

MUSEUMS and GALLERIES ACT 1992

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

Natural History Museum Annual Report and Accounts 2009-2010

Ordered by the House of Commons to be printed 22 July 2010

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Trustees' Annual Report

Reference and administrative details

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

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

Board Members The Board of Trustees comprises the following:

	Appointment period	Appointed by
Oliver Stocken (Chairman) (b) (c) (d)	To 31 December 2013	Prime Minister
Daniel Alexander QC (b)	To 11 May 2014	Co-opted
Professor Sir Roy Anderson FRS FMedSci	To 31 March 2012	Co-opted
Louise Charlton (d)	To 30 April 2014	Prime Minister
Professor David Drewry	To 5 May 2012	Prime Minister
Professor Dianne Edwards CBE FRS (a)	To 6 February 2011	Prime Minister
Professor Alex Halliday FRS (b)	To 28 February 2014	Royal Society
Ian Henderson CBE FRICS (d)	To 2 February 2013	Co-opted
Dr Derek Langslow CBE (a)	To 5 May 2012	Prime Minister
Professor Jacquie McGlade (b)	To 30 June 2011	Prime Minister
Professor Georgina Mace CBE FRS (d)	To 5 February 2012	Prime Minister
Sir David Omand GCB (Chairman of the Audit and Risk Committee) (a)	To 19 January 2014	Prime Minister

Notes:

- (a) Member of the Trustees' Audit and Risk Committee
- (b) Member of the Trustees' Remuneration Committee
- (c) Member of the Trustees' Nomination Committee
- (d) Member of the Trustees' Darwin Centre Phase Two Committee

Museum Director and Accounting Officer Dr. Michael Dixon

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

Auditors Comptroller and Auditor General, National Audit Office, Buckingham Palace Road, London SW1W 9SP
Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD (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 29). 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, Olympics, Media and Sport, with the approval of H.M.Treasury.

Structure, governance and management

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

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

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

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

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

- Audit and Risk Committee
- Remuneration Committee
- Darwin Centre Phase Two Committee (ceased 1 December 2009)
- Nominations Committee

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

The Board meets generally four times a year, and in addition strategy days are arranged with at least one taking place annually.

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

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

Organisational structure During the year responsibility and delegated authority for the management of the Museum rested with the Directors' Group, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.

The Directors' Group reflected the functional operation of the Museum and consisted of:

Director of the Museum	: Dr. Michael Dixon
Director of Public Engagement	: Sharon Ament
Director of Human Resources	: Paul Brereton
Director of Finance and Administration, and Programme Director, Darwin Centre Phase Two	: Neil Greenwood

Director of Science : Prof. Richard Lane
Director of Estates : David Sanders
Director of Policy and Planning and
Director of the Natural History Museum at Tring : Teresa Wild

On 1 April 2010 the Directors' Group in its previous format was reconfigured and an Executive Board was established consisting of:

Director of the Museum : Dr. Michael Dixon
Director of Public Engagement : Sharon Ament
Director of Finance and Corporate Services : Neil Greenwood
Director of Science : Prof. Richard Lane

Staff and organisation

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

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

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

During the year the Museum employed 1,005 (average full time equivalents) of which 684 were on permanent contracts.

The average days sickness per year for permanent and fixed term contract staff was 6.8 days per full time equivalent (2009: 6.4).

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

In May 2008 the Museum was awarded the Investors in People Standard.

A volunteer force of c500 people assisted the Museum during 2009-2010.

Openness and accountability

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

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

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

Risk management

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

The Executive Board (formerly the Directors' Group) has specific responsibility for:

- developing and monitoring the implementation of the risk management strategy; and

- assessing, categorising, reviewing and monitoring the key inherent, significant and emerging risks to the achievement of aims and objectives.

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

The current major risks being managed include:

- Uncertainties over grant in aid as a result of measures being taken to manage the public deficit will impact on the Museum's budget;
- External funding for the Museum's science activity is more difficult to secure;
- The Museum's commercial businesses are not adjusted adequately in response to the economic climate;
- The ability to recruit and retain good staff is compromised by the economic environment for the public sector;
- There is inadequate capital investment in core infrastructure;
- The web presence for the Museum's science may be inadequate for a major international research organization and for public engagement with science;
- The protection of the Museum's collections is not maintained adequately;
- Crowds on the busiest days are not managed adequately resulting in reputational loss;
- The administrative burden from legislative changes cannot be managed with reduced staffing;
- The outsourced contracts are not managed effectively.

Data and information risk

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.

No sensitive personal data incidents have occurred during 2009-10 and no report has been made to the Information Commissioner's Office.

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.

On 1 June 2010 the Secretary of State for Culture, Olympics, Media and Sport was appointed 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 70 million natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, the Museum actively works with its collections to meet the needs of people today and in the future.

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

In addition to the main Museum site in South Kensington, there is the Natural History Museum at Tring, Hertfordshire, which houses the collections bequeathed by Lionel Walter Rothschild and is also home to the world-class research and 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 2007-12. This is enshrined in the Museum's vision.

The Natural History Museum Vision:

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

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

Achievements and activities during 2009-2010

The highlight of 2009-10 was the opening of Darwin Centre Phase Two on 14th September by HRH Prince William of Wales. Phase Two which completed the Darwin Centre complex on the western edge of the Museum's site at South Kensington will safeguard 18m entomological and 3m botanical specimens, provide world class research laboratories and facilities for Museum and visiting scientists, develop further the public access to the Museum's science via the Cocoon tour and a full programme in the Attenborough Studio, and house the Angela Marmont Centre for UK Biodiversity.

The main special exhibitions at South Kensington were *Butterfly Jungle* which included a tropical butterfly house and which opened on the east lawns in May

2009, the Veolia Environnement *Wildlife Photographer of the Year* from the autumn and *After Darwin: Contemporary Expressions* which included newly-commissioned and existing work, inspired by Charles Darwin's book, *The Expression of the Emotions in Man and Animals*, opened June 2009. The main exhibitions at the Natural History Museum at Tring were *Bumblebees*, *Treasures* and *Wildlife Photographer of the Year*.

The special exhibition programme, permanent galleries and the programme of public events enabled the Museum to continue to attract a high number and a diverse range of visitors. Total visitors to South Kensington and Tring amounted to 4.389m which, driven by the opening of Darwin Centre Phase Two was a significant increase of 0.546m (14%) compared with 2008-09, and was a record year since the reintroduction of free admission in 2001.

Within the total visitors figure were 1.164m children (2009: 1.131m) and based on site surveys, there were an estimated 0.430m visitors aged 16 and over from lower socio-economic groups (2009: 0.334m).

The number of children in organised educational programmes both on-site and outreach amounted to 0.416m which is a small increase on the figures for 2008-09 (0.407m).

Building on the successful relaunch of the Museum's website in 2005 there were almost 7.5m unique user visits to the site which is an increase on the figure for 2008-09 (6.6m). The increase was underpinned by the launch of NaturePlus, 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. This is a key component of the Cocoon tour in Darwin Centre Phase Two.

Further website development included the launch of Entomology and Botany Specimen catalogues and the launch of Species of the Day, as part of the Museum's contribution to the 2010 International Year of Biodiversity.

In January the first *Dinosnores* event took place where almost 300 children and accompanying adults slept over in the main hall.

A 6-part primetime BBC2 documentary series, *Museum of Life*, focusing on the Museum's science and scientists was aired from March.

