

National Museum of Science and Industry

Annual Report and Accounts 2005–2006

Account, of the National Museum of Science and Industry prepared pursuant to Act 1992, c44, para 9(4) for the year ended March 2006, together with the Report of the Comptroller and Auditor General thereon.

Presented pursuant to Museums and Galleries Act 1992, c44, para 9(8)

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NMSI Account 2005–06

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Structure, governance and management

1.1 About NMSI

1.1.1 NMSI now

The National Museum of Science & Industry (NMSI) is devoted to the history and contemporary practice of science, medicine, technology and industry. Its collections, in the fields of science, technology, medicine, industry, transport and media, are the largest, most comprehensive and most significant in their field anywhere in the world. NMSI incorporates the Science Museum, the Science Museum Library and the Wellcome Museum of the History of Medicine at South Kensington; the National Railway Museum at York; the National Museum of Photography, Film & Television at Bradford; Science Museum Wroughton near Swindon; Locomotion: the National Railway Museum at Shildon; and Concorde 002 with its associated exhibition at Yeovilton. Collections stores are at Wroughton; Blythe House in West Kensington; Foundry Lane in York and Black Dyke Mills in Bradford.

1.1.2 History

The Science Museum has its origins in the South Kensington Museum set up soon after the Great Exhibition of 1851. The National Railway Museum (NRM), which opened in 1975, was established as a result of the transfer of the British Transport Commission's railway collection to the Board of Trustees of the Science Museum. The National Museum of Photography, Film & Television (NMPFT) was established in 1983 with the support of Bradford City Council as part of the council's economic redevelopment. Wroughton, a former Second World War airfield, was made available to the Museum by the Ministry of Defence in 1979. Locomotion: the National Railway Museum at Shildon was opened in 2004 in partnership with Sedgefield Borough Council.

1.1.3 Legal status

NMSI was run directly by Government until 1984 when the Board of Trustees of the Science Museum was established under the National Heritage Act (1983). Thereafter, the Museum ceased to operate as part of a Government department. NMSI now has the status of a non-departmental public body, operating within the public sector but at arm's length from its sponsor department, the Department for Culture, Media and Sport (DCMS). These Accounts fulfil the requirements of the 1983 Act and the Museums and Galleries Act 1992. NMSI is an exempt charity under the Second Schedule of the Charities Act (1960) and is recognised as charitable by the Inland Revenue. NMSI has a wholly owned subsidiary trading company, NMSI Trading Ltd (company registration no: 2196149) set up in 1988. This operates at all three Museums and covenants all taxable profits to NMSI. Bradford Film Ltd is a company limited by guarantee whose sole member is NMSI Trading Ltd.

1.1.4 Framework for operation

DCMS agreed a Management Statement and Financial Memorandum with the Museum in 2002–03; continuing receipt of the Grant is dependent upon the Museum's compliance. This sets out DCMS policy and financial requirements which include the relevant provisions of Government Accounting and such other guidance as the Treasury, Cabinet Office or DCMS have issued. It also describes the delegated powers and limits. The Funding Agreement between DCMS and NMSI defines the commitments by each party and can be seen on the NMSI website.

1.2 The organisational structure

1.2.1 Management of NMSI

The Board of Trustees of the Science Museum is responsible for the whole of NMSI. The Trustees, who may number between 12 and 20, are appointed by the Prime Minister and are responsible to him or her through DCMS. The Director of NMSI, as Chief Executive Officer, is responsible to the Board of Trustees and is accountable to the DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the National Heritage Act 1983, the role of the Trustees is to establish NMSI's policy, review performance and endorse appointments to key management positions. The chief role of Trustees is to assist the Chairman in meeting the Board's overall responsibilities, in accordance with the policies of the Secretary of State. Trustees offer guidance and expertise to the Chairman on NMSI's strategy and its practical implementation.

Trustee subcommittees reflect the individual Museums and cross-NMSI activity, and are detailed in section 4.4.

The group of senior managers reporting to the Director within NMSI is the Executive made up of the Director of NMSI, the Head of each Museum, the Chief Executive Officer of NMSI Trading Ltd and the Heads of NMSI-wide functions: Human Resources, Planning & Major Projects, Development, Finance, Information Technology, Corporate Communications and Estates. NMSI Executive is accountable to the Board of Trustees and DCMS. It is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining NMSI values.

1.2.2 Staff communications

NMSI puts considerable effort into staff communications. Regular staff briefings from the Director, NMSI and the Heads of Museums on strategic and topical issues are supplemented by NMSI-wide and Museum-specific newsletters as well as announcements and news on the intranet and by email.

In addition to communications via team briefings there are a number of forums where NMSI engages with staff representatives and officials from the Trades Unions on matters of mutual interest and concern. These forums are used for the usual business of negotiating pay and benefits, but also to collaborate on the development of a range of policies.

NMSI is currently upgrading the performance management process so that it not only assists with communicating business goals and aligning personal objectives to the wider business aims, but also looks at how results are achieved as well as the results themselves. Individual feedback will continue to be a key part of appraisal; the results of which will also be used to determine individual performance bonuses.

The staff opinion survey remains a primary vehicle for tracking and responding to staff views across a range of issues. At the beginning of 2006 a new on-line survey was undertaken and obtained a much improved response rate. Managers are currently discussing the survey results with their teams to understand the findings and decide what follow up action would be appropriate. As part of the process, focus groups assisted in defining the issues that were of most concern to staff and used this information to design the survey.

1.2.3 Equal opportunities policy and measures

It is NMSI policy that all eligible people shall have equal opportunity for employment and advancement in NMSI on the basis of their ability, qualifications and fitness for the work. There must be no discrimination based on sex, race, religion, age, physical disability or sexual orientation against any eligible person whether in recruitment, training, promotion or in any other way.

This policy pursues and builds on the statutory position. The intention is to comply as much with the spirit as with the letter of the legislation, and to establish and pursue an effective policy of promoting equal opportunity. It aims to reduce job segregation (that is where people of one group are concentrated in particular areas of work) and to make best use of the potential of all employees, regardless of race, gender or any physical disability.

NMSI has implemented pay and grading arrangements which are equality-proofed and, with assistance from its Trade Unions, has recently undertaken an equal pay audit to ensure things are on track. The EOC- and ACAS-approved four-stage process was used to ensure a robust approach, full compliance with Equal Pay legislation and alignment with the stated policy.

The past year has also seen NMSI working with the Shaw Trust and Access to Work and a range of specialist advisers to make reasonable adjustments to the workplace for staff and potential recruits with disabilities. As a result of their assistance, funding has been obtained and new facilities introduced to the workplace making a real difference to the working lives of a number of individuals. NMSI has been commended for the commitment it has shown to this important area.

Next year will see an expansion of programmes to take in more areas of the equality agenda.

1.3 Relationship between charity and related parties

The National Museum of Science & Industry is an executive Non Departmental Public Body whose parent body is DCMS. DCMS is regarded as a related party. Details of related party transactions are contained in note 25 to the Accounts.

Review of 2005–06 and plans for future periods

2.1 NMSI

2.1.1 Objectives and activities

In adherence with the National Heritage Act 1983, NMSI will:

- Care for, preserve and add to the objects in its collections
- Ensure that the objects are exhibited to the public
- Ensure that the objects are available to persons seeking to inspect them in connection with study or research
- Promote the public's enjoyment and understanding of science and technology and of the development of those subjects, both by means of the Museum's collections and by such other means as the Board consider appropriate.

NMSI has set out a **strategic vision** for the role that its Museums should play in the 21st century:

To inspire and engage audiences in the past, present and future of human ingenuity, through interaction with its unique collections and cultural resources.

NMSI mission was underpinned by six fundamental values:

- Engaging audiences
- Stimulating dialogue and debate
- Inspiring creativity and imagination
- Expanding understanding
- Facilitating personal meaning making
- Being relevant, authoritative and independent

NMSI strategy 2005–06 was to:

- Increase access to collections
- Engage visitors in evidence-based, issues-driven dialogue.

By

- Promoting greater understanding of science and technology related issues
- Winning more visitors
- Inspiring them to return.

To maximise impact NMSI will

- Earn more money – in as many ways as are possible for NMSI
- Control and focus what is spent
- Increase and improve NMSI's efficiency and processes.

To deliver its vision, NMSI will continue to make the most of its unique selling points: first-rate expertise, unequalled venues, pre-eminent collections and real experiences. It will provide a unique forum for debate about society's relationship with science and technology, medicine, transport, sustainable development, the media, photography, film and television. It will use technological advances and the proliferation of electronic and broadcasting channels to address new audiences. It will develop seamless suites of major exhibition, publication, traditional broadcast, interactive broadcast, web, broadband, wireless and new-media projects to maximise outreach.

NMSI will also continue to deliver its governmental objectives. These include the four strategic priorities of DCMS:

- **Children and young people:** Further enhance access to culture and sport for children and give them the opportunity to develop their talents to the full and enjoy the benefits of participation.
- **Communities:** Increase and broaden the impact of culture and sport, to enrich individual lives, strengthen communities and improve the places where people live, now and for future generations.
- **Economy:** Maximise the contribution that the tourism, creative and leisure industries can make to the economy.

- Delivery: Modernise delivery by ensuring sponsored bodies are efficient and work with others to meet the cultural and sporting needs of individuals and communities.

Legislation such as the Disability Discrimination Act and the Freedom of Information Act, requirements in areas such as pension provision and electronic records management, and Treasury resource accounting procedures will all be respected.

2.2 Science Museum

2.2.1 Objectives and activities

Objectives

The Science Museum puts visitors, both physical and virtual, at the heart of its vision. It aims to be the first choice for existing and new audiences seeking an opportunity to explore science, industry, technology and medicine. The provision of increased access to the collections is a central objective for the Museum, as is caring for the collections to safeguard them for future generations.

Specific objectives for 2005–06 were:

- East Hall refurbishment
- Ongoing programme of gallery refurbishment and redisplay
- Implementing a compelling, sophisticated, integrated programme of free and charged-for exhibitions and events.

Activities

The redisplay and reinterpretation of the Museum's internationally iconic engines in its East Hall opened in July 2005. The work improved not only the intellectual accessibility of the gallery, but also the facilities for visitors, including disabled access and a refurbished concourse, café and shop.

An *Ingenious* exhibition, *Inside the Spitfire*, marked the 65th anniversary of the Battle of Britain by focusing on this icon of British engineering and its designer R J Mitchell. The exhibition, which opened in August, featured a deconstructed Spitfire and a unique collection of Spitfire memorabilia, and received outstanding reviews and attention in major national print and broadcast media.

Conservation highlights included working on another of Mitchell's designs, the S6B Supermarine float plane *in situ* in the *Flight* gallery, allowing visitors to get a better understanding of the work involved in caring for the Museum's collections, as well as a joint project with the Computer Conservation Society to restore the Elliot 401 computer of 1953 into full operational order.

The year saw some major exhibition openings aimed at improving the visitor experience through innovative interpretation and engaging subject matters. In May 2005 the *Hitchhikers Guide to the Galaxy Exhibition* opened, running until September. The exhibition explored the science featured in Douglas Adams's work, from teleportation and supercomputers to parallel universes and the big bang. *The Science of Aliens* followed in October, combining the fascination people have with life on other planets with the work of leading scientists. Pure Iceland opened in January. Using projections and theatre the exhibition examined Iceland's move to become the world's first hydrogen economy, as well as its unique geography, geology and the ways in which it is harnessing energy from beneath the Earth's surface.

The Museum's *Antenna* series of exhibitions and events also continued to engage the public in dialogue about topical scientific innovations. The highlights of the *Antenna* 'feature' exhibitions included *Nanotechnology: small science, big deal*, displaying everyday nanotechnology objects, and *Building to the Limits*, showcasing models of safer, stronger, smarter and greener buildings than ever before. Its 'rapids' series on breaking news included a display on human cloning by scientists in Newcastle and South Korea, put together within two days of the announcement. Antenna events included the sell-out 'Can Science Make Poverty History?' held at the Dana Centre in the run-up to the G8 summit in Scotland.

The Dana Centre organised many thought-provoking events, projects and experiences for the public. The Dana team delivered the UK component of the European 'Meeting of Minds' project; designed to allow the public to discuss current and future research in brain science, with the participants' recommendations being submitted to policy-makers in the UK and Europe. The Light Lounge in January was a more relaxing Dana event: a space with light boxes where visitors could have light therapy designed to boost the low serotonin levels associated with seasonal affective disorder (SAD). The subsequent media coverage of the 'Light

Lounge' and other SAD events was phenomenal, and demonstrated the impact of the Dana Centre's innovative and cutting-edge programming.

The Museum's Schools and Community Outreach Team continued to deliver its programme, which focuses on delivering science shows and other events to schools and disadvantaged communities, who, in turn, are invited to the Museum. In 2005-06 programmes included the Creative Canal, Super Cool Show, Exploring Materials and Community Sounds and Voices projects, all of which had a successful uptake both from local schools as well as those around the UK. Also the highly successful Energy programme received an additional year of funding from BP. Engaging children in creating films about energy, the project gives them the opportunity to see their films screened in the Museum's IMAX theatre. The outreach team also delivered science sessions to young people throughout England enrolled at Notschool.net, a web-based community aiming to engage young people who are not able to participate in mainstream education. The year also saw the Museum's Punk Science team of explainers work in partnership with the British Council to deliver science shows internationally.

The Museum also participated in Black History Month in October 2005. This year the events focused on the contributions made by black scientists and inventors to science and technology. Approximately 3,500 visitors attended the events; exceeding the previous year's figures of 2,000 visitors. Teams across the Museum contributed to the programme, targeted at families, schools and community groups.

2.2.2 Achievements

The long-term solution to the continued future of the Science Museum Library was announced by the Museum and Imperial College in December. The agreement will ensure public access to the Library's most important collection at Imperial Central Library. The two partners will continue to work together to develop a library that will meet the needs of the 21st century with enhanced facilities and increased provision of study space.

The Einstein dinner took place in November 2005 to coincide with the centenary of the publication of Einstein's equation $E = mc^2$. The aim of the dinner was to support NMSI's, and especially the Science Museum's, fundraising strategies by bringing together senior figures from the various communities influencing the Museums' future. Over 250 guests attended, drawn from the worlds of science and technology, universities, research establishments, media, corporate and financial sectors, philanthropy, and major cultural institutions, as well as government. The event was particularly successful in laying foundations for a long-term expansion of NMSI's and the Science Museum's fundraising capacity.

One of the key highlights of the year was the outsourcing of exhibition creation, under the name *The Science of...*, to the new touring exhibitions company Science and Media LLP, with the support of Fleming Media. Exhibitions will be launched in the Science Museum and will then tour internationally. The Science of Aliens was the first in the series, which will also tackle other topics such as crime and speed.

The Schools and Community Outreach Team's programmes reached 42,000 people during the year. The contacts developed through projects such as Creative Canal – the floating classroom on Regent's Canal – which created new partnerships with Poplar and Lambeth Education Action Zones (EAZ). The projects, which trained students to run science shows for younger children, were a success, increasing the children's confidence and interest in science.

Access to the collections was increased through the Museum's tours of its object store at Blythe House, which were so popular that they sold out weeks in advance. The use of the Museum's collections was also increased through its curriculum-linked website *Making the Modern World Online*. The site continued to reach more new audiences, receiving over 800,000 visits during the year.

The Museum also received some notable awards and commendations during the year. In April, the Energy website and information zone won "Gold" in the Website Multimedia Awards, part of the International Visual Communication Awards. In January 2006 the solar-panelled roof in the Energy Hall was chosen as one of the ten best green energy projects of 2005 by the Department of Trade and Industry (DTI). The solar installation was part-funded by the DTI and is a central feature of the Energy – Fuelling the Future exhibition.

Volunteers

The Museum's 38 volunteers also carried out some important work, including rearranging stored objects at Blythe House to make them more accessible to the visitors. Other roles they performed included assisting with tours and conducting research.

Fundraising

The Science Museum raised £3,521,709 in large-scale long term funding for priority projects in 2005–06. The *Launch Pad* fundraising campaign was completed ahead of schedule due to magnificent support from Shell, Nintendo, the Garfield Weston Foundation and the Zochonis Charitable Trust. Continued commitment from existing funders such as BP and Deutsche Bank's continued support for education outreach and the Dana Foundation and Wellcome Trust's support of Dana Centre programmes was balanced by new support from the likes of the SITA Trust for *Antenna* and UBS's support of Science Nights. In 2005–06 the Science Museum's income from third parties was balanced across the trust and foundation, corporate and public sectors creating a more diverse and solid base for project support and an excellent platform for fundraising in future years.

