

Natural History Museum Annual Report and Accounts 2012-2013

Natural History Museum Annual Report and Accounts 2012-2013

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

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Contents

	Page
The Trustees' Annual Report	2
Report on the Remuneration of Senior Management	16
Statement of Trustees' and Director's responsibilities	21
Governance Statement	22
The Certificate and Report of the Comptroller and Auditor General	26
Consolidated Statement of Financial Activities	28
Consolidated and Museum Balance Sheets	30
Consolidated Cash Flow Statement	31
Notes to the Financial Statements	32

Trustees' Annual Report

Reference and administrative details

The Natural History Museum is a non-departmental public body, sponsored by the Department for Culture, Media and Sport, and is an exempt charity as listed in Part 3 of the Charities Act 2011.

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

Board Members The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken CBE (Chairman) (b) (c)	To 31 December 2013	Prime Minister
Daniel Alexander QC (b)	To 11 May 2014	Co-opted
Professor Sir Roy Anderson FRS FMedSci (a)	To 31 March 2016	Co-opted
Professor Sir John Beddington CMG FRS	To 14 May 2017	Co-opted
Louise Charlton (b)	To 30 April 2014	Prime Minister
Professor David Drewry	To 5 May 2016	Prime Minister
Professor Christopher Gilligan	To 17 May 2015	Prime Minister
Professor Alex Halliday FRS (b)	To 28 February 2014	Royal Society
Professor Sir John Holman	To 30 June 2015	Prime Minister
Dr Derek Langslow CBE (a)	To 5 May 2016	Prime Minister
Sir David Omand GCB (Chairman of the Audit and Risk Committee) (a)	To 19 January 2014	Prime Minister
Kim Winser OBE	To 17 February 2017	Prime Minister

Notes:

- (a) Member of the Trustees' Audit and Risk Committee
- (b) Member of the Trustees' Remuneration Committee
- (c) Chair of the Trustees' Nomination Committee

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

Museum Director and Accounting Officer Dr Michael Dixon

Bankers National Westminster Bank plc, 186 Brompton Road, London, SW3 1HH

Auditors Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD (for subsidiary accounts)

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

Investment Advisors JP Morgan Fleming Asset Management, 10 Aldermanbury, London EC2V 7RF

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

Structure, governance and management

Status	<p>The Trustees of The Natural History Museum were established as a body corporate under the British Museum Act 1963, when the Museum was formally separated from the British Museum, of which it had been a part since the British Museum's establishment in 1753. The Museum is also an exempt charity as listed in Part 3 of the Charities Act 2011.</p> <p>The Trustees have complied with the duty in Section 11 of the Charities Act 2011 to have due regard to guidance published by the Charity Commission.</p>								
Statutory duties	<p>Under Section 3 of the British Museum Act 1963, the Museum is responsible for keeping its collections and making them available for inspection by the public.</p>								
The Board of Trustees	<p>The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister or co-opted are appointed by open competition.</p>								
Organisational structure	<p>During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.</p> <p>The Executive Board reflects the functional operation of the Museum and consists of:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Director of the Museum</td> <td>Dr Michael Dixon</td> </tr> <tr> <td>Director of Public Engagement</td> <td>Dr Justin Morris (from 15 April 2013)</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>Neil Greenwood</td> </tr> <tr> <td>Director of Science</td> <td>Professor Ian Owens</td> </tr> </table> <p>Sharon Ament resigned as Director of Public Engagement on 31 August 2012 in order to take up the position of Director of the Museum of London.</p>	Director of the Museum	Dr Michael Dixon	Director of Public Engagement	Dr Justin Morris (from 15 April 2013)	Director of Finance and Corporate Services	Neil Greenwood	Director of Science	Professor Ian Owens
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Staff and organisation	<p>The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.</p> <p>Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.</p> <p>The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.</p> <p>During the year the Museum employed 822 (average full time equivalents) of which 607 were on permanent contracts.</p> <p>The average days sickness per year for permanent and fixed term contract staff was 3.96 days per full time equivalent (2012: 5.14).</p> <p>Pension benefits are provided through the Principal Civil Service Pension Scheme (See Note 6 to the Accounts).</p> <p>In May 2011 the Museum was re awarded the Investors in People Standard.</p> <p>A volunteer force of c500 people assisted the Museum during 2012-2013.</p>								

Openness and accountability

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

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

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

Relationship with DCMS

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

The Secretary of State for Culture, Media and Sport acts as the principal regulator for the Museum as an exempt charity.

Group entities

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

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

Objectives and Activities

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

Objectives The Natural History Museum is one of the world's great institutions and is the guardian of the national collection of over 80 million natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, the Museum actively works with its collections to meet the needs of people today and in the future.

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

In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring, Hertfordshire, which houses the collections bequeathed by Lionel Walter Rothschild and is also home to the world-class collections of the Natural History Museum's Bird Group.

The Museum is committed to excellence and in order to contribute fully to the imperatives facing the natural world the Museum has a corporate plan which sets high ambitions to be realised over the period 2011-16. This is enshrined in the Museum's vision.

The Natural History Museum Vision:

The Museum's vision is that we will be widely acknowledged as the world's leading natural history museum, valued by our stakeholders as a major scientific research institution and a centre for innovative public engagement with science and the natural world through our collections and expertise.

Strategic Plan 2011-16:

A new five-year strategic plan was introduced during 2011-12 that responds to the changing external environment and focuses on delivery following the opening of the Darwin Centre. The key themes are:

- **Developing knowledge of the natural world**
Our strategy for supporting innovation and ideas
- **Inspiring a sustained engagement with the natural world**
Our strategy for engaging with our stakeholders
- **Managing resources; investing in infrastructure**
Our strategy for the best use of our assets for the long term future of the Museum

Achievements and activities during 2012-2013

Continuing the upward trend since the opening of the Darwin Centre in September 2009, 2012-13 marked another record year for visitor numbers. Supported by the special exhibition programme, permanent galleries and the programme of public events, total visitors to South Kensington and Tring amounted to over 5.1 million which was an increase of 3% compared with 2011-12. This was in spite of a comparative reduction in visitors numbers during the Olympic period.

The highlight of the year was the opening of the permanent exhibition, *Treasures* in the Cadogan Gallery by HRH The Duchess of Cambridge in November. The gallery displays 22 of the Museum's most extraordinary specimens each with a fascinating story to tell and representing an important part of the Museum's scientific, historical, social and cultural worth. The specimens include:

- *Archaeopteryx* fossil – the most valuable fossil in the Museum's collection. This 147-million-year-old rock slab contains the remains of the earliest known bird. With its combination of bird and dinosaur characteristics, it is a snapshot of evolution in action;
- Audubon's *The Birds of America* – the world's most expensive book and one of the best-known natural history books ever produced. It was first published in double elephant folio size between 1827 and 1838 and is famous for its stunning life-size illustrations of birds;
- Charles Darwin's pigeons – Darwin's pigeons provided him with the crucial evidence for the theory of evolution by natural selection. He bred them in his garden as an experiment and donated these fancy breeds of rock dove to the Museum in 1867;
- Wold Cottage meteorite – earliest surviving meteorite seen to land in the UK. The rock formed during the birth of the solar system, 4.6 billion years ago, and was seen to fall near Wold Cottage, Yorkshire, in 1795, confirming the extra-terrestrial origins of meteorites.

Subsequently in April 2013 the Museum was delighted to announce that HRH The Duchess of Cambridge had become the Patron of the Natural History Museum.

The main special exhibitions at South Kensington were *Animal Inside Out* featuring plastinated animals and capillary specimens displaying internal anatomy, the Veolia Environment *Wildlife Photographer of the Year* from the autumn 2012, and from February 2013, *Extinction: Not the end of the World?* exploring the crucial role extinction can play in the evolution of life.

The main exhibitions at the Natural History Museum at Tring which itself had a record number of visitors of 154,000 were *Animal Record Breakers* which ran until July 2012, *Daring Explorers* during the summer months and *Unfeathered Bird* from March 2013, which featured illustrations of skeletons of birds engaged in natural behaviour.

Within the total visitors figure were 1,287,000 children (2012: 1,243,000) and, based on site surveys, there were an estimated 327,000 UK visitors aged 16 and over from lower socio-economic groups.

The number of children in organised educational programmes both on-site and outreach amounted to 492,000 (2012: 497,000) maintaining the growth in recent years, and reflecting a growth in school bookings and the opportunities for engagement in the Darwin Centre. A key component of the outreach programme is Real World Science within which the Museum coordinates and leads a national partnership with other UK museums to provide out of classroom learning for secondary schools.

The website continued to attract a high level of visitors with almost 7.3m unique user visits to the site (2012: 8.0m). This was underpinned by the continuing

development of Nature Online, an area on the Museum's website where virtual visitors can engage in surveys, forums and blogs with Museum's scientists and science, and explore further with the use of a NaturePlus card containing material saved during their visit to the Museum. Of particular interest and popularity during the year were the Urban Tree Survey, the Human Origins section which was updated, the Wallace100 hub which was launched in preparation for the centenary of the death of Alfred Russel Wallace in 2013, a section on the Piltdown man hoax recognising the 100th anniversary and a relaunch of the Wildlife Photographer of the Year competition site.

In September 2012 the third EU funded event Science Uncovered took place in the Museum. Working with 26 partner organisations, the event attracted over 9,000 public visitors to South Kensington and Tring for an evening of extensive contact and interaction with the Museum's scientific activities and staff, demonstrating the importance of scientific research and collections based study.

