arms and all departmental and agency logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as National Heritage Memorial Fund copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

ISBN: 9780102964530

Printed in the UK for The Stationery Office Limited on behalf of the
Controller of Her Majesty's Stationery Office
ID 2353256 07/10

Printed on paper containing 75% recycled fibre content minimum.

Contents

2	Foreword by Dame Jenny Abramsky, Chair of the National Heritage Memorial Fund
4	The Staffordshire Hoard
6	Llwyn Celyn, Monmouthshire
8	Motor Gunboat 81 and High-Speed Launch 102
10	Iris Murdoch: Raymond Queneau Letters
12	Vale of York Viking Hoard
14	Stepney Armorial Dinner Service
16	Siegfried Sassoon Archive
18	<i>Welsh Landscape</i> by William Dyce
20	Sir John Narbrough Journal and Charts
22	The Lindo Hanukah Lamp

24	Report of the Trustees and Accounting Officer Management commentary
29	Financial review
31	Remuneration report
34	Statement of Trustees' and Chief Executive's responsibilities
35	Statement on internal control
38	The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and Scottish Parliament
40	Net Expenditure Statement Statement of Changes in Taxpayers' Equity
41	Statement of Financial Position
42	Statement of Cash Flows Reconciliation of Net Cash Flow to Movement in Net Funds
43	Notes to the Accounts
53	Chair, Trustees and Management Acknowledgements

Foreword by Dame Jenny Abramsky Chair of the National Heritage Memorial Fund



This year we celebrate the 30th anniversary of the National Heritage Memorial Fund (NHMF). Set up in 1980, this unique organisation is dedicated to saving the most outstanding parts of our national heritage at risk, as a memorial to those who have given their lives in service to the nation. Trustees, past and present, can be proud that in times of spiralling art-market and property values NHMF has held fast to its aims, and, working as a fund of last resort, has directed its modest resources to ensure that the most important parts of the heritage of the UK are protected forever as a truly unique memorial.

We understand the current financial pressures, and are pleased that the fund has £20million grant-in-aid from Government to cover the years 2009–10 and 2010–11. In these uncertain economic times, NHMF remains a vital bulwark of defence, and its ability to save our most precious national heritage must be maintained.

This report provides a welcome opportunity not only to review the fund's activities in the past year but also to reflect on the truly extraordinary diversity of the treasures saved by NHMF over the past three decades, now forever part of the national collection. Each has its own historic, scenic, artistic or other special importance. In one way or another, all are unique.

Let's think for a moment of the Tudor flagship *Mary Rose*, the legendary steam locomotive *The Flying Scotsman*, the wild landscape of the Brecon Beacons National Park in Wales or Dove Cottage in the Lake District, home of the poet William Wordsworth and today a site of international importance for scholars, students and tourists alike. NHMF stepped in with essential support to preserve all of these – not for the sake of preservation alone, but so that they can be visited, enjoyed and understood by people in the UK for generations to come.

The hundreds of historic objects and artworks NHMF has helped to save – such as the beautiful Macclesfield Psalter and one of Titian's finest creations, *Diana and Actaeon* – are among the best-loved exhibits in public museums, galleries and historic buildings throughout the UK. Looking back, their combined loss would have been equivalent to losing a major museum or art collection. Yet without NHMF this could easily have happened.

I am delighted to report that during the past year NHMF has made 11 grants in support of outstanding heritage. The joint purchase of the Staffordshire Hoard by museums in Birmingham and Stoke-on-Trent was particularly exciting and means the most important Anglo-Saxon find ever made will remain in the West Midlands, close to where it was found, a source of local and regional pride – and potentially, a boost to the tourism economy.

“In 30 years NHMF has stepped in with essential support to preserve an extraordinary diversity of treasures – including the *Mary Rose*, *The Flying Scotsman*, the Brecon Beacons National Park and Dove Cottage, the home of poet William Wordsworth – so they can be visited, enjoyed and understood by people in the UK for generations to come.”

“The fund helped to secure Siegfried Sassoon’s private diaries and notebooks. These are of national and international literary significance, as well as having a direct memorial connection to the fallen of the Great War.”

Last year, too, the fund helped to secure the archive of Siegfried Sassoon, whose World War I poems have a relevance and poignancy still. The archive also includes Sassoon’s private diaries and notebooks. These are of incredible interest and considered of national and international literary significance, as well as having a direct memorial connection to the fallen of the Great War. We also funded the acquisition of the last two surviving operational World War II motor boats, to be berthed in Portsmouth. I was moved by the veterans’ appreciation that these boats, which served in the Battle of Britain and D-Day landings, have been saved for the nation as a memorial to their fallen companions. Such reactions serve to illustrate how deeply relevant this important heritage is – a relevance that will last and that connects past, present and future.

NHMF’s work will never be done. It is the only source of Government funding available to support the Export Control system and the Treasure Process, or to contribute to shortfalls in the acceptance-in-lieu scheme. We can act quickly and decisively, stepping in as the fund of last resort when other private and public fundraising has been exhausted, to save our most important heritage for the nation.

I would like to record my thanks to NHMF’s Board of Trustees, the in-house team and our expert advisers for all they have done this year. We enter our 30th-anniversary year in uncertain times, when, rightly, all public expenditure must be looked at carefully. But we must not lose sight of the value of our national heritage, which is indeed priceless, and which once lost is lost forever. There will be challenges ahead, but I am confident that, with 30 years of experience to draw on, NHMF as an organisation will have the commitment, expertise and vision needed to meet them.



Dame Jenny Abramsky
Chair of NHMF

The Staffordshire Hoard

Birmingham Museums and Art Gallery
and Potteries Museum and Art Gallery

£1.285million

The Staffordshire Hoard was discovered by a metal detectorist in July 2009 on farmland near Lichfield. It was clear, even before excavation was complete, that this was one of the greatest Anglo-Saxon finds ever.

Some time in the mid-7th century CE, 1,662 objects – the majority made of gold, some jewelled, each one exquisitely crafted – had been packed tightly into a container and buried in a lonely spot in what was then the great kingdom of Mercia. Spoils, a reward, or ill-gotten gains? It may not ever be possible to establish why the hoard was so carefully concealed or by whom, but one thing is known: almost every piece of this incredible treasure once clothed a warrior. There are sword hilts, pommels and scabbard fittings; cheek pieces and crests from helmets; elaborate shield ornaments; and among all this, several gold crosses – possibly spiritual armour.

When the hoard was declared Treasure, Birmingham Museums and Art Gallery and the Potteries Museum and Art Gallery joined forces to raise the purchase price of £3.285million to ensure the hoard was saved for the nation. The public response to the fundraising campaign led by the Art Fund was unprecedented, with donations coming from every corner of the UK and abroad. NHMF's grant of £1.285million in March enabled the partners to secure the hoard and retain it in the West Midlands close to where it was found. The partners have now started to fundraise for the second chapter of this amazing story – the conservation, research and display of the hoard.

The period of Anglo-Saxon rule in Britain was once called the Dark Ages, but the discovery and study of the Staffordshire Hoard should do much to illuminate the lives of those who brought England into being, shaping its boundaries and its culture.



Left page: A group of objects from the hoard

This page, clockwise from top: A strip of gold bearing a misspelt Latin inscription from Psalm 68: 1, 'Rise up, O Lord, and may thy enemies be dispersed and those who hate thee be driven from thy face.'; gold-and-garnet scabbard boss; sword fitting; stylised horse-shaped helmet fitting; hilt fitting; folded gold cross; dagger hilt



Llwyn Celyn, Monmouthshire

Landmark Trust

£335,000

Nestled in the stunning landscape of the Llanthony Valley, part of the Brecon Beacons National Park, Llwyn Celyn is an exceptionally rare survival of the medieval manor – or hall – house. It is thought to have been built in the mid-15th century. It is not yet known for whom, although the owner must have been a person of considerable status and wealth; possibly someone connected with Llanthony Priory – less than six miles away, in this period it owned the land on which Llwyn Celyn is built.

What is remarkable about Llwyn Celyn is that within its walls is present every development in British domestic architecture between the 15th and 18th centuries. The timbers of the roof are blackened with smoke from the central hearth of the original single living area; the remaining partitions at either end of the hall are evidence of the burgeoning concept of privacy and rooms; the horizontal division of the house, completed in the 17th century, marks the period in which Llwyn Celyn became a house as we understand it. The last, minor additions were made in the 18th century. It has remained untouched since then.

Considered one of the most significant historic buildings in Wales, the Grade I listed Llwyn Celyn is in the top 1% of the UK's listed buildings. The house was at a real risk of loss and so, working with the owners, the Landmark Trust proposed to purchase, restore and preserve it for future generations. With the aid of grants from Cadw and NHMF, the Trust will now be able to acquire the site, farmstead and immediate surrounding land. Once in its ownership, the Landmark Trust can begin investigating the history and then commence fundraising for the restoration works. When the restoration is complete, the house will be available for rent as holiday accommodation, with plans to include open days for members of the public.





Clockwise from top left: The rear elevation of the building; Llwyn Celyn's main entrance, facing onto the farmyard; a view over the back of the house and the Llanthony Valley; a fine medieval doorway inside the building

Motor Gunboat 81 (MGB 81) and
High-Speed Launch 102 (HSL 102)
Portsmouth Naval Base Property Trust
£580,000



When they were built, these World War II motor boats were the fastest of their type in the world and were branded the Spitfires of the Seas. MGB 81 was active during the US landing at Omaha Beach on D-Day. HSL 102, stationed at RAF Calshot during the Battle of Britain, retrieved shot-down airmen, on both sides of the conflict, from the sea.

Crewing these extraordinary boats required courage as well as dexterity. Their immense speed required both lightweight construction and a considerable fuel load – a potentially explosive combination, particularly as they were most often situated in the midst of fierce fighting.

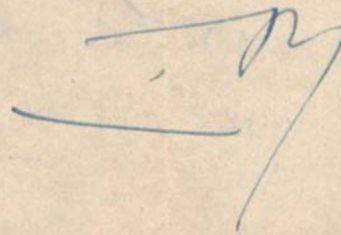
The boats had been rescued from obscurity and carefully restored to their original condition by a private owner who then offered them for sale. HSL 102 and MGB 81, the last remaining fully operational WWII motor boats, clearly belonged in a national collection. With the aid of an NHMF grant, Portsmouth Naval Base Property Trust was able to secure these vessels for the nation. They will now be permanently displayed at Gunwharf Quays where they will both serve as a lasting tribute to the ingenuity of British design and the valour of those who served on them, and as part of NHMF's living memorial to those killed in conflict.



étant vous, et à Paris.