2.2.3 Plans for future periods

The Museum will be working on improving its galleries. *Launch Pad* will be redeveloped and relocated next year and is due to open in its new home in November 2007. The gallery will have improved accessibility and amenities, and will deliver curriculum-linked content to a primary audience of 8 to 14-year olds. A new science gallery is due to open in 2009, and will strengthen the Museum's focus on object-rich galleries and the areas of cosmology, astronomy, physics and chemistry.

The Exhibition Road project is aiming to develop South Kensington as a cultural quarter through a strategic partnership with the other museums and institutions in the area. The Science Museum will clean its façade, redefine its front concourse and provide new entrances to improve accessibility and enhance the visitor experience.

The Science Museum Library project is going forward with efficient solutions to questions of accessibility and research. It is likely that the implementation of proposals, which started in January 2006, will take two years to complete. Parts of Science Museum Wroughton will be refurbished to accommodate this new role as will areas of the Science Museum building to provide consultation facilities.

National Museums at Chatham is an innovative and forward-looking sustainable development project at The Historic Dockyard, Chatham, designed to store and offer use of the very best of internationally pre-eminent ship model collections to attract and inspire different audiences. It is a unique partnership bringing together three national museums – Imperial War Museum, National Maritime Museum and Science Museum – with the Chatham Historic Dockyard Trust to create an exciting and innovative cultural facility.

2.3 National Railway Museum and Locomotion in Shildon

2.3.1 Objectives and activities

Objectives

The NRM is the largest railway museum in the world and England's most visited museum outside London. The NRM aims to build on these strengths by engaging the broadest possible audience with the story of the train.

In 2005–06 the Museum particularly aimed to:

- Build, care for and encourage the use of the national rail collection
- Provide a compelling experience for visitors both at York and Locomotion in Shildon
- Deliver programmes and services for the widest range of learners, both independently and through its partnerships with the Yorkshire Rail Academy and the Institute of Railway Studies and Transport History
- Take its programmes to diverse audiences nationwide.

Activities

The 2005–06 year saw many events bringing the NRM collections to life. It began with one of the key highlights '60 Years Ago – The Railways in War and Peace', a month-long series of events running during April and May 2005. Celebrating the 60th anniversary of the end of the Second World War, the events highlighted the importance of railways on the home front through presentations, an exhibition and interpretation by NRM explainers in costume.

The end of the year saw the work on the *Flying Scotsman Story* exhibition finished to budget and on time for the official opening in April. The project benefited also other areas of the Museum, including refreshed interpretation of many of the vehicles near the Percy Main footbridge. The overhaul project of the *Flying*

Scotsman itself was on schedule in March 2006. Before its overhaul, the locomotive operated trains between York and Scarborough throughout the summer under the 'Ride the Legend' banner, providing 23,000 passengers and countless viewers with an experience of steam express travel. Six other locomotives from the collection operated successfully both on the main line and on various heritage railways around England.

The NRM continued to provide various education activities and events for all ages across the region. Highlights included sleepovers organised for some 200 guides and brownies from East Yorkshire with the theme of 'the *Great Robber*', and *Please Touch*, a series of activities aimed at visitors with disabilities, which took place in June 2005. Activities included object handling and an interactive unit with sensors triggering railway sound sequences, piloted to develop programmes for children with disabilities. June also saw the Museum organising an event with York and Yorkshire Aim Higher informing secondary school students about Higher Education opportunities, with over 200 attendees. The NRM was also involved with a reminiscence project on the wartime experiences of people who worked at the site now occupied by the Museum. Led by the Active York organisation, the project material will be part of the Museum's displays and will be used as a valuable research resource.

Transporting Lives, Locomotion's first regional education project, produced high-quality artwork over the summer months in 2005. Activity weekends and workshops were held around the region and over 2,600 children took part. The final *Transporting Lives* exhibition opened in September as part of Locomotion's anniversary celebrations. Over the weekend 4,000 visitors enjoyed family activity events and six locomotives in steam. The project was entered into the Museums and Heritage Show award for Best Educational Initiative.

The year also saw an internationally important outreach project as the NRM established a link with the railway museum in Freetown, Sierra Leone. Young museum workers from Freetown attended an induction programme on railway heritage and basic museum skills. The links will be maintained to help ensure the success of their museum. Funded by DCMS via the Government's Africa Initiative, the exercise generated wide interest from the media both in the UK and in Sierra Leone.

The Museum also hosted two important conferences during the year. In May, representatives from museums with transport collections from all over the country attended a conference on setting up a Subject Specialist Network for Inland Transport with a goal of sharing expertise and increasing access to collections. In October the Institute of Railway Studies and Transport History hosted the third annual conference of the International Association for the History of Transport, Traffic and Mobility. Around 100 historians from all over the world attended.

2.3.2 Achievements

Both the NRM and Locomotion welcomed a record number of visitors in 2005-06; Locomotion exceeded its target of 50,000 by over 90,000 visitors.

There were many awards and nominations for Locomotion during the year. In November the Museum received the worldwide Dibner Award for Outstanding Museum Work. Established by the Society for the History of Technology (SHOT) in 1985, the Award recognises worldwide excellence in museums or exhibits that interpret the history of technology, industry and engineering for the general public. As recognition of the drive to maintain and improve the standards of its visitor services, the Museum also gained VAQAS (Visitor Attraction Quality Assurance Service) status in March 2006.

The NRM itself won a second Museums and Heritage Award, this time Best Marketing Campaign for the PR campaign which supported the acquisition of *Flying Scotsman*. The NRM was the only winner of more than one award.

The year also saw the completion of the Library Cataloguing Project, sponsored by the Arts & Humanities Research Council. Around 16,000 books and 800 serial titles are now available for online searching.

Volunteers

There were several major projects in 2005-06 that would not have been possible without the NRM's volunteers. During the year, around 250 volunteers worked on various projects and in ongoing roles such as staffing the Information Points in the Museum's two main halls, and driving and guarding the Miniature Railway. The major accomplishments would include support for the NRM crew running the *Flying Scotsman* summer services, involving 3,500 volunteer hours, and completing the digitisation of over 10,000 engineering drawings from the Southern Railway collections, now accessible to the public for the first time since acquisition.

Fundraising

The NRM experienced another busy year of fundraising, and exceeded its target of £1,845,000 by £40,100. In November 2005 the Heritage Lottery Fund confirmed the award of £995,000 towards the Museum's Search Engine project. In addition to this, the Museum raised funds to overhaul the iconic *Flying Scotsman* and secured new sponsorship funds from a variety of corporations including Network Rail, Bachmann Europe and GNER. GNER also contributed to the *Flying Scotsman* Story exhibition. The Corporate Partnership scheme continued to flourish, exceeding the £100,000 target, as existing partners renewed their membership. The NRM 2005 Annual Dinner was a great success with Arriva Trains Wales as the main sponsor.

2.3.3 Plans for future periods

The NRM is committed to providing a world-class service for its visitors, both through short-term and long-term plans.

The building of The Norwich Union Yorkshire Wheel on the NRM site started in March 2006. It gives an enhanced visitor experience: up to 400,000 wheel visitors are expected in the first year; 200,000 of whom are anticipated to visit the Museum for the first time. In fact visitor figures to the Museum for April were 115,162 – 68% over the April visitor target – and visitors to the Wheel were 173% over the Wheel target. Many of the region's key businesses and visitor attractions have welcomed the proposed new development. The Wheel will also allow the Museum to develop new corporate partnerships through unique sponsorship and private function opportunities.

The *Flying Scotsman* will be moved back on to mainline service in late 2007. Visitors to the NRM can see some of the overhaul process from the Workshop's viewing gallery.

Search Engine, a new public archive and information centre, will improve the care of and access to collections, develop the online product, and strengthen the Museum's standing and links with the railway industry and other national archives. Phase I of the project will be completed by autumn 2007, transforming the existing administration block into climate-controlled archive stores where visitors will be able to access the resources easily. Phase 2 will involve building a new archive repository adjacent to the administration block, if funding can be identified.

The NRM Masterplan looks at the long-term provision of the Museum's services to visitors. It will focus on the renewal of interpretation within the Great Hall as well as major improvements to orientation across the whole site, such as introducing a single entrance. A feasibility study will look into a major fundraising campaign, together with construction and installation in two phases aiming at 2009 and 2012 respectively.

The York Central project provides a future vision for the redevelopment of the area surrounding the Museum in conjunction with other partners. Still in its development stage, the project will aim to bring social and economic benefits to the region by offering affordable housing and new employment opportunities, as well as supporting the continuing development of a city with international prestige.

2.4 National Museum of Photography, Film and Television

2.4.1 Objectives and activities

Objectives

The NMPFT's overall objective is to become the National Media Museum. The Museum intends to be the UK centre for telling the story of media. It will retain its commitment to its current core subjects of photography, film and TV, and will broaden out to cover other media subjects including the internet, new media, and radio.

To deliver these long-term goals and to remain committed to its existing audiences and safeguarding its collections, in 2005-06 NMPFT aimed to:

- Define its target audiences
- Widen its remit, change its name and define its brand
- Gear its current assets to serve audiences better
- Refresh and renew in Bradford, and expand in and beyond Bradford
- Play a key role in generating the area of Bradford.

Activities

In 2005-06 the Museum made significant progress in improving the accessibility of its collections as well as in managing them more effectively. One of the key activities was the series of collections-based projects carried out by the Museum's volunteers under the Volunteers Pilot Project programme. They worked with previously unavailable collections, increasing their accessibility. The programme has informed the establishment of a wider Museum volunteer scheme.

Other activities included the digitisation of the Royal Photographic Society (RPS) collection and the commencement of a location audit at the Museum's off-site store at Black Dyke, helping the Museum care for, manage and develop its collections better. The Museum also provided specialist advice and support to cultural and heritage institutions within the city of Bradford and representation on external bodies, for instance Volunteering Bradford.

The year also saw many innovative education and outreach projects, both new and existing. Promoting Learning at Home introduces media literacy to local parents. It teaches them how they can engage their children in dialogue about what they are watching, listening to and interacting with. The sessions are the first of their kind, and there are plans to offer them on a more regular basis. The Museum also continued its groundbreaking project Youth TV which engages Bradford's socially and educationally excluded young people in learning about TV production. In addition this year, hard-to-reach families were encouraged to take part in workshops which focused on exploring how childhood experiences of growing up in Bradford differ between generations of parents and today's teenagers.

Youth TV participants were also involved in another highlight of the year, the commemoration of the end of the war, which over 2,000 participants attended in May 2005. The event included a special gala screening of interviews with older people created by the project participants. The BBC and Age Concern recorded people's memories for the People's War project.

NMPFT organised three festivals this year. The Bite the Mango Festival of World Cinema in September received a great deal of interest from the media. Films from more than 30 countries were presented, and guests included Anurag Kashyap, the controversial Indian director. Over 200 delegates attended the Bradford Animation Festival in December, highlights of which included screen talks from Aardman Animation's founder, producer and director Peter Lord. The Animators-in-Residence scheme was also announced. The scheme is run in conjunction with Channel 4 and involves developing projects in the Museum's *Animation* Gallery. The 12th Bradford Film Festival in March was also a success, featuring premieres of world cinema, interviews with film writers and directors, and retrospectives.

In October, the Museum celebrated the Bradford Fellowship with two exhibitions, one from the current Fellow Julian Germain and one from the first ever Fellow Raghbir Singh. Inaugurated in 1985, the Fellowship is a joint venture between the University of Bradford and Bradford College and has seen 12 photographers and artists with international reputations working with Bradford and NMPFT.

2.4.2 Achievements

The year also saw the completion of the RPS digitisation project with 5,000 images catalogued, reflecting the remarkable diversity of the RPS collection.

In July over 150 participants and their families joined the Museum for a celebratory screening of the Museum's Youth TV workshops. Owing to the success of the project, the Museum plans to roll out additional levels in the future, and to accommodate mentoring and work placements.

Fashionation, a major mixed media exhibition exploring the interplay of contemporary art and fashion, attracted the highest ever number of visitors for a non-blockbuster exhibition at NMPFT. Running from June until September it welcomed over 60,000 visitors.

The exhibition was also a communication success featuring in *Tatler and Vogue*, as well as *The Times* and *The Guardian*. Regional celebrations of 50 years of ITV also gained coverage for the NMPFT: the Museum hosted a special event as well as the filming of a documentary featuring key items from its collections. Furthermore, the announcement of the new TV gallery, *Experience TV*, opened in July 2006, was supported by strong regional coverage; all the major funders interviewed and the news was featured on BBC 2's *The Culture Show* and in *The Guardian*.

Volunteers

In January 2006 the NMPFT celebrated the first anniversary of its Volunteers Pilot Project programme. Thirteen volunteers worked on various collections-based projects with numerous accomplishments, including sorting, cross-referencing and shelving of an estimated 2,000 television commercials. Their work has helped ensure that *Insight*, the Museum's Collection & Research Centre, will have a more focused subject collection. The programme also led to the establishment of an NMPFT Volunteers Committee.

Fundraising

In 2005-06 the NMPFT continued the development team's healthy track record, exemplified by the successful campaign for Experience TV. The Museum raised a total of £3,139,100, exceeding its attainment goal by £578,100.

A new, long-term fundraising strategy was devised during the year, developing a tiered Business Partners Scheme. The scheme, to start officially in the financial year 2006-07, aims to increase support for the Museum from local businesses as well as major national and international companies, also enhancing engagement with the greater Bradford community. A community programme, with a focus on core Museum disciplines and targeting general visitors and school visits, will run alongside the scheme in early 2007. The final component in the plan is the inaugural Annual Fundraising Dinner, a new venture for the Museum aimed at raising both money and awareness.

By growing a steady, committed pool of annual corporate relationships, chances of securing sponsorship for other projects – events, festivals and exhibitions – are improved. All in all, the plan is to lay the foundation for the future as the National Media Museum.

2.4.3 Plans for future periods

The NMPFT is to be relaunched as the National Media Museum later in 2006. During 2005-06 a review of the NMPFT's strategy, its activities, operations and audiences, led to a rebranding exercise that responded to the planned broadening of the Museum's subject coverage into such areas as radio and converging electronic communications including the web.

The year also saw the Museum redefining its target audiences as part of the overall plan. Two groups were identified: the general audience, particularly families with children wanting an intelligent day out, but also the specialist audience with a direct interest in the subject matter. The future plans also include an enhanced commitment to media skills and media literacy learning, as well as opening *Experience TV* in July 2006. Furthermore, detailed work on proposed new developments such as the film gallery is due to be completed by early April 2006. Another key strategic objective is to open a satellite operation in London.

The NMPFT acquisition and disposal policies will form key building blocks required for the MLA Accreditation process, due to start in 2007. The local audit in the storage facility at Black Dyke will contribute to the Museum's transition to its new remit as the National Media Museum. This will represent the first stage of an NMPFT-wide collections audit exercise, contributing to the objective of reinterpreting the Museum's assets and gearing them to serve the Museum's audiences better.

2.5 Science Museum Wroughton

2.5.1 Objectives and activities

Objectives

Science Museum Wroughton aims to inform choice, inspire creativity, invention and innovation, and change lives to secure an environmentally sustainable future. The team at Wroughton operates within this long-term vision for the site – whilst giving the highest priority to the development of the National Collections Centre (NCC).

The goals for 2005-06 and in the long term were:

- NCC – to transfer reserve collections to Wroughton, create partnerships with national museums, allow longer visits, introduce fresh learning programmes and support sustainable development
- Completing Engineering Building – providing space for the local community, stakeholders and education groups, fundraising groups and conservation workshops
- Improving public access and enhancing the annual events programme and education activities
- Improving PR – actively managing communications with stakeholders, the local community and the media

- Improving learning/ outreach – building on excellent work with local schools
- Attracting more families to the site, as well as currently under-represented groups such as women and ethnic minority groups.

Activities

The planning and design of the NCC continued with specific reference to collections management, care and conservation, including scoping projects for object movement. This long-term vision of delivering the NCC informed one of the biggest activities during the year, namely making space for the Science Museum Library reserve collections. Work to survey, identify and tag objects in the hangar to be cleared began in the summer of 2005, and the objects were moved out in March 2006. The other major development towards the NCC was refurbishing the Engineering Building and transferring the collections team and conservation facilities there. Staff relocated to the new office space in January, and workshops and laboratory facilities were operational in April. The year also saw the radioactive object storage relocated to a new secure store.

In July the collections and conservation staff assisted in the set-up of Digistar projection system in D4 hangar. They carried out an extensive document search in uncatalogued library archives.

