

## **Financial Report of the Board of Trustees of Amgueddfa Genedlaethol Cymru – The National Museum of Wales**

### **Statutory Background**

The 'National Museum of Wales' (the Museum) was established by Royal Charter in 1907 and continues to be registered as a legal entity and charity under this name. During 2005-06, however, the Museum changed its public name from National Museums & Galleries of Wales to 'Amgueddfa Cymru – National Museum Wales.'

An independent registered charity, the Museum receives its core funding through grant-in-aid from the Welsh Assembly Government as an Assembly Government Sponsored Body (AGSB).

Its core objective is *'the advancement of the education of the public'* involving developing, caring for, studying and sustaining access to its collections for the benefit of society in perpetuity. The Charter (1907, revised 1991 & 2006) states that this is to be achieved:

- (i) primarily, by the comprehensive representation of science, art, industry, history and culture of, or relevant to, Wales, and
- (ii) generally, by the collection, recording, preservation, elucidation and presentation of objects and things and associated knowledge, whether connected or not with Wales, which are calculated to further the enhancement of understanding and the promotion of research.

### **Aims and Objectives**

Amgueddfa Cymru – National Museum Wales' current aims and objectives are to:

- create living museums where the collections tell their stories more clearly, and visitors experience life in the past and present and explore a variety of possible futures
- develop flourishing collections that are well-used, sustained and growing
- find paths to make sense of the world using a variety of media suitable for diverse learning styles to create equality of access to the collections
- develop as a learning organisation through sharing our plans with our visitors and jointly developing the ways in which we work, to provide meaningful access to the collections for the diversity of peoples who have made Wales their home
- develop as a learning organisation by embedding learning skills at the heart of all our work
- communicate our message so that Amgueddfa Cymru – National Museum Wales becomes known worldwide as a centre of learning of international quality and provides greater access and increasing local profile of the national collections through our work with partner organisations
- build our resources so that we have a strong and solid base, from which we will be able to deliver our Vision for the next decade and beyond.

These strategic priorities will enable us to achieve our vision to become a 'World-Class Museum of Learning', as well as supporting the Welsh Assembly Government's strategic vision as set out in *Wales: A Better Country*.

## **Changes in Governance – The Court, Board of Trustees and Management Board**

On 19 September 2006 the National Museum of Wales, which is a registered charity (Charity No. 525774, VAT No. GB 783 4541 10), was granted a supplemental Royal Charter and Statutes. This new Charter changed the Museum's governance to reflect the Museum's Vision for the twenty-first century of a "World Class Museum of Learning" and recommendations contained within an earlier quinquennial review undertaken at the request of the Welsh Assembly Government. As part of this process, the Court of Governors agreed to its abolition and in its place the Museum will establish a scheme of regular consultations with the public and with stakeholders having an interest in the furtherance of the objects of the Museum. The Museum is also seeking to identify persons qualified and willing to provide support and advice in all areas of its activities.

The executive authority remains with the Board of Trustees (formerly known as the Council) and it is responsible for the management and administration of the finances and property of the Museum in which is vested all monies contributed by the Welsh Assembly Government or derived from other sources and all lands, buildings, or gifts in kind devised or granted for the purpose of the institution. The Board of Trustees meets on a regular basis, in public, to conduct its business.

Members of the Board of Trustees of the Charity are appointed by the Welsh Assembly Government and the Museum in numbers set out within the Charter and in accordance with the principles of open selection as recommended by the Nolan Review. An Appointments sub-committee has been established to assist and advise on the process. All new appointees follow an induction programme, supported by a comprehensive handbook, shortly after their appointment. No members of the Board of Trustees are remunerated by the Museum.

Schedules of Court (until 19 September 2006) and Board of Trustee members nominated throughout the year and up until the date of this report, including resignations, retirements and new appointments, are attached to this report. Details of their company directorships and other significant interests are maintained in a Register of Interests which is open to the public.

The Board of Trustees also delegates authority to various sub-committees, principally the Performance Review Committee, which has a broad remit to monitor operational issues; the Audit Committee, which has an independent Chair plus three other independent members, including representatives of the Wales Audit Office and the Welsh Assembly Government; and the Board of the subsidiary company directing the Museum's trading activities. These committees meet on a quarterly basis.

Day-to-day operational issues are handled by a Directorate, the details of which are also included in this report. All members of the Directorate are appointed through open competition and employed under the standard Museum Terms and Conditions of Employment, applicable to all staff, with the exception of the Director General whose terms of appointment are agreed with the Welsh Assembly Government.

The Museum's governance arrangements are fully compliant with the Code of Governance for the Voluntary and Community Sector issued by the National Governance Hub and fully endorsed by the Charity Commission.

## **Amgueddfa Cymru – National Museum Wales's locations**

During 2006-07, the Museum directly operated museums in seven locations across Wales, known as:

**National Museum Cardiff** in Cathays Park, Cardiff  
**St Fagans: National History Museum** at St Fagans, Cardiff  
**Big Pit: National Coal Museum** at Blaenafon, Torfaen  
**National Roman Legion Museum** at Caerleon, Newport  
**National Slate Museum** at Llanberis, Gwynedd

**National Wool Museum** at Dre-fach Felindre, Carmarthenshire  
**National Waterfront Museum** at Swansea

The Museum also has its National Collections Centre in Nantgarw, Rhondda Cynon Taf, which is also open to the public by appointment. In addition, we are currently involved in partnership arrangements with local organisations for the management of three other sites: Segontium Roman Museum in Caernarfon, Gwynedd, the Turner House Gallery in Penarth, Vale of Glamorgan and a new facility at St. Davids, Pembrokeshire, which is currently under construction.

During 2006-07, the Museum celebrated a number of notable achievements across its sites, including:

***Oriel Un, St Fagans: National History Museum***

On Saturday 31 March 2007, Amgueddfa Cymru – National Museum Wales opened a brand new gallery at St Fagans: National History Museum. Sponsored by Principality Building Society, Oriel Un uses objects, photography, film, art, personal stories and experiences to show what it means to be Welsh and to live in Wales today.