As I think more about literature (and it occurs to me I haven't often thought connectedly about literature or indeed about anything else) I realise more & more how crucial for me is everything you write. After which weighty statement I must close this note which is so singularly devoid of interest but would like to be very full of professional gratitude and unprofessional affection.

Your devoted



Iris Murdoch:
Raymond Queneau Letters
Centre for Iris Murdoch Studies,
Kingston University

£7,500

Above: A letter showing that Murdoch's early novels owe far more to Queneau's ideas on style than previously thought

Above right: A letter exuding the writer's personal delight at her friendship with the French author

Dame Iris Murdoch (1919–1999) is widely acknowledged as one of the outstanding writers of the post-war period. Philosopher, poet, author of 26 novels and recipient of the Booker and Whitbread Fiction awards, interest in her work has intensified since her death from Alzheimer's disease.

The correspondence between Murdoch and Queneau, a leading French avant-garde author and associate of the Surrealists, spans almost 30 years and reveals an intimate portrait of Murdoch – the writer, philosopher and woman. The exchange began in 1946 while Murdoch was working for the United Nations Rehabilitation and Relief Association,

St Anne's Society
Musgrave House
Oxford
20 Jan.

Oh oh oh you are lucky, how lovely!
I suppose you just took the plane,
Comme ça, and there you were, and
Roland Petit said oh good, I'm so
glad you managed to drop a cross. (Who
is Petit by the way?) What are you
doing, I mean do you have a room
back stage where you compose songs
at full speed, or was it just for a
talk that you came over? Anyway I
am frightfully thrilled for you, and
very jealous of course. Write again
soon. I will imagine that New
York is assommant but splendid. Do
you like the Yanks chez eux? (I
notice that you even spell theatre in

and continued during her career as a novelist. She had been an admirer of Queneau's work since the early 1940s, and their friendship began when she attempted to secure the rights to the English translation of one of his novels. Documenting details of her first attempts at writing fiction, plots and characters, the influences of individual philosophers and her thoughts on religious worship, these letters have been described as "electrifying" by Murdoch's biographer Peter Conradi, and among the best she wrote.

The Centre for Iris Murdoch Studies at Kingston University, London, was determined to add these letters to its existing Murdoch Archive, the

contents of which have already made the centre an international place of excellence for the study of the author and her work. Despite strenuous fundraising efforts, the centre was unable to secure the final tranche of funding required, and the letters risked being sold outside the UK. NHMF, acting in a tight timescale and as a fund of last resort, was able to grant this last essential sum to enable the centre to secure these letters for its collection and for the nation.

Vale of York Viking Hoard

British Museum and York Museums Trust

£507,100

One of two amazing discoveries by metal detectorists saved for the nation this year with NHMF help, the Vale of York Hoard was uncovered on farmland near Harrogate in North Yorkshire in 2007. This extraordinary find of 685 objects tightly packed into a silver vessel was hailed as the most important from the British Viking period for over 170 years.

From coins found within the hoard it was calculated that it had been buried some time in the late 920s. This means that the hoard was buried during a very turbulent time for the Vikings of York. Their king, Sihtric, died in 927, and later that same year King Athelstan – the first ‘over-king’ of England – attacked and captured the city.





The hoard contains fascinating evidence of the reach of the Vikings' intercontinental trade, including arm rings and brooches from Orkney, Ireland, Russia and Scandinavia, and Anglo-Saxon, Anglo-Viking, Carolingian and Islamic coins.

The hoard was declared Treasure by the Coroner, and the British Museum and the York Museums Trust worked together to raise the £1,082,800 purchase price. The NHMF grant at the end of the campaign closed the gap, and the hoard has now been saved for the nation. Following cleaning and conservation, the hoard will be shared by both institutions and will be alternately displayed in London and York.





The Stepney coat of arms painted on a plate (above), and items from the octagonal dinner set (right)

Stepney Armorial Dinner Service

Carmarthenshire Heritage
Regeneration Trust

£154,241

Llanelly House, the most prominent historic building in Llanelli, Carmarthenshire, was built in the mid-17th century by Sir Thomas Stepney, 4th Baronet. In 1760, Thomas's grandson – also Thomas, the 6th Baronet – ordered, as was very much the fashion, a Chinese porcelain dinner and tea service, painted with the Stepney coat of arms. The tea service arrived in Llanelli in 1762 and the dinner service in 1764, after a two-year sea journey from China.

Originally comprised of 366 pieces, the service was highly unusual in form, having two differently shaped sets – one circular and one octagonal. On the marriage of Sir Thomas's two daughters, the dinner service was divided between them and left Llanelli; the circular set went to Fingask Castle in Perthshire and the octagonal to Derwydd House, Carmarthenshire.

As the years passed, the sets were further divided and sold, until all that was thought to remain were a few individual pieces, which included a tureen and cover in the collection of Amgueddfa Cymru/ National Museum Wales. Then, in 2009, 126 pieces of the octagonal set emerged in Pittsburgh, Philadelphia. With help from NHMF, the Welsh European Funding Office, the Architectural Heritage Fund and Cadw, the Carmarthenshire Heritage Regeneration Trust was able to purchase these pieces and so, after an absence of almost 250 years, the Stepney service is to return to Llanelly House. The building is currently undergoing extensive restoration, with the aid of a grant from the Heritage Lottery Fund, NHMF's sister organisation. The Stepney service will be displayed at Amgueddfa Cymru/National Museum Wales until the restoration is complete.



Siegfried Sassoon Archive
Cambridge University Library

£550,142

This remarkable collection of notebooks, journals, poems in draft and fair copy, diaries, correspondence, manuscripts and photographs spans Siegfried Sassoon's (1886–1967) entire military and literary careers.

Sassoon is remembered chiefly for being a prominent member of the group of World War I soldier poets who first brought the true horror of war into the public consciousness. A particularly emotive part of this archive are his war diaries, which still bear traces of mud from the trenches and record battles fought, touching details of jokes shared and friends mourned. The archive also contains an autograph draft of *A Soldier's Declaration*, Sassoon's eloquent and impassioned public plea for an end to the senseless slaughter of his comrades in arms.



The archive was in the possession of the poet's son until his death in 2006, and was considered the most important collection of any major WWI poet's papers still in private hands. It was offered for sale to Cambridge University, where Sassoon had been an undergraduate and which already held a significant collection of Sassoon's papers. Cambridge University Library launched a successful fundraising campaign to which many funders and individuals contributed. The most significant contribution was from NHMF, in recognition of the outstanding importance of the archive and the need to preserve it for the nation. The archive also serves as a fitting memorial to those who have given their lives for the UK.



Siegfried Sassoon in Sicily, in the winter of 1929–30 (above), and items from the Sassoon archive



Welsh Landscape by William Dyce

Amgueddfa Cymru/

National Museum Wales

£166,000

William Dyce (1806–1864) was a distinguished Scottish artist who played an important part in establishing public art education in the UK.

The range of his scholarly activity interfered with Dyce's artistic output, so his works are relatively rare. *Welsh landscape* was painted in 1860 after the artist's return from a family holiday in the Conwy valley, one of only two oils Dyce painted with a Welsh subject. It depicts two women knitting on a hillside, with mount Snowdon in the background. One woman, elderly and worn, is seated; the other, a youthful beauty in national costume, stands beside her.

Designed to appeal to a Victorian market that favoured heavily romanticised portrayals of the simple rustic in an untamed landscape, this is nonetheless an iconic image. Dyce was a close associate of the pre-Raphaelite Brotherhood. In creating the aesthetically pleasing *Welsh Landscape* he also captured elements of Welsh rural life that were not to survive much beyond the date of his painting. The outstanding geological and botanical detail in the landscape also reflects the way Dyce, unlike so many of his contemporaries, was able to reconcile new scientific ideas about nature with his deeply held spiritual beliefs.

Amgueddfa Cymru/National Museum Wales had long identified *Welsh Landscape* as a priority acquisition and a work that would significantly enhance its collections. When the painting came up for sale at auction in 2008, the museum attempted to buy it but was outbid. The work was acquired by a non-UK resident, but an export-licence application was deferred because of its connection to the history of the UK and its importance for the study of the pre-Raphaelite school. The Reviewing Committee on the Export of Works of Art also awarded it a starred rating and gave six months for a UK institution to raise the funds required to keep the painting in the country. An NHMF grant helped the museum reach the purchase price of £557,218, and the painting is now displayed in the museum's 'Art in Victorian Britain' gallery.





143	November 1670. the Inceps Slates in the South Sea. Lat $40^{\circ} = 54^{\circ} 5'$
23	Being wednesday halcy weather wind at SW: A fresh gale at 10: a clock this morning I stood North by my Compas: my Compas with 700 feet degrees Eastward: I sail now now miss leagues in favor honors a fresh gale of wind at SW: halcy weather I had no observation to day: Our 3 medals from this day at now till today at now is North twenty five degrees 0000 Distances sailed 140: miles Departure west: 59: miles Des of Lat by account 02 = 56 N Lat by account at now is $40^{\circ} = 54'$ South
	Meridian distance from Cap diside - 106: miles: 1: feet Longitude from Cap diside - 02 = 46: 1 - feet - W Longitude from the Equator - 75 = 42 - 1: feet - W Meridian distance from the Equator - 1104: Leagues - 11: 1:
	to day at 12: a clock I stood: north by my Compas: which is north to East for the Compas have 700 feet degrees variat Eastward: it blow hard this afternoon at WSW: and all night a great sea runs: and could hear halcy weather with small clouds of raine
24	Being thursday halcy weather wind at SW and came to the SW: a soft gale all day a great sea runs: Course made from yestern day at now till today at now is North: 15: degrees Eastward: distance sailed: 170: miles - Departure East: 44: miles Des of Lat: 02 = 42: n: Lat 46 = 11: By account
	Meridian distance from Cap diside: 62 miles 31: feet Longitude from Cap diside 01 = 41 - 8: feet - W Longitude from the Equator - 74 - 37 - 8 - feet - W Meridian distance from the Equator - 1169: Sea: 2: miles 2: feet
	to day at 12: a clock I stood: North North East: wind at SWW: a soft gale: For not ventur to hale in with the sail the weather being so stormy and the winds hauginge so much out the wooden board till now a great westron sea constantly: halcy dark cloudy weather tonight

June: Bonaventur in Barbadoes Road: 1668
1 Day Being Monday Good weather wind at E: PN: this Morning I stood the Bonaventur and found her much eaten with worms I hadly Admirall aboard to sett of his Day I roped the shodmige off the walls of late one stage: -
This day 8 Affurants sailed for England with eight saile of Merchant ships

2 Day Being Tuesday Good weather: But Raine - this day I holded the other side and found it much worme eaten I roped the shodmige of Boath the walls of said on stage: the shodmige is much of one the starboard Beams under water in Bonaxal Place and likewise on Boileg

3 Day Being Wednesday Good weather: this day I had about 2000 of water aboard

4 Day Being Thursday Raine weather this day I acquainted: Admirall of the Condition of the ship: but there is noe Remedy - I brought my sailes to the yards of yetchd water this day the Admirall ordered: pounds of Beech aboardly Bonaventur: 6 pounds of Norke which was Received

5 Day Being Friday I Red fast

6 Day Being Saturday Red fast

7 Day Being Sunday Red fast

8 Day Being Monday: we yetchd water aboard

Sir John Narbrough Journal and Charts British Library £200,000

Sir John Narbrough (1640–1688) is a relatively unknown, but nonetheless important figure in Britain's illustrious maritime history and English map making. He was the first English sailor to navigate the Strait of Magellan from west to east. This made trade in the Pacific – and the potential wealth associated with it – possible, and set the direction of British foreign policy for the next half-century.