The Museum has developed a new large scale outdoor exhibition, *Wild Planet* which showcases images from past Wildlife of the Year competitions, which will tour nationally with local civic partners. The exhibition launched in Brighton in March.

As part of the Visit London Awards, the Museum was awarded the People's Choice Award for best free London experience, voted for by Londoners.

In May the Museum was the venue for the UK launch of *Ida*, the 47m year old primate fossil, believed to be the missing link human evolutionary branch of life and the rest of the animal kingdom, with a replica fossil now being housed in the Treasures Gallery.

2009 was the bicentenary of the birth of Charles Darwin and throughout the year, continuing from 2008-09, the Museum co-ordinated the activities of *Darwin200*, an international collaboration of organisations from a range of sectors. Alongside the opening of Darwin Centre and other public programme activities, the Museum, working with the British Council hosted the fourth international student summit: *Darwin and Contemporary Science* which attracted delegates from

more than 30 countries.

Following on from the success of *Darwin200* in November, to coincide with the 150th anniversary of the publication of the *Origin of Species*, the Museum launched and is co-ordinating, with support from DEFRA, IYB-UK to take forward a UK partnership in support of 2010 International Year of Biodiversity on behalf of the Convention on Biological Diversity.

The Museum also continued to lead the Real World Science project – a government funded project in a partnership with other UK museums focussing on student learning outside the classroom – reaching almost 18,000 key stage 3-5 secondary school students.

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 Museum organised the first Wembury Bioblitz, a public – scientist biodiversity study of an inshore water and coastal fringe habitat, and is administering the grants scheme for natural history societies.

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:

- After five and half years the first *Synthesys* project, an EU-funded programme of 13 million euros led by the Museum for developing and accessing collections, linking 20 museums and botanical gardens across Europe and providing access for a wide European collaborative network of scientists, came to end in July. Subsequently a further programme backed by 7 million euros of EU funding commenced in September led by the Museum, providing funding for further research visits, networking activities building on the previous programme and, also, supporting a research project focusing on the extraction of DNA from museum and herbarium collections;
- The Museum led the bid, with 16 partners, which secured an EU grant of c5 million euros for ViBRANT (Virtual Biodiversity Research and Access Network for Taxonomy), a project to integrate major EU science infrastructures and develop a virtual research environment. This builds on a previous EU funded partnership project in which the Museum played a leading role, EDIT (the European Distributed Network of Taxonomy), and it is integrated with a range of global initiatives including the Encyclopaedia of Life, the Biodiversity Heritage Library, the Global Biodiversity Information Facility, and the consortium of the Barcode of Life;
- The Museum is a core partner in an EU-funded project, *QNano*, awarded 7 million euros to run a major infrastructure for nanosafety research;
- Digitisation work continued into a third year as part of the contribution to the Biodiversity Heritage Library (BHL) project which now has over 30 million pages online. This is a partnership of twelve international major natural history and botanical libraries which are collaborating to digitise the biodiversity literature to make it freely available on the web. The BHL is a key component of the Encyclopaedia of Life, established in May 2008, which is an international collaboration to develop an online reference source and database for every one of the 1.8 million species that are named and known on the planet, as well as all those later discovered and described;
- The Museum co-sponsored and organised *eBiosphere*, an international conference on biodiversity informatics attended by almost 500 delegates

from over 40 countries;

- One of the Museum Journals published with Cambridge University Press *The Journal of Systematic Palaeontology* yet again saw a significant increase in the impact factor from 1.6 to 2.375;
- The Museum was engaged by the National Environment Research Council to review the state of taxonomy in the UK in response to the House of Lords Science and Technology Committee report on Taxonomy (2008);
- The Museum is chairing the OECD Global Science Forum project SciColl, an international initiative to increase the scientific impact of collections and their management;
- Professor Sara Russell, Head of Meteorites and Cosmic Mineralogy, was awarded the Bigsby medal by the Geological Society, only the second woman to have received such an award since 1877;
- The first external naturalist group to make use of the Angela Marmont Centre for UK Biodiversity, the Dipterists Forum, visited in November;
- The Museum purchased the Voriek collection of weevils, over 45,000 mounted specimens plus other material, mostly collected from countries of the former USSR;
- The Museum acquired the Tamdahkt meteorite which landed in Morocco in 2008 ;
- 642 peer reviewed papers were published;
- Approximately 12,600 scientific visitor days were recorded, including those visiting under the *Synthesys* project;
- Approximately £14.1m scientific grant funding (including value to collaborators) was secured from 64 successful awards (2009: 63 awards). The value to the Museum from these awards amounted to £4.8m (2009: £8.0m);
- Over 28,000 scientific enquiries and specimen identifications were attended to.

Other significant developments and achievements during the year included:

- The Museum continued the Evolution campaign, a fundraising campaign focusing on securing funds for permanent gallery redevelopment, and scientific facilities, including a frozen DNA facility;
- The Museum continued to achieve accreditation to the international environmental standard, ISO 14001;
- The Museum was re-awarded OHSAS 18001 (2007) BSI certification which is the internationally recognized assessment specification for occupational health and safety management systems;
- Major refurbishments of the Earth Galleries café and the main restaurant were completed;
- Other improved visitor facilities, which were completed, included the main toilets, Exhibition Road access, and visitor way finding.

Achievement against performance indicators for 2009-10, including core indicators as set out in the Funding Agreement is shown in Appendix 1 to the Trustees' report.

Plans for 2010-2011

A key focus for 2010-11 will be the Museum's contribution to the 2010 International Year of Biodiversity through the operation of the IYB-UK secretariat and a range of activities including a day of celebratory events on International Day for Biological Diversity on 22 May.

The main special exhibitions at South Kensington are *Butterfly Explorers* which includes a butterfly house and which opened on the east lawns in April 2010, *The Deep* which explores the weird and wonderful world of the ocean depths and which opened in May and the Veolia Environnement *Wildlife Photographer of the Year* from the autumn.

On the research side, the Museum will consolidate its position as one of the world's leading institutions in systematics and scientific research by seeking to increase the proportion of research that is published in recognised titles as well as competing for and increasing peer reviewed funding. New approaches to web based taxonomy will continue to be developed, in particular by contributing to ViBRANT.

For the collections, developments plans will be completed for each of the collection departments which will underpin an overall collections development strategy. This will be complemented by a collections standards project supplemented by the embedding of a collections management competency framework. The Museum will be seeking to achieve reaccreditation under the Museums, Libraries and Archives scheme.

The Museum will continue to play an active and significant role in international partnership projects to digitise, share and make electronically available biodiversity, in particular via the Biodiversity Heritage Library which focuses on published literature as part of the Encyclopaedia of Life project.

The Darwin Centre courtyard, the grounds adjacent to the Darwin Centre buildings, will open in the summer.

There will be continued investment in galleries including a new *Images of Nature Gallery*, collections storage, and core infrastructure at both South Kensington and Tring including completion of fire precautions work, replacement lifts, and digital infrastructure.

Financial Review 2010-11

The Natural History Museum

The Museum had a successful year financially which enabled increased expenditure on charitable activities, underpinned the final capital investment in Darwin Centre Phase Two, and other capital expenditure.

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 increased by £16.3m from £457.1m to £473.4m. This includes a gain on indexation of fixed assets of £16.1m and a deficit of £0.1m on net incoming resources.