A Big Nature Day took place at the Museum on 27 May 2012: over 5,000 visitors were able to engage with over 50 nature groups, as well as Museum scientists, sharing their knowledge and expertise on a huge variety of UK biodiversity topics, from beetles and fossils to birds and bats. The event also saw the launch of the new resource pack to support the Cub Scout Naturalist Activity Badge, developed by the Museum with supporting partners the Wildlife Trusts and the National Trust.

In Spring 2012, the Museum again participated as a lead partner in the Lyme Regis Fossil Festival on the Jurassic Coast World Heritage Site. Over 17,000 visitors attended, and Museum staff across all disciplines delivered a programme of activities including on marine environments, other local biodiversity and geology, and fossil identification.

Launched in January 2012 by the Museum, Stakeholder Forum and the British Council and continuing through to June 2012, four Earth Debates took place in the Attenborough Studio to contribute to discussions surrounding the June 2012 UN Conference on Sustainable Development (Rio+20).

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

- The Museum led the consortium of 18 natural history based organisations across Europe in securing a third phase of funding by the European Commission's Infrastructure Programme to continue its SYNTHESYS project for four more years starting from September 2013, building on the success of two previous Museum-led projects focussing on access to collections and collaboration, mobility of researchers, joint research activity and network activity. The project has operated since 2004 with total funding now amounting to €28 million;
- A continuing contribution to the Biodiversity Heritage Library which is a global partnership of natural history and botanical libraries that is working to digitise biodiversity literature. The Museum has contributed almost 3 million pages to the almost 41 million pages now digitised;
- In January the London Centre for Neglected Tropical Disease Research was launched, a joint initiative of the London School of Hygiene and Tropical Medicine, Imperial College London and the Natural History Museum to facilitate co-ordination of research activities on NTDs including blinding trachoma, schistosomiasis, soil-transmitted helminths and leishmaniasis;
- iCollections, the Museum's first large-scale digitisation project commenced with the aim to digitise the entire collection of British moths and lepidoptera in the next three years;

- The Museum continued to lead a multinational EU-funded project to develop a sustainable electronic infrastructure – Scratchpads – that supports users in creating, linking, analysing and publishing taxonomic and biodiversity data on the web, facilitating integration with a network of global biodiversity initiatives;
- A Museum palaeontologist was co-author of paper in the international journal, *Nature*, on the top predator of the Cambrian Seas of 500 million years ago, *Anomalocaris*, showing that it had vision similar to that of living insects and crustaceans;
- Museum life scientists were authors of a paper in the *Proceedings of the National Academy of Sciences of the United States of America* investigating the evolution and development of the beak like jaws of pufferfish and the genes involved;
- Museum scientists were part of the Tomato Genome Consortium which published a paper in *Nature* on the complete genome of the domesticated tomato (*Solanum lycopersicum*) and its wild ancestor (*Solanum pimpinellifolium*);
- Museum earth scientists identified the world's smallest mammoth, based on fossils discovered in Crete by Dorothea Bate, an early c20th palaeontologist;
- Following on from the award of £11.7m from the Big Lottery to a consortium in August 2007, spread over a 5 year period, the Museum continued to play a significant role in Open Air Laboratories Network (OPAL), an England-wide initiative designed to encourage the public to engage with some of the country's leading scientists while becoming involved in environmental projects tailored to their region;
- The Annual Science Lecture, *Big Bang Biospheres and Beyond*, was delivered by Britain's distinguished cosmologist and popular science writer, Professor Martin Rees, addressing big questions about space;
- A team of Museum mineralogists and laboratory staff won a €100,000 contract from the European Space Agency to study potential biohazard indicators in Mars analogue samples;
- A grant of £576,000 was secured for research into megafaunal and macrofaunal molecular genetics, including detailed analysis of connectivity, taxonomy and phylogeny for the annelid worms;
- A grant of £294,000 was awarded from BBSRC for research into comparing the variety of venoms of polychaete annelid worms;
- A grant of £273,000 was awarded by NERC for a project titled Global and local effects of long-term environmental change: a turtle's eye view;
- The EU – Cooperation Environment Programme made an award to the Museum of £192,000 for Building the European Biodiversity Observation Network;
- The EU – People International Incoming Fellowship made an award of £166,000 for the study Myanmar freshwater biogeography: understanding a zoogeographical transition zone;
- BBSRC made an award of £123,000 for developing an online interactive resource for testing patterns in arthropod evolution and biodiversity; The Arthropod Supertree of Life;
- The Calleva Foundation continued to support research projects in human origins and the ancient human occupation of Britain;

- In July 2012 the Museum hosted an international expert workshop for the Convention on Biological Diversity to develop a strategic plan for The Global Invasive Species Information Partnership;
- Significant additions to the collections included an example of the mineral Wurtzite from Tanzania; a specimen of *Rhinopteraspis dunensis* an exceptionally well preserved fossil fish from Germany; an Ankylosaur dinosaur from the UK; the long-horn beetle collection and a collection of 15,000 beetles from Laos;
- 668 peer reviewed scientific papers were published;
- Approximately £2.1m scientific grant funding (excluding value to collaborators) was secured from 15 major awards (2012: £2.0m);
- Approximately 13,100 scientific visitor days were recorded from over 8,600 scientific visitors, including those visiting under the SYNTHESYS project;
- Over 11,900 science enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- A revised Science Strategy was approved focussing on five challenges : the Digital Museum; Origins, Evolution and Futures; Biodiversity Discovery; Natural resources and Hazards and; Science, Society and Skills;
- Discussion with RBG Kew continue on a new memorandum of understanding and collaboration;
- Work continued on the collections storage infrastructure programme, including a new store for the Museum archives and also on a quarantine facility for incoming specimens and collections;
- The new volunteer initiative – V Factor – was launched in late 2012 continued to develop volunteer activities based around the specimen preparation area in the Darwin Centre;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001; and
- The Museum was re-awarded OHSAS 18001 certification which is the internationally recognized assessment specification for occupational health and safety management systems.

At the Museums and Heritage Awards for 2013 the Museum received the following awards:

- Best of the Best;
- Temporary or Touring Exhibition (winner) for Scott's Last Expedition;
- Marketing campaign for Animal Inside Out (highly commended); and
- Permanent exhibition for Treasures in the Cadogan Gallery (highly commended).

Achievement against performance indicators for 2012-13, including core indicators as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2013-2014

The main special exhibitions at South Kensington are *Sensational Butterflies* an outdoor exhibition on the east lawns, *Sebastião Salgado: Genesis* featuring extraordinary images of landscapes, wildlife and remote communities by the world-renowned photographer which opened in late 2012-13 and which will

continue until September, the Wildlife Photographer of the Year from the autumn, and an exhibition on the *Ancient Human Occupation of Britain* from early 2014.

At Tring the main summer exhibition is *Blooming Marvellous*, which reveals 400 years of botanical art that helped scientists learn about plants.

Throughout 2013 the Museum will continue to celebrate the life and scientific legacy of Alfred Russel Wallace, being the centenary of his death, via a series of events, activities and on line features (Wallace100).

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by continuing the implementation of the new Science Strategy and by seeking to increase the proportion of research that is published in higher impact journal titles as well as competing for and increasing peer reviewed funding.

For the collections, the focus will be developing to further plans to improve collections storage and to invest in digitisation to make the collections images and data available via the web to both scientific and public users.

There will be continued investment in galleries including in the central hall area, and the completion of collections storage facilities, other core estate infrastructure at both South Kensington and Tring including digital infrastructure.

A Visitor Circulation study will be commissioned, focussing on the infrastructure improvements required to manage the ever increasing visitor numbers, and the grounds programme will commence with the development of proposals for the open space in front of the Waterhouse Building at South Kensington.

Restructuring will be completed in the Public Engagement areas of activity, alongside new Learning and Public Engagement strategies so that the Museum is best placed to deliver the overall strategic plan.

Financial Review 2012-13

The Natural History Museum

For the Natural History Museum Accounts which include the grant-in-aid voted by Parliament and the consolidation with the Natural History Museum Trading Company, the Special Funds Trust, the Cockayne Trust and the Benevolent Fund, the overall level of funds decreased by £26.2m from £462.3m to £436.1m. This reflects a decrease arising from the indexation of fixed assets of £18.6m and net outgoing resources of £7.7m which is after taking account of depreciation of £12.5m.

The deficit of £7.7m on net resources arose from an overall reduction of £1.3m in incoming resources to £74.4m (2012: £75.7m), primarily a reduction in grant in aid and scientific grant and contract income, and an overall increase in resources expended of £1.7m to £82.2m (2012: £80.5m) from an increase in energy, restructuring and IT costs. However, the net resources for the General Fund which accounts for most of the core funded operational activity, and excludes depreciation, amounted to a surplus of £6.0m (2012: £7.7m). In addition the balance on the General Fund Reserve at the year end amounted to £3.4m (2012: £4.7m) which is in excess of the minimum reserve figure of £2.5m by £0.9m.

Of the total incoming resources for the year of £74.4m (2012: £75.7m), £45.8m (2012: £46.5m) was grant-in-aid, £2.3m (2012: £2.5m) was restricted and unrestricted donations (including lottery funding) and sponsorship. In addition income from trading activities amounted to £15.2m (2012: £15.1m), and income from admissions from the special exhibition programme and membership generated £2.5m (2012: £2.8m). Scientific grants and contracts income reduced by £0.7m to £5.5m (2012: £6.2m).

Of the total resources expended amounting to £82.2m (2012: £80.5m), the total expenditure on charitable activities was maintained at £60.6m (2012: £60.3m). The expenditure included a capital grant payment of £2.5m to the Natural History Museum Development Trust. Total depreciation amounted to £12.5m (2012: £12.6m) and support costs excluding support costs depreciation amounted to £14.7m (2012: £13.6m) reflecting increased energy costs and IT costs.