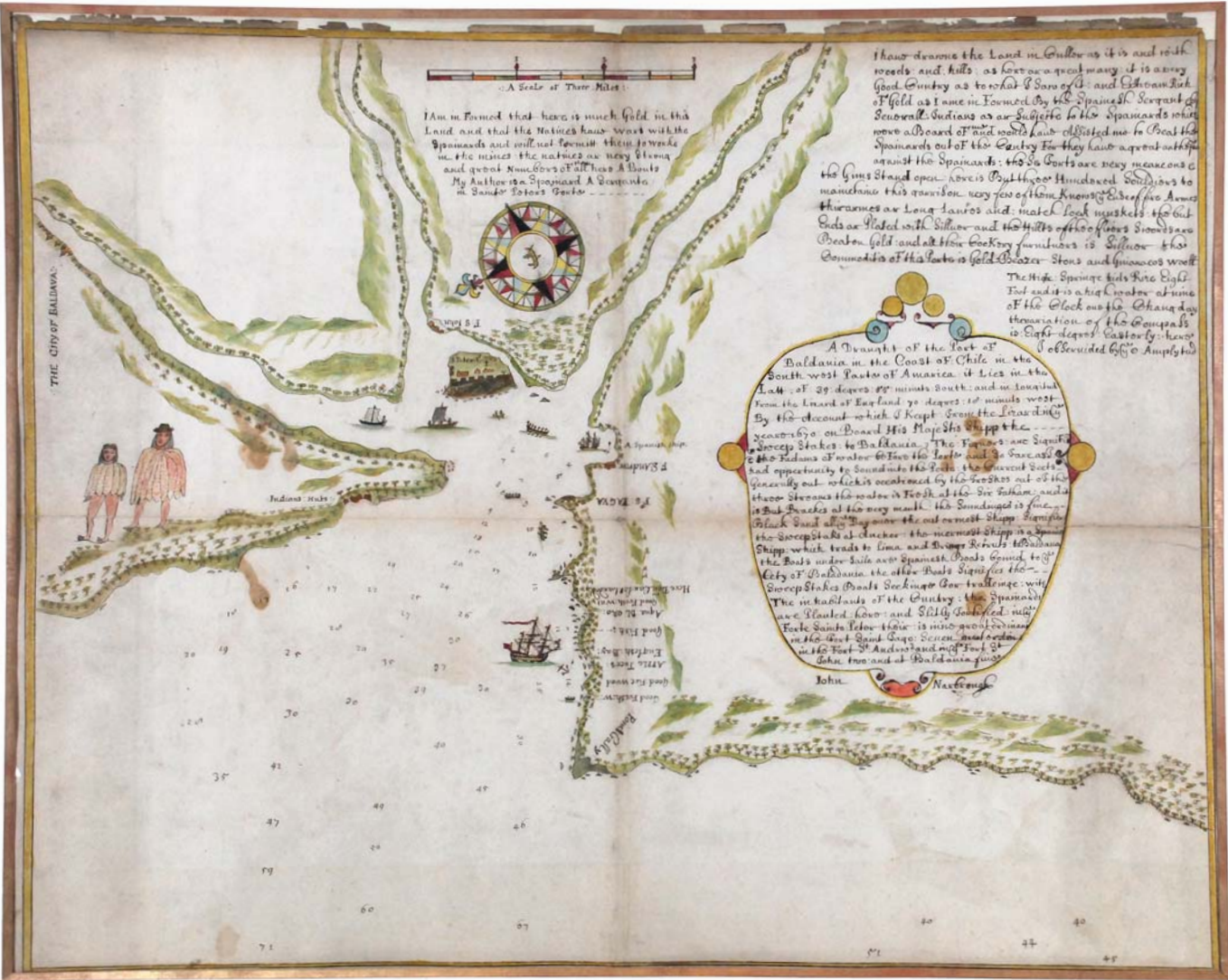
Narbrough carefully documented his five-year journey assisted by Greenville Collins, who later became the first Englishman to create detailed charts of all the coasts of Britain. Their description of the Strait of Magellan provided the basis for British charts of the strait until the time of Captain Cook, and the records resulted in the first large-scale English map of Spanish America. Narbrough was later promoted to Rear Admiral following his courageous actions in the third Anglo-Dutch war. He was appointed Commissioner of the Navy in 1680.

Only recently discovered, Narbrough's original charts and journal were sold to a non-UK resident. An export-licence application was deferred by the Reviewing Committee on the Export of Works of Art because of the documents' close connection with the history of the UK and their importance for the study of British maritime history. The committee also gave the journal and charts a starred rating, as it judged that every possible effort should be made to keep them in the country. The British Library was determined to acquire the documents, and an NHMF grant enabled it to purchase the charts and journal and ensure that the story of this unsung hero of British exploration can be further researched and added to our knowledge of British social and political history. Sir John Narbrough's journals and charts now take their place as part of the national collection at the British Library.

Far left: Two pages in Narbrough's hand, describing his voyage to South America (left) and his cruise in the Caribbean (right)

Left: 'A Draught of Porte San Julyan in the South Sea coast of America called Patagonia'. Note the Union flag and the drawing of 'natives of this land'

Below: Exterior binding of Narbrough's journal; 'A Draught of the Porte of Baldaia in the Coast of Chile'. The comment under the scale bar reads 'I Am in Formed that here is much Gold'



The Lindo Hanukah Lamp

Jewish Museum London

£145,000

The Lindo lamp is the earliest known English Hanukah lamp, and one of the treasures of British Jewish heritage.

The Lindo family fled the Inquisition in the Canary Isles and settled in London in 1670. Brokers on the Exchange – a tradition continued for eight successive generations – distinguished writers, scientists, patrons of the arts and generous supporters of charitable concerns, the Lindos were leading members of the early community of Sephardic Jews in London.

It is believed that the lamp was commissioned by Elias Lindo to commemorate his marriage to Rachel Lopes Ferreira in 1709, which took place in the Bevis Marks Synagogue which the Lindos helped found. The maker was John Ruslen, one of London's most skilled silversmiths of the period. As well as a beautiful ritual object, the Lindo lamp is an extremely fine example of 18th-century Baroque silverwork. Ruslen carefully tailored the lamp for his client – the backplate is chased with a design of Elijah being fed by the ravens, a play on the name 'Elias'.

Having held the lamp on loan since the 1930s, the Jewish Museum was offered the opportunity to acquire it permanently for its collections. Donations from the museum's supporters, grants from the Art Fund, the MLA/V&A Purchase Grant Fund and an award from NHMF allowed the museum to purchase the lamp for the nation. The Lindo lamp is now on public display in the new gallery 'Judaism: A Living Faith', which houses the museum's magnificent collection of Jewish ceremonial art.

The Jewish Museum reopened in early 2010 after a major redevelopment that was part-funded by the Heritage Lottery Fund, NHMF's sister organisation.



Report of the Trustees and Accounting Officer

Management commentary

Background information

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

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

Principal activities

Under sections 3 and 3a of the 1980 Act, Trustees may make grants and loans out of NHMF for the purpose of acquiring, maintaining or preserving:

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

Section 4 of the 1980 Act (as amended) extends the powers of Trustees to improving the display of items of outstanding interest to the national heritage by providing financial assistance to construct, convert or improve any building in order to provide facilities designed to promote the public's enjoyment or advance the public's knowledge.

Under the 1980 Act (as amended) and the 1997 Act, Trustees are now also able to assist projects directed to increasing public understanding and enjoyment of the heritage and to interpreting and recording important aspects of the nation's history, natural history and landscape. Trustees use these extended powers primarily in connection with HLF. Trustees believe that NHMF has a vital role as the central bulwark in the nation's defence of items of outstanding importance which are at risk. Trustees will continue to use the resources provided by Government, as well as resources generated by its endowment fund, to offer financial assistance as a fund of last resort towards the acquisition, preservation and maintenance of heritage which is threatened by destruction or loss.

Financial Instruments

International Financial Reporting Standard 7 'Financial Instruments: Disclosures' ('IFRS 7') requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Financial instruments play a much more limited role in creating or changing risk for NHMF than is typical of the listed companies to which IFRS 7 mainly applies. NHMF does not have powers to borrow, but can invest grant-in-aid derived funds. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the organisation.

Liquidity risk

In 2009–10, NHMF's income derived from grant-in-aid from the Department for Culture, Media and Sport (DCMS) and from income generated by the endowment fund. The Trustees are satisfied that they have sufficient liquid resources, in the form of their cash balances (worth £15.4million at the date of the statement of financial position) and the endowment fund (worth £31.2million at the date of the statement of financial position) to cover all outstanding grant awards of £8.5million and administrative liabilities of £49,000. The endowment

is mostly invested in unit trusts which are readily marketable – the prices are quoted daily in the Financial Times. NHMF monitors its cash balances on a daily basis and keeps in regular contact with grantees to ascertain their likely cash drawdown requirements. NHMF's largest outstanding grant has payment dates set out in the contract. The Trustees consider that the Fund is not exposed to significant liquidity risks.

Market and Interest Rate Risk

Cash balances, which are used to pay grant commitments and operating costs, are held in instant-access variable rate bank accounts, which carried an interest rate of 0.35% in the year. The sharp decline in market interest rates that occurred during 2008–09 has had an impact on returns, but as there is little room for rates to fall further, the risk is small. Returns on cash handled by our investment managers were 1.6% in the year. The year-end cash balances, held by the Fund in the bank and with their endowment fund investment managers, were £15.4million. Other financial assets and NHMF's financial liabilities carried nil rates of interest.