The total incoming resources for the year reduced by £2.2m to £77.8m (2009: £80.0m) of which £51.2m (2009: £51.6m) was grant-in-aid including £2.1m for Darwin Centre Phase Two, and £2.7m (2009: £6.0m) was restricted donations (including lottery funding) and sponsorship including c£0.8m for Darwin Centre Phase Two. The reduction in restricted donations reflects the timing of Darwin Centre Phase Two external funding where higher levels of funding, in particular from the Heritage Lottery Fund and from the Wellcome Trust were received during 2008-09. The total reduction on incoming resources also takes account of increases in income from trading activities (£0.8m), scientific grants and contracts (£1.1m) which offset a reduction in income from admissions and membership (£0.5m), reflecting a reduced exhibition programme, and from reduced investment income arising from interest generated from cash balances held.

The total resources expended amounted to £77.8m (2009: £72.6m). The increase of £5.2m was attributable to a number of significant factors – an increase of £2.1m to £11.1m in total depreciation charges, reflecting the impact of Darwin Centre Phase Two, and an increase of £3.4m in the direct costs particularly reflecting the operating costs of charitable activities. Support costs excluding support costs

depreciation decreased by £0.2m to £13.9m.

Within the total fund balance of £473.4m, 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 increased by £13.1m from £382.4m to £395.5m, reflecting the revaluation of fixed assets, capital expenditure and depreciation. The balance on the General Fund has increased by £0.2m to a surplus of £2.7m (2009: £2.5m), while there is £1.7m (2009: £6.5m) of designated funds for future, mostly capital projects and £1.0m (2009: £1.0m) for future scientific research projects. The restricted fund balance has increased from £71.7m to £74.5m which primarily reflects further capital investment in Darwin Centre Phase Two.

Capital expenditure for the year amounted to £16.3m (2009: £15.3m) of which £7.0m was attributable to Darwin Centre Phase Two. Tangible fixed assets at 31 March 2010 amounted to £464.7m (2009: £443.4m) which predominantly represents land and buildings. The increase also takes account of the increase of £16.1m arising from the revaluation.

The net current assets at 31 March 2010 amounted to £7.8m (2009: £13.2m), including a cash balance of £16.7m (2009: £24.7m). This includes restricted funds amounting to £1.4m held for specific projects, funds to meet other capital expenditure plans and significant amounts received for scientific grants, including for EU-funded projects, which will be dispersed during 2010-11.

The Natural History Museum Trading Company Limited

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

The net operating profit for 2009-10 amounted to £2.8m (2009: £1.6m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2009-10 this amounted to £2.8m (2009: £1.6m).

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

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

The Natural History Museum Special Funds Trust

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

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

During the year the fund received income amounting to £139.4k (2009: £49.2k) including a legacy donation of £100k and incurred expenditure of £62.6k (2009: £31.1k). At 31st March 2010 the value of the Fund amounted to £1.241m (2009:

£0.954m) including investments valued at £0.998m (2009: £0.787m) and cash of £0.245m (2009: £0.168m).

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 £5.1k (2009: £6.1k) and incurred expenditure of £0.2k (2009: £0.2k). At 31st March 2010 the value of the Fund amounted to £163.8k (2009: £135.1k) including investments valued at £115.1k (2009: £91.4k) and cash of £48.7k (2009: £43.7k).

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 2010 was £29.1k (2009: £24.6k).

The Funding Agreement

The Museum receives the majority of its income from Government funding (grant-in-aid). For 2009-10 this was derived from the three-year Funding Agreement, between the Museum and the Department for Culture, Media and Sport (DCMS) covering the years 2008-11 which was signed on 17 June 2008.

The core grant-in-aid which the Museum was to receive over the period 2009-10 to 2010-11 under this Agreement was as follows:

£m	2008-09	2009-10	2010-11
Resource Grant- in – Aid	43.270	44.730	46.321
Capital Grant-in-Aid	7.850	6.350	4.000
Total	51.120	51.080	50.231

Hence during 2009-10 the Museum received a total of £44.730m resource grant-in-aid and £6.350m capital grant in aid of which £2.1m was allocated to Darwin Centre Phase Two. In addition £106k was received from the Invest to Save Budget for the Carbon Neutral Project.

In April 2009 the Museum was informed that the resource grant-in-aid for 2010-11 was to be reduced by £232k. Subsequently in May 2010 the Museum was informed of a further reduction of £1.833m of which a minimum of £1.503m is attributable to the cash allocation of £50.231m and a maximum of £0.330m is attributable to a depreciation allocation.

Reserves Policy

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

and also self-generated trading income, scientific grant income and sponsorship, all of which are volatile.

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in November 2009 a minimum level of General Fund of £2.5m. At the 31 March 2010 the General Fund amounted to £2.7m.

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 which is reviewed biannually. The policy addresses liquidity, credit, interest rate and procedural risk.

Environmental Policy

An Environmental Management Policy and an Energy Management Policy were approved by the Trustees in November 2005.

Under the Environmental Management Policy the Museum is corporately committed to continual improvement in the environmental management of its core business activities.

Under the Energy Management Policy the Museum is corporately committed to continual improvements in energy efficiency, finding ways of reducing the Museum's energy consumption and carbon dioxide emissions to the lowest practical levels, while maintaining the required operational needs of the organisation.

The Museum continued to achieve accreditation to the international environmental standard, ISO 14001.

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 2009-10 in excess of 95% of creditors were paid within the agreed period (2008-09: 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 6 amounted to £49k.

The fees paid to Kingston Smith LLP for the provision of audit services for the subsidiary accounts amounted to £25k.

Disclosure of relevant audit

At the time of approving the financial statements:

- so far as the Trustees and Accounting Officer are aware, there is no

information

- relevant audit information of which the external auditors are unaware; and the Trustees and Accounting Officer have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the external auditors are aware of that information.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director and Accounting Officer

13 July 2010

Appendix 1

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

Performance indicator	09-10 Outturn	08-09 Outturn	07-08 Outturn	06-07 Outturn	05-06 Outturn
Visitors					
Number of total visitors	4,388,944	3,843,310	3,779,420	3,892,878	3,281,810
Number of child visitors	1,164,390	1,131,054	1,251,131	1,325,946	1,049,808
Number of over 60s visitors	307,226	269,032	249,139	290,977	223,643
Number of visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	429,569	333,832	289,978	299,622	422,482
% of visitors who thought the museum was good / very good	97	96	97	95	96
Other Access					
Number of unique website visits	7,517,026	6,598,515	5,547,626	5,139,426	3,756,365
Number of website visits	N/a	N/a	N/a	N/a	11,049,336
Number of specimens loaned	40,940	60,988	43,790	55,525	70,483
Number of scientific enquiries answered	28,667	47,041	50,075	48,977	44,589
Learning					
Number of children aged 16 and under in on and off site organised educational sessions	416,283	406,858	339,646	360,488	339,744
Research					
Number of peer reviewed research publications	642	603	571	544	603
Value of research grants won (£m total value to the Museum and collaborators)	14.1	25.4	26.2	25.9	13.3
Number of visitor days for visiting researchers	12,557	14,154	13,047	13,053	14,899
Efficiency / other					
Net income from trading activities (£m)	6.87	6.13	6.38	6.58	5.97
Cash efficiency Gains and Savings (£m)	2.22	1.90	3.18	3.07	2.01

#1 The reduction in outturn from 2006-07 compared with 2005-06 reflects a change in the classification system and also the counting methodology.