The public openings proved to be popular. 'Probe', the June public programme focused on space exploration using simulated Mars landers and miniature remote-controlled robots, was attended by 950 visitors. In the same month, the 'Astronomy for All' lecture, one of the 'Open Ended' series, also welcomed 136 attendees. The first open day of 2006 was held in March, with two hangars open to the public: 747 people visited. The year also saw the launch of Wroughton's holiday clubs. Three successful clubs took place with a programme consisting of hands-on science and technology activities, led largely by the children themselves.

In December Wroughton participated in a planning session with Swindon Local Education Authority and Ridgeway School to run the school's 2006 science festival. The site team were asked to design the central programme and prepare teacher support packs for the event.

The *Mars Habitat* was delivered in December and the reconstruction of the three-storey space capsule started in early January. The habitat is on loan from the Mars Society and Wroughton is the only location in the UK where it will be displayed. It will be used as a classroom for visiting school groups and be part of other education activities taking place next year.

2.5.2 Achievements

Science Museum Wroughton more than doubled its visitor numbers taking part in its cultural programming, visitor figures rising from 12,175 in 2004-05 to 24,544 in 2005-06 as part of overall visitor numbers of 47,538.

The key highlights included three major moves completed in three months; firstly, building a new store for and relocating the radioactive objects was completed in February 2006; secondly, the move to make space for Library reserve collections, completed one week ahead of schedule in March; and, thirdly, transferring the collections team and conservation facilities to the Engineering Building in April.

The year also saw the first exhibition, *Food Choices*, opening in the new Collections Access Facility in the Engineering Building in November 2005. The facility allows for more in-depth storytelling and interpretation, as well as exhibiting previously unseen objects.

The Learning and Access unit also had a successful year: the number of visitors to the evening lecture series, schools visits and public openings more than doubled compared with the previous year. For instance, the summer openings saw visitor numbers rising from 1,330 during 2004 to 5,700 during the same period in 2005.

Fundraising

Fundraising for the NCC continued to be the main long-term priority for Wroughton. A variety of avenues were explored and relationships developed with possible sources of funding.

2.5.3 Plans for future periods

Science Museum Wroughton will focus on securing funding for and installing a range of renewable technologies around the Engineering Building, on researching sustainable development technologies for the NCC, and improving on the Environmental Key Performance Indicators for the whole site

There are also long-term plans to increase publicity for the site in the local area. Firstly, the Events Brochure will be completed and distributed in April 2006, followed by a specific education brochure for local schools

and colleges soon after. Secondly, the site is participating in Swindon Borough Council's 'Make the Connection' project. Designed to change people's perceptions of Swindon, the project will increase Wroughton's publicity in particular during the Corporate Games based in Swindon later in 2006. To ensure consistent visibility of the Science Museum Wroughton brand in the local area, close contacts will also be maintained with local newspaper *The Swindon Advertiser*. Lastly, Science Museum Wroughton will be active in the Wiltshire and Swindon Destination Management Partnership, started in March 2006 to focus on tourism in the region.

2.6 National Services

2.6.1 National activities

In 2005-06 the Board of Trustees approved the NMSI Acquisitions and Disposals Policy. The Policy defines what kind of objects fall within the collecting remit for each NMSI museum, and clearly identifies the process for disposal of material. NMSI has a joint understanding of the disposal powers of Trustees with DCMS and the policy is fully compliant with this understanding.

The NMSI Collections Management Policy was also approved by Trustees during the year. It forms an overarching policy which embraces the different collections management policies required by any large museum.

Environmental policies were prepared by the Green Teams for their respective sites to be signed off by the management teams and the Heads of Museums. The policies demonstrate NMSI's commitment to manage energy, waste and water more carefully, and identify invest-to-save options for each site. The process will help to set achievable targets for the reduction of energy use.

NMSI also developed new plans for procedures for Asbestos Management and Managing Contractors during the year. A Security Review of the Science Museum site was also undertaken to improve the protection required to protect NMSI assets and collections, and is due to be implemented in 2006-07.

The whole organisation also took part in a Priority Based Budgeting (PBB) exercise. Initially the NRM carried out the exercise in July 2005, followed by National Functions, Science Museum Wroughton, the NMPFT and finally the Science Museum in April 2006. The main focus of the PBB – a structured management approach to planning and budgeting overheads and services – was a detailed activity analysis of individuals, departments and Museums/National Services' activities. The results of the exercise have already informed NRM's activities in 2005-06, and will similarly assist the rest of NMSI in the prioritisation of activities and allocation of funds in the next year.

2.6.2 National achievements

In June 2005, recruitment for a new Director started. The selection process involved both public advertisement and executive search activity, with a selection panel participating in and guiding the process. This panel included NMSI trustees, DCMS members and the Director of the British Museum. NMSI's Head of Human Resources was also in attendance. Following scrutiny of a long list and short list, a final decision was made in early 2006 and an invitation extended to Martin J Earwicker FREng, at that time Chief Executive of the Defence Science and Technology Laboratory (DSTL). Martin J Earwicker took up his new post in early May 2006.

In October 2005 Cynthia E Rallis, previously Director of Development for the Cleveland Museum of Art, took up the position of Head of Development to lead the development activity of NMSI.

The IT and Collections Management teams at the Science Museum successfully implemented a new version of the NMSI Collections Database, Multi-MIMSY. The new system, MIMSY XG, is a great improvement on the old. A substantial training programme accompanied the implementation of the new system.

2.6.3 National plans for future periods

Major investment in the IT infrastructure will take place between 2006 and 2008, starting at the NRM. This will result in much greater resilience supporting the ever-expanding use of the networks across NMSI.

Support by the national services for major schemes in project management, legal, financial, IT and HR areas will continue in 2006-07. Information on more detailed activity can be found in the relevant Museum sections.

2.7 Performance

2.7.1 Performance against core DCMS targets

These targets are those set three years previously and have not been flexed in response to different circumstances at each Museum. Records held at each Museum form the source of the information.

NMSI-wide	Target 2005-06	Outturn 2005-06
No. of visits to the Museums	3,960,000	3,576,679*
No. of website visits	5,550,000	12,634,572
Number of child visits to the Museums	1,526,000	1,207,210
No of children in on and off-site organised sessions	302,000	522,445

* Total visitor numbers include 7331 visitors to Dana Centre events and 851 visitors to Blythe House

Science Museum (South Kensington)	Target* 2005-06	Outturn* 2005-06
No. of visits to the Museums	2,400,000	2,019,931
No. of website visits	3,900,000	6,817,432
Number of child visits to the Museums	984,000	709,581
No of children in on and off-site organised sessions	182,000	387,937

* The shortfall against target arises from the impact of the terrorist attacks in July 2005 on visitors to London.

NMPFT*	Target 2005-06	Outturn 2005-06
No. of visits to the Museums	760,000	615,431
No. of website visits	900,000	3,956,449
Number of child visits to the Museums	266,000	215,403
No of children in on and off-site organised sessions	62,000	44,002

* The visitor numbers are expected to increase in 2006-07 in response to the opening of Experience TV.

NRM	Target 2005-06	Outturn 2005-06
No. of visits to the Museums	670,000	744,472
No. of website visits	750,000	1,017,246
Number of child visits to the Museums	234,000	227,095
No of children in on and off-site organised sessions	50,000	83,445

Locomotion: NRM at Shildon	Target 2005-06	Outturn 2005-06
No. of visits to the Museums	50,000	141,125
No. of website visits	N/A	N/A
Number of child visits to the Museums	18,000	43,097
No of children in on and off-site organised sessions	N/A	4,483

Science Museum Wroughton*	Target 2005-06	Outturn 2005-06
No. of visits to the Museums	80,000	47,538
No. of website visits	N/A	N/A
Number of child visits to the Museums	24,000	12,034
No of children in on and off-site organised sessions	8,000	2,578

* Since the targets were set in 2003, the visitor programme was re-evaluated and rebuilt from 2005.

2.7.2 Performance on key performance indicators (KPI)

KPI	NRM	Locomotion	NMPFT	SM	Wroughton	All NMSI
Adult visitors	517,377	98,028	400,028	1,310,350	35,504	2,369,469*
Visitors over 60	59,959	13,905	86,161	112,067	5,138	277,230
Overseas visitors	44,668	2,882	49,850	515,082	N/A	612,482
Repeat visits	476,462	55,038	375,413	1,145,301	N/A	2,052,214
UK visitors from an ethnic minority background	4%	1%	14%	15.3%	N/A	9.5%
UK C2DE visitors	39%	52%	29%	16.1%	46%	21.7%
Learners in on-site educational programmes	72,565	3,483	76,754	42,869	2,578	198,249
Learners in Outreach educational programmes	30,614	1,000	3,779	42,000	831	78,224

Loans from collections

	NRM	NMPFT	Science Museum	Wroughton
English venues	66	Incl. below	112	1
UK venues	74	16	124	1
Overseas visitors	3	14	26	0

2.8 List of awards and nominations

NRM

- York Tourism Bureau Award for Event of the Year for '*A Day Out with Thomas*'
- Museum and Heritage Show Award for Best Marketing Campaign for 'the Acquisition of *Flying Scotsman*'
- Events Department: Media Today Unique Conference Venue of the Year 2006
- Nominated for Yorkshire Tourist Board White Rose Award for Visitor Attraction of the Year
- Nominated for York Tourism Bureau Award for Marketing Campaign of the Year
- Andrew Scott, Director of the NRM, received a CBE for his services to museums
- Camilla Harrison, Marketing Manager for Rail Operations at the NRM, was awarded York Hospitality Association Award for Tourism Employee of the Year

Locomotion

- County Durham Environment Award 2004 (awarded June 2005)
- Museum and Heritage Award for Excellence for Permanent Exhibition
- Society for the History of Technology Worldwide Dibner Award for Outstanding Museum Work 2005
- VAQAS (Visitor Attraction Quality Assurance Service) status in March 2006
- Finalist for the Gulbenkian Prize for Museum of the Year
- Short listed for Care of Collections Award -Conservation Awards 2005
- Short listed for the 2005 Museum of the Year Award
- Accepted as an entry for the European Museum of the Year Award 2006 (results announced in May 2006).

Science Museum

- Science Museum's solar panelled roof named one of ten best energy schemes by the DTI
- *Energy – Fuelling the Future* gallery won IVCA (International Visual Communications Awards) "Gold" for best website, and Best Design for museums, galleries and visitor attractions in the *Design Week Awards* in April 2005
- *Making the Modern World Online* won Best Educational Use and Best Overall Museum website at the Museums and the Web conference in Vancouver
- *Energy – Fuelling the Future* gallery nominated for Best Permanent exhibition in Museums & Heritage Awards for Excellence April 2005
- Dr Peter Morris selected to receive the 2006 Sidney M. Edelstein Award for Outstanding Achievement in the History of Chemistry, presented by the Division of the History of Chemistry of the American Chemical Society

NMPFT

- Philippa Wright received the 2005 Colin Ford Award from the Royal Photographic Society in recognition of her contribution to the institutional partnership between the RPS and the NMPFT.

2.9 List of exhibitions

Started between 1 April 2005 and 31 March 2006

	Opened	Closed
NRM		
<i>Waterloo</i>	09/04/2005	04/09/2005
<i>Catching the Phoenix</i>	09/09/2005	01/06/2006
<i>The Railway Children</i>	22/10/2005	30/01/2005
Locomotion		
<i>Rail Art 2005</i>	26/08/2005	01/10/2005
<i>Transporting Lives</i>	24/09/2005	04/12/2005
<i>Steam Twilight</i>	16/02/2006	13/04/2006
NMPFT		
<i>Fashionation</i>	10/06/2005	18/09/2005
<i>Lifetimes: Portrait Projects by Julian Germain</i>	14/10/2005	26/02/2006
<i>Raghubir Singh: From One World to Another</i>	14/10/2005	26/02/2006
<i>Elliot Erwitt: A Retrospective</i>	16/03/2006	01/05/2006
<i>Mark Power: A System of Edges</i>	16/03/2006	01/05/2006
Science Museum		
<i>The Hitchhiker's Guide to the Galaxy Exhibition</i>	28/05/2005	27/11/2005
<i>Inside the Spitfire</i>	15/08/2005	01/07
<i>Building to the Limits (Antenna)</i>	15/09/2005	19/03/2006
<i>Dead Ringers? (Antenna)</i>	29/03/2006	01/10/2006
<i>12 gallery 'rapid' exhibitions (Antenna)</i>		
<i>The Science of Aliens</i>	15/10/2005	26/02/2006
<i>Visions of Science 2005</i>	29/09/2005	14/11/2005
<i>Digital You</i>	07/11/2005	02/06
<i>Pure Iceland</i>	20/01/2006	23/04/2006
<i>Move Over Einstein</i>	16/04/2005	12/06/2005
<i>BBC3/Honey we're killing the kids</i>	09/11/2005	01/05/2006
<i>MacRobert Award – Bluecore</i>	24/01/2006	01/12/2006
<i>Einstein case</i>	01/11/2005	01/01/2006
<i>Nuclear waste – can you handle it?</i>	21/01/2006	23/04/2006

2.10 List of publications

NRM

Publications from the Institute of Railway Studies

Colin Divall:

'Technological networks and industrial research in Britain, the London, Midland and Scottish Railway, 1926-47', *Business History*, 48/1 (January 2006), pp. 43-68

Colin Divall & George Revill:

'No need to turn: reply to Michael Freeman', *Journal of Transport History*, 3rd ser., 27/1 (March 2006)

Barbara Schmucki:

'Straßenbahn, U-Strab oder U-Bahn? Historische Konjunkturen des ÖPNV', in Bettina Gundler, Michael Hascher and Helmut Trischler (eds), *Unterwegs und Mobil: Verkehrswelten im Museum* (Frankfurt am Main., 2005), pp.191-204

Publications from the NRM

Phil Atkins:

'The Great Cull of 1962', *Steam World* (August 2005)

'Some reflections on locomotive engineers of the North Eastern Railway', *British Railway Journal*, Special NER Edition (December 2005)

Ed Bartholomew:

'Railway Photography', in Robin Lenman (ed.), *Oxford Companion to the Photograph* (Oxford University Press, October 2005)

Russell Hollowood:

'The little train that could', BBC News website, 26 March 2006,
<http://news.bbc.co.uk/1/hi/magazine/4812304.stm>

NMPFT

Tony Earnshaw :

Beating the Devil: *The Making of 'Night of the Demon'* (NMPFT Publishing/Tomahawk Press, 2005)

Science Museum

Tilly Blyth:

'Curating for broadband', in J Trant and D Bearman (eds), *Museums and the Web 2005: Selected Papers from an International Conference* (Toronto: Archives & Museum Informatics, 2005), pp 205-212

'Model system: Babbage's Analytical Engine', *Nature Physics*, 2/3 (March 2006), p.210

Tim Boon:

'Got-to-have gadgets' (on contemporary collecting), *Museums Journal* (June 2005), pp 18-19

Robert Bud:

'The medicine chest: the history of antibiotics', in *Antibiotics in Focus. An Unwinnable War* (Wellcome Trust, 2005), pp 4-6

'Antibiotics, big business and consumers: the context of government investigations into the post war American drug industry', *Technology and Culture*, 46(2005), pp 329-49

'Three generations of the history of technology online: compendia, stories and networks' in Annette Noschka-Roos, Walter Hauser and Elisabeth Schepers, *Mit Neuen Medien im Dialog mit den Besuchern* (Berliner Schriften zur Museumskunde, 2005)

(Associate ed. with Helmut Trischler, eds Bernard Finn and Barton C Hacker) *Materializing the Military* (London: Science Museum, 2005)

Doug Millard:

[ed. with Martin Collins, advisory ed. Robert Bud, associate eds Bernard Finn and Helmut Trischler] *Showcasing Space* (London: Science Museum, 2005)

An Overview of United Kingdom Space Activity 1957-1987, HSR-36 (Noordwijk: ESA, 2005)

'Black Arrow R4: a candidate for materialising the history of technology', in Martin Collins and Douglas Millard (eds), *Showcasing Space* (London: Science Museum, 2005), pp 29-49

'United Kingdom space activity, 1957-1987', *The Extended ESA History Project (Proceedings of the Concluding Workshop)*, SP-609 (Noordwijk: ESA, 2005), pp. 65-68

'Why I ... believe science fiction helps our understanding of science fact', *Times Higher Education Supplement* (27 May 2005), p18

Peter Morris:

'Archer John Porter Martin' in *Oxford Dictionary of National Biography. 2002 Supplement*. (Oxford University Press, 2006)

Essay review of Anthony S Travis, *Dyes Made in America 1915-1980. The Calco Chemical Company, American Cyanamid, and the Raritan River*; Bernhard Lorentz and Paul Erker, *Chemie und Politik. Die Geschichte der Chemischen Werke Hüls 1938 bis 1979. Eine Studie zum Problem der Corporate Governance*; and Hans-Ludger Dienel, *Die Linde AG. Geschichte eines Technologiekonzerns 1879-2004*, *Ambix*, 53 (2006) pp 83-86

Andrew Nahum:

Frank Whittle - Invention of the Jet, paperback edn (Cambridge: Icon Books, 2005)

'Under the skin of the Spitfire', *Top Gear* (October 2005), pp 128-131

Jon Tucker:

[assisted by Ian Carter & Nick Wyatt], 'The Science Museum Library', *Rare Books Newsletter*, 75 (August 2005), pp 37-42.