JP Morgan Asset Management (London) Limited (JP Morgan) managed NHMF's endowment and invested it in a wide range of assets, from marketable shares to cash. At the year end, the market value of the endowment, excluding its cash element, was £31.2million. Returns are dependent upon global stock markets and performance of companies included within the portfolio. In the year, the return on the endowment was 37.6%. The Trustees kept the performance of investments under review through their Finance and Resources Committee and its investment panel. They also employed the services of an independent firm of consultants, WM Company, to compare the performance of the investment managers with their peers. After the year end, Trustees transferred the fund management role to Schroders.

	2009–10 £'000	2008–09 £'000
Cash balances		
– sterling at floating interest rates	14,616	477
– sterling at a mixture of fixed and floating rates	739	1,353
	15,355	1,830

Credit Risk

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

Foreign Currency Risks

The majority of endowment fund investments are denominated in sterling (71%). The Fund has mitigated its exposure to foreign exchange risks, which are managed by our investment managers, by investing in a global spread of equities and, therefore, currencies. Sterling recovered moderately against major currencies in 2009–10 resulting in exchange losses, but the final quarter saw sterling weaken. Assets in foreign currencies are converted to sterling at the date of the statement of financial position. Note 11 discloses the global analysis of investments.

Financial assets by category	2009–10 £'000	2008–09 £'000
Assets per the statement of financial position		
Non-current assets	31,179	21,935
Cash and cash equivalents	15,355	1,830
Trade and other receivables	2	12
	46,536	23,777

Financial liabilities by category	2009–10 £'000	2008–09 £'000
Liabilities per the statement of financial position		
– other financial liabilities		
Grant commitments	8,518	10,348
Operating payables	5	2
Other payables	4	1
Accruals	40	39
	8,567	10,390

Fair Values

Set out below is a comparison, by category, of book values and fair values of NHMF's financial assets and liabilities as at 31 March 2010.

Financial assets at 31 March 2010

	Book value £'000	Fair value £'000
Cash ¹	15,355	15,355
Investments ²	24,926	31,171
Receivables ³	2	2
	40,283	46,528

Financial assets at 31 March 2009

	Book value £'000	Fair value £'000
Cash	1,830	1,830
Investments	23,387	21,933
Receivables	12	12
	25,229	23,775

Financial liabilities at 31 March 2010

	Book value £'000	Fair value £'000
Grant commitments ⁴	8,518	8,518
Operating payables ⁵	5	5
Other payables ⁵	4	4
Accruals ⁵	40	40
	8,567	8,567

Financial liabilities at 31 March 2009

	Book value £'000	Fair value £'000
Grant commitments	10,348	10,348
Operating payables	2	2
Other payables	1	1
Accruals	39	39
	10,390	10,390

Basis of fair valuation

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

Maturity of financial liabilities

	2009–10 £'000	2008–09 £'000
In less than one year	5,235	3,723
In more than one year, but less than two	3,332	3,333
In two to five years	0	3,334
In more than five years	0	0
	8,567	10,390

Future developments

Grant-in-aid for 2009–10 was initially £10million, but this was increased to £15million to compensate for a cut to £5million in 2010–11. Subsequently, however, the DCMS paid us an additional £5million and so the 2009–10 grant-in-aid total paid became £20million. DCMS paid us a token £1 in April 2010. Trustees consider that an annual grant-in-aid of £10million represents the bare minimum to allow NHMF to meet its statutory duties. NHMF marks its 30th anniversary in 2010. Demand for funding to save outstanding heritage at risk remains strong and we will be making the case for continued grant-in-aid at the level of the current funding agreement.

As DCMS paid us £10million just before the year end, NHMF had £15.4million in cash at the year end, which was sufficient to cover its grant liabilities of £8.5million. Of the £8.5million in grant liabilities, £3.3million is not due for payment until April 2011. As NHMF is due to receive no more funding until 2011–12, and the level of that funding is unknown at present, and given ongoing commitments to staged payments for Titian's *Diana and Actaeon*, Trustees have decided to set a budget of £6.2million for new awards in 2010–11.

The value of the endowment fund has significantly improved in the year following a recovery in world stock markets from the depths of March 2009. In order to strengthen its oversight of the investment managers, Trustees have set up a specialist investment panel involving the appointment of external members with extensive investment experience and reporting to the Finance and Resources Committee. In addition, Trustees have re-tendered the investment manager contract and replaced the incumbents with Schroders.

Employee consultation

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

Equal opportunities

As an employer, NHMF abides by equal opportunities legislation. It does not discriminate against staff or eligible applicants for job vacancies on the grounds of gender, marital status, race, colour, nationality, ethnic origin, religious belief, disability, age or sexual orientation. Every possible step is taken to ensure that staff are treated equally and fairly, and that decisions on recruitment, selection, training, promotion and career management are based solely on objective- and job-related criteria. NHMF does not tolerate any form of discrimination, harassment or victimisation. The Fund welcomes job applications from people with disabilities, and currently around 4% (2008–09: 4%) of our workforce are people with declared disabilities. All staff are required to co-operate in making this policy work effectively.

Payables

NHMF adheres to the Government-wide standard on bill-paying and the CBI Better Payment Practice Code, which is to settle all valid bills within 30 days. In 2009–10, the average age of invoices paid was 8 working days (2008–09: 11 days). Over 95% of invoices were paid within 30 calendar days (2008–09: 92%).

Pension liabilities

The Fund makes contributions to the pension schemes of staff. Other than making these payments, the Fund has no pension liabilities. Further information is available in the notes to the accounts.

Register of interests

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

Appointment of auditors

The 1980 Act provides for the annual accounts of NHMF to be audited by the Comptroller and Auditor General. The 1993 Act extends this to the Lottery activities of Trustees.

Key stakeholder

The key stakeholder of NHMF is DCMS.

Events after the reporting period

There were no events that occurred after 31 March 2010, up until the date the Accounting Officer signed these accounts, that need to be brought to the attention of the reader. The Accounting Officer authorised the accounts for issue on 8 July 2010, which was the date the accounts were certified by the Comptroller and Auditor General.

Key performance indicators

Trustees recognise that NHMF should strive for high performance in its activities. To this end, there are three performance indicators in their funding agreement (for 2008–09 to 2010–11) with DCMS. These indicators cover the most significant aspects of the processing of a grant, from the receipt of the application to the payment of the grant.

	Target	2009–10	2008–09
Application processing times (months)			
– urgent applications	3	1.1	0.8
– non-urgent applications	6	3.4	2.7
Publicising decisions (working days)			
– post decisions on website	14	10	10
Paying grants (working days)			
– after payment request	15	3	4

Personal data

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

Sickness absence

In 2009–10, 1,940 days were lost due to 412 sickness episodes (2008–09: 2,655 days in 494 episodes), which represents a very modest 2.16% of all working days (2008–09: 2.92%).

Chair and Trustees of NHMF

Chair

Dame Jenny Abramsky ²

Trustees

Mike Emmerich *until 28 July 2009*

Kim Evans ²

Yinnon Ezra ¹

Kathy Gee

Doug Hulyer ¹

Tristram Hunt

Dan Clayton-Jones

Hilary Lade ²

Brian Lang

Alison McLean ¹

Matthew Saunders

Ronnie Spence ¹

Virginia Tandy *from 1 September 2009*

Richard Wilkin ²

Christopher Woodward

Chief Executive

Carole Souter ²

¹ Member of Audit Committee

² Member of Finance and Resources Committee

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

6 July 2010

Financial review

Given the very specific nature of the Fund and the scarce resources, we manage the pipeline and discourage applications which clearly do not meet the core standards of outstanding importance to the national heritage and risk. We also bring pre-applications and live applications to an expert NHMF Panel who advise on priority and make recommendations to the Board of Trustees. We feed back views on priority to applicants, who may or may not decide to pursue a full application to be considered by the Trustees.

In 2009–10, we received 13 varied applications, of which 10 were considered by the Trustees in this financial year. In addition, the Board considered two applications submitted at the very end of 2008–09. Eleven of these projects were supported, with grant awards totalling £4million, and one bid was rejected. One grant offered was not taken up and the funding was decommitted. The three remaining applications received in 2009–10 will be considered in the coming financial year.

The first of three stage payments of £3.3million was made in April 2009 for Titian's *Diana and Actaeon*.

NHMF was asked to support two items which were temporarily stopped from export out of the UK following advice from the Reviewing Committee for the Export of Works of Art – the Journal and Charts of Sir John Narbrough, a 17th-century English naval explorer, and William Dyce's painting *Welsh Landscape*, which was starred by the Reviewing Committee, meaning its importance was so great that every effort should be made to retain it in the country. The grants awarded to these export-stopped items demonstrate NHMF's continuing key role in underpinning other Government mechanisms for securing cultural property at risk of loss to the nation.

The remaining 10 items were also at risk of loss to the nation. This year we supported the acquisition of two archaeological finds declared as Treasure. The Vale of York Viking Hoard is acknowledged as the most important British Viking find in 170 years, and will now be owned jointly by the British Museum and York Museums Trust. The Staffordshire Hoard was equally acknowledged to be one of the most important Anglo-Saxon finds discovered and has

been acquired by Birmingham Museums and Art Gallery and the Potteries Museum and Art Gallery, following an extremely successful public fundraising campaign. This unique hoard is now saved for the nation and will be located in the West Midlands where the support and interest in securing it for the region has been overwhelming.

This year we had two applications for literary archives. First, the Siegfried Sassoon Archive, which was purchased by Cambridge University Library. This archive included Sassoon's wartime diaries and notebooks and is considered the most significant Sassoon archive left in private hands. We also gave a grant for Kingston University's acquisition of the Iris Murdoch: Raymond Queneau Letter Run – correspondence illuminating Murdoch's early years as a novelist.

In May the Board was delighted to support an application from the Jewish Museum to acquire the Lindo Lamp, the first known English Hanukkah lamp, made in about 1709 by John Ruslen for his patron Elias Lindo. The lamp had been on long-term loan to the museum and was withdrawn for sale, and so this acquisition restores it as a key item in the museum's collections.

The Board was also delighted to make an award to acquire and safeguard Llwyn Celyn – a single-aisled medieval hall house in Monmouthshire, believed to date from the mid-15th century – which was at risk of loss. The acquisition will enable the Landmark Trust to survey and restore the house and secure its long-term future. Another application from Wales supported this year allowed the Carmarthenshire Heritage Regeneration Trust to acquire the Stepney Armorial Dinner Service – 126 pieces of a Chinese porcelain dinner set made for the Stepney family c.1762 – which will go on display at Llanelly House, once the home of the Stepneys, when the house is fully restored and opened to the public. In the meantime, the National Museum of Wales will act as custodian for this dinner service.