Report on the Remuneration of Senior Management

The senior management of the Museum are considered to be the Directors' Group, with whom responsibility and delegated authority for the management of the Museum rests. The Directors Group 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 Directors Group reflects the functional operation of the Museum.

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 2009-10 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 2009-10 comprised:

Professor Alex Halliday (Chair)

Professor Jacqui McGlade

Daniel Alexander

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

	2009-10		2008-09	
	Salary £	Benefits in kind £	Salary £	Benefits in kind £
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	172,943	1,575	169,101	1,564
Sharon Ament <i>Director of Public Engagement</i>	117,054	-	106,216	-
Paul Brereton <i>Director of Human Resources</i>	92,818	-	86,499	-
Neil Greenwood <i>Director of Finance and Administration, Programme Director, Darwin Centre Phase Two</i>	122,574	-	114,519	-
Professor Richard Lane <i>Director of Science</i>	119,939	-	113,251	-
David Sanders <i>Director of Estates</i>	89,331	-	85,025	-
Teresa Wild <i>Director of Policy and Planning, Director of the Natural History Museum at Tring</i>	80,886	-	74,415	-

The salary figures for 2009-10 include back pay for a pay award due 1 August 2008 which was not settled until 2009-10.

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.

Pension benefits

	Accrued pension at pension age as at 31/3/10 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/10	CETV at 31/3/09#1	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Dr Michael Dixon <i>Museum Director, Accounting Officer</i>	12	2	212	157	40
Sharon Ament <i>Director of Public Engagement</i>	18 plus lump sum of 11	3 plus lump sum of 1	264	206	37
Paul Brereton <i>Director of Human Resources</i>	7	2	95	69	20
Neil Greenwood <i>Director of Finance and Administration, Programme Director, Darwin Centre Phase Two</i>	24 plus lump sum of 72	3 plus lump sum of 9	397	329	45
Professor Richard Lane <i>Director of Science</i>	13	3	244	189	41
David Sanders <i>Director of Estates</i>	46	3	889	787	58
Teresa Wild <i>Director of Policy and Planning, Director of the Natural History Museum at Tring</i>	39	4	758	641	60.7

#1 The figures may differ from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with the Occupational Pension Scheme (Transfer Values) (Amendment) Regulations 2008.

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 Retail Prices Index (RPI). 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 are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. 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 7 to the Annual Accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr Michael Dixon
Director and Accounting Officer

13 July 2010

Statement of Trustees' and Director's Responsibilities

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

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

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

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

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

13 July 2010

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

Statement on Internal Control

Scope of responsibility

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

- supports the achievement of the aims and objectives of the Natural History Museum; and
- safeguards the assets and public funds for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in 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 an ongoing process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2010 and up to the date of signature of the accounts.

Capacity to handle risk and the risk environment

The Museum has a risk management policy which sets out the attitude to risk, and responsibilities including those of the Trustees, the Director, the Head of Risk and Assurance, managers and staff, and the Executive Board (previously the Directors' Group) 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.

The Director reports significant changes and developments in the risk profile to the Audit and Risk Committee and the Board of Trustees. The risk profile is presented to and endorsed by the Board of Trustees on an annual basis.

At the detailed level, a key risk register is prepared annually, taking account of departmental and project based risk registers as well as museum wide risks, with responsibility for each risk allocated to managers. The Executive Board monitors quarterly the progress of action taken to manage these risks and for the emergence of new risks. The current major risks are itemised in the Trustees' Annual Report (page 5).

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:

- continuing development of the business continuity plan, including business continuity training and a crisis management exercise;

- continuing investment in museum wide IT, security and fire precautions systems and infrastructure;
- the launch of on line training modules for fire safety and information risk management;
- OHSAS 18001 (2007) certification was re-achieved for the occupational health and safety systems;
- ISO 14001 was re-secured for the environmental monitoring systems;
- refresher training for museum managers and key staff on key museum policies, including fraud awareness and prevention, have taken place;
- further implementation of the security protocol framework in line with Cabinet Office requirements;
- re-achievement of the Museums Libraries and Archives Accreditation scheme.

Significant internal control matters arising the during year

During the summer of 2009 the Museum discovered the theft of 299 bird skins from the Natural History Museum at Tring. A police investigation has taken place but as yet there has been no recovery of the losses.

In response, improved security measures have been introduced at Tring and a curatorial security team has been established with the specific remit to review procedures and processes for all collections security, taking account of the need for security measures balanced against the need for researcher access to the collections.

There were no other 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.

Specific actions taken during 2009-10 on the implementation of the Cabinet Office requirements on information risk management include:

- a review of the information asset owner structure and the establishment of protocols and a risk register relating to the reporting on information assets;
- the establishment of a privacy impact assessment protocol for all new projects;
- confirmation to third parties of their requirements under the security policy framework;
- the launch of on line training modules for information risk management.

During the year the Museum's Risk and Assurance Unit carried out a review on the adequacy and effectiveness of the internal controls in place for the effective management of information risk. The review noted that a sound framework of policies and procedures had been established and promulgated, that significant progress had been made in the implementation of the Cabinet Office requirements on information risk management, and that further actions were planned to ensure full compliance.

There were no sensitive personal data incidents during the year.

Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2009-10 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 by the following;

- (a) an Office of Government Commerce Gateway review of the Darwin Centre Phase Two project;
- (b) assurance statements and reports from directors within the Museum who have responsibility for the development and maintenance of the internal control framework;
- (c) the Health and Safety manager's annual report to Trustees and the minutes of the Health and Safety committee meetings;
- (d) comments made by the external auditors in their management letter;
- (e) a peer review of the scientific and curation work of the Library Department carried out by a visiting group;

- (f) the Individual Merit Promotion scheme run by the Biotechnology and Biological Sciences Research Council (BBSRC) which provides independent assurance on the quality of individual researchers employed by the Museum;
- (g) an independent review of the Museum's payroll provider which is carried out at 6 month intervals.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees and the Audit 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, working to a plan approved by the Audit and Risk Committee and operating to the HM Treasury internal audit standards. An annual report on audit activity, which includes an opinion on the adequacy and effectiveness of the risk management, and control framework is prepared by the Head of Risk and Assurance, considered by the Audit and Risk Committee and presented to the Accounting Officer and the Board of Trustees. For 2009-10 the annual report concluded that the Museum has an adequate and effective risk management and internal control framework in place to ensure the proper conduct of business and the achievement of aims and objectives.

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.

The Audit and Risk Committee 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 of Trustees.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

13 July 2010

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 2010 under the Museums and Galleries Act 1992. These 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 Board of Trustees, the Director and auditor

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of HM Treasury. I report to you whether, in my opinion, the information, which comprises the Trustees' Annual Report, included in the Annual Report and Accounts, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant and grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Natural History Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

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

Basis of audit opinions

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

the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Natural History Museum's circumstances, consistently applied and adequately disclosed.