Exploring the theme of Belonging, the Gallery demonstrates that there are many different ways of feeling a part of our country. One of Amgueddfa Cymru – National Museum Wales' major centenary projects, Oriel Un encourages visitors from Wales and beyond to play their part and share their views on how the languages they speak, their family and friends, their roots and their beliefs influence who they are.

***Exhibitions at National Museum Cardiff***

*Faces of Wales* and *Death in Wales: 4000-3000 BC* – two very different exhibitions at National Museum Cardiff grasped the imagination of thousands of visitors during the summer months of 2006.

*Faces of Wales* presented paintings and photographs of people who have contributed to the cultural, political and economic life of Wales over the past 400 years by artists such as Thomas Gainsborough, Johann Zoffany and Augustus John.

In complete contrast, *Death in Wales: 4000 -3000 BC* presented a revolution witnessed by Wales over 6,000 years ago, when massive stones were arranged as houses for the dead, and human bones became tools for the living. It was a way of death quite alien from our own today and *Death in Wales* managed to deal with a sensitive subject matter in the most dignified of ways.

The Museum ran a rich programme of events over the spring and summer as part of the Festival of Muslim Cultures, culminating in two groundbreaking exhibitions.

*1001 Inventions: Discover the Muslim Heritage in Our World* was a unique travelling educational exhibition that revealed 1,000 years of the rich scientific and technological heritage of the Muslim community. *The Muslim World on your Doorstep* was a separate exhibition that explored how the Muslim world and its complex, diverse history are represented in our everyday lives. Although both exhibitions looked at different themes, visitors were surprised, challenged and motivated by what they discovered.

***National Waterfront Museum Swansea***

During 2006-07, the first full year of operation, the National Waterfront Museum received 256,287 visits against a target of 200,000. Visitors flocked to explore the exciting human stories behind innovation and industry in Wales over the last 300 years through a series of 15 themed exhibition areas.

### **Working in Partnership**

During the year, the Museum continued to extend its partnership activities with many other bodies across Wales. Details of just two of these activities are noted here. In the 'Cyfoeth Cymru Gyfan - Sharing Treasures' scheme, 'Dinosaurs in your garden' at Carmarthenshire County Museum combined a detailed assessment of Carmarthenshire's geological collections, with an attractive new exhibition in refurbished galleries. The refurbished 'Japanware' Gallery at Pontypool Museum opened in June 2006, with educational facilitation from staff at Big Pit: National Coal Museum. Work has started with new scheme partners for 2006-08 in Scolton Manor Museum in Pembrokeshire, Abergavenny Museum and Llandudno Museum.

*Celf Cymru Gyfan – ArtShare Wales* creates projects with five pilot art venues across Wales, with financial support from the Esmeé Fairbairn Foundation. 'Radical Visions: British Art 1910-1950' opened at Oriel Davies in spring 2006 with visitor figures increasing by 55%. Glynn Vivian Art Gallery, Swansea continued the series of 'In View' displays, using works by Alfred Sisley and Terry Setch.

### **The Format of the Accounts**

The accounts are prepared under Section 9(4) of Museums & Galleries Act 1992 in a form directed by the Welsh Assembly Government with the approval of the Treasury. A copy of the Accounts Direction is available on application to the Museum's Director of Finance. The Museum's accounts are compliant with the requirements of the Statement of Recommended Practice (SORP 2005) 'Accounting and Reporting by Charities'.

Incorporated within the consolidated figures for the Museum are the results of the wholly owned subsidiary, National Museums and Galleries of Wales Enterprises Limited, which operates all of the Museum's trading activities. Also contained within the Museum's figures is its 50% share of National Waterfront Museum Swansea Limited, a joint venture with the City and County of Swansea Council, whose prime function was the development of the new National Waterfront Museum in Swansea.

Further details on all the Museum's activities referred to in this Financial Report are contained within the separately produced Annual Report.

### **Financial Results for the Year**

The Museum's consolidated net incoming resources before notional costs of capital were £2,723,000 (£4,419,000 incoming in 2005-06). Total incoming resources were £29,685,000 (£29,365,000 in 2005-06) and total resources expended were £26,696,000 (£26,720,000 in 2005-06). The net increase in funds for the year after taking account of all realised and unrealised gains and losses was £1,391,000 (net decrease of £8,805,000 in 2005-06). Fund balances at 31 March 2007 stood at £92,671,000 (£91,280,000 at 31 March 2006). National Museums and Galleries of Wales Enterprises Ltd. reported a profit before gift aid to the Museum of £255,000 for the 2006-07 financial year (£277,000 in 2005-06).

### **Risk Management**

The Museum's Board, Committees and Directors consider the major strategic, business and operational risks which the Museum faces on a continuous basis and have established a Risk Management Group to ensure risks are reviewed and reported across the whole organisation and that appropriate positive mitigating actions are in place. These systems have been embedded for a number of years and remain fully operational in accordance with best practice. The work of the Risk Management Group is scrutinised by both the Performance Review and Audit Committees. In addition, all risks are reviewed annually as an integral part of the operational planning process whilst also informing the internal audit plan.

### **Performance Indicators**

During 2006-07, the Museum commissioned a review of how we evaluate our work and activities at all levels. The report on this was published in January 2007 and this will be taken forward through an agreed action plan during 2007-08. During this period we will continue to monitor progress against agreed quantitative and qualitative targets, and progress will be reviewed on a quarterly basis by the Museum's Directors, Trustees and by the Welsh Assembly Government. We will look to migrate to a new evaluation / performance measurement framework during 2008/09.

The total number of visits made to our sites during 2006-07 was 1,534,727, against a target of 1,450,000. The number of visits to the Museum website was 1,637,517, which exceeded the target figure of 1,500,000, illustrating the continuing growth in the numbers of our visitors and other users who choose to access information about our work virtually.