In July the Board awarded a grant to Canterbury Cathedral Archives to bid at auction for a 12th-century Gospel of St Luke which had been in the Cathedral Library until the dissolution of the monasteries in 1548. However, the sale realised a significantly higher price than had been expected, and the gospel was acquired by a private buyer, so

the grant could not be taken up. This demonstrates a recurring issue with items for sale at auction, where prices regularly exceed the estimates set. In this case the final hammer price far exceeded both the auction-house estimate and the estimate informed by valuation advice on which the NHMF grant offer was based.

As the Fund was set up in the memory of those who have given their lives for this country, the Board was delighted to make two significant Memorial grants in this financial year – not just the grant for the archive of Siegfried Sassoon, but also a grant of £580,000 to the Portsmouth Naval Base Property Trust, to allow them to acquire two World War II motor boats, Motor Gunboat 81 and High-Speed Launch 102. The boats are the last of their type afloat and are designated as part of the National Historic Fleet. Both boats saw significant action in WWII.

All of these important items were at risk of loss to the UK, with a real prospect that they could be sold abroad, collections scattered, or suffer irreparable damage through lack of appropriate conservation and long-term care.

One application was not supported this year. This was for a grant of £365,400 to the National Trust to acquire four Tudor paintings which formed part of the chattels at Seaton Delaval. The Board warmly congratulated the National Trust on the success of its campaign to save Seaton Delaval, but, whilst recognising the importance of the Tudor portraits to Seaton Delaval, did not consider these as the highest priority for funding in the context of significant demand for NHMF support. Seaton Delaval – the estate and core chattels – was secured by the National Trust through the acceptance-in-lieu scheme, and we understand that the Trust is making progress on securing the remaining desirable items through other means.

These accounts have been prepared under International Financial Reporting Standards (IFRS) for the first time. This required the re-stating of certain balances brought forward from previous years where the accounting treatment differs. The effect of these changes was to increase the brought-forward balance on the income and expenditure account by £6,000. The notes to the accounts have more details.

NHMF maintains an endowment fund which rose in value by £9.2million in the year, from £21.9million to £31.2million. This was due to the significant improvement in world equity prices from their trough in March 2009. The underlying performance of the endowment fund was a return of 37.6%. Trustees are aware that the value of the endowment fund is £2.6million below its original value at today's prices at 31 March 2010. Trustees will monitor the situation over the long term in conjunction with its newly formed investment panel and its newly appointed investment managers, and will transfer funds to the endowment fund if the underlying investment performance is insufficient over the long term to raise its value back to and above its original value.

Cash balances rose significantly in the year, from £1.8million to £15.4million (including £739,000 held in the endowment fund as part of the investment portfolio). This was due mostly to DCMS paying £10million in grant-in-aid in the last week of the year, but was also due to Trustees putting aside some funds to help replenish the endowment.

Grant awards in the year were just over £4million compared with £13.8million in the previous year. Awards in 2008–09 were at an exceptional level due to the grant of £10million for Titian's *Diana and Actaeon*. The grant budget for 2009–10 was set at a much lower level, reflecting the higher-than-anticipated award levels of prior years. Outstanding grant commitments fell from £10.3million to £8.5million, reflecting the lower level of awards made in the year.

The accounts have been prepared on a going concern basis as required by the Secretary of State's accounts direction. This is because assets significantly exceeded liabilities at the date of the statement of financial position and because Trustees have set a grant award budget for 2010–11 that is not expected to alter that position.

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

Applicant	Acquisition	Grant
British Museum and York Museums Trust	Vale of York Viking Hoard	£507,100
Jewish Museum London	The Lindo Hanukah Lamp	£145,000
Carmarthenshire Heritage Regeneration Trust	Stepney Armorial Dinner Service	£154,241
Portsmouth Naval Base Property Trust	Purchase of Motor Gunboat 81 and High-Speed Launch 102	£580,000
Canterbury Cathedral Archives	Purchase of the Gospel of St Luke	£80,000
Cambridge University Library	Purchase of the Siegfried Sassoon Archive	£550,142
Landmark Trust	Llwyn Celyn, Monmouthshire	£335,000
British Library	Sir John Narbrough Journal and Charts	£200,000
Kingston University	Iris Murdoch: Raymond Queneau Letters	£7,500
Birmingham Museums and Art Gallery and Potteries Museum and Art Gallery	The Staffordshire Hoard	£1,285,000
National Museum of Wales	William Dyce, Welsh Landscape	£166,000

Remuneration report

Remuneration of the Chair and Trustees

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

The remuneration of those Trustees that received payment, including reimbursement of taxable expenses and the tax thereon, falls into the bands in the table on the right. Two Trustees, Yinnon Ezra and Virginia Tandy, waived their rights to a salary.

All Trustees have three-year appointments, potentially renewable for a second term. They are appointed by the Prime Minister. They are not members of the pension scheme utilised by NHMF. No contributions were made by the Fund to a pension scheme on the Trustees' behalf. All Trustees' remuneration was allocated between HLF and NHMF on the basis of 99%:1%. The total remuneration of Trustees in 2009–10 was £195,541 (2008–09: £196,053). The pay and contracts of Trustees are discussed and set by DCMS.

Audited information

	2009–10 £'000*	2008–09 £'000
Dame Liz Forgan (until 30 September 2008)	0	20–25
Dame Jenny Abramsky (Chair) (from 1 September 2008)	40–45	20–25
Madhu Anjali (until 21 July 2008)	0	0–5
Mike Emmerich (until 28 July 2009)	5–10	5–10
Kim Evans (from 22 July 2008)	5–10	0–5
Yinnon Ezra	0–5	0–5
Kathy Gee	10–15	10–15
Catherine Graham-Harrison (until 22 July 2008)	0	0–5
Doug Hulyer	10–15	10–15
Tristram Hunt	5–10	5–10
Dan Clayton-Jones	20–25	20–25
Hilary Lade (from 1 October 2008)	5–10	5–10
Brian Lang	20–25	20–25
Alison McLean	10–15	5–10
Matthew Saunders	5–10	5–10
Ronnie Spence	20–25	20–25
Virginia Tandy (from 1 September 2009)	0–5	0
Richard Wilkin	10–15	10–15
Christopher Woodward	5–10	5–10

* Significant changes in reported remuneration including taxable expenses are due to Trustees not being employed for a full year in either 2008–09 or 2009–10

Remuneration of employees (Audited information)

The remuneration of directors was as follows:

	Salary including performance bonus 2009–10 £'000	Salary including performance bonus 2008–09 £'000	Real increase in pension and lump sum £'000	Total accrued pension at age 60 and lump sum £'000	Cash Equivalent Transfer Value (CETV) at 31/3/10 £'000	Cash Equivalent Transfer Value (CETV) at 31/3/09* £'000	Real increase in CETV funded by NHMF £'000
Carole Souter Chief Executive	130–135	125–130	2.5–5 plus 10–15 lump sum	50–55 plus 150–155 lump sum	974	841	77
Robert Bewley Director of Operations	90–95	90–95	0–2.5 plus 5–7.5 lump sum	25–30 plus 85–90 lump sum	577	502	46
Judith Cligman Director of Strategy and Business Development	90–95	85–90	0–2.5 plus 5–7.5 lump sum	25–30 plus 85–90 lump sum	517	445	42
Steve Willis Director of Finance and Corporate Services	105–110	105–110	0–2.5 plus 5–7.5 lump sum	50–55 plus 150–155 lump sum	1,133	1,023	45

* These figures are different to those quoted in last year's accounts. This is due to the factor for the adjustment to market conditions (AMC) that produces the CETV being updated since the end of March 2009 to comply with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008

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

Cash Equivalent Transfer Values

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

prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real increase in CETV

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

All senior employees had permanent contracts of employment and were ordinary members of the Principal Civil Service Pension Scheme (PCSPS). Their costs were allocated between HLF and NHMF on the basis of 99%: 1% (2008–09: 99%: 1%). The pay and contracts of senior employees are discussed and set by the Finance and Resources Committee. (Membership of this committee is disclosed on page 28). The remuneration of senior managers is performance-related. The sum is based on performance against individual objectives and on overall contribution to corporate strategy and goals. Individual objectives for the Chief Executive are set

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

Carole Souter
Chief Executive

6 July 2010

Statement of Trustees' and Chief Executive's responsibilities

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

In preparing the accounts Trustees of NHMF are required to comply with the requirements of the Government Financial Reporting Manual (FREM) and in particular to:

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

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

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

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

6 July 2010

Statement on internal control

Scope of responsibility

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

I work closely with the Trustees of NHMF, who share a responsibility to:

- i) give leadership and strategic direction;
- ii) define control mechanisms to safeguard public resources;
- iii) supervise the overall management of NHMF's activities;
- iv) report on the stewardship of public funds.

This responsibility is enacted through regular meetings of Trustees with senior management to set policy for NHMF and make decisions in line with policy. In addition, sub-committees of Trustees, particularly the Finance and Resources Committee and the Audit Committee, oversee the activities of management and provide support. All policy-setting and grant-decision-making is informed by the risk-management culture of NHMF. In particular, the Audit Committee regularly discusses the risk reports produced by management and questions them about the methods by which they mitigate risk.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process

designed to identify and prioritise the risks to the achievement of NHMF's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in NHMF for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The changes to NHMF's working practices brought about by the adoption of its third strategic plan for its Lottery activities were thoroughly reviewed by management before implementation. I also required the internal auditors to check that management's proposals would achieve our objectives, and to carry out a follow-up review of grant giving. I am satisfied with the results of the internal audit reports, which demonstrated that HLF had successfully brought about significant changes to its grant assessment and monitoring systems, both manual and electronic.

Capacity to handle risk

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

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

The risk register is circulated to all middle management prior to their production of annual team plans. They are expected to consider explicitly the content of the register in their plans and bring to the attention of senior management any emerging risks. The plans are discussed and approved by senior management. Middle management also meet as a group with senior management in Managers' Fora. The agenda of these meetings regularly includes planning and risk, and allows staff from various departments to share their views on good practice.

The risk and control framework

The Management Board devised a risk-management statement that sets out the principles of risk management. It then details how NHMF identifies, monitors and controls risks and opportunities, and sets out the Fund's appetite for risk. It also assigns specific responsibilities to individuals and groups in ensuring that NHMF's risk management achieves its risk policies. The statement is approved by the Audit Committee and is reviewed annually. On an annual basis, risks are categorised by considering the likelihood of occurrence should no risk-mitigation activity occur and the impact should the risk happen. The risks where the potential impact is deemed high form the NHMF risk register. The Management Board then assigns to senior managers (the 'risk owners') the task of putting procedures in place to monitor and, where possible, mitigate the risk.