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of HM Treasury, of the state of the Natural History Museum's and the Group's affairs as at 31 March 2010 and of its incoming resources and application of resources of the Group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport with the consent of HM Treasury; and
- information, which comprises the Trustees' Annual Report, included in the Annual Report and Accounts, is consistent with the financial statements.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliamentary grant and grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

*Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date 16 July 2010*

Consolidated Statement of Financial Activities for the year ended 31 March 2010

	Notes	Unrestricted Funds		Restricted Funds	Permanent Endowment Funds	Total Funds 2010	Total Funds 2009
		Designated £000	General £000	£000	£000	£000	£000
Incoming resources							
Incoming resources from generated funds							
Voluntary income							
Grant in aid	3		48,380	2,806		51,186	51,619
National lottery				484		484	3,540
Donations		4	365	1,675		2,044	2,309
Donations in kind			60	250		310	188
Activities for generating funds:							
Trading activities	4		12,759			12,759	11,982
Sponsorships	4		246	250		496	0
Shared services		1,868		236		2,104	1,981
Other income	5		702	263	100	1,065	924
Investment income	5	45	33	3		81	761
Incoming resources from charitable activities							
Admissions and memberships			1,557			1,557	2,078
Scientific grants and contracts			1,019	4,661		5,680	4,585
Total incoming resources		1,917	65,121	10,628	100	77,766	79,967
Resources expended							
Costs of generating funds							
Costs of generating voluntary income	7	1,825	7,163	463		9,451	8,294
Fundraising trading: cost of goods sold and other costs	7	1,935	8,044	196		10,175	9,899
Charitable activities							
Exhibitions	7	1,026	7,162	820		9,008	7,809
Learning	7	646	2,631	216		3,493	3,267
Libraries	7	546	4,174	171		4,891	4,752
Scientific curation and research	7	4,572	17,779	6,530		28,881	28,075
Visitor services	7	1,753	9,291	381		11,425	9,887
Governance costs	7	97	389	21		507	468
Other resources expended							
Loss on disposal of fixed assets	7		3			3	101
Total resources expended		12,400	56,636	8,798	0	77,834	72,552
Net(outgoing)/incoming resources before notional costs		(10,483)	8,485	1,830	100	(68)	7,415
Notional cost of capital	1		(13,117)			(13,117)	(14,762)
Net (outgoing)/incoming resources after notional costs		(10,483)	(4,632)	1,830	100	(13,185)	(7,347)
Reversal of notional cost of capital	1		13,117			13,117	14,762
Net (outgoing)/incoming resources before transfers	6	(10,483)	8,485	1,830	100	(68)	7,415
Transfers							
Gross transfers between funds	17	8,202	(8,325)	123		0	0
Net (outgoing)/incoming resources before other recognised gains and losses		(2,281)	160	1,953	100	(68)	7,415
Other recognised gains/losses							
Gains/(Losses) on indexation and revaluation of fixed assets for charity's own use	8	15,223		878		16,101	(84,148)
Gains/(Losses) on investment assets	9	105			133	238	(292)
Net movement in funds		13,047	160	2,831	233	16,271	(77,025)
Reconciliation of funds							
Total funds brought forward		382,407	2,501	71,672	501	457,081	534,106
Total funds carried forward	17	395,454	2,661	74,503	734	473,352	457,081

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 29 to 46 form part of these accounts.

Consolidated and Museum Balance Sheets as at 31 March 2010

		Group	Group	Museum	Museum
		2010	2009	2010	2009
		£000	£000	£000	£000
Fixed Assets	Note				
Tangible assets	8	463,202	441,938	462,635	441,654
Heritage assets	8	1,522	1,482	1,522	1,482
Investments	9	1,131	893	300	198
<i>Total fixed assets</i>		465,855	444,313	464,457	443,334
Current Assets					
Stock	11	765	610	245	157
Debtors	12	6,016	6,573	4,322	4,594
Cash at bank and in hand	13,14	16,682	24,686	16,185	24,032
<i>Total current assets</i>		23,463	31,869	20,752	28,783
Liabilities					
Creditors: amounts falling due within one year	15	(15,645)	(18,706)	(13,071)	(15,862)
<i>Net current assets</i>		7,818	13,163	7,681	12,921
<i>Total assets less current liabilities</i>		473,673	457,476	472,138	456,255
Provision for liabilities and charges	20	(321)	(395)	(225)	(395)
<i>Net assets</i>		473,352	457,081	471,913	455,860
The funds of the charity					
Permanent Endowment funds	17	734	501		
Restricted income funds	17	74,503	71,672	74,503	71,672
Unrestricted income funds					
Designated funds	17	395,454	382,407	394,188	381,510
General funds	17	2,661	2,501	3,222	2,678
<i>Total unrestricted funds</i>		398,115	384,908	397,410	384,188
<i>Total charity funds</i>	17	473,352	457,081	471,913	455,860

The notes on pages 29 to 46 form part of these accounts.

Oliver Stocken
Chairman of the Board of Trustees

Dr. Michael Dixon
Director

Date: 13 July 2010

Consolidated Cash Flow Statement for the year ended 31 March 2010

		2010	2009
	Note	£000	£000
Net cash inflow from operating activities	19	8,187	24,243
Returns on investments and servicing of finance within net cash flow	19	81	761
Capital expenditure and financial investment	19	<u>(16,272)</u>	<u>(15,299)</u>
(Decrease)/increase in cash	19	<u>(8,004)</u>	<u>9,705</u>

The notes on pages 29 to 46 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.

Incoming resources

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

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

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

Donations in kind are recognised when received and valued at their value to the Museum. Donations of unquoted shares are recognised only when a value can be attributed with reasonable certainty, either on sale or on floatation on a recognised stock market. The contribution of volunteers is excluded from the Statement of Financial 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.

Collection purchases

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

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

Fund accounting

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

Unrestricted funds general

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

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	- between 3 and 22 years depending on the nature of the asset
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.
- Equipment/Furniture and Fittings'- indexation by appropriate indices.
- Exhibitions are not revalued but are stated at historic depreciated cost.

Since 1 April 2001 collections acquisitions have been capitalised at historic cost. They are not depreciated nor revalued as a matter of routine.

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

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

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

Investments

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

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

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 14). 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.

Notional cost of capital

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

Notional cost of capital is calculated as 3.5% (2009 3.5%) of the average capital employed by the Museum in the year but excluding donated assets and assets funded by the Heritage Lottery Fund.

Provision for shared services

During 2009-10 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ringfenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

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

2 Collections and collections management

Introduction

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

Scope of the collections

The life and earth science collections of the Museum are comprised of over 70 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. 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 28 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 one third of 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 160,000 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 palaeontological 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 28 million specimens, housed at South Kensington, Tring and Wandsworth. They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides.

The range of the collections is world-wide, though British material predominates.

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 ongoing, long-term research programmes.

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

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

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 publicly available on the museum website (<http://www.nhm.ac.uk/research-curation/collections/collectionsmanagement/collections-policy-procedures/index.html>) and upon written request for those unable to access online. The policies are currently under review.

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) 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 4 million visitors to its public galleries during 2009-10.

On average more than 7,000 scientific researchers spend 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>.

Valuation

The Museum, under statute, maintains its collections for inspection by the public but also for scientific value and scientific research potential. As there is no ready commercial market for scientific natural history specimens the Museum's approach to valuation is based on the pragmatic adoption of theoretical valuation factors. However any valuation is completed within the confines of the Museum's Valuation Control Policy and the valuation methodologies outlined in the Museum's Valuation Control General Procedures.

For these reasons the Museum has never assigned a financial value to its natural history specimens and collections. A full valuation of the entire inventory of over 70 million items is considered impractical, lacking in reliability and of no significant benefit.