Within the total fund balance of £436.1m, unrestricted designated funds which largely represents the non-donated estate (including most of the South Kensington site) and funds which the Museum has invested in capital assets and programmes have decreased by £18.0m from £383.8m to £365.8m, reflecting the indexation of fixed assets, capital expenditure and depreciation. The balance on the General Fund has decreased by £1.3m to a surplus of £3.4m (2012: £4.7m), while within the designated fund there is £5.6m (2012: £4.3m) for future, mostly capital projects and £1.3m (2012: £0.9m) for future scientific research projects. The restricted fund balance has decreased from £73.0m to £66.0m reflecting capital expenditure funded by donations and donation funding received for future capital expenditure, offset by the impact of indexation and depreciation.

Capital expenditure for the year, funded prominently by the surplus on the General Fund and restricted donations, amounted to £5.1m (2012: £4.9m) which included expenditure on collection storage projects, scientific equipment, security infrastructure and the completion of the Treasures in the Cadogan Gallery. Tangible and heritage fixed assets at 31 March 2013 amounted to £421.8m (2012: £447.9m) which predominantly represents land and buildings, and also includes £1.9m of capitalised collections purchases.

The net current assets at 31 March 2013 amounted to £14.1m (2012: £14.5m), including a cash balance of £23.8m (2012: £24.0m). This includes restricted and designated fund held for specific projects including redevelopment of the Museum's central hall and balconies, funds to meet other capital expenditure plans and significant amounts received for scientific grants, including for EU-funded projects, which will be dispersed during 2013-14.

The Natural History Museum Trading Company Limited

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

The net operating profit for 2012-13 amounted to £3.7m (2012: £4.1m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2012-2013 this amounted to £3.7m (2012: £4.1m).

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

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

The Natural History Museum Special Funds Trust

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

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

During the year the fund received income amounting to £43.0k (2012: £40.5k) and incurred expenditure of £18.5k (2012: £63.4k). At 31 March 2013 the value of the Fund amounted to £1.387m (2012: £1.212m) including investments valued at £1.289m (2012: £1.138m) and cash of £0.102m (2012: £0.078m).

The Cockayne Trust

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

During the year the fund received income amounting to £5.3k (2012 £5.4k) and incurred expenditure of £15.0k (2012: £29.0k). At 31 March 2013 the value of the Fund amounted to £150k (2012: £140.8k) including investments valued at £138.8k (2012: £120.1k) and cash of £10.9k (2012: £20.6k).

The Benevolent Fund

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

The balance of funds held at 31 March 2013 was £32.2k (2012: £29.9k).

The Funding Agreement

The Museum has a Funding Agreement with the Department for Culture, Media and Sport which sets out what the Government expects the Museum to deliver for the grant-in-aid it receives. The current funding agreement was signed in May 2011, though the grant in aid allocation has subsequently been reduced.

The core grant-in-aid which the Museum is to receive over the period 2011-12 to 2014-15 is as follows:

£m	2011-12	2012-13	2013-14	2014-15
Resource Grant-in-Aid	44.404	43.583	42.036	41.490
Capital Grant-in-Aid	2.076	2.177	2.278	2.379
Total	46.480	45.760	44.314	43.869

Reserves Policy

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

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in November 2012 a minimum level of General Fund of £2.5m. At the 31 March 2013 the General Fund amounted to £3.4m.

Trustees also designate funds for specific projects and activities. Designations currently include funds for capital expenditure projects, and funds for scientific research which have been derived over a number of years from income from scientific activities exceeding an annual target.

Investment powers and policy

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

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

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

Sustainability

A sustainability report including performance data, prepared in accordance with the Greening Government commitments and the Government Financial Reporting Manual can be found at <http://www.nhm.ac.uk/>.

Key performance data*:

	2010-11	2011-12	2012-13
Greenhouse gas emissions (tonnes CO ₂)	15,723	15,301	18,628
Energy consumption (MWh)	24,702	24,739	28,442
Water consumption (m ³)	120,933	94,170	91,980
Waste (tonnes)	n/a	419	419

*Comparative figures for 2010-11 and 2011-12 were previously calculated based on calendar years. These have now been restated to reflect the Museum's financial year end.

The increase in energy consumption and greenhouse gas emissions reflects the impact of sustained and harsh winter period, and the bringing into operation of new and improved serviced facilities and serviced collections storage areas.

Specific activities undertaken and achievements during 2012-13 include:

- An Environmental Group, responsible for shaping the Sustainability Programme was established;
- Advice and guidance was received from the European Pathway to Zero Waste and the Resource Efficient Management Schemes to encourage economic and environmental benefits through reducing waste and increasing resource efficiency through procurement practices;
- ISO 14001 Environmental Management certification was re-awarded based on the on-going audit assessment.

Payment of creditors

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2012-13 in excess of 95% of creditors were paid within the agreed period (2012: in excess of 95%).

External Auditors

The fees paid to the National Audit Office (NAO) for audit services for the Museum and Consolidated accounts which are included in Note 5 amounted to £45k.

The fees paid to Kingston Smith LLP for the provision of audit services for the subsidiary accounts amounted to £22k.

Disclosure of relevant audit information

At the time of approving the financial statements:

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

Oliver Stocken
Chairman of the Trustees

Dr Michael Dixon
Director and Accounting Office

2 July 2013

Appendix 1

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

Performance indicator	12-13 Outturn	11-12 Outturn	10-11 Outturn	09-10 Outturn	08-09 Outturn
Visitors					
Total number of visitors	5,132,000	4,992,000	4,812,000	4,389,000	3,843,000
Number of child visitors #1	1,287,000	1,243,000	1,169,000	1,164,000	1,131,000
Number of over 60s visitors #1	235,000	200,000	375,000	307,000	269,000
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	327,000	186,000	313,000	430,000	334,000
% of visitors who thought the Museum was good/very good #1	97	97	98	97	96
Other Access					
Number of unique website visits	7,332,006	7,992,592	7,397,821	7,517,026	6,598,515
Number of specimens loaned	n/a	n/a	36,746	40,940	60,988
Number of UK loan venues	32	131	182/a	n/a	n/a
Number of scientific enquiries answered #2	11,960	13,743	15,825	28,667	47,041
Learning					
Number of children aged 16 and under in on and off site organised educational sessions	492,295	497,139	474,211	416,283	406,858
Research					
Number of peer reviewed research publications #3	585	807	974	642	603
Value of major research grants won (£m total value to the Museum)	2.1	2.0	3.3	4.5	7.7
Number of visitor days for visiting researchers	14,454	13,572	13,829	12,557	14,154
Income generation					
Gross income from admissions (£m)	2.06	2.39	1.59	1.36	1.91
Net income from trading activities (£m)	8.42	9.37	7.49	6.87	6.13
Fundraising income (£m)	1.97	2.05	3.63	2.55	2.46

#1 Based on sampling.

#2 The reduction in outturn from 2010-11 reflects a change in the definition and also the counting methodology.

#3 The recording and reporting methodology was changed during 2010-11 and this in part accounts for the increase from 2009-10.

Report on the Remuneration of Senior Management

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

The Trustees receive no remuneration.

Service contracts

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

The senior management of the Museum hold appointments which are open-ended with a notice period of six months. Termination payments are in accordance with contractual terms. During the year 2012-13 there were no compensation or severance payments to senior management.

Remuneration Committee

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

The membership of the Remuneration Committee for 2012-13 comprised:

Professor Alex Halliday (Chair)

Daniel Alexander

Louise Charlton

Oliver Stocken

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

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

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

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

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

The Director is eligible for a bonus up to a maximum of 15% of gross salary. This determined by an assessment of his performance and achievement of delivery targets carried out by the Chairman of the Trustees which is reviewed and confirmed by the Remuneration Committee.

Senior management other than the Director are eligible for a bonus up to a maximum of 7.5% of their gross salary, based upon achievement of their objectives and their performance, as assessed by the Director and reviewed and confirmed by the Remuneration Committee.

Salary and pension entitlements

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

Remuneration

	2012-13			2011-12		
	Total salary paid	Bonus Payments	Benefits in kind	Total salary paid	Bonus Payments	Benefits in kind
	£'000	£'000	£	£'000	£'000	£
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	180-185	20-25	1,700	175-180	20-25	1,800
Sharon Ament <i>Director of Public Engagement</i> (Resigned 31 August 2012)	40-45 (FTE salary 115-120)	5-10	–	115-120	5-10	–
Neil Greenwood <i>Director of Finance and Corporate Services</i>	115-120	5-10	–	115-120	5-10	–
Professor Ian Owens <i>Director of Science</i> (From 3 October 2011)	110-115	0-5	–	50-55 (FTE salary 110-115)	–	–
Professor Richard Lane <i>Director of Science</i> (Retired 31 May 2011)	–	–	–	30-35 (FTE salary 110-115)	5-10	–
Professor Philip Rainbow <i>Acting Director of Science</i> (From 1 June 2011-2 October 2011)	–	–	–	10-15 (FTE salary 105-110)	–	–

The above information has been subject to audit.

Salary

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

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

Benefits in kind

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

Pay multiples

Reporting bodies are required to disclose the relationship between remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the financial year 2012-13 was £180,000-£185,000 (2012: £175,000- £180,000). This was 6.4 times the median remuneration of the workforce, which was £28,302 (2012: 6.2 times the median of £28,723).

In 2012-13, nil employees received remuneration in excess of the highest paid director. Remuneration ranged from £15,217 – £120,000 (2012: £15,066 – £120,000).