The risk register forms part of the annual Business Plan of the Board of Trustees, having been previously endorsed by the Audit Committee. The Management Board reviews the effectiveness of their work on a quarterly basis. The Audit Committee also reviews effectiveness at each meeting and questions the activities of risk owners. Policy papers put to the Board of Trustees for decision all contain a discussion of the risks associated with taking the possible courses of action.

NHMF has an information risk policy to be followed by all staff – new staff read it as part of their induction. The policy, which is reviewed on an annual basis, requires all data to be held securely. NHMF is compliant with the Security Policy Framework and with the mandatory measures of the Data Handling Review.

In 2009–10, NHMF considered the following to be the most significant areas of risk:

- i) that our income declines unexpectedly;
- ii) imposition of an arbitrary cap on running costs (identified as a risk in 2010);
- iii) legislative change impacting on aims and operations of the organisation (identified as a risk in 2010);
- iv) failure of awarded grants to meet our strategic objectives;
- v) failure of our strategy to keep pace with the needs of the heritage and changes in the external environment, and therefore lack of support for it by our stakeholders;

- vi) failure to set and follow efficient procedures, thereby giving rise to the risk of inefficiency, fraud or of making decisions open to challenge;
- vii) failure to recruit, retain and develop staff;
- viii) lack of adequate acknowledgement of the HLF/NHMF contribution by grantees;
- ix) that support and influence lessen as a result of low awareness and understanding of our contribution by stakeholders and the Lottery-playing public;
- x) changes to membership and delegations of Board and Committees lead to confusion and inconsistency in decision-making.

The risk on 'changes to membership and delegations' has been removed from the risk register for 2010 as I consider that the risk has been successfully managed through a governance review that included a workshop with input from the National School of Government. This review was initially carried out by the internal auditors, who found that our governance procedures were sound. Modest improvements were made to enhance communication between the Board and its sub-committees; for example, both the Audit and the Finance and Resources Committees now produce regular reviews of their activities for the Board, and the committee chairs always fully de-brief the Board of the decisions made at each meeting. I will continue to monitor the situation and will return the risk to the register if necessary.

I recognise that the risk environment may change once the new government has made clear its policies on the future of the National Lottery and on administrative costs. Thus, further risks may emerge in 2010–11.

The risk-management strategy details the Fund's appetite for risk: "Well-thought-through risk-taking and innovation to achieve NHMF objectives should be encouraged. This means that a 100% risk-avoidance culture is not the most effective use of our resources." I believe that the Fund demonstrates innovation in its choice of grant awards and it does not resort to simply making risk-free decisions.

Whilst the Management Board and the Audit Committee take the lead on setting the risk framework, staff at middle management are fully embedded in the system. As mentioned above, the Managers' Forum has regular discussion of the risk

environment in which NHMF operates and how the Fund should respond. All middle managers are appraised on an annual basis of the way in which they anticipate, identify and manage both risks and opportunities.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the work of the internal auditors and senior management within NHMF who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. As a result of their work during the year, the internal auditors have produced an annual certificate of assurance with regard to the adequacy of the systems and the operation of internal controls within NHMF. In addition, I have seen the management letter prepared by the external auditors following their audit of the accounts for the year ended 31 March 2010. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board of Trustees and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the internal control system is in place.

The annual internal audit plan is created on a risk basis; the auditors are provided with a copy of the draft risk register when preparing their plan. The Audit Committee reviews and approves the internal audit plan. I have ensured that there is sufficient flexibility in the plan to allow for changes to be made during the year to reflect any significant changes in the risk environment or the emergence of new risks.

The Audit Committee prepares an annual report of its activity to the Board of Trustees. The Board also has another sub-committee – the Finance and Resources Committee – which, among its tasks, reviews the administrative activities of NHMF, including its management accounts and budgets. A representative of the National Audit Office has attended a meeting of this committee during the year as an observer.

All reports of the internal auditors are discussed by the Audit Committee with senior members of staff in attendance, including those whose departments

are reported upon by the auditors – this gives members of the committee the opportunity to discuss, in detail, the findings, recommendations and proposed management actions. Heads of departments that have failings identified by the internal auditors are required to devise a corrective action and set a completion date for that action in consultation with the internal auditors. I receive regular reports from the auditors notifying me of the progress my department heads have achieved in clearing up points raised by both internal and external auditors in previous years. Neither the internal nor external auditors have reported any significant findings that lead me to doubt the adequacy of our systems.

I chair meetings of the Management Board, which are attended by all senior management. The Management Board oversees all activities of the Fund and provides the opportunity for me and my colleagues to review and challenge these activities.

The budget holders – in effect the senior management of NHMF – sign annual memoranda of representation to me, detailing their responsibilities and confirming that they have carried out these responsibilities in the financial year being reported upon. The budget holders receive similar memoranda from their cost-centre managers – in effect the middle management of NHMF. I place reliance on these assertions of my management, and ensure that all are reviewed prior to my signing this Statement on Internal Control.

As a result of the above, I believe that the Fund's framework provides me with the level of assurance that I require. There is nothing of which I am aware that leads me to believe that our systems for detecting and responding to inefficiency, for preventing conflicts of interest, for preventing and detecting fraud and for minimising losses of grant-in-aid and Lottery grant are not adequate.

Carole Souter
Chief Executive

6 July 2010

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

I certify that I have audited the financial statements of the National Heritage Memorial Fund for the year ended 31 March 2010 under the National Heritage Act 1980. These comprise the Net Expenditure Statement, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity 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 Chief Executive/Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Heritage Memorial Fund's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Heritage Memorial Fund; and the overall presentation of the financial statements.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- i) the financial statements give a true and fair view of the state of the National Heritage Memorial Fund's affairs as at 31 March 2010 and of its deficit, changes in taxpayers' equity and cash flows for the year then ended; and
- ii) the financial statements have been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport, with the consent of HM Treasury.

Opinion on other matters

In my opinion:

- i) the part of the Remuneration Report to be audited has been properly prepared in accordance with the National Heritage Act 1980 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport, with the consent of HM Treasury; and
- ii) the information given in the Management Commentary for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- i) adequate accounting records have not been kept;
or
- ii) the financial statements are not in agreement with the accounting records or returns; or
- iii) I have not received all of the information and explanations I require for my audit; or
- iv) the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas CE Morse

Comptroller and Auditor General

8 July 2010

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

Net Expenditure Statement for the year ended 31 March 2010

	Notes	£'000	2009-10 £'000	2008-09 £'000
Sundry operating income	3		24	354
New awards made in the year	14	(4,010)		(13,793)
De-committed awards	14	80		102
			(3,930)	(13,691)
Staff costs	4	(48)		(48)
Depreciation and amortisation	10b	(1)		(2)
Other operating charges	6	(106)		(114)
			(155)	(164)
Operating expenditure			(4,085)	(13,855)
Operating deficit			(4,061)	(13,501)
Income from investments	7	929		1,098
(Loss)/profit on the sale of investments	8	(4)		253
Interest receivable	9	19		102
Non-operating income			944	1,453
Net deficit before notional costs			(3,117)	(12,048)
Notional costs – capital	17		(899)	(638)
Net deficit including notional costs			(4,016)	(12,686)
Reversal of notional costs			899	638
Deficit transferred to the accumulated fund			(3,117)	(12,048)

The net expenditure statement excludes the Lottery distribution activities of NHMF, which are separately reported in the accounts of HLF. All figures shown relate to continuing activities. The notes on pages 43 to 52 form part of the accounts.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2010

	Fair value reserve £'000	Income and expenditure account £'000
Balance at 31 March 2008	6,176	16,889
Changes in equity in 2008-09		
Net loss on revaluation of investments	(7,630)	
Retained deficit		(12,048)
Grant-in-aid from DCMS		10,000
Balance at 31 March 2009	(1,454)	14,841
Changes in equity in 2009-10		
Net gain on revaluation of investments	7,699	
Retained deficit		(3,117)
Grant-in-aid from DCMS		20,000
Balance at 31 March 2010	6,245	31,724

The fair value reserve relates to the difference between book cost and market value of the investments in the endowment fund (see note 11). The difference between book and market value of property, plant and equipment (see note 10) is not material.

Statement of Financial Position

as at 31 March 2010

	Notes	31 March 2010 £'000	31 March 2009 £'000	31 March 2008 £'000
Non-current assets				
Intangible assets	10a	0	0	2
Property, plant and equipment	10b	8	2	3
Long-term financial assets available for sale	11	31,171	21,933	26,236
		31,179	21,935	26,241
Current assets				
Trade and other receivables	12	2	12	26
Cash and cash equivalents		14,616	477	346
Cash held in the endowment fund	11	739	1,353	5,330
		15,357	1,842	5,702
Current liabilities				
Administrative liabilities	13	(49)	(42)	(41)
Grant commitments due within one year	14	(5,186)	(3,681)	(8,836)
Net current assets/(liabilities)		10,122	(1,881)	(3,175)
Total assets less current liabilities		41,301	20,054	23,066
Non-current liabilities				
Grant commitments due after one year	14	(3,332)	(6,667)	0
Provisions for liabilities and charges	5	0	0	(1)
Total assets less liabilities		37,969	13,387	23,065
Reserves				
Fair value reserve	19	6,245	(1,454)	6,176
Income and expenditure account		31,724	14,841	16,889
		37,969	13,387	23,065

This statement excludes balances relating to the Lottery activities of NHMF which are separately disclosed in the accounts of NHMF's Lottery distribution activities. The notes on pages 43 to 52 form part of the accounts.

Dame Jenny Abramsky
Chair

Carole Souter
Chief Executive

6 July 2010

Statement of Cash Flows

for the year ended 31 March 2010

	Notes	2009-10 £'000	2008-09 £'000
Operating activities			
Cash from sundry operating income	3	24	354
Cash paid to and on behalf of employees		(48)	(49)
Interest received		21	120
Cash paid to suppliers		(91)	(109)
Cash paid to grant recipients	14	(5,760)	(12,179)
Net cash outflow from operating activities	16a	(5,854)	(11,863)
Investing activities			
Capital expenditure and financial investment	16b	(1,562)	(3,151)
Endowment fund net cash receipts		941	1,168
Net cash outflow from returns on investments		(621)	(1,983)
Cash flow before financing	16c	(6,475)	(13,846)
Financing activities			
Grant-in-aid	16c	20,000	10,000
Increase/(decrease) in cash and cash equivalents		13,525	(3,846)

Reconciliation of Net Cash Flow to Movement in Net Funds

for the year ended 31 March 2010

	2009-10 £'000	2008-09 £'000
Increase/(decrease) in operating cash in the period	13,525	(3,846)
Cash used to increase liquid resources	0	0
Changes in cash and cash equivalents	13,525	(3,846)
Cash and cash equivalents at 1 April 2009	1,830	5,676
Cash and cash equivalents at 31 March 2010	15,355	1,830

The notes on pages 43 to 52 form part of the accounts.