While all of the collections are documented according to the Museums Documentation Association guidelines, we have continued with a programme of computerising collections records with the aim of achieving appropriate levels of computerised documentation for the objects within the Museum's collections. During 2006-07, and based on a total collection size of 4,700,000, we achieved 51.7% of the collections with computerised inventory level records that allows an item to be accurately and swiftly identified and located, against a target of 50% and 27.9% of the collections with full catalogue level records, including academic data and references to publications, against a target of 27%.

The number of research projects (126) and the number of venues to which loans have been made (367) during the year both exceeded targets, illustrating the continued strength of work in disseminating the knowledge inherent in the collections.

### **Capital Investment and Fixed Assets**

Progress was maintained throughout 2006-07 on the Museum's multi-site Collections Care and Access Project, with expenditure being made of circa £1.6m, raising the total spend to £3.2m, out of a total project cost of £4.4m. A further £2.9m was spent in the second year of a four year major programme of estate maintenance works and other capital items, which is underpinned by a capital grant of £3m from the Welsh Assembly Government. This work forms part of a Capital Master plan which not only covers these essential maintenance works, but also will provide an increase in gallery space available and aid the re-definition of the Museum's sites in line with its Vision for the future. Further details of the Capital Master plan are provided later in this report.

In line with the Museum's accounting policies, assets, which were professionally re-valued last year, have been re-valued by the application of indices in accordance with HM Treasury requirements. Indexation will continue until the next professional re-valuation in 4 years time.

The only assets not re-valued by indexation are IT assets, due to the general lowering in price of IT assets over time, and heritage assets. Heritage assets acquired prior to 1 April 2001 have not been capitalised and heritage assets since that date have been recorded at cost. The Trustees consider that the cost of valuation of heritage assets is prohibitive. However, the Museum notes the Exposure Draft on the valuation of heritage assets issued by the Accounting Standards Board and will keep its policy under review.

### **Specimen Acquisition**

Major acquisitions through purchase continue to be few because of the static nature of the specimen acquisition fund compared to continuing inflation in the art and antiquities market. Despite this, major purchases during 2006-7 included:

- A painting by the contemporary artist Peter Blake, *Kamikaze*, was acquired for £215,000, with the assistance of the Derek Williams Trust (£120,000) and the Art Fund (£40,000)

- A painting by Edward Lear, *Kinchinjunga from Darjeeling*, was acquired for £300,000, with the assistance of the Art Fund (£150,000) and others. Lear was an important painter as well as comic writer. This is one of the most important of his 300 or so oil paintings, and has been in Wales ever since it left his studio in 1877.

Other important acquisitions were made through donation, bequest, and fieldwork and excavation. They included:

- An allocation in lieu of inheritance tax of an important group of Swansea and Worcester porcelain, from the collection of Dr John and Mrs Sheila Gibbs
- Two significant collections of mollusca (shells) from the collection of the late Ted Phorson and David Keen
- Works from the personal collection of the late Sir Kyffin Williams, RA
- Around 500 microfossils from sediment cores in Tanzania, donated by Professor Paul Pearson of Cardiff University. The collection contains at least 56 new species and will help illuminate our work on climate change through history
- Prehistoric pottery, metal and animal bone, and Roman pottery and metalwork, from the Museum's excavations at Llanmaes, Vale of Glamorgan, donated by the landowner, Mr D W Thomas
- A collection of Paul Robeson artefacts, including original objects and photographs.

Details of all heritage assets acquired during the year are contained in Note 10 to the accounts.

### **Fundraising and Volunteers**

The total income and pledges secured during the year by the Museum's Development department was £409,000 from a range of public sources, Trusts and Foundations, companies and individuals. However, this fails to reflect a number of large grants, totalling over £500,000, which were secured at the end of the year and which will be drawn down in 2007-08.

The Friends of the Museum continued to support the work of the Museum via three main avenues. Firstly, as ambassadors for the Museum's work, providing a programme of talks, trips and other activities that complements the Museum's own educational activity.

Secondly, the Friends provide a volunteer group to support the Museum's own activities. Members of this group meet and greet groups and individuals, such as Friends groups from other museums, interested casual visitors and also assist curatorial staff across the spectrum of the Museum's activities. It is important to note that such activity is regarded by the Museum as valuable additionality, rather than the provision of core work by volunteers. In total we received 80 days of attendance by the Friends in a volunteering capacity which resulted in the provision of guided tours for some 811 visitors.

Thirdly, the Friends also provide financial support for a number of projects and this year generously contributed towards an education van, research grants, the redevelopment of Oriel Un at St Fagans and the proposed Origins displays and east wing Gallery at the National Museum Cardiff.

The Patrons continue to increase their invaluable support through their membership, and through advocacy work in recruiting other supporters to the scheme. 2007 saw the launch of a Patrons Centenary appeal which has generated in excess of £30,000 to date towards the cost of furnishing St Teilo's Church at St Fagans.

During the year the Development Board, which is made up of individuals who have agreed to assist the Museum in meeting its fundraising targets, had a number of major successes. One of its members assisted in the facilitation of a grant from the Principality Building Society and a major event held at Christie's in London significantly raised the Museum's profile as well as bringing in some £80,000 in funds and pledges. The Museum is grateful for the commitment shown by these individuals and we look forward to seeing further results of this activity in future years.

### **Prompt Payment Performance**

The Museum subscribes to the objectives of the Better Payment practice code issued by HM Treasury and aims to pay valid invoices within 30 days of receipt. The average time taken for payment of invoices during 2006-07 was 7 days (9 days in 2005-06), which includes 98% (by number) of invoices settled within 30 days (95% in 2005-06). There were no payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998 (£Nil in 2005-06).

### **Policy on Reserves**

As a body charged with collection and conservation in order to achieve its aims and objectives, the policy on reserves here stated applies to disposable cash reserves only.

This policy is currently dependent on the authority granted by the Welsh Assembly Government in the Museum's Management Statement and Financial Memorandum which at the financial year-end 2005-06 limited cash reserves to 2% of its budget, plus the ability to carry over but not draw down from the Welsh Assembly Government a further 3% of the annual grant-in-aid. This increased flexibility from 2% with effect at the end of the financial year 2004-05, was warmly welcomed both as an aid to eliminating accelerated cash expenditure at the financial year-end and because it enabled the Museum to utilise year-end balances to smooth budget adjustments from year-to-year and to contribute to capital developments that straddle year-end dates.