Jane Wess:

'George III, scientific societies and the changing nature of collecting', in *The Wisdom of George III* (London: Royal Collections Publications, 2005), pp 313-330

Science Museum Wroughton

Rebecca Dawson:

'Costing the Earth', *Museums Journal* (March 2006), p 16

Financial Review

3.1 Review of financial position

The 2005-06 year started well across NMSI in terms of visitors and the NRM, NMPFT and Locomotion, especially, achieved better than expected visitor attendances. Visitor levels to the Science Museum were significantly affected by the terrorist attack on 7 July 2005, such that the normal summer-holiday numbers did not materialise at all and visitors only started returning at more normal levels towards the end of the year. However, overall, NMSI's visitor numbers were only 7.1% below numbers in 2004-05.

3.1.1 Income and expenditure

Income received for 2005-06 was £57.8m, (2004-05, £59.4m). The increase in Grant in Aid was £1m. Of the restricted element, £0.4m was restricted in support of the Science Museum Library changes and £0.1m in support of the Merrion Monotype collection. Income from Sponsorship (£2m), Lottery (£0.7m) and from grants and donations (£5m), comprised, in the main, funding for *Launch Pad* redevelopment (£2.8m), support for *Experience TV* at the NMPFT (£1.3m), the *Flying Scotsman* exhibition at NRM (£0.4m), Science Museum Library (£0.4m), 'Wasting Opportunities' at the Science Museum (£0.3m), Locomotion (£0.2m) together with a variety of funding for shorter-term exhibitions and programmes.

Rental income was maximised at all sites but especially at Wroughton where storage space has been utilised effectively to increase external rental. Other income related to service charges to tenants, services to visitors and contributions from Sedgfield Borough Council towards the costs at Locomotion.

Commercial income was adversely affected by the lower visitor numbers over the summer at the Science Museum following the terrorist attacks in London and off-site activities. Sales of licensed goods through external retailers increased significantly during the year.

Operational costs were contained at £65.1m (2004-05, £66.3m) despite inflation pressures. Of this, salaries comprise £26.2m (40.2%), and depreciation £15.5m, 23.7%. Attention to energy usage reduced the impact of price rises for 2005-06 but a much greater effect will be felt in 2006-07. Tight cost control as a result of reduced commercial profit meant that there was little discretionary internal funding for Museum programmes but restricted income supported a range of programmes and temporary exhibition developments.

3.1.2 Balance Sheet

Fixed Assets increased by £7.4m from £254m to £261m, mainly as a result of index-based revaluation offset by depreciation, but also through new assets to a value of £5.5m, the most significant additions being:

- £1.2m – East Hall refurbishment including shop/café at SM
- £1.0m – *Experience TV* - new gallery at NMPFT
- £0.8m – *Flying Scotsman* exhibition at NRM
- £0.7m – Visitor and conservation centre at Wroughton

Cash balances rose by £2.2m primarily as a result of advance sponsorship and donations towards *Launch Pad*.

Debtors and short-term creditors had minimal net movement.

The Early Retirement provision of £1.1m comprises the liability for future compensation payments for staff who have taken early retirement from the Museum.

3.1.3 Restricted funds

Sponsorship, Grants and Donations reserve rose by £1.9m mainly as a result of donations and sponsorship received for the *Launch Pad* renewal.

3.1.4 Designated reserves

The Museum Improvement Fund fell by £0.4m as a result of expenditure on the East Hall renewal.

3.2 Risk management

The Corporate Risk Group, comprising members representing all sites and functions, monitored the major risks and measures in place to manage them during the year, reporting to the Audit Committee and the Board of Trustees. Risk assessment and management formed an integral part of business planning and project management.

Significant NMSI-level risks during the year arose from external events in the form of terrorism and pandemic flu and from scarcity of and competition for funding for both capital and operational needs. The increasing burden of statutory compliance and its rightful priority for resources strained the already tight budgets. Concerns about trading income, especially post July in the light of the visitor impact at the Science Museum, together with concerns about the Museum IT and building infrastructure with resultant impact on collections care, also came high on the list of concerns.

3.3 Financial policies

3.3.1 Creditor policy

The Museum creditor policy follows the Government-wide standard of meeting agreed payment terms (or by 30 days where no payment terms have been specifically agreed). Under this, 67% of payments were made within this policy for 2005-06, the same level as 2004-05. Areas for improvement have been identified for further action.

3.3.2 Investment policy

The Trustees are empowered to invest by the Trustees Act 2000. NMSI makes the best use of limited cash investment opportunities by ensuring that all funds identified as surplus to working capital are reviewed daily and invested on short to medium term facilities in a secure manner to maintain their value over time. Until longer-term surplus cash can be identified, investment of a more permanent nature is not planned; the position is reviewed on a periodic basis. Social, environmental and ethical considerations would be taken into account.

3.3.3 Reserves policy

Funds have been allocated to a Contingency Reserve to provide a reserve for use when significant unforeseen costs arise. The reserve is normally kept at a level between £1m and £2m depending on the recent calls on the fund and the size of the current capital programme. The level of the fund is reassessed annually as part of the budget activity and also when any major change in the level of activity is planned. As a result of the provision to support Early Retirement, it is temporarily at a lower level but will be rebuilt as soon as funds permit. Unrestricted general funds usually arise from the previous year's surplus and are allocated for expenditure or to a designated reserve in the following year. See sections 1.8, 1.9 and 1.10 in the notes to the Accounts.

3.3.4 Museum Specific target: sponsorship cost as a percentage of income generated

Sponsorship continues to be of vital importance to the Museums. The cost of the sponsorship function as a percentage of income generated is an important indicator of efficient management and accountability. On the basis of a three-year rolling average (to even out initial costs), we aim to spend no more than 15% of the money raised on direct administration.

Rolling 3 year average	Target 2005-06	Actual to end of year
NMSI wide average	15%	6%

List of sponsors and donors

Alstom Transport UK	Learning & Skills Council
Arriva Trains	Leeds City Council
Art Council England	Liverpool John Moores University
Arts & Business	Lloyds TSB Foundation for England & Wales
Arts Council England, Yorkshire	
	Mondriaan Foundation
Bachmann Europe plc	Moveright International Ltd
BASF	Museums, Libraries and Archives Council
BP International Limited	
Bradford & Bingley	National Heritage Memorial Fund
Bradford Vision	Nintendo UK
British Psychological Society	NODE.London
	Northern Rail Limited
Calouste Gulbenkian Foundation	
Commission of the European Communities	One NorthEast
CSR plc	
	Porterbrook Leasing Company Ltd
DEFRA	
Department of Trade and Industry	R T Thorpe
Deutsche Bank	Railfilms
Dr Margaret Elmes	Railnews
Durham County Council	Rural Renaissance Partnership
ECSITE	Screen Yorkshire
Energy Saving Trust	Sedgefield Borough Council
English Nature	Shell UK Limited
English Welsh & Scottish Railway	Siemens plc
Environment Agency	Sir Peter Shepherd Charitable Trust
European Regional Development Fund	SITA Trust
Esmee Fairbairn Foundation	South West of England Development Agency
	Steam Railway Magazine
First TransPennine Express	Susan Weingarten
Forestry Commission	
Friends of the National Railway Museum	The Dana Foundation
	The Great Britain Sasakawa Foundation
Garfield Weston Foundation	The Particle Physics and Astronomy Research Council
GNER	The Sidney E Frank Foundation
GW Travel/The Trans-Siberian Express Company	Toshiba Agency Corporation
	Tyne & Wear Museums
HBOS Community Foundation	
Heritage Lottery Fund	Viridor Credits Environmental Company
IBM	Wellcome Trust
Intel Corporation	Wolfson Foundation
JE Baker	YMLAC
	York College
King Baudouin Foundation	Yorkshire Forward
Kodak Eastman Charitable Trust	Yorkshire International Business Convention

List of Corporate Partners

SCIENCE MUSEUM

Patron	BP GlaxoSmithKline
Benefactor	American Express BNFL IBM UK PPARC The UK Steel Industry UBS
Member	Actavis Akzo Nobel Bakkavor Group Baugar Group Excel Airways Halcrow Group Ltd Icelandair Iceland telecom Jaguar F1 Team in Schools Kaupthing Bank Landsbanki Islands National Savings and Investments Novator Smiths Group plc
Associate	Arup Group Ltd CMS Cameron McKenna Convergent Network Solutions DS Print & Redesign Farrer & Co Kyocera Fine Ceramics Tranter Lowe Walfords

NATIONAL RAILWAY MUSEUM

Patron	BT Central Japan Railway Company English Welsh & Scottish Railway Eurostar First TransPennine Express Jarvis Rail Network Rail Porterbrook Leasing Company Limited The Readers of Steam Railway Magazine West Coast Railways West Japan Railway Company
Benefactor	Atkin Rail Bachmann Europe plc Corus Rail Consultancy Hornby Railnews Wabtec Rail Ltd
Member	Arriva Trains Wales GNER ModelZone NedRailways Saville Audio Visual William Cook Cast Products
Associate	BBC North Yorkshire – Radio York Dulay Seymour Creative Communications Honeywell Control Systems Nick Derbyshire Architects Restaurant Associates Simons Construction Ltd

NATIONAL MUSEUM OF PHOTOGRAPHY, FILM & TELEVISION

Patron	Aagrah Hallmark James Robinson Jobcentre Plus Last Cawthra Feather Principles Agency Rex Procter & Partners Skipton Building Society Walker Morris	Honorary Partner	BBC Bradford & Bingley Kodak
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Reference and administrative details of the charity, its Trustees and advisers

4.1.1 The name of the charity

Under the National Heritage Act 1983 the Board of Trustees of the Science Museum created the charity generally known by the name of The National Museum of Science & Industry (NMSI).

Of which parts are:

- The Science Museum (SM)
- The National Railway Museum (NRM)
- Locomotion, the National Railway Museum in Shildon
- The National Museum of Photography, Film & Television (NMPFT)
- Science Museum Wroughton

4.2 The address of the principal office of the charity and its charitable company

4.2.1 Museum addresses

Science Museum

Exhibition Road
London
SW7 2DD

National Railway Museum

Leeman Road
York
Yorkshire
YO2 4XJ

National Museum of Photography, Film & Television

Pictureville
Bradford
BD1 1NQ

Science Museum Wroughton

Hackpen Lane
Wroughton
Wiltshire
SN4 9NS

Blythe House

23 Blythe Road
London
W14 0QF

Locomotion: the National Railway Museum at Shildon

Shildon
County Durham
DL4 1PQ

4.2.2 Company information

NMSI Trading Ltd

Directors

Sir Ronald Cooke (resigned 15 November 2005)
Mr D Gurr
Mr Martin Smith
Dr Lindsay Sharp (resigned 30 June 2005)
Mr R Steele
Mr Jon Tucker (from 1 July 2005)

Secretary

Ms Anne Caine

Registered office

Exhibition Road
South Kensington
London
SW7 2DD

Registered number

2196149

Bradford Film Ltd

(a company limited by guarantee)

Directors

Mr Michael Wilson
Ms Molly Jackson
Mr Colin Philpott

Secretary

Ms Anne Caine

Registered office

Exhibition Road
South Kensington
London
SW7 2DD

Registered number

3309258

4.3 The Board of Trustees of NMSI

Numbers in brackets refer to membership of subcommittees, as listed below.

	Date of current appointment	Expiry of appointment
Chairman		
The Rt Hon Lord Waldegrave of North Hill (7)	01.07.02	30.06.06
Members		
Sir Ron U Cooke PhD DSc FRGS AcSS DL (2) (4) (6)	06.06.02	05.06.06
Professor Ann Dowling CBE FREng FIMechE FRAeS FRS (3) (5) (7)	24.08.04	23.08.08
Mr Greg Dyke	03.10.00	02.10.05
Dr Anne Grocock MA (1) (3)	08.03.01	07.03.06
Dr Douglas Gurr (6) (9) (10)	06.06.03	05.06.07
Mr Richard Haythornthwaite (9)	06.06.02	05.06.06
Mr David E Rayner CBE (1) (4)	28.01.02	27.01.06
Lord Rees of Ludlow FRS (7)	06.06.03	05.06.07
Dr Maggie Semple OBE (8) (2)	10.10.03	09.10.07
Dr Simon Singh MBE (7)	12.07.02	11.07.06
Mr Martin G Smith MA MBA MA (Econ) (2) (6) (10)	24.08.04	23.08.08
Professor Roderick A Smith MA PhD ScD FCGI FREng CEng FIMechE FIM (1) (4)	23.04.02	22.04.06
Professor Kathy Sykes (7) (8)	10.10.03	09.10.07
Sir William Wells (9)	06.06.03	05.06.07
Mr Michael G Wilson (5) (10)	13.02.04	12.02.08

4.4 Trustee subcommittees and subsidiary company boards

- (1) Audit Committee (Chair – Dr Anne Grocock to 07.03.06, Mr Haythornthwaite from 08.03.06)
- (2) Finance and General Purposes Committee (Chair – Mr Martin G Smith)
- (3) Remuneration Committee (Chair – Mr Martin G Smith)
- (4) NRM Trustee Subcommittee (Chair – Mr David Rayner to 27.01.06, Sir Ron U Cooke from 28.01.06)
- (5) NMPFT Trustee Subcommittee (Chair – Mr Michael G Wilson)
- (6) Board of Directors of NMSI Trading Ltd (Chair – Dr Douglas Gurr)
- (7) Science Museum Trustee Subcommittee (Chair – The Rt Hon Lord Waldegrave of North Hill)
- (8) Wellcome Wolfson Building Trustee Subcommittee (Chair – Dr Maggie Semple)
- (9) Wroughton Trustee Subcommittee (Chair – Sir William Wells)
- (10) NMSI Development Trustee Subcommittee (Chair – Mr Michael G Wilson)

4.5 Full membership of Trustee subcommittees with non-Trustee members

NMPFT Trustee Subcommittee

Chairman Mr Michael G Wilson (Trustee)

Members Professor Ann Dowling - for one year from 16 March 2005 (Trustee)
Mr Peter McCormick OBE
Mr Philip Robinson
Professor Chris Taylor

NRM Trustee Subcommittee

Chairman Mr David E Rayner CBE (Trustee to 27.1.06); Sir Ron U Cooke from 28.1.06

Members Mr David Atkinson
Sir Ron U Cooke (Trustee)
Mr Christopher Garnett
Mr Brian Greenwood MCM
Mr Simon Linnett
Ms Sue Palmer
Mr Frank Paterson
Professor Roderick A Smith (Trustee)

Science Museum Trustee Subcommittee

Chairman The Rt Hon Lord Waldegrave of North Hill (Chairman of Trustees)

Members Dr Nicolas Barker
Dr Jim Bennett
Professor Ann Dowling (Trustee)
Dr Graham Farmelo
Ashley Highfield
Dr Clare Matterson
Lord Rees of Ludlow (Trustee)
Dr Christine MacLeod
Dr Gill Samuels CBE
Dr Simon Singh (Trustee)
Professor Kathy Sykes (Trustee)
Dr Robyn Williams

Wellcome Wolfson Building Trustee Subcommittee

Chairman Dr Maggie Semple OBE (Trustee)

Members Professor Elizabeth N Anionwu CBE
Professor Colin Blakemore
Dr Graham Farmelo
Sir Roland Jackson Bt
Dr Clare Matterson
Mr Paul Ramsbottom
Mr E F Rover
Professor Kathy Sykes (Trustee)
Professor Richard Wiseman

NMSI Development Trustee Subcommittee

Chairman Mr Michael G Wilson (Trustee)

Members Mr John Crawford
Dr Douglas Gurr (Trustee)
Mr Martin G Smith (Trustee)

4.6 Methods adopted for recruitment and appointment of new trustees

No new Trustees were appointed in 2005-06. The process of appointing Trustees in 2006-07 is taking place in accordance with the procedures defined by DCMS under which descriptions of the roles required will be advertised early in 2007, interviews conducted and recommendations made to the DCMS for appointment by the Prime Minister in accordance with the National Heritage Act 1983.