Notes to the Accounts

for the year ended 31 March 2010

1a. Statement of accounting policies

a) Accounting convention

These accounts are drawn up in a form directed by the Secretary of State and approved by the Treasury. They are prepared under the modified historic cost convention. Without limiting the information given, the accounts meet the accounting and disclosure requirements contained in the Companies Act 2006 and the FREM, so far as those requirements are appropriate, and accounts direction issued by the Secretary of State for Culture, Olympics, Media and Sport in October 2002. The accounting policies contained in the FREM apply IFRS as adapted or interpreted for the public sector context. The National Lottery accounts direction issued by the Secretary of State specifically excludes the preparation of consolidated accounts. Copies of the Lottery and Memorial accounts directions may be obtained from the Secretary to the Board, 7 Holbein Place, London SW1W 8NR.

Where the FREM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NHMF for the purpose of giving a true and fair view has been selected. The particular policies adopted by NHMF are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

b) Government grants

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

c) Non-current assets

Non-current assets are defined as those items purchased for the long-term use of NHMF and its Lottery distribution activities and where the cost is above a certain threshold. Depreciation is provided on a straight-line basis on all non-current assets, including those held under finance leases, at rates calculated to write off the cost or valuation of each asset over its expected useful life. These lives are as follows:

Short leasehold property	– the life of the lease
Office equipment	– 4–10 years
Office fittings	– 4–10 years
Grant-assessment and other software	– up to 5 years

No internally generated costs are capitalised.

d) Investments

Non-current financial assets – our investments – are included in the accounts at current cost as a proxy for fair value. Realised gains and losses are included in the net expenditure account and are calculated as the difference between sales proceeds and historic cost. Unrealised gains and losses on fixed asset investments are reflected in the fair value reserve and statement of changes in taxpayers' equity.

e) Taxation

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

f) Pension

The regular cost of providing benefits is charged to the net expenditure account over the service lives of the members of the scheme on the basis of a constant percentage of pensionable pay. Staff are members of the PCSPS and the percentage of pensionable pay is notified by the Cabinet Office at the start of each financial year.

g) Leases

The annual rentals on operating leases are charged to the net expenditure account on a straight-line basis over the term of the lease. Where operating leases take the substance of finance leases, and are material, they will be treated as finance leases. Items under finance leases are capitalised at their estimated cost excluding any interest charged by the lessor. Interest payments due under the terms of the lease agreement are charged to the net expenditure account at the date of each payment under the lease.

h) Grant awards

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

i) Segmental reporting and allocation of costs

IFRS 8 requires information to be provided on segmental reporting where this is relevant to the activities of the organisation. Where relevant, senior management would identify separate streams of activity and assign administrative costs to them pro-rata based upon the level of grant awarded, unless there was a significant difference in the manner in which applications were processed, in which case ad hoc methods would be utilised. However, other than accounting separately for its Lottery distribution activities, which NHMF is required to do under its accounts direction, Trustees do not believe that their grant-in-aid activities can be divided into separate segments.

NHMF incurs indirect costs which are shared between activities funded by grant-in-aid and activities funded by the National Lottery. NHMF is required to apportion these indirect costs in accordance with *Managing Public Money*, issued by the Treasury. This cost apportionment seeks to reflect the specific proportion of time and expenses committed to each fund. At the end of the financial year, the proportion of joint costs apportioned to HLF was 99%.

There are no standards and interpretations in issue, but not yet adopted, that the Trustees anticipate will have a material effect on the reported income and net assets of NHMF.

1b. Changes in accounting policy and prior year adjustment

Following the adoption of IFRS, there have been a number of changes of accounting policy. Under International Accounting Standard 38 'Intangible assets', NHMF now capitalises certain long-term software development (see note 10a for further details). Under International Accounting Standard 19 'Employee benefits', NHMF now recognises as a liability the value of holiday earned by staff but not taken at the date of the Statement of Financial Position (see note 13 for further details).

These changes to accounting policy have led to an adjustment to the reported financial results for 31 March 2010. Comparative figures for 2008–09 and 2007–08 have also been adjusted. The impact can be summarised as follows:

	2009–10 £'000	2008–09 £'000	2007–08 £'000
Income and expenditure account under previous accounting standards	31,726	14,835	16,888
Changes required under IFRS			
– adjustment re transfer of capitalised software	0	8	2
– adjustment re untaken holiday pay provision	(2)	(2)	(1)
Income and expenditure account restated under IFRS	31,724	14,841	16,889

2. Grant-in-aid

	2009–10 £'000	2008–09 £'000
Grant from the DCMS	20,000	10,000

3. Sundry operating income

This entails repayments of grant.

4. Staff costs and numbers

	2009–10 £'000	2008–09 £'000
Salaries	37	37
Employer's NI payments	3	3
Payments to pension scheme (see note 5)	7	7
Temporary staff costs	1	1
	48	48

Additional costs of £9,985,000 have been charged to HLF and are reflected in the accounts of that Fund.

Under IFRS, NHMF has recognised for the first time the liability for staff who have not taken holiday pay. Movement in that provision is allocated to salaries' cost.

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

	2009–10 Number	2008–09 Number
Grant applications	2	2
Finance and administration	0	0
Strategy and business development	0	0
Communications	0	0
	2	2

The above figures are disclosed as full-time equivalents. Additionally, an average of 226 permanent staff were employed on HLF activities.

5a. Pensions

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

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

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

The alternative pension scheme arrangement is a stakeholder pension known as a Partnership Pension Account. The partnership pension account is a stakeholder pension arrangement with an employer contribution. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have

to contribute but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to PCSPS to cover the cost of centrally-provided lump sum risk benefit cover (death in service and ill health retirement). There are currently five members of staff with a partnership pension account. Two members of staff retired early on health grounds during 2009–10.

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

Although the schemes are defined benefit schemes, liability for payment of future benefits is a charge to the PCSPS. Departments, agencies and other bodies covered by the PCSPS meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis. For 2009–10, employer's contributions of £6,857 (2008–09: £6,963) were paid to the PCSPS at the rates set out in the table below. Employer contributions are to be reviewed every four years following a full scheme valuation by the scheme actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

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

Salary in 2009–10	% in 2009–10
£20,500 and under	16.7%
£20,501–£42,000	18.8%
£42,001–£72,000	21.8%
£72,001 and above	24.3%

5b. Provision for liabilities and charges

	2009–10 £'000	2008–09 £'000
Provision at 1 April	0	1
Pension payments made and provision write-back	(0)	(1)
Provision at 31 March	0	0

6. Operating deficit

The operating deficit is stated after charging the following:

	2009–10 £'000	2008–09 £'000
Auditor's remuneration including work on the preparation for IFRS	10	9
Payments under operating leases		
– leasehold premises	7	7
– hire of plant and machinery	0	0

Additional costs of £8,912,000 have been allocated to the accounts of HLF. As disclosed in note 1 to these accounts, NHMF is required to apportion its costs to HLF. At the end of the financial year, the proportion of joint costs apportioned was 99% to HLF.

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

	2009-10 £'000	2008-09 £'000
Accommodation	12	11
Postage and telephone	2	2
Office supplies, print and stationery	3	3
Travel, subsistence and hospitality	1	1
Professional fees		
– grant related	3	4
– non-grant related	57	63
Communications	22	24
Sundry	6	6
	106	114

7. Income from investments

	2009-10 £'000	2008-09 £'000
Long-term financial assets available for sale	929	1,098

8. (Loss)/profit on the sale of investments

	2009-10 £'000	2008-09 £'000
Long-term financial assets available for sale	(4)	253

9. Interest receivable

	2009-10 £'000	2008-09 £'000
Bank interest receivable	19	102

10a. Intangible fixed assets

	Software 2009-10 £'000	Software 2008-09 £'000
Cost at start of the year	0	2
Additions	0	6
Disposal	0	(8)
At the end of the year	0	0
Amortisation at the start of the year	0	0
Charge for the year	0	0
At the end of the year	0	0
Net book value		
At the start of the year	0	2
At the end of the year	0	0

Capitalisation of software had occurred for the development of an electronic application form and an application assessment management system. However, it was subsequently decided that it was unlikely that NHMF would benefit from the development and so the costs were transferred to HLF.

10b. Property, plant and equipment

	Short leasehold property		IT & other equipment		Office fittings		Total	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Cost at 1 April 2009	7	7	8	8	1	1	16	16
Additions	2	0	5	1	0	0	7	1
Disposals	(7)	0	(0)	(1)	0	(0)	(7)	(1)
At 31 March 2010	2	7	13	8	1	1	16	16
Depreciation at 1 April 2009	7	6	6	6	1	1	14	13
Charge for the year	0	1	1	1	0	0	1	2
Adjustment on disposal	(7)	0	(0)	(1)	0	(0)	(7)	(1)
At 31 March 2010	0	7	7	6	1	1	8	14
Net book value								
At start of year	0	1	2	2	0	0	2	3
At end of year	2	0	6	2	0	0	8	2

The Trustees have considered the value of the property, plant and equipment and are satisfied that their value, at 31 March 2010, was not less than their net book value shown in the accounts. The value of property, plant and equipment represents a proportionate split of the assets used by both NHMF and HLF. This split is currently 99% Lottery and 1% Memorial.

A review of the current cost values of property, plant and equipment, at 31 March 2010, revealed no material difference to historic cost values. Therefore, no adjustment has been made to reflect current cost values of property, plant and equipment.

Some of the property, plant and equipment was held under finance leases, as shown in the table below. The figures are included in the above table.