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

	Accrued pension age as at 31/3/13 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31/3/13 £'000	CETV at 31/3/12 £'000	Real increase in CETV £'000
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	20.4	2.9	368.0	299.3	44.0
Sharon Ament <i>Director of Public Engagement</i>	25.4 plus lump sum of 11.9	1.9 plus lump sum of 0.5	378.0	346.0	25.0
Neil Greenwood <i>Director of Finance and Corporate Services</i>	29.0 plus lump sum of 87.1	1.1 plus lump sum of 3.2	503.0	460.0	12.0
Professor Ian Owens <i>Director of Science (from 3 October 2011)</i>	3.7	2.3	38.0	13.0	26.0

The actuarial factors used to calculate CETVs were changed in 2012-13. For consistency the CETVs at 31/3/12 and 31/3/13 have both been calculated using the new factors. The CETV at 31/3/12 therefore differs from the corresponding figure in last year's report which was calculating using the previous factors.

The above information has been subject to audit.

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

Employee contributions from 1 April 2012 increased for the majority of PCSPS members. New contributions are based on annual full-time equivalent earnings. For members of the **classic** scheme, the contribution rates range from 1.5% to 3.9%. For members of the **classic plus**, **premium** and **nuvos** schemes, the contribution rates range from 3.5% to 5.9%. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 calculated as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

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

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

Cash Equivalent Transfer Values

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

Real increase in CETV

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

Other information

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

The Trustees of the Natural History Museum are not remunerated. Expenses paid are disclosed in Note 6 to the Annual Accounts.

Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	2012-13			2011-12			Total number of exit packages by cost band
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	
<£10,000	8	–	8	7	1	8	
£10,000-£25,000	3	4	7	2	–	2	
£25,000-£50,000	–	7	7	–	1	1	
£50,000-£100,000	–	4	4	–	–	–	
£100,000-£150,000	–	2	2	–	–	–	
Total number of exit packages	11	17	28	9	2	11	
Total resource cost (£)	97,573	776,412	873,985	67,372	33,710	101,082	

Oliver Stocken
Chairman of the Trustees

Dr Michael Dixon
Director and Accounting Officer

2 July 2013

Statement of Trustees' and Director's Responsibilities

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

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

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

Oliver Stocken
Chairman of the Trustees

Dr. Michael Dixon
Director and Accounting Officer

2 July 2013

* A copy of which is available from the Director of Finance and Corporate Services, The Natural History Museum, Cromwell Road, London SW7 5BD.

Governance Statement

The Governance Framework

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

The Board meets generally four times a year and did so during 2012-13. In addition strategy days are arranged with at least one taking place annually. The Board receives reports on a regular basis covering key performance indicators, financial performance, Science and Public Engagement activities, Audit and Risk committee, health and safety, and an annual report on security. In addition the Board approves the annual budget and future financial plan and the strategic plan, receives an annual external visiting group report on a major area of activity, usually Science based, and receives and approves major strategies and projects where appropriate.

During the year the following served as Trustees:

	Attendance at Board Meetings 2012-13 (max 4)
Oliver Stocken (Chairman)	4/4
Daniel Alexander QC	4/4
Professor Sir Roy Anderson FRS FMedSci	3/4
Louise Charlton	4/4
Professor David Drewry	4/4
Professor Christopher Gilligan	4/4
Professor Alex Halliday FRS	3/4
Ian Henderson CBE FRICS (<i>retired 2 February 2013</i>)	2/3
Professor Sir John Holman	4/4
Dr Derek Langslow CBE	4/4
Professor Georgina Mace CBE FRS (<i>retired 5 August 2012</i>)	1/2
Sir David Omand GCB	4/4
Kim Winser OBE (<i>appointed 18 February 2013</i>)	1/1

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

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

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

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management and internal control issues from the Risk and Assurance unit, and matters arising from external audits, and to review progress on the implementation of recommendations. The Chairman of the Audit and Risk Committee reports any matters arising directly to the Board.
- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Remuneration Report).
- **The Nominations Committee** meets as required to consider and make recommendations for Trustee appointments and met to make two such recommendations during 2012-13.
- **The Estates and Buildings Advisory Committee** was established during 2012-13. It will meet four times a year to provide advice on the long term management and development of the Museum's estate.

The Board carries out an externally facilitated review of its performance and effectiveness every three years with an internal self-assessment carried out in intervening years. An external review was carried out during

2012-13 which concluded that the Board operates very effectively, yet made some recommendations in relation to future governance. A response to the recommendations and an action plan is being developed.

Scope of responsibility

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

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

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

The purpose of the system of internal control

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

The system of internal control is based on a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2013 and up to the date of signature of the accounts.

The risk management, risk profile, capacity to handle risk and the risk environment

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

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

Additionally, the Executive Board has responsibility for overall strategy development and implementation, and for overall Museum management.

A risk profile, highlighting the key risks is prepared annually by the Executive Board, taking account of departmental and project based risk registers as well as museum wide risks and the external environment, and is presented to and endorsed by the Board of Trustees.

At the detailed level, responsibility for each key risk is allocated to managers as risk owners, and the risk owners are required to report quarterly to the Executive Board on the progress of action taken to manage these risks. The Director reports progress in managing the risks to the Audit and Risk Committee, and significant changes and developments in the risk profile including new risks are reported to both the Audit and Risk Committee and the Board of Trustees.

The current major risks being managed include the possibility that:

- Further cuts in grant in aid for 2013-14 and beyond results in the need to make major reductions in programme expenditure;
- External funding of science is harder to win and reduces our scientific research activity;
- Suitably skilled web, IT and scientific staff cannot be recruited or retained as a consequence of uncompetitive pay rates;
- A failure to develop the Museum's digital capacity and presence in the virtual world results in loss of scientific competitiveness, public reputation or commercial opportunity;

- The process of implementing the new finance system may impact upon operational activity;
- In the event of a major incident affecting the Museum the absence of a purposely fitted out offsite facility will delay recovery;
- Change management and unplanned senior management changes may impact upon the smooth operation of the Museum.

In addition the Museum has an assurance framework to manage long term inherent risks, including those relating to security, fire, and health and safety, collections care, fraud, failure of estate infrastructure and long term financial planning.

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

Significant internal control improvements during the year

A number of specific actions have occurred during the year which have strengthened the internal control framework and helped in the managing of the major and inherent risks:

- continuing development of the business continuity plan including carrying out a real time crisis management exercise;
- continuing investment in museum wide security infrastructure and further embedding of physical security systems and processes;
- OHSAS 18001 certification was re-achieved for the occupational health and safety management;
- ISO 14001 was re-secured for the environmental management ;
- refresher training for museum managers and key staff on key museum policies, including fraud awareness and prevention, has taken place;
- further implementation of the security protocol framework in line with Cabinet Office requirements.

Significant internal control matters arising the during year

There were no significant control matters which occurred during the year.

Risks to data and information

Risks to data and information held by the Museum are owned and managed by individuals, responsible as information asset owners, and there is a Senior Information Risk Owner (SIRO) responsible for the information risk policy and risk assessment, and for ensuring that the Museum complies with the Cabinet Office protocols it has assessed as being appropriate for the management of information risk.

There were no sensitive personal data incidents during the year, which required reporting to the Information Commissioner.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2012-13 has been informed by the work of the Museum's Risk and Assurance Unit including the review of the controls in place for effective management of information risk and:

- (a) the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- (b) the Annual Security Report to Trustees, including information risk management and assurance;
- (c) comments made by the external auditors in their management letter.

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

The Risk and Assurance Unit is responsible for examining and reporting on the adequacy and effectiveness of the risk management, control and governance processes. It takes a risk based approach to audits and focuses on the major corporate risks to the achievement of the Museum's strategic objectives.

The unit works to an audit and risk strategy and annual audit plan approved by the Audit and Risk Committee and operating to the Public Sector Internal Audit Standards. The purpose of the audit and risk strategy is to put in place an approach and annual audit plan that will enable the Head of Risk & Assurance to deliver an overall opinion each year to the Museum Director (Accounting Officer) on the whole of the Museum's risk management, control and governance processes in order to inform and support the preparation of the annual Governance Statement.

The annual report on audit activity, which includes the Head of Risk and Assurance's opinion is considered by the Audit and Risk Committee and presented to the Board of Trustees.

The effectiveness of the Museum's Risk and Assurance Unit was reviewed during the year by the Audit and Risk Committee. It was concluded that the work of the Unit provided comprehensive annual assurance to the Audit and Risk Committee and that the work of the Unit was of a high standard.