Regrettably the Welsh Assembly Government, without consultation, announced on 14<sup>th</sup> July 2006 that this flexibility was to be severely curtailed for all AGSBs and cash reserves (other than Private Funds) were to be limited to 2% of budget with no automatic carry forward of grant-in-aid not drawn down from the Assembly at the year-end.

The Museum wrote to the Welsh Assembly Government highlighting the adverse impact that this restriction could have on sound financial management as well as seeking clarification in respect of carryover arrangements affecting Specimen Purchase Grant, self-generated income, funding for the National Waterfront Museum Swansea and capital projects. In these areas the particular funding arrangements were potentially at variance with the new carryover restrictions. Some exemptions and relaxation were granted subsequently by the Welsh Assembly Government in these areas, though the potential weaknesses that flow from a restrictive limit on cash carryover remain.

Private funds are separately maintained and specified within the accounts. These are not subject to a carryover limit and the Museum's policy is to maximise and hold these funds for utilisation on projects and Capital schemes for which it is unable to receive core funding or other grant support.

Profits generated within the wholly-owned trading subsidiary, NMGW Enterprises Limited, are to be utilised to provide additional funding towards the aims and objectives of the Museum. On occasions this might result in profits being re-invested in the trading subsidiary in order to further improve trading returns. Arrangements for the transfer of profits to the Museum also gives due consideration to minimising the tax consequences of the trading.

With the Museum having embarked on a long-term plan of capital developments and refurbishments at its locations, in order to part-fund these developments, it is essential that

maximum flexibility in reserve retention is available via carry-over, private funds and retained profits from trading.

The Museum's Total Funds at 31 March 2007 were £92,671,000 with an analysis provided within the notes to the Financial Accounts.

### **Investment Policy and Performance**

The Museum's private funds investments are managed by its advisors Gerrard Investment Management Ltd. There is a cautious attitude to risk and the funds are invested in a medium risk portfolio plus a substantial element retained in cash based deposits. The performance of those funds is subject to review on a regular basis. The value of the portfolio rose during the year from £1,961k to £2,029k which was in excess of the rise of a composite benchmark.

The Museum also held, from a bequest, an equity investment in ten blue chip companies. The value of this portfolio rose during the year from £94k to £104k.

### **Pension Liability**

The Museum operates a defined benefit pension scheme which is available to all permanent employees. In common with the vast majority of such schemes, recent annual valuations for the statutory accounts have shown a deficit of scheme assets when compared to scheme liabilities. The deficit was predominantly caused in the first place by a significant fall in the valuation of the scheme's investments, particularly equity investments, a few years ago. However, it is highly significant to note that on 21<sup>st</sup> June 2006 the National Assembly for Wales issued a Crown Guarantee in respect of "all such sums as are necessary to secure that the assets of the scheme are sufficient to meet in full all of its liabilities".

Details of how pension costs are accounted for are contained in the accounting policies note to the accounts. Disclosure requirements contained in Financial Reporting Standard 17 are contained within note 16 to the Financial Statements, and compare the present day value of the scheme's assets to the potential scheme liabilities. The value of the scheme deficit had risen at 31<sup>st</sup> of March 2007 to £14.001m compared to the opening deficit of £9.693m. A key component in the calculations of the scheme's position is the discount rate that is used to calculate the present day value of the liabilities. The Museum is required to comply with accounts guidance from HM Treasury which this year includes the instruction that a discount rate of 1.8% above inflation should be utilised. This required rate was accordingly incorporated within the calculation by scheme's actuary. The rise in the scheme's deficit balance is predominantly due to the use of this significantly lower net discount rate compared to last year, as it significantly increased the liabilities. Many private sector companies are likely to use a discount rate of around 2.25% above inflation compared to the 1.8% that the Museum are instructed to use. This effect has been offset, to some extent, by the higher than expected investment returns and Museum contributions in excess of the current service cost.

Over the last few years, the Museum has taken various steps to address the deficit including an increase in employer contributions of 4.5% to the current 21.3% plus there have been capital injections from the Welsh Assembly Government. Whilst the Museum will continue to seek financial support for the Scheme from the Assembly, it will also continue to make further lump sum contributions from within its own resources as they become available and continue to work with the Scheme's Trustees to ultimately remove the deficit.

### **Future Developments**

#### ***Amgueddfa Cymru - Vision: Creating a World-Class Museum of Learning***

During 2006-07, we have continued to take forward our work within a set of 'priority action areas' that form the basis of our Vision for *Creating a World-Class Museum of Learning* and are therefore



the framework for our work for the next decade and beyond. These priorities continue to guide our work in the seven key areas set out as our current aims and objectives on Page 1

### ***Capital Masterplanning***

To underpin the delivery of the Museum's Vision, a major programme of capital works continues and the capital masterplanning programme focuses on the redefinition of our two most visited Museum sites. St Fagans has become the National History Museum and the National Museum Cardiff, Cathays Park, will evolve into two connected museums, a National Museum of Natural History and a National Museum of Art.

Early work in this area has focussed on ensuring that the collections are held in appropriate storage. This has then been supported by addressing the significant maintenance backlog which, when fully implemented, will ensure that the Museums are weather tight, with improved public spaces, and this will be followed by the re-display of the permanent collections at these sites.

Initial projects within the Master Plan have included:-

### ***Collections Care and Access Project***

The major development during the year was the completion of the work to extend the existing National Collections Centre at Nantgarw in order to provide appropriate storage and conservation facilities for many of the Museum's reserve collections held at the National Museum Cardiff and St Fagans: National History Museum. These reserve collections were then moved to this new facility at the end of the year.

Work also commenced on the building of the Domestic Collection Centre at St Fagans as well as the refurbishment of the "Atcost" Store which houses the Museum's agricultural collections. To facilitate this work the collections were temporarily moved to the new building at Nantgarw.