IT and other equipment:

	2009-10 £'000	2008-09 £'000
Cost at 1 April 2009	0	0
Additions	1	0
Disposals	0	0
At 31 March 2010	1	0
Depreciation at 1 April 2009	0	0
Charge for the year	0	0
Adjustment on disposal	0	0
At 31 March 2010	0	0
Net book value		
At start of year	0	0
At end of year	1	0

Obligations under these finance leases are:

	2009-10 £'000	2008-09 £'000
Amounts for leases expiring in one year	0	0
Amounts for leases expiring in years two to five	1	0
	1	0

11. Long-term financial assets available for sale

NHMF was set up as successor to the National Land Fund. The Trustees believed that, of the initial grant-in-aid that established NHMF, the sum of £10million should be regarded as the residue of the National Land Fund and is known as the endowment fund. They decided to invest it and to maintain its capital value in real terms when compared to the Retail Prices Index. Beyond that, the investment aim is to achieve sufficient growth in real terms to enable NHMF to meet its obligations. To this end, investment in readily marketable financial assets can be made outside the UK. A table below summarises the global investment spread. The surplus value of the endowment fund (i.e. the excess over the current value of the initial £10million) can be drawn down to fund NHMF's grant-giving. At 31 March 2010, the original £10million investment would be worth £34.5million taking into account indexation – the actual market value is £31.9million including cash held within the endowment.

The endowment fund comprises the following:

	Market value 2009–10 £'000	Book cost 2009–10 £'000
Long term financial assets	31,171	24,926
Cash	739	739
	31,910	25,665

The proportion of this fund held in cash is disclosed in these accounts as a current asset as part of the cash balances of NHMF. These investments were managed, on behalf of NHMF, by JP Morgan. JP Morgan buys and sells investments within the endowment fund on a regular basis as a consequence of their investment strategy. This is the reason that the assets are described as 'available for sale'. Trustees have no plans to liquidate the endowment fund. In April 2010, Trustees appointed Schroders to take over the investment of the endowment. The Trustees are not required to adopt the Trustee Investment Act 1961 when considering investment policy.

	2009–10 £'000	2008–09 £'000
Cost and net book value		
At 1 April 2009	23,387	20,060
Additions	1,826	5,406
Disposals	(275)	(2,009)
Accrued income	(12)	(70)
At 31 March 2010	24,926	23,387
Net book value		
Listed on the London Stock Exchange	0	0
Unlisted investments	24,926	23,387
	24,926	23,387
Cost	24,926	23,387
Market value	31,171	21,933
Unrealised gain/(loss)	6,245	(1,454)

Unlisted investments comprise unit trusts and international government stock. There is no liability to taxation on gains realised by NHMF.

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

	2009–10 %	2008–09 %
UK	71	69
Europe (excluding UK)	7	8
North America	17	18
Japan and Far East	5	5
	100	100

12. Trade and other receivables – all due within one year

	2009–10 £'000	2008–09 £'000
Prepayments and accrued income	2	12

No bad debt provision has been created as none of the above items is considered irrecoverable.

13. Payables: amounts falling due within one year

	2009–10 £'000	2008–09 £'000
Operating payables	5	2
Other payables including taxation and social security	4	1
Accruals and deferred income	40	39
	49	42

None of the liabilities of NHMF was secured. Of the above sums, £13,000 was payable to central government bodies (2008–09: £9,000).

Under IFRS, NHMF has recognised for the first time the liability for staff who have not taken holiday pay. At 31 March 2010, this cost was estimated to be £2,000.

14. Grant commitments

	2009–10 £'000	2008–09 £'000
At 1 April 2009	10,348	8,836
Grants paid in the year	(5,760)	(12,179)
Commitments created in the year	4,010	13,793
De-commitments	(80)	(102)
At 31 March 2010	8,518	10,348

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

	2009–10 £'000	2008–09 £'000
In one year	5,186	3,681
In two to five years	3,332	6,667
	8,518	10,348

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

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

	2009–10 £'000	2008–09 £'000
Balances owing to central Government	6,882	10,348
Balances owing to local authorities	1,285	0
Balances owing to other bodies	351	0
	8,518	10,348

15. Commitments

The total outstanding commitments under operating leases are as follows:

	2009–10 £'000	2008–09 £'000
Short leasehold property		
Expiring in one year	0	4
Expiring in years two to five	0	0
Expiring thereafter	98	0
	98	4

In addition, operating lease commitments of £12,296,000 (2008–09: £2,702,000) have been charged to HLF and are disclosed in the accounts of that Fund. This sum is split £12,275,000 on short leasehold property and £21,000 on other operating leases.

In previous years we have disclosed annual commitments; however International Accounting Standard 17 (IAS17) requires total commitments to be shown. The comparative figures have been adjusted. IAS17 also requires property leases to be split between their land and buildings elements. No split has been made in the above figures for short leasehold property as the amount of land under the leases is negligible.

NHMF has no capital commitments contracted for, or capital commitments approved but not contracted for.

16. Notes to the statement of cash flows

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

	2009–10 £'000	2008–09 £'000
Operating deficit	(4,061)	(13,501)
Interest receivable	19	102
Add back non-cash items		
– depreciation	1	2
– movement in provisions	0	0
– (decrease)/increase in grant commitment reserve	(1,830)	1,512
Decrease in receivables (excluding capital and investments)	10	18
Increase in non-capital payables	7	4
Net cash outflow from operating activities	(5,854)	(11,863)

b) Capital expenditure and financial investment

	2009–10 £'000	2008–09 £'000
Payments to acquire property, plant and equipment	(7)	(1)
Payments to acquire intangible fixed assets	(0)	(6)
Payments to acquire long-term financial assets available for sale	(1,826)	(5,406)
Receipts from sales of property, plant and equipment	0	0
Receipts from sales of long-term financial assets available for sale	271	2,262
	(1,562)	(3,151)

c) Analysis of changes in net funds

	At 1 April 2009 £'000	Operating cash flows £'000	Grant-in-aid £'000	At 31 March 2010 £'000
Cash at bank	1,830	(6,475)	20,000	15,355

17. Notional costs

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

18. Related party transactions

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

In addition, NHMF (including its Lottery distribution activities) has had a number of material transactions with another Government department. These transactions have been with the National Assembly for Wales. Further details of the transactions and balances with the Big Lottery Fund, Sport England and English Heritage can be found in the accounts of the Lottery distribution activities of NHMF.

No Trustee of NHMF had an interest in a body to which the Fund made a grant. Details of interests in Lottery grants are set out in the accounts of the Lottery distribution activities of NHMF.

A member of NHMF expert panel, Sir John Guinness, had an interest in an award made in the year. The panel advises Trustees on the heritage merits of grant applications. Sir John Guinness is a member of the development committee of the British Library. The British Library received a grant of £200,000 for the acquisition of Sir John Nabrough's journal and charts.

The Chair, Jenny Abramsky, is also chair of the University of London. During the year, NHMF hired a room for training purposes from the University. The cost of this was £394.

The Trustees are satisfied that in the above cases there was no personal involvement in the decision-making process or the possibility of personal financial gain for the individual. There were no other commercial transactions in which Trustees or staff had a material interest or influence.

Related party decisions have also been disclosed in the accounts of previous years; the decisions recorded above are those decisions made in 2009–10. Transactions occurred in 2009–10, in the form of grant payments, that related to decisions made in previous years.

19. Fair value reserve

	2009–10 £'000	2008–09 £'000
At 1 April 2009	(1,454)	6,176
Movement in the year	7,699	(7,630)
At 31 March 2010	6,245	(1,454)

The reserve relates to the difference between book cost and market value of long-term financial assets available for sale (see note 11). The difference between book and market value of property, plant and equipment (see note 10) is not material.

20. Financial instruments

Full disclosure under IFRS 7, 'Financial Instruments: Disclosures', is in the Management Commentary.

Chair, Trustees and Management

Chair

Dame Jenny Abramsky ²

Board of Trustees

Mike Emmerich *until 28 July 2009*

Kim Evans ²

Yinnon Ezra ¹

Kathy Gee

Doug Hulyer ¹

Tristram Hunt

Dan Clayton-Jones

Hilary Lade ²

Brian Lang

Alison McLean ¹

Matthew Saunders

Ronnie Spence ¹

Virginia Tandy *from 1 September 2009*

Richard Wilkin ²

Christopher Woodward

Management Board

Carole Souter ²

Chief Executive

Robert Bewley

Stephen Boyce

Karen Brookfield

Judith Cligman

Louise Lane

Patricia Langley

Sheena Vick

Steve Willis

¹ Member of Audit Committee

² Member of Finance and Resources Committee

NHMF investment panel

Sarah Bates

Richard Killingbeck

Sir Laurie Magnus

NHMF expert panel

Noel Annesley

Sir John Guinness

Richard Ovenden

Rosalind Savill

Giles Waterfield

NHMF team

Eilish McGuinness

Head of NHMF

eilishm@hlf.org.uk

020 7591 6055

Vanessa Wells

Senior Grants Officer

vanessaw@hlf.org.uk

020 7591 6115

Suzanne Baker

Senior Grants Officer

suzanneb@hlf.org.uk

020 7591 6068

National Heritage Memorial Fund

7 Holbein Place

London

SW1W 8NR

Telephone

020 7591 6000

Facsimile

020 7591 6001

Textphone

020 7591 6255

Website

www.nhmf.org.uk

Acknowledgements

Photography: (Front cover) Motor Gunboat 81, photo Peter Langdown Photography; Jenny Abramsky © Debra Hurford Brown; Staffordshire Hoard © Birmingham Museums & Art Gallery; Llwyn Celyn, Crown copyright: Royal Commission on the Ancient and Historical Monuments of Wales; Motor Gunboat 81 and High-Speed Launch 102, photo Peter Langdown Photography; Iris Murdoch letters to Raymond Queneau, photos Lis Parham; Vale of York Viking Hoard © The Trustees of the British Museum; Stepney dinner service, photos James Wild/ National Museum of Wales; Siegfried Sassoon in Sicily © The Executors of G.T. Sassoon (Deceased); *Welsh Landscape* © National Museum of Wales; Sir John Nabrough journal and charts, reproduced with the permission of the British Library; Lindo Hanukah Lamp © Jewish Museum London.

Designed and produced by the right stuff

Printed by Beacon Press using their **pureprint** environmental print technology – a low waste, low carbon, independently audited process that reduces the environmental impact of the printed product. Beacon is a CarbonNeutral® company accredited to ISO 14001 environmental management system and registered to EMAS the Eco Management and Audit Scheme. Produced using 100% renewable energy and vegetable oil based inks throughout.

Printed on Revive 75 Silk, a recycled paper which contains a minimum of 75% recycled waste and is manufactured at a mill accredited with ISO 14001 environmental management system. Please recycle after use.



information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & Email

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Order through the Parliamentary Hotline Lo-call 0845 7 023474

Fax orders: 0870 600 5533

Email: customer.services@tso.co.uk

Textphone: 0870 240 3701

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders: 020 7219 3866

Email: bookshop@parliament.uk

Internet: <http://www.bookshop.parliament.uk>

TSO@Blackwell and other Accredited Agents

Customers can also order publications from

TSO Ireland

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

ISBN 978-0-10-296453-0



9 780102 964530