Significant developments during 2009-10

During 2009-10 the Museum acquired the Voriek collection of weevils. The collection of nearly 50,000 specimens, mostly collected from countries of the former USSR, includes 700 type specimens.

As reported in the Statement on Internal Control the Museum suffered the loss of 299 bird skins as a result of a theft at the Natural History Museum at Tring.

3 Grant-in-aid

	2010 £000	2009 £000
Department for Culture, Media and Sport		
Resource grant-in-aid	44,730	43,270
Capital grant-in-aid	6,350	7,850
Invest to Save fund	106	499
	<u>51,186</u>	<u>51,619</u>
General Funds	48,380	47,220
Restricted Funds	2,806	4,399
	<u>51,186</u>	<u>51,619</u>

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

The Museum acts as lead partner for activities under the Invest to Save fund. In 2009-10 of the total grant in aid received of £51,186,000, £106,000 has been recognised in relation to Invest to Save consortium costs. In addition a balance of £393,000 is still held from prior years and will be paid to Invest to Save fund partners on behalf of the programme.

4 Trading activities income

	2010 £000	2009 £000
Brand management	204	248
Retail	6,528	5,698
Catering and functions	2,558	3,231
Exhibitions Consultancy	758	45
Touring exhibitions	1,063	1,072
Robotic model sales	89	470
Other	1,559	1,218
	<u>12,759</u>	<u>11,982</u>

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

Trading subsidiary turnover	13,279	12,345
Less: Science consultancy (included in Scientific grants and contracts)	(1,019)	(1,104)
Commercial sponsorship (included in Sponsorship)	(496)	0
Add: Other trading activities income (Museum income)	995	741
	<u>12,759</u>	<u>11,982</u>

5 Investment income and other income

	2010 £000	2009 £000
Income from UK equities	26	29
Income from other investments	18	20
Bank interest	37	712
	<u>81</u>	<u>761</u>
Other Income		
Rentals	137	118
Other	928	806
	<u>1,065</u>	<u>924</u>

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

6 Net (outgoing)/incoming resources before transfers

	2010	2009
	£000	£000
is stated after crediting:		
Scientific grants from the European Union	2,065	1,344
and after charging:		
Expenditure in respect of scientific grants from the European Union	1,280	1,344
Auditors' remuneration - Museum auditors		
Museum audit	49	51
other services	0	0
Auditors' remuneration - subsidiaries auditors		
Trading Company audit	23	26
Special Funds audit	2	1
other services	0	0
Hire of plant and machinery	355	345
Travel, subsistence and hospitality	1,210	1,456
Depreciation	11,066	8,975

Incoming resources of the Museum were £67,153,000 (2009 £69,194,000).

7 Total resources expended

	Activities undertaken directly £000	Grant funding of activities £000	Support costs £000	Total 2010 £000	Total 2009 £000
Costs of generating voluntary income	5,246		4,205	9,451	8,294
Fundraising trading: cost of goods sold and other costs	10,175		0	10,175	9,899
Exhibitions	6,643		2,365	9,008	7,809
Learning	2,005		1,488	3,493	3,267
Libraries	3,633		1,258	4,891	4,752
Scientific curation and research	20,134	59	8,688	28,881	28,075
Visitor services	7,384		4,041	11,425	9,887
Governance	286		221	507	468
Loss on disposal of fixed assets	3			3	101
	55,509	59	22,266	77,834	72,552

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 £67,303,000(2009 £61,804,000)

Support costs by activity

2009-10	Generating voluntary						Visitor services £000	Total £000
	Exhibitions £000	income £000	Governance £000	Learning £000	Libraries £000	Scientific £000		
Management	184	327	17	116	98	675	314	1,731
Human resources	161	286	15	101	86	591	275	1,515
Estates	850	1,512	80	535	452	3,124	1,453	8,006
Finance	132	235	12	83	70	486	226	1,244
Information technology	153	272	14	96	81	563	262	1,441
Depreciation	885	1,573	83	557	471	3,249	1,511	8,329
	2,365	4,205	221	1,488	1,258	8,688	4,041	22,266

2008-09	Generating voluntary						Visitor services £000	Total £000
	Exhibitions £000	income £000	Governance £000	Learning £000	Libraries £000	Scientific £000		
Management	178	302	16	111	111	694	284	1,696
Human resources	159	271	14	99	99	621	254	1,517
Estates	869	1,481	80	543	543	3,395	1,390	8,301
Finance	126	214	11	78	78	491	201	1,199
Information technology	144	244	13	90	90	560	229	1,370
Depreciation	679	1,155	62	424	423	2,650	1,085	6,478
	2,155	3,667	196	1,345	1,344	8,411	3,443	20,561

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	2010	2010	2010	2009
	Permanent contracts £000	Other contracts £000	Total £000	Total £000
Salaries and Wages	23,653	4,112	27,765	25,603
Superannuation	4,455	459	4,914	4,884
National Insurance	1,871	341	2,212	1,997
Cost of agency staff		3,691	3,691	3,249
	29,979	8,603	38,582	35,733

Included in the above staff costs are redundancy costs of £91,623 (2009: £113,000).

In addition there were no early retirement costs (2009 - £86,000).

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 2009-10, 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 2009-10 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 (2009 £nil). Travel and subsistence expenses of £2,110 (2009 £2,031) were reimbursed to 6 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 19.

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

	2010	2009
£170,001 - £180,000	1	0
£160,001 - £170,000	0	1
£150,001 - £160,000	0	0
£140,001 - £150,000	0	0
£130,001 - £140,000	0	0
£120,001 - £130,000	1	0
£110,001 - £120,000	2	2
£100,001 - £110,000	0	1
£90,001 - £100,000	1	0
£80,001 - £90,000	4	2
£70,001 - £80,000	9	9
£60,001 - £70,000	14	7

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £554,487 (2009 £408,762).

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 1,005 (2009: 915) organised into the following categories:

	2010 Permanent contracts	2010 other contracts	2010 Total	2009 Total
Costs of generating voluntary income	117	47	164	80
Exhibitions	66	17	83	79
Learning	41	3	44	45
Libraries	35	13	48	61
Scientific curation and research	242	99	341	312
Visitor services	112	122	234	210
Governance	6	1	7	5
Support	65	19	84	123
	684	321	1,005	915

8 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Collections £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
Value									
Balance 1 April 2009	337,808	78,202	9,689	1,482	23,572	7,685	14,670	15	473,123
Additions	4,291	298		40	6,849	2,074	2,720		16,272
Disposals						(40)	(114)	(6)	(160)
Revaluation	15,425	619	6			286	643	1	16,980
Transfers in/out	6,086		(9,695)		3,609				0
Balance 31 March 2010	363,610	79,119	0	1,522	34,030	10,005	17,919	10	506,215
Depreciation									
Balance 1 April 2009					16,678	3,918	9,092	15	29,703
Charge for year	3,614	4,195			1,480	739	1,302		11,330
Disposals					0	(41)	(110)	(6)	(157)
Revaluation	12	15				176	412		615
Balance 31 March 2010	3,626	4,210	0	0	18,158	4,792	10,696	9	41,491
Net Book Value 31.3.09	337,808	78,202	9,689	1,482	6,894	3,767	5,578	0	443,420
Net Book Value 31.3.10	359,984	74,909	0	1,522	15,872	5,213	7,223	1	464,724

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 appropriate indices 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	395,250.00	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	12,050.00	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	1,790.00	Existing use basis
Premises at Kimber Road, Wandsworth, London	8,300.00	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.