A final strand to the Collections Care and Access Project was the establishment of a new art store within the National Museum Cardiff. This environmentally controlled space occupies an area vacated by the Education Outreach Collection, which has been relocated to Nantgarw. The creation of the additional art store has been a significant development, as it not only provides much needed space for holding our reserve collection, but it also provided a space to decant the permanent collections, which was required by the works to the galleries as part of the Essential Maintenance project.

### ***Essential Maintenance Works***

The Welsh Assembly Government has committed £3.0m over a three-year period to allow the Museum to start to address some of the longer term capital investment issues that it now faces. Whilst the majority of this work will be focussed on replacing the defective parts of the roof at the National Museum Cardiff and St Fagans: National History Museum, there will also be the need to improve the electrical services across these two sites. In order to maximise the impact of this funding, the Museum has added £500,000 per annum from its capital budget to enable these works to be addressed.

During 2006-07 the vast majority of the work focused on renewing the roof covering to the East wing of the National Museum Cardiff plus associated works. At St Fagans, the work concentrated on replacing defective roofing to St Fagans Castle.

### ***Re-display of the Collections***

The completion of the display in Oriel Un at St Fagans, National History Museum was achieved within the year. This interactive gallery was kindly sponsored by the Principality Building Society and explores the theme of "belonging". It builds on our wish to engage with new audiences and this is achieved by the displays reflecting the diversity of cultures, communities and identities in Wales today.

Works was also progressed on the preparation of the new Archaeological display at the National Museum Cardiff and to facilitate this, the collections were removed from their previous display area in preparation for their installation into a new display known as Origins which will be open in late 2007.

The Essential Maintenance works to the rest of the east wing at the National Museum Cardiff has also required the Art collection to be taken down in preparation for a completely new “hang”, which will be re-opened in phases starting in November 2007. In advance of this, there will also be the re-display of the “Davies Sisters” Collection in the Centre Block and works preparing for this are already underway.

### **Virtual Museum**

The Museum’s vision - *A World Class Museum of Learning* - includes a commitment to: “using new technologies to create a ‘Virtual Museum of Wales’ that is both local and global in reach, to bring new opportunities for learning in diverse ways and environments.”

During 2006-07, much progress was made in developing the concept and, once fully developed, the Virtual Museum will be an eighth museum site and not just a secondary publishing outlet for our activities.

Stage 1 of the Virtual Museum is scheduled to launch in September 2007, our Centenary year.

## **Policies Relating to Staff**

### **Equal Opportunities and action taken with regard to the employment of disabled employees**

The Museum implements a non-discriminatory recruitment procedure and is always prepared to consider applications from, and to appoint, disabled persons. Furthermore, every effort is made to ensure that disabled employees are provided with the facilities necessary to carry out their employment effectively. In addition, the Museum continues to invest in public facilities to improve disabled access to both buildings and information, whilst a working group continued to assess the Museum’s responsibility to carry out any necessary improvements to meet the requirements of the Disability Discrimination legislation and diversity issues. Current legislation is consolidating these areas under one legislative framework and in anticipation of this our two groups have been merged to oversee all diversity issues.

In addition to its policy on the disabled, the Museum states in its policy on Equal Opportunities that it ‘is committed to the elimination of all forms of discrimination and harassment within its organisation’. This encompasses discrimination on the grounds of gender, marital status, disability, colour, nationality and national origin, ethnic origin, sexual orientation, family responsibility, age and religious belief.

### **Action taken to maintain or develop the provision of information to and consultation with employees**

The Museum continues to comply with the 2005 Information and Consultation Regulations by consulting through its unions on major changes in the organisation. This establishes our legal position, which is then enhanced by a portfolio of enabling processes, including staff meetings, department meetings, working parties, e-mail, intranet and informal methods of communication as appropriate.

### **Staff Training**

The Museum is committed to providing development and training opportunities for all its employees so that they:

- can contribute as effectively as possible to the achievement of the overall objectives

- have appropriate opportunities to develop personally and to further their careers
- are supported at all levels by managers who have the right kinds of skills, knowledge and understanding
- acquire a range of knowledge and skills, both specialist and general, so that the Museum develops a workforce with a broad skill base.

The Museum has commenced a process of seeking Investors in People status at all its sites and to date this have been achieved at Big Pit and the National Roman Legion Museum, with the National Slate Museum being the next site identified for assessment.

### **Remuneration Report**

The Museum remunerates its entire staff under an agreed pay and grading system designed and introduced specifically to ensure fair and equitable treatment. This replaced the previous system, which had allowed inequalities in job and pay relativities and inequities in pay between men and women. The new system was developed in-house by a working group including a cross section of staff and union representatives and under the guidance of the Human Resources Department which has the responsibility for maintaining the system.

All staff at all locations are covered, with the exception of the Director General whose terms of appointment are agreed with the Welsh Assembly Government. An independent appeals process is in place to consider grading issues. Each year the HR department considers the Museum's remuneration against external comparators, movements in the economy and any internal inequities that may have developed. From this a pay remit or proposal is produced and this is submitted both for Welsh Assembly Government approval and Union negotiation. This results in a new pay and conditions package for the whole of the Museum which is binding until the next round of negotiation. Incremental increases under the pay remit are dependant upon the Museum's system of personal development reviews. Inflationary elements contained within the agreed pay remit are automatically awarded to all staff.

The Director General's salary consists of a basic salary with an annual bonus. The amount of this bonus (up to a maximum of 10% of his salary) is agreed by a Remuneration Committee which consists of the President, Vice President, Treasurer and Dr. W.B. Willott. In considering the amount of bonus to be allocated a review is undertaken of the performance of the Director General against a set of pre-determined objectives and this evaluation of performance is then considered by the Remuneration Committee. A percentage of this bonus is then consolidated into his annual salary and the amount which can be consolidated is established under guidance from the Welsh Assembly Government.

Membership of the Directorate of the Museum is shown on page 14 and further details of the remuneration and pension benefits of the Directorate are contained within note 7(c) to the Accounts.