Oliver Stocken
Chairman of the Trustees

Dr. Michael Dixon
Director and Accounting Officer

2 July 2013

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Natural History Museum for the year ended 31 March 2013 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, the Director and auditor

As explained more fully in the Statement of Trustees' and Director's Responsibilities, the Trustees and the Director are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to examine, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Natural History Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Natural History Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Natural History Museum's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 9 July 2013
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Consolidated Statement of Financial Activities for the year ended 31 March 2013

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2013	Total Funds 2012
		Designated	General			2013	2012
		£000	£000	£000	£000	£000	£000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	2	–	45,760	–	–	45,760	46,480
National lottery		–	–	414	–	414	463
Donations		–	803	893	–	1,696	1,825
Donations in kind		–	–	71	–	71	32
Activities for generating funds:							
Trading activities	3	–	15,239	–	–	15,239	15,150
Sponsorship	3	–	200	–	–	200	230
Shared services		1,898	–	188	–	2,086	1,873
Other income	4	6	519	244	–	769	535
Investment income	4	49	55	4	–	108	107
Incoming resources from charitable activities							
Admissions and memberships		–	2,547	–	–	2,547	2,785
Scientific grants and contracts		–	1,137	4,404	–	5,541	6,195
Total incoming resources		1,953	66,260	6,218	–	74,431	75,675
Resources expended							
Costs of generating funds							
Costs of generating voluntary income							
Fundraising trading: cost of goods sold and other costs	6	2,078	7,648	379	–	10,105	9,118
Charitable activities							
Exhibitions	6	1,144	6,484	2,157	–	9,785	9,092
Learning	6	728	2,487	113	–	3,328	3,254
Libraries	6	624	4,173	110	–	4,907	5,275
Scientific curation and research	6	4,519	18,071	6,212	–	28,802	28,670
Visitor services	6	1,456	9,595	212	–	11,263	10,560
Capital grant	6	–	2,500	–	–	2,500	3,500
Governance costs	6	107	260	15	–	382	415
Other resources expended							
Loss on disposal of fixed assets	6	–	10	–	–	10	11
Total resources expended		12,554	60,251	9,374	–	82,179	80,490
Net (outgoing)/incoming resources before transfers	5	(10,601)	6,009	(3,156)	–	(7,748)	(4,815)

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2013 £000	Total Funds 2012 £000
		Designated £000	General £000				
Transfers							
Gross transfers between funds	17	7,124	(7,278)	154	–	–	–
Net outgoing resources before other recognised gains and losses		(3,477)	(1,269)	(3,002)	–	(7,748)	(4,815)
Other recognised gains/losses							
(Losses)/gains on indexation and revaluation of fixed assets for charity's own use	7	(14,641)	–	(3,964)	–	(18,605)	5,272
Gains on investment assets	9	68	–	–	104	172	2
Net movement in funds		(18,050)	(1,269)	(6,966)	104	(26,181)	459
Reconciliation of funds							
Total funds brought forward		383,829	4,699	73,013	762	462,303	461,844
Total funds carried forward	17	365,779	3,430	66,047	866	436,122	462,303

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

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

The notes on pages 32 to 52 form part of these accounts.

Consolidated and Museum Balance Sheets as at 31 March 2013

	Note	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Fixed Assets					
Tangible assets	7	419,883	446,055	419,179	445,616
Heritage assets	8	1,947	1,852	1,947	1,852
Investments	9	1,450	1,278	300	300
<i>Total fixed assets</i>		423,280	449,185	421,426	447,768
Current Assets					
Stock	11	792	833	191	180
Debtors	12	5,156	5,739	3,615	3,982
Cash at bank and in hand	13,14	23,777	23,960	23,365	23,677
<i>Total current assets</i>		29,725	30,532	27,171	27,839
Liabilities					
Creditors: amounts falling due within one year	15	(15,614)	(16,048)	(12,938)	(13,096)
<i>Net current assets</i>		14,111	14,484	14,233	14,743
<i>Total assets less current liabilities</i>		437,391	463,669	435,659	462,511
Provision for liabilities and charges	20	(1,269)	(1,366)	(1,104)	(1,366)
Net assets		436,122	462,303	434,555	461,145
The funds of the charity					
Permanent Endowment funds	17	866	762	–	–
Restricted income funds	17	66,047	73,013	67,221	73,012
Unrestricted income funds					
Designated funds	17	365,779	383,829	363,203	382,771
General funds	17	3,430	4,699	4,131	5,362
<i>Total unrestricted funds</i>		369,209	388,528	367,334	388,133
<i>Total charity funds</i>	17	436,122	462,303	434,555	461,145

The notes on pages 32 to 52 form part of these accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

2 July 2013

Consolidated Cash Flow Statement for the year ended 31 March 2013

	Note	2013 £000	2012 £000
Net cash inflow from operating activities	19	4,893	7,178
Returns on investments and servicing of finance within net cash flow	19	108	107
Capital expenditure and financial investment	19	(5,184)	(4,901)
(Decrease)/Increase in cash	19	(183)	2,384

The notes on pages 32 to 52 form part of these accounts.

Notes to the Financial Statements

1 Accounting Policies

Basis of accounting

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

Consolidated accounts have been prepared for the Museum which include the Grant-in-aid account, trust funds administered by the Museum, and its subsidiary company, The Natural History Museum Trading Company. They do not include accounts for the American Friends of the Natural History Museum which is a fund raising organisation based in the USA, nor do they include The Natural History Museum Development Trust which is based in the UK, both of which are run by separate and independent trustee bodies.

Incoming resources

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

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

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

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

Expenditure

All expenditure is accounted for on an accruals basis.

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

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

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

Fund accounting

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

Unrestricted funds general

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

Unrestricted funds designated

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

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

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

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

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

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

Restricted funds

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

Scientific Grants – grant awards for specific scientific projects.

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

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

Permanent endowment funds

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

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation.

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

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

Tangible fixed assets are reviewed annually for evidence of impairments of value and, where there is evidence that recoverable value has fallen below carrying value, a calculation of the recoverable value is made. Any

excess of the carrying value over the recoverable value is written off, either within depreciation in the Statement of Financial Affairs, or to the revaluation reserve to the extent that it relates to a previously revalued asset.

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

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

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

Equipment/Furniture and Fittings' – indexation by appropriate indices.

Equipment/Furniture and Fittings are not revalued but are stated at depreciated indexed value as at 1 April 2011.

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

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

Heritage assets

The Museum's collections which are assets of historical and scientific importance held to advance the Museum's scientific and educational objectives and, through public access, contribute to the nation's culture and education, are recognised as heritage assets in accordance with FRS 30 (Heritage Assets) which requires such assets to be reported in the balance sheet where information is available on cost or value. Prior to the financial year 2001/02 these assets were not capitalised, reliable cost information is not available and conventional valuation approaches lack sufficient reliability, with the cost of providing such information unaffordable and unmanageable, and deemed to outweigh the benefits to the users. Accordingly these assets are not capitalised in the balance sheet. However, since 1 April 2001 collections acquisitions in excess of the capitalisation threshold of £5,000 have been capitalised at acquisition value, and treated as non depreciable heritage assets in the balance sheet. A description of the collections, their management and developments in the year are given in Note 8.

Investments

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

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

Financial instruments

The Museum does not hold any complex financial instruments. The only financial instruments included in the accounts are cash, investments, receivables and payables (Notes 12,13 and 15). Trade receivables are recognised initially at fair value less provision for impairment. A provision for impairment is made when there is evidence that the Museum will be unable to collect an amount due in accordance with agreed terms.

Stocks

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

Leases

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

Foreign currencies

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

Taxation

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

Subscriptions

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

Pension costs

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

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

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

Provision for shared services

During 2012-13 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ring-fenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

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

2 Grant-in-aid

	2013	2012
	£000	£000
Department for Culture, Media and Sport		
Resource grant-in-aid	43,583	44,404
Capital grant-in-aid	2,177	2,076
	45,760	46,480
General Funds	45,760	46,480
	45,760	46,480

Grant-in-aid income credited to General Funds is available for running costs, capital improvements and collection purchases.

3 Trading activities income

	2013	2012
	£000	£000
Brand Management	115	154
Retail	7,089	6,876
Catering and Functions	3,929	3,470
Exhibitions consultancy	230	441
Touring Exhibitions	1,224	1,369
Robotic model sales	679	1,022
Other	1,973	1,818
	15,239	15,150

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

Trading subsidiary turnover	14,892	14,764
Less: Science consultancy (included in Scientific grants and contracts)	(1,137)	(857)
Commercial sponsorship	(200)	(230)
Add: Other trading activities income (Museum income)	1,684	1,473
	15,239	15,150

4 Investment income and other income

	2013	2012
	£000	£000
Income from UK equities	28	27
Income from other investments	21	19
Bank interest	59	61
	108	107
Other income		
Rentals	207	125
Other	562	410
	769	535

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

5 Net outgoing resources before transfers

	2013	2012
	£000	£000
is stated after crediting:		
Scientific grants from the European Union	1,755	1,645
and after charging:		
Expenditure in respect of scientific grants from the European Union	1,755	1,645
Auditors' remuneration – Museum auditors		
Museum audit	45	49
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	20	21
Special Funds audit	2	2
other services	2	2
Hire of plant and machinery	1,180	452
Travel, subsistence and hospitality	1,448	1,414
Depreciation	12,646	12,553

Incoming resources of the Museum were £59,490,000 (2012: £60,863,000).

6 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2013 £000	Total 2012 £000
Costs of generating voluntary income	4,978	–	5,127	10,105	9,118
Fundraising trading: cost of goods sold and other costs	11,097	–	–	11,097	10,595
Exhibitions	7,183	–	2,602	9,785	9,092
Learning	1,839	–	1,489	3,328	3,254
Libraries	3,551	–	1,356	4,907	5,275
Scientific curation and research	18,911	–	9,891	28,802	28,670
Visitor services	8,057	–	3,206	11,263	10,560
Capital grant payment	–	2,500	–	2,500	3,500
Governance	138	–	244	382	415
Loss on disposal of fixed assets	10	–	–	10	11
	55,764	2,500	23,915	82,179	80,490

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

Total resources expended by the Museum only were £67,248,000 (2012: £66,059,000)

A grant of £2,500,000 (2012: £3,500,000) was awarded to the Natural History Museum Development Trust, restricted for furtherance of the Natural History Museum's charitable objectives.