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

2010	2009
£000	£000
11,066	8,975
264	856
11,330	9,831

The current cost depreciation shown above is charged in the Statement of Financial Activities (page 26) as follows:
 Historic cost depreciation included in Total resources expended
 Depreciation arising on indexation of assets included in Gains/(losses) on indexation and revaluation of fixed assets for charity's own use

2010	2009
£000	£000

Gains/(Losses) on indexation and revaluation of fixed assets shown above is recognised in the Statement of Financial Activities as follows:

Revaluation value	16,980	(119,049)
Prior year depreciation adjustment arising from revaluation	(615)	35,764
Current year depreciation adjustment arising from revaluation	(264)	(856)
	16,101	(84,141)

Museum	Land & Buildings	Plant & Machinery	Assets under construction	Collections	Permanent Exhibitions	Furniture & Fittings	Equipment	Vehicles	Total
Value	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance 1 April 2009	337,808	78,202	9,689	1,482	23,572	7,517	14,300	15	472,585
Additions	4,291	298		40	6,849	1,991	2,454		15,923
Disposals						(34)	(91)	(6)	(131)
Revaluation	15,425	619	6			286	643	1	16,980
Transfers in/out	6,086		(9,695)		3,609				0
Balance 31 March 2010	363,610	79,119	0	1,522	34,030	9,760	17,306	10	505,357
Depreciation									
Balance 1 April 2009	3,614	4,195			16,678	3,839	8,917	15	29,449
Charge for year					1,480	724	1,250		11,263
Disposals						(34)	(87)	(6)	(127)
Revaluation	12	15				176	412		615
Balance 31 March 2010	3,626	4,210	0	0	18,158	4,705	10,492	9	41,200
Net Book Value 31.3.09	337,808	78,202	9,689	1,482	6,894	3,678	5,383	0	443,136
Net Book Value 31.3.10	359,984	74,909	0	1,522	15,872	5,055	6,814	1	464,157

9 Investments

Group	Market Value 31 March 2009 £000	Increase/(Decrease) in market value £000	Market Value 31 March 2010 £000
Group			
UK Equities	475	215	690
Other UK investments	418	23	441
	<u>893</u>	<u>238</u>	<u>1,131</u>
Museum			
UK Equities	198	102	300
	<u>198</u>	<u>102</u>	<u>300</u>

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 2010 £000	Total 2009 £000
Income and expenditure		
Turnover	13,279	12,345
Cost of sales	(5,902)	(5,625)
Gross profit	<u>7,377</u>	<u>6,720</u>
Other expenses	(4,566)	(5,092)
Operating profit	2,811	1,628
Interest receivable and similar income		4
Amount of gift-aided donation to Museum	(2,811)	(1,632)
Profit on ordinary activities before taxation	0	0
Taxation	0	0
Retained in subsidiary	<u>0</u>	<u>0</u>
	2010	2009
Balance Sheet	£000	£000
Fixed assets (equipment)	566	284
Current assets	3,498	2,932
Current liabilities	(3,764)	(2,916)
Net assets	<u>300</u>	<u>300</u>
Share capital and reserves	<u>300</u>	<u>300</u>

11 Stock

	Group 2010 £000	Group 2009 £000	Museum 2010 £000	Museum 2009 £000
Finished goods and goods for resale	723	578	203	125
Work in progress	42	32	42	32
	765	610	245	157

12 Debtors

	Group 2010 £000	Group 2009 £000	Museum 2010 £000	Museum 2009 £000
Trade Debtors	3,123	2,743	715	1,014
Other Debtors	427	1,113	361	1,112
Amounts due from subsidiary undertaking	0	0	1,094	69
Prepayments and accrued income	2,466	2,717	2,152	2,399
	6,016	6,573	4,322	4,594

Included in the above figures there were balances due from other central government bodies of £268,775 (2009 £575,000) and due from local authorities of £259 (2009 £16,600) at 31 March 2010.

	Group 2010 £000	Group 2009 £000	Museum 2010 £000	Museum 2009 £000
Debtors includes the following financial instruments:				
Gross trade debtors	4,009	3,605	724	1,014
less: provision for impairment	(886)	(862)	(9)	0
	3,123	2,743	715	1,014
Other debtors	427	312	361	311
Amounts due from subsidiary undertaking	0	0	1,094	69
	3,550	3,055	2,170	1,394

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.

	£000
The age profile of non-impaired trade debtors is as follows:	
Not due	1,551
up to 30 days past due	816
30-60 days past due	131
Over 60 days past due	625
	3,123

13 Cash at bank and in hand

	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000	£000	£000	£000
Balances held at the office of HM Paymaster General	13,774	22,883	13,765	22,841
Balances held with commercial banks and cash in hand	2,908	1,803	2,420	1,191
	16,682	24,686	16,185	24,032

Included in the above are balances in Euro of £4,307,586 (2009 £5,259,000) 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 at the offices of HM Paymaster General or invested in fixed rate sterling or Euro term deposits offered by leading UK and European financial institutions. Interest was achieved generally on term deposits to within 0.25% of UK base rate or to within 0.6% of the European Central Bank refinancing rate at the time of deposit, and deposits were timed to mature when there was a requirement to pay suppliers, salaries and project partners. Cash may only be invested with financial institutions which have adequate credit ratings in accordance with the Museum's Investment Policy, and the maximum aggregate investment with any single financial institution is limited to the lower of 25% of total funds available for investment or £5 million. In the event of financial failure at a financial institution at which the Museum holds term deposits, the Museum would be exposed to the risk of losing the investments.

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 2010 the cash balances held for third parties amounted to £1,883,980 (2009 £3,290,000).

15 Creditors: amounts falling due within one year

	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000	£000	£000	£000
Trade Creditors	2,778	4,162	2,482	3,698
Taxation and Social Security	19	19	0	0
Other Creditors	2,080	1,920	2,078	1,892
Deferred income	7,292	7,535	6,197	6,219
Accruals	3,476	5,070	2,314	4,053
	15,645	18,706	13,071	15,862

Included in the above figures there were balances due to local authorities of £96,000 (2009 £95,000) at 31 March 2010.

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
	2010	2009	2010	2009
	£000	£000	£000	£000
Deferred Income	7,535	2,968	6,219	1,934
As at 1 April	5,349	6,892	4,300	5,775
Deferred in Current Year	(5,592)	(2,325)	(4,322)	(1,490)
Released from previous Year	7,292	7,535	6,197	6,219
As at 31 March 2010	7,292	7,535	6,197	6,219

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 of £776,000 (2009 £767,000) due in the next year of the contracts in place at 31 March 2010 by remaining duration of the lease is as follows:

	Land and buildings	Other assets	Total	Total
	£'000	£'000	£'000	£'000
within one year	10	0	10	6
in second to fifth year	0	101	101	88
over 5 years	0	665	665	673