4.7 Policies and procedures for induction

Since no Trustees have been appointed during 2005-06, no induction has been necessary. However induction training will be in place for new Trustees being appointed in 2006-07.

4.8 Executive Committee

Dr Lindsay Sharp (6) to 30.06.05	Director
Mr Jon Tucker	Acting Director, NMSI from 01.07.05-02.05.06/Head of Science Museum
Mr John Bevin from 06.12.05	NMSI Head of Estates
Ms Mel Burns	NMSI Head of IT
Ms Anne Caine	NMSI Head of Finance
Mr Clive Gordon	Head of Science Museum Wroughton
Ms Molly Jackson	Chief Executive, Science Museum Solutions
Mr Andrew Leitch	NMSI Head of Planning and Major Projects
Mrs Adele McAllister	NMSI Head of Human Resources
Mr Colin Philpott	Head of National Museum of Photography, Film & Television
Mr Matthew Pudney	NMSI Head of Corporate Communications
Ms Cynthia Rallis from 05.10.05	NMSI Head of Development
Mr Andrew Scott	Head of National Railway Museum

4.9 Register of interests

The Trustee Register of Interests is available for inspection on application to the Committee Manager.

4.10 List of NMSI advisers

Auditors

NMSI

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

NMSI Trading Ltd and Bradford Film Ltd

Moore Stephens
Chartered Accountants
1 Snow Hill, London EC1A 2EN

Bankers

NMSI

Barclays Bank plc
Floor 27
1 Churchill Place, London E14 5HP

NMSI Trading Ltd and Bradford Film Ltd

Barclays Bank plc
Floor 27
1 Churchill Place, London E14 5HP

Solicitors

NMSI

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

NMSI Trading Ltd and Bradford Film Ltd

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

Cameron McKenna
Mitre House
160 Aldersgate Street, London EC1A 4DD

The audit of the National Museum of Science & Industry's statement of accounts by the National Audit Office (NAO) enables the Comptroller and Auditor General to fulfil his statutory duty under Section 9 (8) of the Museums and Galleries Act 1992 to lay annually before Parliament certified copies of the accounts and his report. Moore Stephens audited NMSI Trading Ltd.

The fees due to NAO for Audit Services amounted to £46,800. Further project-grant audit certification work to the value of £1,500 was performed by NAO during 2005-06 (2004-05: £1,000).

As far as the Accounting Officer is aware there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Rt Hon. Lord Waldegrave of North Hill
Chairman of the Board of Trustees



Date 11.07.06

Mr Richard Haythornthwaite
Chairman of the Audit Committee



Date 11.07.06

Martin J Earwicker
Director and Accounting Officer

Date 11.07.06

Remuneration Report

Membership

The membership of the Remuneration Committee comprised:

Mr Martin Smith (Chair)
Professor Ann Dowling
Dr Anne Grocock (retired 7 March 2006)
Lord Waldegrave of North Hill

The Director, Dr Lindsay Sharp, and NMSI Head of Human Resources, Ms Adele McAllister, were in attendance at the meeting which reviewed staff pay (except for discussion concerning their own pay and performance).

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

The Remuneration Committee reviews salaries of all Museum senior managers whose jobs are of a certain size (as determined by formal job evaluation) and of Trading staff paid above £50,000. This level will be reviewed year on year.

At the beginning of the year, senior managers are set objectives based on the Museum's business plans. At the end of the year they are assessed by the Director on how far they have achieved their objectives and their performance is rated accordingly. The Chairman of Trustees assesses and rates the Director's performance. All ratings are then reviewed by the Remuneration Committee. All of senior managers' pay depends on performance being delivered.

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

- The projected budget for the annual staff settlement
- Salary levels internally and in the marketplace (through salary surveys)
- Job size and whether this has changed over the period (through formal evaluation, where applicable)
- The performance and contribution of the individual over the period (through performance appraisal).

Policy on duration of contracts, notice periods and termination payments

Senior staff are permanent employees of either the National Museum of Science & Industry or of NMSI Trading Ltd apart from the Director who is on a five year contract and the Head of Communications who is on an annual contract. Notice periods for senior employees are between one and three months, for the Director, six months. Termination payments are in accordance with Museum or NMSI Trading Ltd contractual terms.

All Museum employees are members of the PCSPS Pension scheme with associated redundancy and early retirement conditions. Civil Service pension details are given in notes to the accounts at 5.2.2. All NMSI Trading Ltd staff are entitled to payments as defined under the Employment Rights Act 1996 unless individual contracts define other terms.

The Board of Trustees of the Science Museum, who hold overall responsibility for NMSI, are not remunerated. Expenses paid are disclosed in Note 5.2.3 to the Annual Accounts.

Director

The Director, Dr Lindsay Sharp, was appointed for a period of 5 years from 1 July 2000. At the end of his five year term on 30 June 2005, Dr Lindsay Sharp completed his contract as Director of NMSI but continued to be employed to assist with the National Collections Centre project until 30 September. Jon Tucker, Head of the Science Museum, was appointed Acting Director from 1 July 2005.

'Remuneration' includes gross salary; performance pay or bonuses; overtime; reserved rights to London

weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. Dr Sharp had the use of a flat for which he paid rent (benefit in kind value 2005-06, £1,662; 2004-05, £3,407). His wife had use of a space made available by the Museum to operate a small kiln from March 2001 (benefit in kind value 2005-06, £103; 2004-05, £200).

	2006 £	2005 £
Dr Lindsay Sharp		
Remuneration (i)	148,256	130,000
Benefit in kind	1,765	3,607
Employer's pension contribution	16,076	24,179
Total accrued pension at age 60 as at 31 March	12,017	10,775
Real increase in pension at age 60	1,112	2,049
Total lump sum at age 60 as at 31 March	36,050	32,326
Real increase in lump sum at age 60	3,335	6,148
CETV at start date (31 March 2005; 31 March 2004)	218,850	150,241
CETV at end date (30 Sept 2005; 31 March 2005)	286,086	194,023
Real increase in CETV	12,456	21,605
Jon Tucker		
Remuneration (ii)	73,875	-
Employer's pension contribution	18,314	-
Total accrued pension at age 60 as at 31 March	11,121	-
Real increase in pension at age 60	1,595	-
Total lump sum at age 60 as at 31 March	-	-
Real increase in lump sum at age 60	-	-
CETV at start date (01 July 2005)	93,228	-
CETV at end date (31 March 2006)	145,589	-
Real increase in CETV	20,873	-

(i) Figure quoted is for the period 1 April 2005 to 30 June 2005. The full-year equivalent is £130,700

(ii) Figure quoted is for the period 1 July 2005 to 31 March 2006. The full-year equivalent is £98,500

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 his or her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of his or her purchasing additional years of pension service in the scheme at his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. Please note that the factors used to calculate the CETV were revised on 1 April 2005 on the advice of the Scheme Actuary. The CETV figure for 31 March 2005 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2006.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

As the Trustees and the Director exercise ultimate responsibility and authority for controlling the major activities of the entity, NMSI has determined that additional disclosure of emoluments and pension entitlements is inappropriate.

Mr Martin Smith
Chair of Trustee Remuneration Committee



Date 11.07.06

Martin J Earwicker
Director and Accounting Officer



Date 11.07.06

Statements

Statement of Trustees' and Director's responsibilities

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

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

- Observe the accounts direction issued by the Secretary of State*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgments and estimates that are reasonably prudent
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that NMSI will continue in operation.

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

The Rt Hon. Lord Waldegrave of North Hill
Chairman of the Board of Trustees



Date 11.07.06

Mr Richard Haythornthwaite
Chairman of the Audit Committee



Date 11.07.06

Martin J Earwicker
Director and Accounting Officer.



Date 11.07.06

*a copy of which is available from the Accounting Officer, Science Museum, London SW7 2DD

Statement on the system of internal control

As Chairman of the Trustee Audit Committee and representative of the Board of Trustees and as Accounting Officer we have responsibility for maintaining a sound system of internal control that:

- Supports the achievement of the objectives of the National Museum of Science & Industry
- Safeguards the public funds and assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Government Accounting
- Ensures compliance with the requirements of the National Museum of Science & Industry's Management Statement and Financial Memorandum
- Has incorporated risk management within the strategic business planning process.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Museum's policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

Separate Trustee subcommittees give strong, direct support to each Museum in addition to the existing Finance and General Purposes Subcommittee, the Audit Subcommittee and the Remuneration Subcommittee. Following the review of the performance of the Chairman, Board of Trustees and Director in 2004-05, most of the recommendations were implemented in 2005-06 with some held until the new Director was in place in 2006-07. A Management Statement outlining key responsibilities and Financial Memorandum is in place between DCMS and NMSI.

The system of internal control is based on an ongoing process designed to identify the principal risks to the achievement of the Museum'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.

During 2005-06 NMSI continued to plan the implementation of its objectives through the business plans, which included an assessment of the major risks to achieving these objectives. A number of the major risks – the lack of gallery renewal, impairment of visitor experience, meeting increasing statutory obligations, limited ability to deliver DCMS agendas, concern about care of the collections, a backlog of property refurbishment (with attendant risk of a major property failure) and restricted IT investment; all stem from continued cumulative pressure on the funding of core activities. Other major risks include the threat of terrorism or other external disaster, loss of reputation, impact of regional decline, planning uncertainty and failure to develop the full potential of trading income or to secure other non Grant in Aid revenue.

Risk evaluation informs our actions in managing these risks efficiently, effectively and economically as we implement our plans to achieve the objectives over the coming years. Risk management is incorporated into the corporate planning and decision-making processes of the Museum following the Strategic Review process. During 2005-06 we have monitored our progress towards the achievement of the objectives.

The Board received reports from the Chairs of the Audit and Finance and General Purposes Committees and the Director concerning matters affecting internal control and the minutes of all subcommittees are distributed to Trustees. During 2005-06 the Museum acted on the recommendations of the external Health and Safety review while continuing the health and safety programmes. Two incidents have led to close working with the HSE to enhance standards of health and safety in selected areas. The security review at the Science Museum took place during 2005-06, its recommendations to be implemented in 2006-07.

The system of internal control has been in place in NMSI for the year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, in accordance with Treasury Guidance. The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- A management team comprising the Heads of Museums and of major national functions which meets monthly to consider the plans and strategic direction of the Museums
- Regular reports from managers to the Audit Committee, Finance and General Purposes Committee or management team (as appropriate) on the steps they are taking to manage risks in their areas of responsibility including progress on key projects
- Annual completion of internal control schedules by senior managers to confirm their compliance with NMSI's internal control standards

- Continual development of a range of robust system controls designed to ensure the integrity of NMSI's IT networks and external communications links
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Trustees
- Monitoring of the achievement of key performance indicators against budget and Funding Agreement
- Regular reviews by the Board of Trustees of progress against the key performance indicators indicating attainment against objectives and of periodic and annual financial reports which indicate financial performance against the forecasts
- A Funding Agreement between NMSI and the Department for Culture, Media and Sport which includes performance measures for future years
- Clearly defined capital investment prioritisation and control processes
- As appropriate, formal project management disciplines paying particular attention to risk and contingency levels
- The establishment of the Corporate Risk Group in 2004-05, chaired by the NMSI Head of Finance, reporting to the Audit Committee, which is responsible for
 - (i) developing and monitoring the implementation of the Museum's risk strategy
 - (ii) monitoring changes in the corporate risk profile and, via its Chairman
 - (iii) reporting significant changes to the Director, the Audit Committee and the Board of Trustees
- The Corporate Risk group is responsible for the maintenance of an organisation-wide risk register, progressing work to develop a consistent evaluation framework and encouraging the use of ongoing control and risk self assessment procedures
- Maintenance of Register of Interests for Trustees, subcommittee advisers and senior staff.

In 2005-06 the National Museum of Science & Industry used the internal audit services of AHL Ltd, which operates to the Government Internal Audit Standards. AHL Ltd has provided internal audits and annual assurance for 2005-06 to the Accounting Officer. The work of the internal audit provider is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Trustees' Audit Committee and approved by NMSI. The Head of Internal Audit (HIA) provides NMSI with regular reports on internal audit activity in the body. The reports include the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal control, together with recommendations for improvement. In the internal audit annual report for 2005-06 the HIA gave reasonable assurance on the effectiveness of the Museum's risk management, control and governance processes but noted that some of the individual audits undertaken during the year indicated the need for early remedial action.

As Chairman of the Audit Committee and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the department who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management review letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board and the Audit Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

Mr Richard Haythornthwaite

Chairman of the Audit Committee and Trustee



Martin J Earwicker

Director and Accounting Officer.



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

I certify that I have audited the consolidated financial statements of the National Museum of Science & Industry for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Summary Income and Expenditure Account, the Consolidated Balance Sheet and Museum Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and Department for Culture, Media and Sport directions made thereunder. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the National Museum of Science & Industry has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 34-35 reflects the National Museum of Science & Industry's compliance with HM Treasury's guidance on the statement on internal control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the National Museum of Science & Industry's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the sections of the Annual Report titled: 'Structure, governance and management'; 'Review of 2005-06 and plans for future periods'; 'Financial review'; and 'Reference and administrative details of the charity, its Trustees and advisers'; and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial

statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In my opinion:

- The financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Department for Culture, Media and Sport, of the state of the National Museum of Science & Industry and the group affairs as at 31 March 2006 and of the incoming resources and application of resources of the group for the year then ended
- The financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museum and Galleries Act 1992 and the Department for Culture, Media and Sport directions made thereunder
- In all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

Date 14 July 2006

Financial Statements

CONSOLIDATED SUMMARY INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	2006 £000	2005 £000 <small>(restated, see note 27)</small>
Total income of continuing operations	57,762	59,402
Total operating expenditure	<u>(65,059)</u>	<u>(66,345)</u>
Total (deficit)/surplus for the year	(7,297)	(6,943)
Movement on Capital Funds	<u>12,814</u>	<u>10,153</u>
Operating (deficit)/surplus for the year	5,517	3,210
Less: transfer to Capital Funds	<u>(3,084)</u>	<u>(7,686)</u>
Net operating (deficit)/surplus for the year	<u>2,433</u>	<u>(4,476)</u>

Movement on Capital Funds is equal to the net income and expenditure (excluding gain/loss on revaluation) for the Collection Purchase Fund (£1,575k); the Capital Projects Fund (£12,405k) and the Revaluation Reserve (£1,984k). (See note 15)

The transfer to Capital Funds is the total net transfers from the Non-Capital Funds: Sponsorship, Grants and Donations Reserve (£2,393k), Museum Improvement Fund (£637k), and General Funds (£54k). (See note 15)

The notes on pages 44 to 63 form part of these accounts

NATIONAL MUSEUM OF SCIENCE & INDUSTRY

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 MARCH 2006

	Notes	2006 Unrestricted funds £000	2006 Restricted funds £000	2006 Total £000	2005 Total £000 (restated, see note 27)
Incoming Resources					
Incoming resources from generated funds					
Grant in Aid from DCMS	2	33,568	525	34,093	33,119
Voluntary income	2	240	4,741	4,981	6,200
Activities for generating funds					
Income from commercial activities	6	13,446	-	13,446	13,710
Rental income from operating leases	2, 6.1	487	-	487	373
Investment income	4	196	-	196	161
Incoming resources from charitable activities					
Lottery income	2	-	664	664	3,671
Sponsorship	6.1	268	1,747	2,015	943
Other income	3	1,880	-	1,880	1,225
Total incoming resources		50,085	7,677	57,762	59,402
Resources expended					
Costs of generating funds					
Costs of generating voluntary income		3,124	13	3,137	3,078
Commercial costs (fundraising trading: costs of goods sold and other)		14,678	-	14,678	14,201
Charitable activities					
Care for and research into collections		9,070	4,232	13,302	14,234
Science education and communication		14,155	7,924	22,079	22,259
Visitor services		9,180	2,294	11,474	12,232
Governance costs		391	-	391	341
Total resource expended	5	50,598	14,463	65,061	66,345
Notional cost of capital	7	1,395	3,576	4,971	4,710
Net incoming/(outgoing) resources		(1,908)	(10,362)	(12,270)	(11,653)
Reversal of notional costs		1,395	3,576	4,971	4,710
Net incoming/(outgoing) resources for the year		(513)	(6,786)	(7,299)	(6,943)
Gain/(Loss) on revaluation of assets	8	1,488	15,957	17,445	11,277
Net movement in funds		975	9,171	10,146	4,334
Fund balances brought forward at 01.04.05		25,669	228,216	253,885	249,551
Fund balances carried forward at 31.03.06		26,644	237,387	264,031	253,885

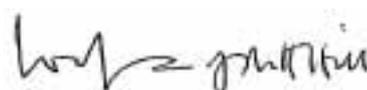
All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period. The Museum has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented.