Support costs by activity

2012-13	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	162	320	15	93	84	617	200	1,491
Human resources	162	320	15	93	85	617	200	1,492
Estates	960	1,891	90	549	500	3,648	1,182	8,820
Finance	128	252	12	73	67	487	158	1,177
Information technology	192	378	18	110	100	729	236	1,763
Depreciation	998	1,966	94	571	520	3,793	1,230	9,172
	2,602	5,127	244	1,489	1,356	9,891	3,206	23,915

2011-12	Exhibitions £000	Generating voluntary income £000	Governance £000	Learning £000	Libraries £000	Scientific £000	Visitor services £000	Total £000
Management	166	310	15	100	96	631	211	1,529
Human resources	155	289	14	93	89	589	198	1,427
Estates	879	1,646	81	530	507	3,351	1,123	8,117
Finance	136	254	13	82	78	517	173	1,253
Information technology	138	258	13	83	80	526	176	1,274
Depreciation	994	1,860	92	599	573	3,788	1,270	9,176
	2,468	4,617	228	1,487	1,423	9,402	3,151	22,776

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

Staff costs

	Permanent contracts £000	Other contracts £000	2013 Total £000	2012 Total £000
Salaries and Wages	21,698	3,664	25,362	24,890
Superannuation	3,996	464	4,460	4,429
National Insurance	1,748	291	2,039	2,039
Cost of agency staff	–	3,148	3,148	2,664
	27,442	7,567	35,009	34,022

Included in the above staff costs are redundancy costs of £874,000 (2012: £78,000).

In addition there were early retirement costs of £86,000 written back in 2012-13 against the 2011-12 provision of £1,187,000.

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the Museum is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details are available in the resource accounts of the Cabinet Office: Civil Superannuation www.civilservice-pensions.gov.uk

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2012-13, the rates were in the range 16.7% to 24.3%. The contribution rates are set to meet the cost of the benefits accruing during 2012-13 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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

The Chairman and Board of Trustees received no remuneration for their services during the year (2012: nil). Travel and subsistence expenses of £3,685 (2012: £3,435) were reimbursed to seven (2012: five) Trustees.

The Remuneration of the senior management of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 16 to 20.

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

	2013	2012
£180,000 – £190,000	1	–
£170,001 – £180,000	–	1
£110,001 – £120,000	2	2
£90,001 – £100,000	1	2
£80,001 – £90,000	3	1
£70,001 – £80,000	10	9
£60,001 – £70,000	9	13

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £442,716 (2012: £474,755).

No employees received any benefit in kind except as disclosed in the Report on the Remuneration of Senior Management.

The average number of employees during the year was 822 (2012: 894) organised into the following categories:

	Permanent contracts	Other contracts	2013 Total	2012 Total
Costs of generating voluntary income	117	20	137	165
Exhibitions	60	12	72	68
Learning	34	9	43	43
Libraries	31	4	35	43
Scientific curation and research	227	80	307	328
Visitor services	73	72	145	163
Governance	6	–	6	6
Support	59	18	77	78
	607	215	822	894

7 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
Value								
Balance								
1 April 2012	363,776	79,063	1,540	35,268	11,758	20,019	4	511,428
Additions	98	250	2,344	1,141	243	1,013	–	5,089
Disposals	–	–	–	–	(12)	(619)	–	(631)
Revaluation	(15,181)	(5,444)	–	–	–	–	–	(20,625)
Transfers in/(out)	76	116	(329)	–	–	137	–	–
Balance								
31 March 2013	348,769	73,985	3,555	36,409	11,989	20,550	4	495,261
Depreciation								
Balance								
1 April 2012	11,373	12,609	–	21,838	7,026	12,524	3	65,373
Charge for year	3,814	4,094	–	1,901	948	1,754	–	12,511
Disposals	–	–	–	–	(6)	(615)	–	(621)
Revaluation	(890)	(995)	–	–	–	–	–	(1,885)
Balance								
31 March 2013	14,297	15,708	–	23,739	7,968	13,663	3	75,378
Net Book Value								
31 March 2012	352,403	66,454	1,540	13,430	4,732	7,495	1	446,055
Net Book Value								
31 March 2013	334,472	58,277	3,555	12,670	4,021	6,887	1	419,883

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets are revalued at least quinquennially on a depreciated replacement cost basis and indexed using indices from professional sources in the intervening years. The most recent valuation was performed by Gerald Eve, Chartered Surveyors, as at 31 March 2009, in accordance with the RICS Appraisal and Valuation Manual (the red book).

The professional valuations at 31 March 2009 were as follows:

Property	Value 31 March 2009 £000	Basis of Valuation
The Natural History Museum, South Kensington	395,250	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	12,050	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,790	Existing use basis
Premises at Kimber Road, Wandsworth, London	8,300	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

At 31 March 2009 the valuers were of the opinion that the valuation of the premises at Kimber Road, Wandsworth, at market value for general storage and distribution would be significantly lower than the valuation at existing use value, reflecting specialist adaptations for the storage of Museum collections at the property. The specialist adaptations are not likely to have any value for a prospective purchaser. The valuers have stated their opinion that the market value of the main museum site at South Kensington would be significantly lower than the depreciated replacement cost value reported because of the restrictive covenants contained in the Museum's title. For all other properties, the valuers considered that the difference between market value and the stated value would not be significant.

No indexation has been applied to Fixture and fittings, equipment assets and permanent exhibitions as management consider that there is no material difference between current cost and actual cost. The life of these assets is reviewed annually to reflect their true value.

	2013 £000	2012 £000
The current cost depreciation shown above is charged in the Statement of financial Activities (page 28) as follows:		
Historic cost depreciation included in Total resources expended	12,646	12,553
Depreciation arising on indexation of assets included in (losses)/gains on indexation and revaluation of fixed assets for charity's own use	(135)	114
	12,511	12,667
	2013 £000	2012 £000
(Losses)/gains on indexation and revaluation of fixed assets shown above is recognised in the Statement of Financial Activities as follows:		
Revaluation value	(20,625)	5,765
Prior year depreciation adjustment arising from revaluation	1,885	(379)
Current year depreciation adjustment arising from revaluation	135	(114)
	(18,605)	5,272

Museum	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
Value								
Balance								
1 April 2012	363,776	79,063	1,540	35,267	11,397	19,462	4	510,509
Additions	98	250	2,194	1,141	155	859	–	4,697
Disposals	–	–	–	–	–	(585)	–	(585)
Revaluation	(15,181)	(5,444)	–	–	–	–	–	(20,625)
Transfers in/(out)	76	116	(329)	–	–	137	–	–
Balance								
31 March 2013	348,769	73,985	3,405	36,408	11,552	19,873	4	493,996
Depreciation								
Balance								
1 April 2012	11,373	12,609	–	21,838	6,870	12,200	3	64,893
Charge for year	3,814	4,094	–	1,901	900	1,685	–	12,394
Disposals	–	–	–	–	–	(585)	–	(585)
Revaluation	(890)	(995)	–	–	–	–	–	(1,885)
Balance								
31 March 2013	14,297	15,708	–	23,739	7,770	13,300	3	74,817
Net Book Value								
31 March 2012	352,403	66,454	1,540	13,429	4,527	7,262	1	445,616
Net Book Value								
31 March 2013	334,472	58,277	3,405	12,669	3,782	6,573	1	419,179

8 Collections assets

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Net book value at 1 April 2012	1,852	1,522	1,852	1,522
Additions in year	95	330	95	330
Net book value at 31 March 2013	1,947	1,852	1,947	1,852

Valuation

As stated in Note 1 the Museum has only capitalised expenditure since 1 April 2001 for acquisitions in excess of the capitalisation threshold of £5,000. They have been capitalised at acquisition value, and treated as non depreciable heritage assets in the balance sheet.

The total number of collection items which have been capitalised amount to less than 1% of the Museum's total collection.

Scope of the collections

The life and earth science collections of the Museum are comprised of over 76 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. These scientific collections are complemented by the collections of the Museum's Library. Brief summary details of the collections of each of the Museum's five science departments and the Library are given below.

Botany

The botanical collection comprises an estimated 6 million specimens including seed plants, pollens and spores, ferns and lycophytes, bryophytes, diatoms, algae, lichens and slime moulds, and is one of the most comprehensive collections in the world.

Collections are worldwide in origin with around 10% from the British Isles.

The collections span a period from the 16th century to the present and include a number of historically important collections such as those of Sir Hans Sloane, Sir Joseph Banks and Charles Darwin.

Most collections are arranged systematically, some alphabetically and important historical collections such as the Sloane Herbarium are kept as separate entities.

Entomology

The entomological collections comprise an estimated 32 million prepared specimens including insects and other terrestrial and freshwater arthropods including spiders, mites and myriapods. * They include named representatives of about half of the more than one million described species.

The collections are worldwide in origin and contain approximately 10% from the British Isles.

The oldest specimens were collected in around 1680, but the major part of the material is of 20th century origin.

The collections are arranged systematically with the exception of two important historical collections of Sir Hans Sloane and Sir Joseph Banks, which are kept as separate entities.

* A prepared specimen is usually an individual, often adult, mounted on a pin, but it can be a microscope slide preparation (of a part, or a whole, or several individuals), or one or a sample of a species in a vial of alcohol, or the work of an insect (such as a leaf mine, a nest or a wood boring).

Mineralogy

The mineralogical collection comprised approximately half a million specimens and consists of four main elements: minerals, including gems, (about 180,000 specimens), rocks, including building stones and ocean bottom deposits, (about 180,000 specimens), meteorites (about 3,000 specimens) and ores (about 30,000 specimens). The collection contains examples of about two thirds of all known mineral species, is worldwide in coverage and has a particular strength in British and European classical material and in specimens from Commonwealth countries.

The collections span a period from 1753 to present day. The mineral and economic collections have been greatly enhanced by the incorporation of the substantial collections of the British Geological Survey in 1985

The minerals collection is arranged systematically with the exception of the Russell Collection of British Minerals and the Ashcroft Swiss collection which have specific terms of bequest to be kept as separate entities.

Palaeontology

The paleontological collections comprise approximately 9 million specimens including microfossils, macro-invertebrates, vertebrates and plants.