17 Statement of Funds

	At 1 April 2009 £000	Income £000	Expenditure £000	Net Investment Gains/losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2010 £000
Restricted Funds							
Scientific Grants	0	5,350	(5,350)	0	0	0	0
Grant in aid	521	706	(795)	0	0	0	432
Sponsored assets:	0	0	0	0	0	0	0
Biomedical Laboratory	1,894	0	(106)	0	14	0	1,802
Clare Centre	737	0	(64)	0	0	0	673
Darwin Centre Phase Two	50,871	2,891	(931)	0	366	0	53,197
Collections	1,079	0	(52)	0	0	0	1,027
Tring	13,923	0	(359)	0	497	0	14,061
Exhibitions	2,175	0	(435)	0	0	0	1,740
Projects/Other Funds	460	1,431	(453)	0	0	0	1,438
Donations in kind	0	250	(250)	0	0	0	0
Equipment Reserve	12	0	(3)	0	1	123	133
	71,672	10,628	(8,798)	0	878	123	74,503
General Funds	2,501	65,121	(56,636)	0	0	(8,325)	2,661
	2,501	65,121	(56,636)	0	0	(8,325)	2,661
Unrestricted funds - designated							
Special Funds	614	45	(63)	105	0	0	701
Darwin Centre Phase Two	16,447	0	(607)	0	0	(15,840)	0
Projects/Other Activities	60	0	0	0	0	0	60
Shared services	0	1,868	(1,868)	0	0	0	0
Future Scientific Research	1,028	4	(741)	0	0	727	1,018
Future Projects	6,502	0	0	0	0	(4,823)	1,679
Capital Projects	357,756	0	(9,121)	0	15,223	28,138	391,996
	382,407	1,917	(12,400)	105	15,223	8,202	395,454
Permanent Endowment funds							
Special Funds	501	100	0	133	0	0	734
	501	100	0	133	0	0	734
Total Funds	457,081	77,766	(77,834)	238	16,101	0	473,352

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 Unrestricted Funds - designated: Darwin Centre Phase Two reflects the transfer of all unrestricted capital expenditure on the project to Capital Projects, as the asset is now fully in use and integrated into the estate.

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

The transfer to Unrestricted Funds - Designated: Future projects reflects monies set aside to fund projects approved by the Trustees for the financial year 2010-11, not funded by revenues expected to be generated in that year.

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

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 2010 are represented by					
Tangible and Heritage Fixed Assets	391,999		72,725		464,724
Investments	497	0		634	1,131
Current Assets	2,960	18,625	1,778	100	23,463
Liabilities	(2)	(15,964)			(15,966)
Total Net Assets	395,454	2,661	74,503	734	473,352
Unrealised gains included in the above:					
On Tangible Fixed Assets	136,267		5,700		141,967
Total unrealised gains at 31 March 2010	136,267	0	5,700	0	141,967

19 Cash flow information

Reconciliation of operating surplus to net cash inflows from operating activities		
	2010	2009
	£000	£000
Net (outgoing)/incoming resources	(68)	7,415
Investment income	(81)	(761)
Depreciation	11,066	8,975
Loss on disposal of fixed assets	3	101
Increase in stock	(155)	(89)
Decrease in debtors	557	878
(Decrease)/increase in creditors	(3,061)	7,858
Net movement in provisions	(74)	(134)
Net cash inflow from operating activities	<u>8,187</u>	<u>24,243</u>

Returns on investments and servicing of finance within net cash flow

Interest received	37	712
Investment income received	44	49
	<u>81</u>	<u>761</u>

Capital expenditure and financial investment

Payments to acquire tangible fixed assets	(16,272)	(15,299)
Receipts on sale of tangible fixed assets	0	0
	<u>(16,272)</u>	<u>(15,299)</u>

Changes in cash and cash equivalents

Reconciliation of net cash flow to movement in net funds		
(Decrease)/increase in cash in the period	(8,004)	9,705
Net funds at 31 March 2009	<u>24,686</u>	<u>14,981</u>
Net funds at 31 March 2010	<u>16,682</u>	<u>24,686</u>

Analysis of net funds

	31 March 2009	Cashflow	31 March 2010
	£000	£000	£000
Cash at bank and in hand	24,686	(8,004)	<u>16,682</u>

20 Provision for liabilities and charges

The Museum has operated an Early Retirement and Severance Scheme from 1990-91 which gives retirement benefits on redundancy terms to 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 2015.

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 6 months of its termination and there is no reasonable certainty that the contract will be extended or replaced.

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

Early Retirement	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000	£000	£000	£000
Balance at 31 March 2009	289	334	289	334
Addition to Provision	0	95	0	95
Payments against Provision	(112)	(131)	(112)	(131)
Unwinding of discount	17	(9)	17	(9)
Balance at 31 March 2010	<u>194</u>	<u>289</u>	<u>194</u>	<u>289</u>
Redundancy Provision	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000	£000	£000	£000
Balance at 31 March 2009	106	195	106	195
Addition to Provision	128	107	32	107
Payments against Provision	(14)	(37)	(14)	(37)
Unwinding of discount	(93)	(159)	(93)	(159)
Balance at 31 March 2010	<u>127</u>	<u>106</u>	<u>31</u>	<u>106</u>
Total Provision for liabilities and charges	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000	£000	£000	£000
Balance at 31 March 2009	395	529	395	529
Addition to Provision	128	202	32	202
Payments against Provision	(126)	(168)	(126)	(168)
Unwinding of discount	(76)	(168)	(76)	(168)
Balance at 31 March 2010	<u>321</u>	<u>395</u>	<u>225</u>	<u>395</u>

21 Capital commitments

Outstanding capital commitments at 31 March 2010 amounted to £3.026m (2009 £8.3m).

22 Energy services and energy management services contract

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

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

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

23 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 3) £51,186,000.
At 31 March 2010, there was no balance due to or from DCMS.

Receipt of grant towards Darwin Centre Phase Two construction from the National Heritage Memorial Fund (Heritage Lottery Fund) £30,086.

Supply of heat and power to the Victoria and Albert Museum £1,254,000.
At 31 March 2010, there was a balance due from the Victoria and Albert Museum of £164,231.
In addition the Museum, as lead manager of a joint invest to save grant, held funds of £60,000 on behalf of the Victoria and Albert Museum.

Supply of power to the National Museum for Science and Industry £600,000.

At 31 March 2010, there was a balance due from the National Museum for Science and Industry of £80,534.

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

Professor Alex Halliday is a Council Member of the Natural Environment Research Council (NERC). Ian Henderson and Dr Michael Dixon are Council Members of the Royal Albert Hall. Professor Georgina Mace is Director of NERC's Centre for Population Biology at Imperial College. Professor Sir Roy Anderson served as Rector of Imperial College for part of 2009-10. During the year the Museum received grants from NERC, cooperated in research programmes with Imperial College, and operated in partnership with Imperial College on the Open Air Laboratory Project. In addition the Museum, as lead manager of a joint invest to save grant, held funds of £300,000 on behalf of Imperial College and £33,000 on behalf of the Royal Albert Hall

24 Contingent liabilities and assets

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

25 Post Balance Sheet events

In May 2010 the Director announced that, as part of an efficiency savings programme, a number of posts in the Museum were at risk of redundancy. The potential costs arising from this programme amount to c£1.5m.

It was announced in the Budget on 22 June 2010 that the Government intends to adopt the Consumer Price Index (CPI) for the indexation of public service pensions from April 2011. This will have an impact upon the future operation of the pension schemes that the Museum provides to employees.

The authorised date for issue of these accounts is the date on which the certified accounts are sent by the Museum to the Secretary of State for Culture, Olympics, Media and Sport who then lays them before the Houses of Parliament. This is 22 July 2010.

There were no other post Balance Sheet events.



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