The notes on pages 44 to 63 form part of these accounts

NATIONAL MUSEUM OF SCIENCE & INDUSTRY
CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £000	2005 £000 <small>(restated, see note 27)</small>
Fixed assets			
Intangible assets		8	13
Tangible assets	8	249,810	243,939
Heritage assets		11,560	10,032
		261,378	253,984
Current assets			
Stock		620	610
Debtors	11	7,558	7,860
Short-term deposits	23	5,000	-
Cash in hand and at bank	23	412	3,164
		13,590	11,634
Creditors: amounts falling due within one year	12.1	(6,690)	(7,006)
Net current assets		6,900	4,628
Total assets less current liabilities		268,278	258,612
Creditors: amounts falling due after one year	12.2	(3,157)	(3,399)
Provision for liability and charges			
Early-retirement provision	13	(1,090)	(1,328)
Net assets		264,031	253,885
Represented by:			
Restricted funds:			
Sponsorship, Grants and Donations Reserve	16	4,366	2,493
Revaluation Reserve	18	21,805	7,451
Capital Projects Fund	19	211,216	218,272
		237,387	228,216
Unrestricted funds:			
Designated funds			
Museum Improvement Reserve	20	3,892	4,255
Collections Purchase Fund	17	119	71
Revaluation Reserve	18	2,902	1,796
Capital Projects Fund	19	18,688	19,425
Contingency fund	15.1	623	15
Post Office Building Purchase Reserve	15.1	100	-
General funds	21	320	107
		26,644	25,669
Total funds		264,031	253,885

Rt Hon. Lord Waldegrave of North Hill



Date July 2006

Richard Haythornthwaite



Date July 2006

Martin J Earwicker

Date July 2006

The notes on pages 44 to 63 form part of these accounts

NATIONAL MUSEUM OF SCIENCE & INDUSTRY
MUSEUM BALANCE SHEET AS AT 31 MARCH 2006

	Notes	2006 £000	2005 £000 <small>(restated, see note 27)</small>
Fixed assets			
Tangible assets	8.2	243,003	236,948
Heritage assets		11,560	10,032
Investments	6	411	411
		254,974	247,391
Current assets			
Stock		-	-
Debtors	11	9,585	9,429
Short-term deposits	23	5,000	-
Cash in hand and at bank	23	305	2,783
		14,890	12,212
Creditors: amounts falling due within one year	12.1	(4,655)	(4,488)
Net current assets		10,235	7,724
Total assets less current liabilities		265,209	255,115
Creditors: amounts falling due after one year		(583)	(633)
Provision for liability and charges			
Early-retirement provision	13	(1,090)	(1,328)
		263,536	253,154
Net assets			
Represented by:			
Restricted funds:			
Sponsorship, Grants and Donations Reserve	16	4,366	2,493
Revaluation Reserve	18	21,805	7,451
Capital Projects Fund	19	211,216	218,272
		237,387	228,216
Unrestricted funds:			
Designated funds			
Museum Improvement Fund	20	3,892	4,255
Collections Purchase Fund	19	119	71
Revaluation Reserve	18	1,670	755
Capital Projects Fund	19	18,688	19,425
Contingency Fund	15.1	623	14
Post Office Building Purchase Reserve		100	-
General funds	21	1,057	418
Total funds		26,149	24,938
		263,536	253,154

Rt Hon. Lord Waldegrave of North Hill



Date July 2006

Richard Haythornthwaite

Date July 2006

Martin J Earwicker

Date July 2006

The notes on pages 44 to 63 form part of these accounts

NATIONAL MUSEUM OF SCIENCE & INDUSTRY
CONSOLIDATED CASH FLOW FOR THE YEAR TO 31 MARCH 2006

	Notes	2006 £000	2005 £000
Net cash inflow from operating activities	23.1	5,829	9,609
Returns on investments and servicing of finance	23.2	119	84
Capital expenditure	23.2	(3,658)	(12,116)
Management of liquid resources	23.2	(5,000)	-
Financing	23.2	(42)	(173)
(Decrease) in cash	23.2	(2,752)	(2,596)
Reconciliation of net cash flow to movement in net funds			
(Decrease) in cash in the period		(2,752)	(2,596)
Cash outflow from increase in liquid resources	23.2	5,000	-
Decrease in debt and lease financing	23.2	42	173
Change in net fund resulting from cash flow		2,290	(2,423)
Net funds as at 01.04.05		2,416	4,839
Net funds at 31.03.06		4,706	2,416

The notes on pages 44 to 63 form part of these accounts

NOTES TO THE CONSOLIDATED ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting convention

The accounts have been prepared under a historical cost convention as modified by the revaluation of certain fixed assets. Without limiting the information given, the accounts meet the accountancy and disclosure requirements of the Companies Act 1985 and of the Accounting Standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate. They also comply with the Statement of Recommended Practice, 'Accounts and Reports by Charities', issued by the Charity Commissioners and revised in 2005 and with HM Treasury's Financial Reporting Manual.

Consolidated accounts have been prepared which include the Museum and its subsidiary companies, NMSI Trading Ltd and Bradford Film Ltd.

1.2 Incoming resources

All income is accounted for on a receivable basis. Grant in Aid from the Department for Culture, Media and Sport allocated to general purposes is taken to Statement of Financial Activities in the year in which it is received. Sponsorship and donation income including Lottery income is recognised as income when the conditions for its receipt have been met. (Notes 2, 3, 4)

1.3 Expenditure

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of financial statements.

Costs of generating voluntary income include fundraising and publicity costs incurred in seeking voluntary contributions to the Museum, and in publicising the Museum.

Charitable expenditure comprises direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resources as set out in note 5.1.2

Governance costs are the costs associated with the governance arrangements and the costs associated with the strategic management of the charity's activities. These costs include internal and external audit, legal advice for Trustees and costs associated with constitutional and statutory requirements. An analysis of resources expended is set out at note 5.1.1

1.4 Amortisation, fixed assets valuation and depreciation

The intangible asset is being written off in equal instalments over its estimated economic life of 3 years. Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life. A full year of depreciation is charged in the year of capitalisation and none in the year of disposal.

Land	Not depreciated
Freehold, leasehold and residential buildings	10 to 50 years
Plant and machinery	5 to 25 years
Galleries and exhibitions	5 to 15 years
Fixtures and fittings	3 to 10 years

Fixed assets are defined as assets costing £5,000 or more with a useful life of greater than 1 year. Freehold and leasehold buildings includes both the building structure with a life of between 10 and 50 years and building fit-out (including such items as lift shafts, raised floors, ventilator ducts) with a life of 10-30 years.

These land and buildings were valued by Drivers Jonas, Chartered Surveyors as at 31 March 2004 in accordance with the RICS Appraisal and Valuation Manual. Since then, assets have been revalued to current cost using a range of appropriate price indices. Galleries and exhibitions have not been revalued as the current cost is equal to their actual cost but the lives of these assets are reviewed annually to reflect their true value. The difference between current cost and historic cost depreciation is taken to the Revaluation Reserve.

1.5 Collection objects

As the collection is considered to be inalienable, no past valuation is attempted whether for purchased or donated objects and no amount is included for collections acquired on or before 31 March 2001 in the Balance Sheet. Additions to the collections acquired since 1 April 2001 with a purchase price greater than £5,000 or objects donated with an estimated value greater than £50,000 are capitalised and recognised in the Balance Sheet, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine.

Purchases of items at a price less than £5,000 for the collection are charged to the Statement of Financial Activities in the year of acquisition. (Note 17)

1.6 Stock

Stock is stated at the lower of cost and net realisable value and comprises goods for resale.

1.7 Leases

Costs relating to operating leases are charged to the Statement of Financial Activities over the life of the lease.

1.8 Restricted funds

Where a donor or sponsor has specified a particular purpose for a donation, grant or sponsorship income, the donation, grant or sponsorship income is shown as restricted income in the year in which receipt is due.

Sponsorship, Grants and Donations Reserve

Sponsorship income, grants and donations received for specific projects or events are shown as restricted income and credited to a Sponsorship, Grants and Donations Reserve. (Note 16)

Collections Purchase Fund

Income received for the purchase of specific items or from the sale of objects is shown as restricted income and then credited to the Collections Purchase Fund. (Note 17)

Revaluation Reserve

In the years between professional revaluations the net replacement cost of property assets is adjusted by the BCIS Public Sector Tender Price Index; other assets are adjusted by appropriate ONS Price Indices. Upward revaluation movements based on price indices, insofar as they relate to assets purchased using restricted funding, are taken to the Restricted Revaluation Reserve. The additional current cost depreciation charge generated by indexation revaluation movements is charged to this Reserve. (Note 18)

Capital Projects Fund

This fund represents the net book value of fixed assets financed by restricted funds and is used to fund depreciation on these assets. For property assets the net book value reflected in the fund is based on the quinquennial professional revaluation figure, the fund therefore encompasses an element of the revaluation movement. (Note 19)

1.9 Unrestricted designated funds

Where the Museum is committed to a specific project, an allocation is made to a designated fund. Income is recognised in the Statement of Financial Activities as it arises and is allocated as explained in the reconciliation and analysis of movements of the funds.

Collections Purchase Fund

Museum funds committed specifically to the purchase of objects for the collections are credited to the Collections Purchase Fund and released in the year in which expenditure takes place. (Note 17)

Revaluation Reserve

Upward revaluation movements based on price indices, insofar as they relate to assets purchased using unrestricted funding, are taken to the Designated Revaluation Reserve. The additional current cost depreciation charge generated by indexation revaluation movements is charged to this Reserve. (Note 18)

Capital Projects Fund

This fund represents the net book value of fixed assets financed by unrestricted funds and is used to fund depreciation on these assets. For property assets the net book value reflected in the fund is based on the quinquennial professional revaluation figure, the fund therefore encompasses an element of the revaluation movement. (Note 19)

Museum Improvement Reserve

Museum funds committed to specific future project activity are credited to the Museum Improvement Reserve and released in the year in which the related expenditure takes place. (Note 20)

Contingency Reserve

Funds have been allocated to a Contingency Reserve to provide a reserve for use when significant unforeseen costs arise. The Reserve is normally kept at a level between £1m and £2m depending on the recent calls on the funds and the size of the current capital programme but is temporarily at a lower level to support the Early Retirement provision. The necessary level is reassessed annually as part of the budget activity and also when any major change in the level of activity is planned. (Note 15.1)

Post Office Building Purchase Reserve

The Museum is contracted to purchase the leasehold (99 years from 1995) of the property known as 'The Post Office', Exhibition Road, for £1,004,697 in 2016, once the mortgage on the property is repaid by NMSI Trading Ltd. This fund represents monies set aside to meet this obligation.

1.10 General funds

General Funds are available for use in furtherance of the general objectives of the Museum and are usually allocated for expenditure in the year after they arise. Specific general reserves are detailed under designated funds. (Notes 1.9 and 21)

1.11 NMSI Trading Ltd

NMSI Trading Ltd is a wholly owned subsidiary of NMSI. All shareholders of NMSI Trading Ltd must be Trustees of the Board of NMSI. A total of 500,000 shares in NMSI Trading Ltd have been authorised, of which 411,000 shares have been issued. These are held by the Board of Trustees of the Science Museum. Under a Deed of Covenant, all taxable profits from NMSI Trading Ltd are paid to NMSI. Bradford Film Ltd is a company limited by guarantee for which NMSI Trading Ltd is the sole member. NMSI Trading Ltd has been gifted shares in Science Exhibitions Ltd as part of the outsourcing of exhibition development to Science & Media Ltd. A summary of the consolidated accounts is given in note 6.

1.12 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a non-contributory and unfunded scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The NMSI, 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.

There is a separate scheme statement for the PCSPS as a whole. Pension contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury.

NMSI Trading Ltd operates a defined contribution pension scheme, the assets of which are held separately in an independently administered fund. Contributions are charged to the Statement of Financial Activities as they become payable, in accordance with the rules of the scheme.

1.13 Early Retirement Scheme

The Museum operates an Early Retirement and Severance Scheme, which gives retirement benefits on redundancy terms to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. The Museum pays annual compensation payments to those employees retired under the Early Retirement and Severance Scheme.

The total forecast annual compensations payments liability up to normal retiring age in respect of each employee is charged to the Statement of Financial Activities in the year in which the employee takes early retirement. The Early Retirement provision is recalculated annually informed by updated information. Funds are released from the provision annually to fund annual compensation payments made in the year. (Notes 5.2, 13)

1.14 Taxation

There are no sources of income received by NMSI liable to Corporation Tax and no provision has therefore been made.

For NMSI Trading Ltd and Bradford Film Ltd, provision is made at current rates of taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the Directors, there is reasonable probability that the liability will not arise in the foreseeable future. Under a deed of covenant with NMSI, all taxable profits are paid to the Museum and there is no liability to taxation.

1.15 Investments

Funds identified as surplus to working capital in the short- or longer-term are invested to maintain their value over time.

1.16 Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction and, at year end, balances are restated at the year end rate. All exchange differences are taken to the Statement of Financial Activities. For significant purchases, an option to purchase currency at an agreed exchange rate at a forward date is secured at the time of contract.

1.17 Notional costs

In accordance with Treasury guidance, notional cost of capital, at 3½%, is charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. This notional cost is reversed so that no provision is included on the Balance Sheet.

1.18 Debtors

Specific provisions are made where a debt is deemed unlikely to be recovered and a general provision is made depending on the age of debt and organisations owing funds.

1.19 Debtors

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Discount rates provided by H M Treasury are used in current value calculations for long term commitments.

1.20 Accounts Direction

A copy of the Accounts Direction issued to the National Museum of Science & Industry by the Department for Culture, Media and Sport may be obtained from the National Head of Finance at the Science Museum, Exhibition Road, London SW7 2DD.

2 MUSEUM ACCOUNT

	2006 £	2005 £ (restated, see note 27)
Income		
Incoming resources from generated funds		
Grant in Aid from DCMS	34,093,000	33,119,000
Voluntary income: grants, legacies and donations	4,980,605	6,199,406
Activities for generating funds		
Covenanted profit from NMSI Trading Ltd	1,464,121	766,401
Rental income	171,459	114,462
Investment income		
Interest received	256,995	216,405
Incoming resources from charitable activities		
Lottery income	664,380	3,671,108
Other income	1,879,713	1,224,732
	43,510,273	45,311,514
Expenditure		
Staff costs	21,189,233	20,483,060
Other operating costs, including collection purchases	14,699,739	15,810,456
Depreciation	14,492,586	14,538,150
	50,381,558	50,831,666
Operating deficit on Museum activities	(6,871,285)	(5,520,152)
Revaluation of assets	17,254,322	11,144,560
Surplus for the year on Museum activities	10,383,037	5,624,408

Income for the year includes £5,662,376 of restricted income. This is received partly for expenditure on deferred activity, mainly of a capital nature.

The NMSI Trading Ltd and Bradford Film Ltd surplus of £1,187,640 (2004-05, £657,202) is taken to the Statement of Financial Activities. Interest charged by NMSI to NMSI Trading Ltd of £80,211 had been netted from recharged costs and was eliminated on consolidation. The costs of NMSI Trading Ltd staff recharged to the Museum are included in 'Staff costs', instead of 'Other operating costs'.

The Museum did not subsidise the activities of Bradford Film Ltd in 2005-06 (subsidy in 2004-05, £66,000).

Grant in Aid funding includes the annual allocation of £125,000 towards upkeep of the Museum's Merrion Monotype collection presently on loan to the Type Museum.

In accordance with the Management Statement and Associated Memorandum between NMSI, NCMME and DCMS, the Museum received a grant totalling £2,539,000 from DCMS on behalf of the National Coal Mining Museum for England during 2005-06 and passed this money over to it on receipt each month. This is not included in NMSI's income and expenditure.

3 OTHER OPERATING INCOME

	Unrestricted 2006 £	Restricted 2006 £	2006 £	2005 £
Other income	1,879,713	-	1,879,713	1,224,732

Other income arises from project self generated income, conference and educational events, locomotive hire and cloakroom payments.