The geographical range is worldwide, with British material predominant and well represented, and extensive foreign material, especially from ex-colonial areas, and regions of economic importance.

The collections are arranged systematically.

Zoology

The zoological collections comprise some 29 million specimens, housed at South Kensington, Tring and Wandsworth. They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides.

The range of the collections is worldwide.

The bulk of the collections were assembled in the late 19th and early 20th centuries, but they also include some 16th century and much modern material.

The collection is arranged where possible in systematic order.

Library and Information services

The Museum's Library houses over 1 million items, the World's largest collection of natural history literature and art, ranging from 1469 to the present day. The collection has a comprehensive coverage of most aspects of natural history and is international in content. Where possible it is arranged in systematic order.

In addition more than 4 million documents are preserved in the Archives, providing a unique resource of the institution's "corporate memory" containing a record of its activities and interaction with the world of natural history since the late 18th Century to the present day. The archives include manuscripts, typescripts, correspondence, photographs, artwork and printed ephemera. The Museum is recognised by the National Archives as a place of deposit for the records it creates.

Preservation of materials and preservation standards

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

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

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

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

The Museum meets the government-endorsed standard expected of museums in the UK, as it is a Registered Museum under the Museums, Libraries and Archives Council (MLA) Registration/Accreditation Scheme which following the disbandment of the MLA in 2011 this scheme is now managed by the Arts Council.

Collections management policy

The Museum has a comprehensive series of policies covering all aspects of the collections and their management. They set the tone and framework for ensuring that the institution acts legally and ethically whilst aspiring to the highest professional standards.

These are currently available upon written request whilst we undertake a review in light of regulation and legislation changes related to Access and Benefit sharing.

Of particular importance for this report are the Acquisition Policy, Audit Policy and Inventory Control, Deaccession, Disposal and Dispersal Policy, Valuation Control Policy and Loan Policies.

Disposal is only permitted within the limits of British Museum Act (1963), Museums & Galleries Act (1992), Human Tissue Act (2004), Holocaust (Return of Cultural Objects) Act 2009 and the NHM Deaccession, Disposal and Dispersal Policy and any money raised must be used to purchase items to be added to the collection.

Access to the Collections

Increasing access to the collections whether physically or virtually is one of the highest priorities for the Museum. The Museum is actively working towards greater access to its collections by providing opportunities to use, enjoy and learn from collections.

The opening of the second phase of the Darwin Centre in September 2009 enabled increased public engagement with both the Museums science and collections.

Over 27,000 specimens are on public display and the Museum welcomed over 5.1 million visitors to its public galleries during 2012-13.

On average more than 7,000 scientific researchers spend 15-20,000 research days per year in the Museum's facilities.

Many collections are now available via searchable on-line databases accessed via the NHM website <http://www.nhm.ac.uk/research-curation/collections/search/index.jsp?mode=collections>.

Significant developments during 2012-13

During the year approximately £43,000 was spent on collections purchases, below the capitalisation threshold, including a collection of insects from Central America; a variety of rare and new mineral species and a slab of Dikelocephalina trilobites. Additionally £94,500 was spent on acquisitions that have been added to the assets register, these include an example of the mineral Wurtzite from Tanzania; a specimen of Rhinopteraspis dunensis an exceptionally well preserved fossil fish from Germany; an Ankylosaur dinosaur from the UK; the Voriek long-horn beetle collection and a collection of 15,000 beetles from Laos.

Progress was made with Collections Storage Infrastructure Programme (CSIP) with completion of the quarantine facilities at South Kensington. The new Archives store was completed and brought into use in April 2013. Further design has been completed on the Quarantine and Large Vertebrate Preparation Facility at Wandsworth and a revised budget approved. Build is due to start in May/June 2013 with completion by November 2013. Feasibility studies for a new Earth Science Centre and reviewing options for storage of collections across the museum have commenced.

During 2012-13 the Museum committed to return the human remains of 148 individuals to Hui Malama I Na Kupuna O Hawai'i Nei on behalf of the Hawaiian people. This return is undertaken through provisions in the Human Tissue Act 2004. The date of the formal handover of the remains is still being agreed with the community but is likely to be during 2013-2014.

Acquisitions Summary 2008-13

	2008-09 £000	2009-10 £000	2010-11 £000	2011-12 £000	2012-13 £000
Acquisitions >£5k	266	40	–	330	95
Donations > £5k	n/a	n/a	–	–	–

9 Investments

Group	Market Value at 1 April 2012 £000	Additions £000	Increase in market value £000	Market Value at 31 March 2013 £000
UK Equities	769	–	131	900
Other UK investments	509	–	41	550
	1,278	–	172	1,450
Museum				
UK investment in Subsidiary	300	–	–	300
	300	–	–	300

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

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

10 Trading Subsidiary

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

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

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

	Total 2013 £000	Total 2012 £000
Income and expenditure		
Turnover	14,892	14,764
Cost of sales	(6,443)	(5,767)
Gross profit	8,449	8,997
Other expenses	(4,736)	(4,909)
Operating profit	3,713	4,088
Interest receivable and similar income		
Amount of gift-aided donation to Museum	(3,713)	(4,107)
Loss on ordinary activities before taxation	–	(19)
Taxation	–	19
Retained in subsidiary	–	–
	2013 £000	2012 £000
Balance Sheet		
Fixed assets (equipment)	702	437
Current assets	2,741	2,808
Current liabilities	(3,143)	(2,945)
Net assets	300	300
Share capital and reserves	300	300

11 Stock

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Finished goods and goods for resale	737	807	136	154
Work in progress	55	26	55	26
	792	833	191	180

12 Debtors

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Trade Debtors	1,406	1,551	254	534
Other Debtors	378	351	377	351
Amounts due from subsidiary undertaking	–	–	309	–
Prepayments and accrued income	3,372	3,837	2,675	3,097
	5,156	5,739	3,615	3,982

Included in the above figures are balances due from central government bodies of £525 (2012: £191,000) at 31 March 2013.

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Debtors includes the following financial instruments:				
Gross trade debtors	2,196	2,332	264	547
Less: provision for impairment	(790)	(781)	(10)	(13)
	1,406	1,551	254	534
Other debtors	378	312	377	351
	1,784	1,863	631	885

As the Museum receives a substantial part of its income from the Department for Culture, Media and Sport, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex or play a significant medium to long-term role in the financial profile of the Museum. Trade debtors include amounts due to the Museum in foreign currency, mostly US dollar and Euro, which are not significant to the overall financial risk of the Museum.

The age profile of non-impaired trade debtors is as follows:

	£
Not due	771,894
up to 30 days past due	411,448
30-60 days past due	83,755
Over 60 days past due	138,420
	<u>1,405,517</u>

13 Cash at bank and in hand

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Balances held with the Government Banking Service	19,466	21,078	19,466	21,078
Balances held with commercial banks and cash in hand	4,311	2,882	3,899	2,599
	23,777	23,960	23,365	23,677

Included in the above are balances in Euros of £3,655,999 (2012: £2,175,277) These balances do not expose the Museum to any significant exchange rate risk as they are held in connection with grants received from the European Union for onward payment to project partners where both incoming and outgoing payments are made in Euros.

During the year, cash surplus to daily requirements was either deposited with the Government Banking Service or invested short term with leading European financial institutions. Interest was achieved generally on investments to within 0.25% of UK base rate or to within 0.6% of the European Central Bank refinancing rate at the time of deposit. Cash may only be invested with financial institutions which have adequate credit ratings in accordance with the Museum's Investment Policy, and the maximum aggregate deposit with any counterparty other than the Government Banking Service is limited to the lower of 25% of total funds available for investment or £5 million. In the event of financial failure at a financial institution at which the Museum holds term deposits, the Museum would be exposed to the risk of losing the investments.

14 Cash held for third parties

Included in the cash balances (Note 13) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy (see Note 13). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2013 the cash balances held for third parties amounted to £855,060 (2012: £230,280).

15 Creditors: amounts falling due within one year

	Group	Group	Museum	Museum
	2013	2012	2013	2012
	£000	£000	£000	£000
Trade Creditors	2,852	2,535	2,674	2,405
Other Creditors	1,363	1,726	1,328	1,676
Deferred income	4,786	5,138	2,844	2,842
Accruals	6,613	6,649	6,092	6,173
	15,614	16,048	12,938	13,096

Included in the above figures there were balances due to other central government bodies of £41,000 (2012: £12,000) and due to local authorities of £425 (2012: £790,000) at 31 March 2013.

Amounts classified above as Trade creditors and Other creditors fall within the definition of financial instruments. The Financial Memorandum between the Museum and the Department for Culture, Media and Sport prohibits the Museum from borrowing and accordingly financial instruments play a more limited role in creating risk than would apply to a non-public sector body of similar size. None of the above financial instruments are complex, play a significant medium to long-term role in the financial profile of the Museum or fall due in more than one year. Trade creditors include amounts due by the Museum in foreign currency, mostly Japanese Yen, US dollars and Euros, which are not significant to the overall financial risk of the Museum.