None of the Directorate is on a fixed term contract and all, with the exception of the Director General, are employed on the Museum's standard terms and conditions. Any modification to the terms and conditions in respect of the Director General are subject to agreement of the Remuneration Committee and the Welsh Assembly Government, if appropriate.

Notice period for the Directorate varies with length of service, with 5 weeks notice required for termination by the Museum if less than 4 years service. Thereafter, 1 week of notice for each year of service applies (plus 1 further week) up to a maximum of 13 weeks. The Director General is entitled to 6 months notice. The dates of commencement of employment of the Directorate are:- Michael Houlihan (Director General) -14<sup>th</sup> April 2003; Eurwyn Wiliam – 29<sup>th</sup> September 1971; Jon Sheppard – 1<sup>st</sup> November 2002; John Williams-Davies – 1<sup>st</sup> September 1973; Michael Tooby – 1<sup>st</sup> January 2000; Mark Richards – 25<sup>th</sup> January 1999; Robin Gwyn – 1<sup>st</sup> February 2001. Provision for compensation for early termination is contained within the Museum's standard redundancy arrangement.

### **Welsh Language Policy**

Each AGSB is expected to draw up and review a Welsh language mainstreaming strategy annually (including the implementation of a Welsh Language Scheme). The Museum's 2006-07 Mainstreaming Strategy was implemented in full and has now been revised to reflect the mainstreaming implications of the overall Operational Plan for 2007-08.

During 2006-07, language scheme consultants Cwmni Iaith were commissioned to review the work done by the Museum's Human Resources Department to ensure appropriate strategic management of the organisation's language skills resource in accordance with the requirements of its statutory Welsh Language Scheme. The review was undertaken in the context of:

- (i) The Welsh Language Board's statutory guidance
- (ii) Cwmni Iaith's previous advice and our extensive experience of advising and working with public bodies on similar issues.

The review concluded "that the Museum has responded effectively to the challenge of ensuring appropriate co-ordinated management of its language skills resources by operating the process recommended by the Welsh Language Board."

### **Auditor**

The accounts are audited by the Auditor General for Wales in accordance with Section 9 (8) of the Museums and Galleries Act 1992. Details of auditors' remuneration for the year ending 31 March 2007 are contained in Note 6 to the Financial Accounts.

### **Principal Office**

The principal office for The National Museum of Wales is: National Museum, Cathays Park, Cardiff CF10 3NP.

### **Principal Advisers**

Bankers:	Lloyds TSB Bank PLC, Cardiff
Solicitors:	Geldards LLP, Cardiff
Internal Auditors:	Bentley Jennison Risk Management Ltd., Cardiff
Investment Managers:	Gerrard Investment Management Ltd, Cardiff
Pension Fund Managers:	Mercer Human Resource Consulting, Bristol
Taxation:	Deloitte & Touche LLP, Cardiff

*Michael Houlihan*  
Accounting Officer and Director General  
Approved and signed on 24<sup>th</sup> July 2007

*G. Wyn Howells*  
Treasurer, on behalf of the Board of Trustees  
Approved and signed on 24<sup>th</sup> July 2007

## **COURT OF GOVERNORS**

(From 1 April 2006 to 19 September 2006)

### **PRESIDENT**

Paul E. Loveluck, C.B.E., J.P., B.A.

### **IMMEDIATE PAST PRESIDENT**

Mathew Prichard C.B.E., D.L., B.A.

### **VICE PRESIDENT**

Dr Susan J. Davies, B.A.

### **TREASURER**

G. Wyn Howells A.C.I.B.

### **MEMBERS OF THE COUNCIL**

#### **NOT OTHERWISE MEMBERS OF THE COURT**

J.W. Evans C.B.E., M.A.

Prof. C. L. Jones O.B.E., F.R.S.A.

Jane Peirson Jones, M.A., F.M.A.

#### **APPOINTED BY THE WELSH ASSEMBLY GOVERNMENT**

H.R.C. Williams

Rhiannon Wyn Hughes, M.B.E.

Elisabeth Elias, M.A., D.L. (from 1 June 2006)

Gareth Williams (from 1 June 2006)

### **THE NATIONAL LIBRARY OF WALES**

Dr R Brinley Jones C.B.E.

### **THE UNIVERSITY OF WALES**

Mair Waldo Thomas

Professor J. King

### **WELSH JOINT EDUCATION COMMITTEE**

Councillor G. Richards

### **MEMBERS OF PARLIAMENT FOR WALES**

*Vacant*

### **APPOINTED BY THE COURT**

D. Bowen Lewis

Dr. W. B. Willott, C.B.

H. Mansfield

Prof. J. Last, C.B.E., M.A., D.Litt.Hon., F.M.A., F.R.S.A.

Dr. Iolo ap Gwynn, BSc., PhD., F.R.M.S.

### **REPRESENTATIVES OF LOCAL AUTHORITIES**

Councillor P. G. Larsen

Councillor P. M. Thomas

Councillor R. H. Poole

Councillor D.I. Bowen

Councillor J. Austin

Councillor R. G. Harris

Councillor J. Major

Councillor J. M. Humberstone

Councillor Mrs E. McIlveen

Councillor M. C. Wilkins

### **ORGANISATIONS IN WALES**

Cambrian Archaeological Association:

The Council of the Royal National Eisteddfod:

The National Museum of Wales Society:

The Council of Museums in Wales:

Wales TUC Cymru:

The Welsh Council of the CBI:

The National Trust

The Arts Council of Wales:

Wales Tourist Board:

The Welsh Wildlife Trusts Ltd:

Countryside Council for Wales:

Council for British Archaeology:

The Federation of Museums and

Galleries in Wales:

D. Moore

R. Alun Evans

H. Looker

Councillor R. Francis-Davies

A. Wellington

*Vacant*

M.A. McLaggan

Chairperson

J. Jones

*Vacant*

Chief Executive

F. L. Llewelyn

C.J. Delaney

**BOARD OF TRUSTEES (FORMERLY COUNCIL)**

(From 1 April 2006 onwards)

**PRESIDENT**

Paul E. Loveluck, C.B.E., J.P., B.A. \*

**IMMEDIATE PAST PRESIDENT**

Mathew Prichard, C.B.E., D.L., B.A.