4 INVESTMENT INCOME

Consolidated investment income of £195,700 (2004-05, £161,005) arose through interest earned from investing surplus funds. A sum of £176,784 (after a consolidation elimination adjustment of £80,211) is attributable to the Museum and £18,916 to the Trading subsidiary.

5 TOTAL RESOURCES EXPENDED

5.1.1 Analysis by functional purpose

	Staff Costs	Other direct costs	Depreciation and loss on disposal	2006 total	2005 total
	£000	£000	£000	£000	£000
Cost of generating funds					
Costs of generating voluntary income	1,422	1,697	18	3,137	3,078
Fundraising trading: cost of goods sold and other costs	4,994	8,724	960	14,678	14,201
Charitable activities					
Care for and research into collections	5,294	4,398	3,610	13,302	14,234
Science education and communication	9,045	4,838	8,196	22,079	22,259
Visitor Services	5,196	3,609	2,669	11,474	12,232
Governance costs	233	158	-	391	341
	26,184	23,424	15,453	65,061	66,345

Within the salary costs above, the Museum includes staff and agency costs recharged to the Museum as part of the Trading Company services. Museum staff and other direct costs recharged to the Trading Company are shown by the Trading Company within staff and other direct costs respectively.

The comparative figures have been restated to comply with the Charities SORP (Statement of Recommended Practice) 2005. See note 27.

5.1.2 Support cost allocation

	Management (1) £000	Finance (2) £000	Human Resources (3) £000	Information Technology (4) £000	Estates (5) £000	Total £000
Costs of generating voluntary income	209	120	56	123	13	521
Care for and research into the Collections	549	120	143	244	4,503	5,559
Science education and communication	850	350	287	392	4,308	6,187
Visitor Services	500	208	160	115	4,417	5,400
Total	2,108	798	646	874	13,241	17,667

Costs were allocated to each activity on the basis defined below:

- (1) Management – in proportion to the expenditure
- (2) Finance – in proportion to the expenditure
- (3) Human Resources - in proportion to the number of full-time equivalent staff
- (4) Information technology – in proportion to the number PCs/terminals
- (5) Estates – divided equally over the three charitable activities

5.2 Staff

5.2.1 Staff Costs

	2006 £	2005 £ (restated, see note 27)
Salaries and wages	20,894,850	20,552,168
Social Security costs	1,660,698	1,681,396
Other pension costs (Museum only)	2,500,668	1,782,230
Pension contributions (NMSI Trading Ltd and Bradford Film Ltd)	201,756	226,188
Early Retirement compensation payments paid in year	-	232,031
Increase in Early Retirement provision		
- to fund future costs of staff retiring in the year (note 13)	42,200	-
- prior year adjustment (note 27)	-	1,312,427
Revaluation of Early Retirement provision	29,021	2,154
Agency staff	535,202	461,374
Compensation and redundancy payments	318,387	495,688
	26,182,782	26,745,656

Capitalised staff costs to the value of £275,933 (2004-05, £180,726) were excluded from the staff costs above.

Compensation, redundancy and Early Retirement costs arose as a result of fully implementing the restructuring review.

5.2.2 Pensions

Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined-benefit schemes (classic, premium or classic plus). The schemes are unfunded, the cost of benefits being met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus re increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium 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. In 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.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but NMSI is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £2,500,668 were payable to the PCSPS (2004-05 £1,782,230) at one of four rates in the range 16.2 to 24.6% of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The NMSI Trading Ltd Pension Scheme is a contracted-in group money-purchase scheme with optional contracted-out personal pensions to which NMSI Trading Ltd contributes 7% and the employee 5%. NMSI Trading Ltd pension contributions of £201,756 were paid, (2004-05, £226,188).

In relation to the Early Retirement provision, £71,221 (2004-05, £1,314,581) was charged to the Statement of Financial Activities and credited to the Early Retirement provision. A sum of £309,727 (2004-05 £33,895) was charged against the provision to fund annual compensation payments. (Note 13)

5.2.3 Trustees

The Chairman and Trustees (listed in the Annual Report) received no remuneration for their services but expenses totalling £9,240 were paid for travel to and from meetings and for accommodation at a training seminar.

5.2.4 Director

Details of the Director's remuneration are contained within the Remuneration report.

5.2.5 Employees receiving remuneration over £60,000:

£	2006	2005
60,001 - 70,000	6	6
70,001 - 80,000	7	5
80,001 - 90,000	2	3
90,001 - 100,000	3	1
130,001 - 140,000	1	1

5.2.6 Employees (full-time equivalents) analysed by activity are as follows:

	2006 £	2005 £
Care for and research into Collection	173	166
Science education and communication	284	276
Visitor Services	191	201
Costs of generating voluntary income	52	50
Fundraising and trading	141	156
Governance costs	1	1
Total	842	850

5.3 Other direct costs

Other direct costs included:	2006 NMSI £	2006 NMSI Trading/ Bradford Film £	2006 total £	2005 total £
Auditors' remuneration - audit fees	46,800	26,000	72,800	68,000
Auditors remuneration- non-audit certification	1,500	-	1,500	1,000
Lease rental payments on land and buildings	87,684	-	87,684	87,684
Lease rental payments on equipment	39,184	5,796	44,980	-
Lease rental payments on vehicles	35,738	-	35,738	32,589
Travel, subsistence and entertainment	441,203	72,005	513,208	628,532

6 NMSI TRADING LTD

The Board of Trustees of the Science Museum owns the whole of the issued share capital of 411,000 shares of NMSI Trading Ltd, a company registered in England and Wales. The company's principal activities are retailing, catering, corporate hire, corporate partnership, temporary exhibitions and interactive production and providing services to the Museum for admissions, public relations, sponsorship and fundraising. Bradford Film Ltd is a company limited by guarantee for which NMSI Trading Ltd is the sole member.

6.1 NMSI Trading Ltd Consolidated Income and Expenditure Account

	2005 £	2004 £
Turnover	13,762,201	13,969,913
Cost of sales*	(5,387,919)	(5,246,704)
Gross profit	8,374,282	8,723,209
Administrative expenses*	(9,212,838)	(8,943,585)
Sponsorship Income (NMSI Trading Ltd)	1,847,800	766,401
Grants and donations (Bradford Film Ltd)	166,858	243,136
Trading profit	1,176,102	789,161
Other interest received	18,916	12,007
Other interest paid*	(157,378)	(143,966)
Net contribution	1,037,640	657,202
Amount covenanted to Museum	(1,464,120)	(768,726)
Revaluation	190,698	132,120
Gain/(loss) for the year retained in NMSI Trading Ltd and its subsidiaries	(235,782)	20,596
Reserves brought forward at 01.04.05	730,478	709,882
Reserves carried forward at 31.03.06	494,696	730,478

Turnover includes £ 390,434 arising from Bradford Film Ltd (2004-05, £491,880).

Turnover includes £315,907 (2004-05, £258,136) of rental income from the Science Museum site in Wroughton, and rental income through letting part of the Post Office building to Royal Mail.

There are no sales to the Museum included in the turnover. The interest paid includes £80,211 (2004-05, £67,407) of interest charged by NMSI to NMSI Trading Ltd, which is eliminated on consolidation and excluded from expenditure on 'Commercial costs of £14,758,135 (2004-05, £14,334,255). ('Commercial costs' consist of items marked *).

Other income and costs have been shown as 'Income from commercial activities', 'Investment income and 'Commercial costs' respectively on the Statement of Financial Activities.

6.2 NMSI Trading Ltd Consolidated Balance Sheet

	2006 £	2005 £
Intangible assets	7,629	12,705
Tangible fixed assets	6,807,565	6,991,619
Stock	620,031	608,658
Debtors	3,307,996	3,078,753
Bank and cash	107,002	381,378
Creditors due within one year	(7,370,810)	(7,165,438)
Creditors due after one year	(2,573,717)	(2,766,197)
Net assets	905,696	1,141,478

6.3 Subsidiary companies

The National Museum of Science & Industry has NMSI Trading Ltd as a subsidiary. NMSI Trading Ltd has National Science Centre Ltd, Wide Eye Management Company Ltd, Lift Off Interactives Ltd, Science Shops Ltd, Launch Pad Ltd, Curricula Ltd and Curriculum Ltd as dormant subsidiaries. Bradford Film Ltd, a company limited by guarantee, is a subsidiary of NMSI Trading Ltd.

6.4 Investment

The company was gifted 124,000 Ordinary A shares of £0.01 each and 1,558 B shares of £0.01 each in Science Exhibitions Ltd on 23 June 2005. No income has been received and the shares have no value.

7 NOTIONAL COST OF CAPITAL

Notional cost of capital is calculated as 3½% of the average capital employed by the Museum (excluding externally funded assets) in the year. The notional charge for 2005-06 is £4,971k (2004-05, £4,710k).

8 TANGIBLE FIXED ASSETS

8.1 Consolidated assets

	Land & buildings £000	Plant & machinery £000	Galleries & exhibitions £000	Fixtures & fittings £000	Assets under construction £000	TOTAL £000
Cost or revalued amount as at 01.04.05	180,718	62,450	32,842	4,510	2,224	282,744
Transfers from assets under construction	302	214	450	-	(1,069)	*(103)
Additions during year	1,410	723	744	68	1,047	3,992
Disposals	-	(3,589)	-	(275)	-	(3,864)
Movement of assets as part of the revaluation process	14,652	2,756	-	37	-	17,445
Cost or revalued amount as at 31.03.06	197,082	62,554	34,036	4,340	2,202	300,214
Depreciation as at 01.04.05	4,857	9,621	21,042	3,285	-	38,805
Disposals	-	(3,249)	-	(263)	-	(3,512)
Depreciation during year	5,737	7,066	2,160	148	-	15,111
Depreciation as at 31.03.06	10,594	13,438	23,202	3,170	-	50,404
Net Book Value at 31.03.06	**186,488	***49,116	10,834	1,170	2,202	249,810
Net Book Value at 31.03.05	175,861	52,829	11,800	1,225	2,224	243,939

* Balance of £102,515 expensed in 2005-06. ** Of the land and buildings asset balance of £186,488k, £550k net book value relates to residential properties on the Science Museum site at Wroughton. The in-year depreciation charge in respect of these assets included in the total of £5,737k is £12k. *** Of the plant and machinery asset balance of £49,116k, £2,068k net book value relates to IMAX cinema projectors held by NMSI Trading Ltd under finance leases. The in-year depreciation charge in respect of these assets included in the total of £7,066k is £151k.

The net book value at 31 March 2006 represents fixed assets for;

	Land & buildings £000	Plant & machinery £000	Galleries & exhibitions £000	Fixtures & fittings £000	Assets under construction £000	TOTAL £000
Charitable activities	182,959	47,086	10,542	214	2,202	243,003
Other activities	3,529	2,030	292	956	-	6,807
Total	186,488	49,116	10,834	1,170	2,202	249,810

These land and buildings were valued by Drivers Jonas, Chartered Surveyors as at 31 March 2004 in accordance with the RICS Appraisal and Valuation Manual. The main site was valued on the basis of depreciated replacement cost and the remaining property at open market value on the basis of existing use. The valuations were carried out in accordance with guidelines laid down by the Royal Institution of Chartered Surveyors. Under the impact of FRS15 which requires the different building components to be separated out, the plant and machinery elements of buildings have been included under 'Plant and machinery' while building fit-out elements (lift shafts, ventilation ducts, raised floors etc) are included with buildings. Values have been adjusted in 2006 using indices.

The Science Museum was transferred from the Secretary of State for the Environment on 10 August 2001. Wroughton Airfield was transferred from the Secretary of State for Defence to the Science Museum on 27 July 1997. The buildings and land relating to the National Railway Museum were transferred from the Secretary of State for the Environment on 1 August 1997. The Royal Naval Air Yard was purchased from the Ministry of Defence on 31 March 2000. All are valued in accordance with valuations carried out, as above, at 31 March 2004, and have been revalued by indexation in the year to March 2006.

Blythe House is currently occupied by the British Museum, the Science Museum and the Victoria and Albert Museum. The freehold title is held by the Office of the Deputy Prime Minister, although ministerial responsibility for all museum estate issues has subsequently transferred to the Secretary of State for Culture, Media and Sport. As a longstanding tenant of Blythe House, NMSI brought a one-third share of the value established by Drivers Jonas at March 2004 onto the Balance Sheet of NMSI as beneficial user.

At 31 March 2006, the cost of Heritage assets was £11,560k (2004-05, £10,032k). There were £1,528k of additions in year and no disposals. Heritage assets are not subject to depreciation and indexation.

8.2 Museum assets

	Land & buildings £000	Plant & machinery £000	Galleries & exhibitions £000	Fixtures & fittings £000	Assets under construction £000	TOTAL £000
Cost or revalued amount as at 01.04.05	177,380	58,632	30,863	1,027	2,224	270,126
Transfers from assets under construction	302	214	450	-	(1,069)	*(103)
Additions during year	1,410	265	745	68	1,047	3,535
Disposals	-	(1,690)	-	(263)	-	(1,953)
Revaluation	14,462	2,756	-	37	-	17,255
Cost or revalued amount as at 31.03.06	193,554	60,177	32,058	869	2,202	288,860
Depreciation as at 01.04.05	4,857	8,195	19,356	770	-	33,178
Disposals	-	(1,565)	-	(263)	-	(1,828)
Depreciation during year	5,738	6,461	2,160	148	-	14,507
Depreciation as at 31.03.06	10,595	13,091	21,516	655	-	45,857
Net Book Value at 31.03.06	182,959	47,086	10,542	214	2,202	243,003
Net Book Value at 31.03.05	172,523	50,437	11,507	257	2,224	236,948

* Balance of £102,515 expensed in 2005-06

9 COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2006, NMSI had annual commitments under non-cancellable operating leases as set out below:

	2006 Land & buildings	2006 Vehicles	2006 Equipment	2005 Land & buildings	2005 Vehicles	2005 Equipment
Operating leases which expire:						
Within one year	350	22,839	-	5,747	5,946	-
In the second to fifth year	5,000	11,246	48,640	-	-	-
Over five years	82,335	-	-	122,126	-	-

10 CAPITAL COMMITMENTS

10.1 Projects

The major projects under way at present are the refurbishment of *Experience TV* at the NMPFT, which is due to open July 2006. NRM+ (redevelopment of the NRM), and, at the South Kensington site, *Launch Pad* and the Science Museum Library review.

10.2 Outstanding capital commitments

At the Balance Sheet date, outstanding contracted commitments for the Science Museum amounted to £222k for the design stage of *Launch Pad*, a boosted water system and lift modernisation works. Commitments in respect of the refurbishment of *Experience TV* at the NMPFT amounted to £72k.

11 DEBTORS

	2006 NMSI	2006 NMSI Trading/ Bradford Film	2006 Total	2005 Total (restated *)
	£	£	£	£
Trade debtors	1,224,316	2,467,371	3,691,687	* 3,152,718
Provision for bad debts	(6,484)	(44,730)	(51,214)	* (51,320)
Other debtors	212,420	219,080	431,500	166,284
Prepayments and accrued income	2,840,708	404,274	3,244,982	4,279,047
Taxation recoverable (VAT)	240,980	-	240,980	313,407
	4,511,940	3,045,995	7,557,935	7,860,136

Museum debtors exclude £5,073,344 of intercompany debtor eliminated on consolidation. NMSI Trading Ltd debtors exclude £41,582 of intercompany debtor eliminated on consolidation with Bradford Film Ltd. Trading subsidiary debtors include Science and Media £452,103.

*In the 2004-05 Annual Report and Accounts Trade Debtors and the Provision for Bad Debts were both understated by £46,185.

12 CREDITORS

12.1 Amounts falling due within one year

	2006 NMSI	2006 NMSI Trading/ Bradford Film	2006 Total	2005 Total (restated, see note 27)
	£	£	£	£
Trade creditors	1,540,464	557,195	2,097,659	2,252,958
Other creditors	781,789	-	781,789	599,652
Accruals and deferred income	1,936,411	1,428,771	3,365,182	3,558,252
Taxation and social-security costs	395,928	-	395,928	545,032
Bank loan	-	49,500	49,500	49,500
	4,654,592	2,035,466	6,690,058	7,005,394

NMSI Trading Ltd creditors due within one year excludes £5,073,344 of intercompany creditor eliminated on consolidation. Bradford Film Ltd creditors exclude £41,582 of intercompany creditor eliminated on consolidation with NMSI Trading Ltd.