	Group	Group	Museum	Museum
	2013	2012	2013	2012
	£000	£000	£000	£000
As at 1 April 2012	5,138	6,627	2,842	5,301
Deferred in Current Year	3,201	3,409	2,100	1,208
Released from previous Year	(3,553)	(4,898)	(2,098)	(3,667)
As at 31 March 2013	4,786	5,138	2,844	2,842

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

16 Financial Commitments

The Museum has entered into a series of contracts of between three and fifteen years duration to lease premises, vehicles and equipment for use in its operations. Total payments £1,101,000 (2012: £991,000) due in the next year of the contracts in place at 31 March 2013 by remaining duration of the lease is as follows:

Duration of the lease:	Land and buildings £000	Other assets £000	Total 2013 £000	Total 2012 £000
within one year	–	14	14	61
in second to fifth year	40	1	41	30
over 5 years	–	1,046	1,046	900
	40	1,061	1,101	991

17 Statement of Funds

	At 1 April 2012 £000	Income £000	Expenditure £000	Net Investment Gains/ losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2013 £000
Restricted Funds							
Scientific Grants	–	5,065	(5,065)	–	–	–	–
Grant in aid	128	–	(6)	–	–	–	122
Sponsored assets	72,230	771	(3,885)	–	(3,964)	111	65,263
Projects/Other Funds	497	311	(345)	–	–	–	463
Donations in kind	–	71	(71)	–	–	–	–
Equipment Reserve	158	–	(2)	–	–	43	199
	73,013	6,218	(9,374)	–	(3,964)	154	66,047
General Funds	4,699	66,260	(60,251)	–	–	(7,278)	3,430
	4,699	66,260	(60,251)	–	–	(7,278)	3,430
Unrestricted Funds – Designated							
Special Funds	622	49	(38)	68	–	–	701
Projects/Other Activities	284	–	–	–	–	(257)	27
Shared services	–	1,898	(1,898)	–	–	–	–
Future scientific research	900	6	(221)	–	–	578	1,263
Future Projects	3,978	–	–	–	–	1,630	5,608
Capital Projects	378,045	–	(10,397)	–	(14,641)	5,173	358,180
	383,829	1,953	(12,554)	68	(14,641)	7,124	365,779
Permanent Endowment Funds	762	–	–	104	–	–	866
	762	–	–	104	–	–	866
Total Funds	462,303	74,431	(82,179)	172	(18,605)	–	436,122

Special funds are a collection of 17 funds which have arisen from various legacies and donations to the Museum and which are administered by the Museum, plus the Cockayne Trust and the Benevolent Fund.

The transfer from General Funds – Restricted Funds: Sponsored assets reflects the decision to fund past expenditure on the development of the Learning Centre from the Museum's own resources.

The transfer from General Funds – Restricted Funds: Equipment reserve reflects the energy savings made as part of the Museum's Total Gas Limited contract (note 23).

The transfers to and from General Funds – Designated: Projects/Other Activities represents departmental budgets carried forward for future projects and activities.

The transfer from General Funds – Designated: Future Scientific Research reflects the decision of the Trustees to fund future scientific research from the Museum's own resources.

The transfer from General Funds – Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2013-14, not funded by revenues expected to be generated in that year.

The transfers to and from General Funds – Designated: Capital Projects reflect the acquisitions, net of disposals, of those assets which have been funded from the Museum's own resources during the year.

18 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
Fund balances at 31 March 2013 are represented by					
Tangible and Heritage Fixed Assets	358,180	–	63,650	–	421,830
Investments	584	–	–	866	1,450
Current Assets	7,015	20,313	2,397	–	29,725
Liabilities	–	(16,883)	–	–	(16,883)
Total Net Assets	365,779	3,430	66,047	866	436,122
Unrealised gains included in the above:					
On Tangible Fixed Assets	119,142	–	1,174	–	120,316
Total unrealised gains at 31 March 2013	119,142	–	1,174	–	120,316

19 Cash flow information

Reconciliation of operating surplus to net cash inflows from operating activities

	2013 £000	2012 £000
Net outgoing resources	(7,748)	(4,815)
Investment income	(108)	(107)
Depreciation	12,646	12,553
Loss on disposal of fixed assets	10	11
Decrease in Stock	41	52
Decrease in debtors	583	381
Decrease in creditors	(434)	(709)
Net movement in provisions	(97)	(188)
Net cash inflow from operating activities	4,893	7,178
Returns on investments and servicing of finance within net cash flow		
Interest received	59	61
Investment income received	49	46
	108	107
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(5,184)	(4,901)
	(5,184)	(4,901)
Changes in cash and cash equivalents		
Reconciliation of net cash flow to movement in net funds (Decrease)/Increase in cash in the period	(183)	2,384
Net funds at 1 April 2012	23,960	21,576
Net funds at 31 March 2013	23,777	23,960

Analysis of net funds

	1 April 2012 £000	Cashflow £000	31 March 2013 £000
Cash at bank and in hand	23,960	(183)	23,777

20 Provision for liabilities and charges

The Museum has operated an early retirement and severance scheme from 1990-91 which gives retirement benefits on redundancy terms to qualifying employees. Under this scheme the Museum bears the costs of these benefits until the normal retiring age. Provision is made for these costs in the year of retirement of the employee and released annually to cover payments made until the employee reaches normal retiring age. The provision covers a period to 2021.

The Museum employs a number of staff on fixed term appointments, the end date of which is usually determined by a funding agreement for the post. Under employment legislation, the Museum is liable to pay redundancy costs on the termination of these appointments unless the appointment is extended or alternative employment is offered. Provision is made for these costs when the contract is within 3 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

The equipment reserve provision relates to an excess energy savings pool which is derived from the energy services contracts. The provision is available to be released to the Museum to underpin any shortfall in the energy savings which the contractor is required to deliver each year over the life of the contract. Any balance remaining at the conclusion of the contract is shared equally between the contractor and the Museum.

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

Early Retirement

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Balance at 1 April 2012	1,187	1,532	1,187	1,532
Addition to provision	–	38	–	38
Payments against provision	(253)	(308)	(253)	(308)
Adjustment to existing provision	(86)	(75)	(86)	(75)
Balance at 31 March 2013	848	1,187	848	1,187

Redundancy Provision

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Balance at 1 April 2012	22	22	22	22
Addition to provision	221	22	56	22
Payments against provision	(22)	(22)	(22)	(22)
Balance at 31 March 2013	221	22	56	22

Equipment Reserve Provision

	Group 2013 £000	Group 2012 £000	Museum 2013 £000	Museum 2012 £000
Balance at 1 April 2012	157	–	157	–
Addition to provision	43	11	43	11
Adjustment to existing provision	–	146	–	146
Balance at 31 March 2013	200	157	200	157

Total Provision for liabilities and charges

	Group	Group	Museum	Museum
	2013	2012	2013	2012
	£000	£000	£000	£000
Balance at 1 April 2012	1,366	1,554	1,366	1,554
Addition to provision	264	71	99	71
Payments against provision	(275)	(330)	(275)	(330)
Adjustment to existing provision	(86)	71	(86)	71
Balance at 31 March 2013	1,269	1,366	1,104	1,366

21 Capital Grants

During 2012-13 the Trustees approved a capital grant of £2,500,000 (2012: £3,500,000) to the Natural History Museum Development Trust.

This is recognised as expenditure in the statement of financial activities.

22 Capital commitments

Outstanding capital commitments at 31 March 2013 amounted to £115,000 (2012: £391,000).

23 Energy services and energy management services contracts

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

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

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

ii) On the 22nd October 2010 a contract was signed between the Natural History Museum and Total Gas Contracts Limited for the provision of energy and energy management services at the Museum's sites at South Kensington, Wandsworth and Tring. Under the contract Total Gas Contracts Limited are required to design, supply, install and commission plant and equipment to deliver electrical power, lighting, heating, low temperature hot water, and chilling services. They are also responsible for the on going operation and maintenance of the plant and equipment for a 15 year period commencing on 31 October 2011. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

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

24 Losses and special payments

There were £138,876 of losses and special payments paid as at 31 March 2013 which consists of an ex-gratia payment to an employee who left the Natural History Museum during the year under a voluntary redundancy arrangement. The payment was made in accordance with HM Treasury guidance and approval.

25 Related party transactions

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

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

Receipt of grant-in-aid from DCMS (see note 2) £45,760,000 (2012: £46,480,000).

At 31 March 2013, there was no balance due to or from DCMS.

Supply of heat and power to the Victoria and Albert Museum £1,248,000 (2012: £1,149,000).

At 31 March 2013, there was a balance due to the Victoria and Albert Museum of £3,066 (2012: £118,900 debit).

Supply of power and health and safety advisory services to the National Museum for Science and Industry £725,000 (2012: £670,000).

At 31 March 2013, there was a nil balance due from the National Museum for Science and Industry (2012: £66,152).

Supply of Health and Safety advisory services to the National Portrait Gallery of £19,300 (2012: £21,279) and to the Horniman Museum of £15,298 (2012: £20,118).

Daniel Alexander and Professor Sir John Holman represent the Natural History Museum on the board of the Natural History Museum Development Trust. During 2012-13 the Museum provided administrative services to the Trust amounting to £15,000 under a service agreement.

Professor Georgina Mace is a Council Member of the Natural Environment Research Council (NERC) from which the Museum received grants during the year.

Professor Sir Roy Anderson is Professor of Infectious Disease Epidemiology in the School of Public Health at Imperial College. During the year the Museum cooperated in research programmes with Imperial College, and operated in partnership with Imperial College on the Open Air Laboratory Project for which the Museum received National Lottery funding via Imperial College.

Neil Greenwood is a non remunerated board member of the London Universities Purchasing Consortium of which the Museum is a member, with a subscription of £6,000 paid during 2012-13.

Sharon Ament was a non remunerated board member of the Exhibition Road Cultural Group of which the Museum is a member, until August 2012, when Neil Greenwood became a board member. The Museum paid a subscription of £15,756 and made a contribution of £25,000 to the public programme during 2012-13.

26 Contingent liabilities and assets

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

27 Post Balance Sheet Events

The authorised date for issue of these accounts is the date on which the accounts are certified by the Comptroller and Auditor General.

There are no post balance sheet events to report.



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