**VICE PRESIDENT**

Dr. Susan J. Davies, B.A. \*

**TREASURER**

G. Wyn Howells, A.C.I.B. \*

**APPOINTED BY THE WELSH ASSEMBLY GOVERNMENT**

H.R.C. Williams

Rhiannon Wyn Hughes, M.B.E.

Elisabeth Elias, M.A., D.L. (from 1 June 2006) \*

Gareth Williams (from 1 June 2006)

**APPOINTED BY THE COURT OF GOVERNORS**

D. Bowen Lewis

Dr. W. B Willott, C.B.

Prof. J. Last, C.B.E., M.A., D.Litt., Hon F.M.A., F.R.S.A.

Dr. Iolo ap Gwynn, BSc., PhD., F.R.M.S.

**APPOINTED BY THE COUNCIL**

J.W. Evans C.B.E., M.A. (to 21 June 2007)

Prof. C. L. Jones O.B.E., F.R.S.A

Jane Peirson Jones, M.A., F.M.A.

J Peter W. Morgan, M. Sc., F.C.A. (from 7 December 2006) \*

\* Indicates members of the Audit Committee

**DIRECTORATE**

(From 1 April 2006 onwards)

Director General

Director of Collections and Research  
(Deputy Director General)

Director of Finance and IT

Director of Museum Operations

Director of Learning & Programmes

Director of Strategic Development

Director of Communications

Michael Houlihan

Eurwyn Wiliam

Jon Sheppard

John Williams-Davies

Michael Tooby

Mark Richards

Robin Gwyn

## **Statement of the Board of Trustees and Director General's Responsibilities**

Under section 9(4) of the Museum and Galleries Act 1992, the Board of Trustees of the National Museum of Wales is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Welsh Assembly Government, with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Museum and of its net incoming resources, realised and unrealised gains and losses and cash flows for the financial year.

In preparing the accounts the Trustees and the Director General are required to comply with the requirements of the Statement of Recommended Practise (2005): Accounting and Reporting by Charities and the Government Financial Reporting Manual and in particular to:

- observe the accounts direction issued by the National Assembly for Wales including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts; and
- prepare the accounts on the going concern basis.

The Principal Accounting Officer for the National Assembly for Wales has designated the Director General as the Accounting Officer for the National Museum of Wales. The Director General's relevant responsibilities as Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding the Museum's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury.

## **Statement of disclosure of information to auditors**

So far as the Director General and the Treasurer, on behalf of the Board of Trustees, are aware, there is no relevant audit information of which the Museum's auditors are unaware, and they have taken all the steps that they ought to have taken in order to make themselves aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

## Statement on Internal Control

### 1. **Scope of responsibility**

The Accounting Officer and Trustees have responsibility for maintaining a sound system of internal control that supports the achievement of the National Museum of Wales policies, aims and objectives, as set by the Board of Trustees, whilst safeguarding the public funds and assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Government Accounting.

### 2. **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Museum for the year ending 31 March 2007, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### 3. **Capacity to handle risk**

Risk Management on a day-to-day basis is the responsibility of the Management Board (Directorate), with formal reviews and assessment of risks conducted regularly by a Risk Management Group. These reviews are scrutinised by the Performance Review sub-committee of the Board of Trustees and the independent Audit Committee. By drawing upon the experience of the internal auditors, who attend the risk reviews, and by the experience of the independent members of the Audit Committee, the process is continually refreshed by comparison with other organisations.

### 4. **The Risk and Control Framework**

A robust Risk Management review is conducted by a dedicated cross-departmental group who review the progress and effectiveness of controls of the major risks, including, of course, the ongoing security of the Museum's collections. A Risk Register is maintained by the group with all risks prioritised according to the likelihood of the risk materialising and the potential impact thereof. The group continuously engage with all Heads of Department regarding changes in potential threats to the achievement of the Museum's aims, and thereby ensure that the risks assessed cover all aspects of the Museum's operations.

Separate Risk Registers are maintained for the trading subsidiary and for all major projects for their duration. At the end of a project, that project's Risk Register is assessed and all continuing risks are transferred to the Museum's main register.

The group is also requested to consider specific potential risks by the Board of Trustees, Performance Review and Audit Committees. Furthermore, the Performance Review and Audit Committees review the Risk Register amendments and issues discussed at the group's quarterly meetings, together with mitigating actions undertaken against the highest rated risks.

Membership of the Risk Management Group includes the internal auditor in order to access issues of concern in other bodies, whilst departmental representation is reviewed on a regular basis to ensure coverage of all potential risks.

The Risk Management Policy and Guidelines set out the framework and roles and responsibilities in managing risk together with guidance on risk identification, assessment, monitoring and control.



5. **Review of effectiveness**

The Accounting Officer also has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the Management Board of the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. The Accounting Officer has been advised on the implications of the result of his review of the effectiveness of the system of internal control by the Trustees and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Museum has established the following processes to complement the risk management framework to maintain an effective system of internal control:

- Detailed financial regulations and administrative procedures including segregation of duties and various levels of delegated authority;
- Comprehensive budgeting systems with an annual budget which is approved by the Trustees and regular reviews by Heads of Department, Directorate and the Board of Trustees of monthly financial reports, which indicate financial performance against the forecasts;
- setting targets to measure financial and other performance within the Operational Plan, with progress monitored by quarterly meetings of a Performance Review Committee;
- clearly defined capital investment control guidelines and monitoring thereof;
- regular reports by internal audit to standards defined in the Government Internal Audit Manual which includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

A key component in the Museum's review of effectiveness of systems of internal control is the Audit Committee. The Committee is made up by Trustees and up to four independent members (one of whom usually acts as the Chairman). The Committee meets quarterly with not only the minutes of the meeting being considered by the Board of Trustees, but also a report from the Chairman. Meetings receive reports from both internal and external auditors and follow-up on all action points arising. Key Directorate members also attend as appropriate to the agenda and annually, the Committee meets the auditors without the Directorate being present and vice-versa. Broad terms of reference for the Committee cover all aspects of risk, control and corporate governance including risk management reports.