12.2 Amounts falling due after one year

	2006 NMSI	2006 NMSI Trading/ Bradford Film	2006 Total	2005 Total (restated, see note 27)
	£	£	£	£
Bank loan	-	656,660	656,660	698,278
Deferred income: advance rent (i)	583,333	-	583,333	633,333
Deferred income: grants and donations (ii)	-	1,917,057	1,917,057	2,067,919
	583,333	2,573,717	3,157,050	3,399,530

(i) The advance rent will be recognised as income in instalments of £50,000 per annum over the next 13 years.

(ii) Grants and donations received in respect of the acquisition of two IMAX cinema projectors and will be released to the Statement of Financial Activities in instalments of £150,862 per annum over the next 14 years. Since these assets are owned by NMSI Trading Ltd. SSAP4 defines the appropriate accounting treatment as opposed to SORP 2005.

13 PROVISION FOR EARLY RETIREMENT

	2006 £	2005 £ (restated, see note 27)
Balance at 01.04.04	-	47,491
Restated opening balance at 01.04.05	1,328,177	-
Increase in provision		
2004-05: prior year adjustment (see note 28)	-	1,312,427
2005-06 :future liability for in-year early retiree	42,200	-
Revaluation of provision	29,020	2,154
Release of provision	(309,727)	(33,895)
Closing balance at 31.03.06	1,089,670	1,328,177
Liability due within one year	285,143	307,278
Liability due after one year	804,527	1,020,899

The final charge against the provision will be in the year to March 2014. The amount of the provision anticipates increases of 3% per annum in the cost of the compensation payments payable to those ex-employees who have reached the age of 55. In accordance with FRS12 guidance the sum provided is equivalent to the present value of expenditures expected to be required to settle the obligation. In accordance with Treasury guidance on the discounting of pension liabilities the discount factor applied is 2.8%.

14 FINANCIAL INSTRUMENTS

14.1 Liquidity risk

Approximately 59% of NMSI's income is provided by Grant in Aid from the Department for Culture, Media and Sport. 23% of NMSI's income is from a wide range of commercial activities. As a result, NMSI is not exposed to significant liquidity risks.

Amounts due in relation to financial liabilities, NMSI Trading Ltd borrowings, are:

	2006	2005
	£	£
Loan not wholly repayable within five years:	706,160	747,778
Analysis of maturity of debt		
Within one year of demand	49,500	49,500
Between one and two years	49,500	49,500
Between two and five years	148,500	148,500
After five years	458,660	500,278
	<u>706,160</u>	<u>747,778</u>
Amount repayable by instalments any of which fall for payment after five years	458,660	500,278

The loan of £706,160 is unsecured. The fixed interest rate is £9.77% per annum. The expiry date of the 20 year term is 19 December 2015.

14.2 Interest-rate risk

One hundred per cent of both NMSI's financial assets and its financial liabilities carry nil or fixed rates of interest. NMSI is not therefore exposed to significant interest rate risk.

Financial liabilities

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
	£	£	£	£
At 31.03.06	1,461,187	-	656,660	804,527
At 31.03.05 (restated)	1,719,177	-	698,278	1,020,899

Financial liabilities are disclosed excluding short-term creditors.

The fixed rate liability due after more than year of £656,660 relates to the borrowings detailed above.

14.4 Foreign-currency risk

NMSI's exposure to foreign currency is not significant.

15 STATEMENT OF FUNDS

15.1 Movement of Funds

	Notes	At 1 April 2005 <small>(restated, see note 27)</small> £000	Income £000	Expenditure £000	Transfer £000	Gain/Loss on Revaluation £000	At 31 March 2006 £000
Restricted income funds							
Sponsorship, Grants and Donations Reserve	16	2,493	6,133	(1,867)	(2,393)	-	4,366
Revaluation Reserve	18	7,451	(1)	(1,602)	-	15,957	21,805
Collections Purchase Fund	17	-	1,506	(1)	(1,505)	-	-
Capital Projects Fund	19	218,272	39	(10,993)	3,898	-	211,216
Total restricted income funds		228,216	7,677	(14,463)	-	15,957	237,387
Unrestricted funds							
Designated funds:							
Museum Improvement Reserve	20	4,255	3,697	(3,423)	(637)	-	3,892
Collections Purchase Fund	17	71	100	(30)	(22)	-	119
Revaluation Reserve	18	1,796	-	(382)	-	1,488	2,902
Capital Projects Fund	19	19,425	-	(1,450)	713	-	18,688
Contingency Fund	1.9	15	-	(42)	650	-	623
Post Office Building Purchase Reserve	1.9	-	-	-	100	-	100
Total designated funds		25,562	3,797	(5,327)	804	1,488	26,324
General funds		107	46,288	(45,271)	(804)	-	320
Total unrestricted funds		25,669	50,085	(50,598)	-	1,488	26,644
Total funds		253,885	57,762	(65,061)	-	17,445	264,031

For details of individual funds see the attached notes on accounting policy, 1.8, 1.9, 1.10.

During the year, £150k was transferred back from the Museum Improvement Fund (MIF) to the Contingency Fund in respect of the temporary advance made in 2004-05 to fund the TV gallery refurbishment at NMPFT. A contra-release was made from the Contingency Fund to the MIF to redeem the prior-year transfer of £150k needed to fund the Provision for Early Retirement. A sum of £650k was transferred into the Contingency Fund from general funds to replenish the fund. Expenditure of £42k relates to redundancy payments.

15.2 Analysis of group net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total 2005 £000
Fund balances at 31 March 2006 are represented by:			
Intangible assets	8	-	8
Tangible fixed assets	28,349	233,021	261,370
Current assets	8,081	5,771	13,852
Current liabilities	(6,130)	(822)	(6,952)
Long term liability	(3,664)	(583)	(4,247)
Total net assets	26,644	237,387	264,031

16 SPONSORSHIP, GRANTS AND DONATIONS RESERVE

(All restricted funds)

	2006 £	2005 £
Balance at 01.04.05	2,492,620	4,443,336
Income	6,132,784	6,067,101
Expenditure	(1,866,717)	(1,592,860)
Transferred to Capital Projects Fund (note 19)	(2,392,828)	(5,932,069)
Transfer to Museum Improvement Fund (note 20)	-	(492,888)
Balance at 31.03.06	4,365,859	2,492,620

17 COLLECTIONS PURCHASE FUND

	2006 unrestricted £	2006 restricted £	2006 total £	2005 total £
Balance at 01.04.05	71,334	-	71,334	108,430
Allocation of Grant in Aid (note 2)	100,000	-	100,000	-
Lottery funding	-	-	-	2,045,204
Other funding	-	500	500	1,173,198
Donated assets	-	1,505,000	1,505,000	1,000,000
	171,334	1,505,500	1,676,834	4,326,832
Transferred to Capital Projects Fund:				
For donated collection objects	-	(1,505,000)	(1,505,000)	(1,000,000)
For purchased collection objects (note 19)	(22,528)	-	(22,528)	(3,252,299)
Non-capital expenditure	(29,612)	(500)	(30,112)	(3,200)
Balance at 31.03.06	119,194	-	119,194	71,334

Significant objects donated to the NRM during the year were a Class 33 locomotive, a Class 87 locomotive and a Rhodesian government engine and coach. A Dennis F12 pump engine was donated to the Science Museum and the Collet Dickenson Pearce Collection was donated to the NMPFT.

18 REVALUATION RESERVE

	2006 unrestricted £	2006 restricted £	2006 total £	2005 total £
Balance at 01.04.05	1,796,370	7,450,755	9,247,125	909,206
Indexation-based revaluation movements				
Museum assets	1,297,230	15,957,092	17,254,322	11,492,281
Trading subsidiary assets	190,698	-	190,698	132,120
Adjustments	-	-	-	(347,721)
Transfer from Capital Projects Fund (note 19)	-	-	-	347,517
Less: Depreciation on revaluations	(381,813)	(1,602,325)	(1,984,138)	(3,286,280)
Closing balance at 31.03.06	2,902,485	21,805,522	24,708,007	9,247,123

19 CAPITAL PROJECTS FUND

	2006 unrestricted £	2006 restricted £	2006 total £	2005 total £
Balance at 01.04.05	19,425,618	218,271,880	237,697,498	237,187,568
Income:				
Capitalised donated assets	-	38,750	38,750	-
Capitalised donated collection objects	-	1,505,000	1,505,000	1,000,000
Transfers from Sponsorship Grants and Donations Reserve (note 16)	-	2,392,828	2,392,828	5,932,069
Transfers from Collection Purchase Fund (note 17)	22,528	-	22,528	3,252,298
Transfer (to)/from Revaluation Reserve (note 18)	-	-	-	(347,517)
Transfers from Museum Improvement Fund (note 20)	636,787	-	636,787	1,717,425
Transfer from general reserves (note 21)	53,887	-	53,887	37,266
	20,138,820	222,208,458	242,347,278	248,779,109
Less: Depreciation and disposals	(1,451,261)	(10,992,711)	(12,443,972)	(11,081,606)
Balance at 31.03.06	18,687,559	211,215,747	229,903,306	237,697,503

20 MUSEUM IMPROVEMENT FUND

(All unrestricted funds)

	2006 £	2005 £ (restated, see note 27)
Balance at 01.04.05	4,255,645	5,591,593
Allocated income	3,696,960	4,454,007
Expenditure	(3,423,127)	(4,027,881)
Transfer from Sponsorship, Grants and Donations Reserve (note 16)	-	492,888
Transferred to Capital Projects Fund (note 19)	(636,787)	(1,717,425)
Transfer (to)/from Contingency Fund	-	(538,541)
Transfer from general reserves	-	1,004
Balance at 31.03.06	3,892,691	4,255,645

21 GENERAL FUNDS

	NMSI 2006	NMSI Trading / Bradford Film 2006	Total 2006	Total 2006
Opening balance at 01.04.05	417,239	(311,052)	106,187	522,819
Transfer to Contingency Fund	(650,000)	-	(650,000)	-
Transfer (to) Capital Projects Fund (note 19)	(53,887)	-	(53,887)	(37,266)
Transfer to Post Office Reserve	(100,000)	-	(100,000)	-
Transfer (to)/from Museum Improvement Fund (note 20)	-	-	-	(1,004)
Surplus/(Deficit) for the year	1,444,289	(426,480)	1,017,809	(378,362)
Closing balance at 31.03.06	1,057,641	(737,532)	320,109	106,187

22 CONTINGENT LIABILITIES

Contingent liabilities exist for those parts of the collection on long-term loan to other institutions or where there is a commitment to acquire another collection under certain conditions. The potential cost of storage and care for these collections forms a contingent liability.

At 31 March 2006, issues had been raised at an HMRC audit which will be the subject of further discussions.

23 CASH-FLOW INFORMATION

23.1 Reconciliation of net incoming resources to net cash inflow from operating activities

	2006 £	2005 £
Net incoming resources	(7,297,765)	(6,944,103)
Investment income (note 4)	(195,700)	(161,005)
Interest payable (note 6.1)	77,167	76,559
Depreciation (notes 8.1, 5.1)	5,076	2,538
Loss on disposal of asset (notes 8.1, 5.1)	15,110,601	15,123,589
Write off permanent fall in asset value	116,149	88,923
(Increase)/decrease in stocks	(11,373)	195,887
(Increase)/decrease in debtors	302,201	(286,629)
Increase/(decrease) in creditors	(494,860)	1,382,815
Increase/(decrease) in pension provision	(238,507)	1,129,824
Donated assets (note 18)	(1,543,750)	(1,000,000)
Net cash inflow from operating activities	5,829,239	9,608,398

23.2 Gross Cash Flows

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received (note 4)	195,700	161,005
Interest paid (note 6.1)	(77,167)	(76,559)
	118,533	84,446
Capital expenditure		
Payments to acquire intangible assets	-	(12,705)
Receipt from sale of tangible fixed assets	236,406	-
Payments to acquire tangible fixed assets	(3,894,652)	(12,103,080)
	(3,658,246)	(12,115,785)
Management of liquid resources		
Cash (placed)/withdrawn from short term investments	(5,000,000)	-
Financing		
Loan repayments	(41,618)	(173,036)

23.3 Analysis of changes in net funds

	At 01.04.05	Cash Flows	Non-cash Changes	At 31.03.06
	£	£	£	£
Cash at bank and in hand	3,164,087	(2,752,091)	-	411,996
Current asset investments	-	5,000,000	-	5,000,000
Debt due within one year	(184,543)	-	-	(184,543)
Debt due after one year	(563,235)	41,618	-	(521,617)
	2,416,309	2,289,527	-	4,705,836

25 RELATED PARTY TRANSACTIONS

The National Museum of Science & Industry is an executive Non Departmental Public Body whose parent body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During 2005-06 the National Museum of Science & Industry had a number of transactions in the normal course of business and at full arms length with the Department and with other entities for which the Department is regarded as the parent Department. Loans of objects were also made to other Museums within the DCMS NDPBs.

Four Trustees have relationships with bodies with whom NMSI had material transactions. In addition, NMSI provides advisory services to the Heritage Lottery Fund for which it receives payment.

Organisation	Nature of relationship of organisation with NMSI
1851 Commissioners	Discussions relating to Science Museum estate
BBC	Current science story development
Eon Productions Ltd	Purchased intellectual property for an exhibition
Imperial College	Lease for Science Museum Library
Imperial War Museum	Funding of National Museums Directors' Conference
Natural History Museum	Shared service provision
National Coal Mining Museum	Conduit for Grant-in-Aid from DCMS to NCMME for England
Science & Media LLP	Provision of exhibitions to NMSI
Science Exhibitions Ltd	Shares gifted to NMSI Trading Ltd
Type Museum	Funding provided to support NMSI collection under its care
Victoria & Albert Museum	Shared service provision
Wellcome Trust	Gave grant to fund series of exhibitions
Yorkshire Forward	Gave grant to assist design development at the NRM

26 INTRA-GOVERNMENT BALANCES

	Debtor balance	Creditor balance
	£	£
Balances with central government bodies	854,171	666,219
Balances with local authorities	30,471	63,484
Balances with public corporations and trading funds	13,925	-

27 PRIOR YEAR ADJUSTMENT

	2005 per published accounts	Prior year adjustment (i)	Prior year adjustment (iii)	Prior year adjustment (iv)	2005 Restated
Total incoming resources	59,277	-	125	-	59,402
Resources expenses					
Costs of generating voluntary income	-	-	-	3,078	3,078
Publicity and fundraising	2,530	-	-	(2,530)	-
Fundraising Trading	-	-	-	14,201	14,201
Commercial costs	14,201	-	-	(14,201)	-
Charitable activities					
Collections purchases (v)	4	-	-	(4)	-
Care for and research into collections	7,018	1,047	125	6,044	14,234
Science education and communication	15,778	187	-	6,294	22,259
Visitor services	6,670	78	-	5,484	12,232
Support costs	17,101	-	-	(17,101)	-
Governance costs	-	-	-	341	341
Management and administration	1,606	-	-	(1,606)	-
	64,908	1,312	125	-	66,345
Net operating (deficit)/surplus for the year	(3,164)	(1,312)	-	-	(4,476)

Prior year adjustments to the Balance Sheet

	Opening balance at 01.04.05 per published accounts	Prior year adjustment (i)	Prior year adjustment (ii)	Prior year adjustment (vi)	Restated opening balance at 01.04.05
Creditors - amounts due within one year	6,855	-	-	151	7,006
Creditors - amounts due after one year	698	-	-	2,701	3,399
Provisions	2,852	-	-	(2,852)	-
Early Retirement Provision	16	1,312	-	-	1,328
Museum Improvement Reserve	4,405	-	(150)	-	4,255
Contingency Reserve	1,177	(1,312)	150	-	15
Total unrestricted funds: Museum only	254,466	(1,312)	-	-	253,154
Total unrestricted funds: Consolidated	255,197	(1,312)	-	-	253,885

(i) Recognition of provision for the full estimated future costs of annual compensation payments payable to ex-employees who had retired early under the terms of the Civil Service Compensation Scheme.

(ii) Transfer from Museum Improvement Reserve to Contingency Fund to fund the provision.

(iii) In the year to 31 March, NMSI were advised by DCMS that the annual allocation of £125,000 towards the upkeep of the Museum's Merrion Monotype collection presently on loan to the Type Museum should be treated as an addition to the core NMSI Grant-in-Aid allocation.

(iv) The Charities SORP 2005 published by the Charity Commission has been adopted in the preparation of the NMSI accounts to March 2006. The prior year figures have been restated for comparability.

(v) Expenditure on collection objects, where the purchase price is below the capitalisation threshold of £50,000, is now combined with all other expenditure on the care of and research into the collections.

(vi) Change to treatment of Deferred Income: now categorised as either current or long term creditor rather than as a provision.

Notes