*Michael Houlihan*  
Accounting Officer and Director General  
Approved and signed on 24<sup>th</sup> July 2007

*G. Wyn Howells*  
Treasurer, on behalf of the Board of Trustees  
Approved and signed on 24<sup>th</sup> July 2007

## **AMGUEDDFA GENEDLAETHOL CYMRU – THE NATIONAL MUSEUM OF WALES**

### **THE CERTIFICATE AND REPORT OF THE AUDITOR GENERAL FOR WALES TO THE NATIONAL ASSEMBLY FOR WALES**

I certify that I have audited the financial statements of the National Museum of Wales for the year ended 31<sup>st</sup> March 2007. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Balance Sheet, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

#### **Respective responsibilities of the Board of Trustees, Director General and the Auditor General for Wales**

The Board of Trustees and the Director General are responsible for preparing the Financial Report and the Financial Statements in accordance with section 9(4) of the Museums and Galleries Act 1992 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions funded by grant-in-aid. These responsibilities are set out in the Statement of the Board of Trustees and Director General'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 have been properly prepared in accordance with the Museums and Galleries Act 1992 and Welsh Ministers' directions issued thereunder. I report to you whether, in my opinion, certain information given in the Financial Report is consistent with the financial statements. I also report whether in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the National Museum of Wales 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 on pages 16 to 17 reflects the National Museum of Wales' 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 to form an opinion on the effectiveness of the National Museum of Wales corporate governance procedures or its risk and control procedures.

I also read the other information contained in the Financial Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of audit opinion**

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

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

## **Opinions**

### **Audit Opinions**

In my opinion:

- n the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by Welsh Ministers, of the state of the National Museum of Wales, and its group, affairs as at 31<sup>st</sup> March 2007 and the incoming resources and application of resources, and cash flows for the year then ended;
- n the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Welsh Ministers' directions issued thereunder; and
- n information given within the Financial Report is consistent with the financial statements.

### **Audit Opinion on Regularity**

In my opinion, in all material respects the expenditure, income and resources funded by grant-in-aid have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

## **Report**

I have no observations to make on these financial statements.

Jeremy Colman  
Auditor General for Wales  
2-4 Park Grove  
Cardiff  
CF10 3PA

3<sup>rd</sup> August 2007

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 MARCH 2007

	Notes	Public funds		Private Funds		2006-07	2005-06
		Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	Total £'000	Total £'000
<b>INCOMING RESOURCES</b>							
<b>Activities for Generating Funds:</b>							
Investment Income		0	0	61	7	68	69
Income from trading subsidiary	2	0	2,488	0	0	2,488	1,930
Fundraising income		0	0	171	43	214	377
		<b>0</b>	<b>2,488</b>	<b>232</b>	<b>50</b>	<b>2,770</b>	<b>2,376</b>
<b>Activities in Furtherance of Charitable Objects:</b>							
Grants	3	4,357	20,744	0	0	25,101	24,749
Donations & bequests	4	235	0	211	76	522	396
Other income	5	24	1,248	19	1	1,292	1,844
		<b>4,616</b>	<b>21,992</b>	<b>230</b>	<b>77</b>	<b>26,915</b>	<b>26,989</b>
<b>TOTAL INCOMING RESOURCES</b>		<b>4,616</b>	<b>24,480</b>	<b>462</b>	<b>127</b>	<b>29,685</b>	<b>29,365</b>
<b>RESOURCES EXPENDED</b>							
<b>Costs of Generating Funds:</b>							
Costs of Trading Subsidiary	6&7	0	2,233	0	0	2,233	1,653
Costs of Fundraising		0	530	0	34	564	446
		<b>0</b>	<b>2,763</b>	<b>0</b>	<b>34</b>	<b>2,797</b>	<b>2,099</b>
<b>Costs of Charitable Activities:</b>							
Learning & Programmes		107	2,638	19	0	2,764	2,832
Collections & Research		1,069	7,169	62	0	8,300	8,251
Museum Operations		498	10,972	316	22	11,808	12,239
		<b>1,674</b>	<b>20,779</b>	<b>397</b>	<b>22</b>	<b>22,872</b>	<b>23,322</b>
<b>Governance Costs</b>		0	633	0	0	633	579
<b>Pension Finance Costs</b>	16	0	394	0	0	394	720
<b>TOTAL RESOURCES EXPENDED</b>		<b>1,674</b>	<b>24,569</b>	<b>397</b>	<b>56</b>	<b>26,696</b>	<b>26,720</b>
<b>SHARE OF JOINT VENTURE</b>	8	(266)	0	0	0	(266)	1,774
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE NOTIONAL COSTS</b>		<b>2,676</b>	<b>(89)</b>	<b>65</b>	<b>71</b>	<b>2,723</b>	<b>4,419</b>
Notional cost of capital		(3,440)	364	0	0	(3,076)	(3,215)
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>		<b>(764)</b>	<b>275</b>	<b>65</b>	<b>71</b>	<b>(353)</b>	<b>1,204</b>
Reversal of notional cost of capital		3,440	(364)	0	0	3,076	3,215
<b>NET INCOMING/(OUTGOING) RESOURCES FOR THE FINANCIAL YEAR</b>		<b>2,676</b>	<b>(89)</b>	<b>65</b>	<b>71</b>	<b>2,723</b>	<b>4,419</b>
Unrealised Gains/(Losses) on revaluation of fixed assets intended for Charity Use	9	2,890	10	29	3	2,932	(13,226)
Realised/Unrealised Gains on market valuation of investments	11	0	0	73	10	83	288
Actuarial Gains/(Losses) on defined benefit pension scheme	16	0	(4,347)	0	0	(4,347)	(286)
<b>NET MOVEMENT IN FUNDS DURING THE FINANCIAL YEAR</b>		<b>5,566</b>	<b>(4,426)</b>	<b>167</b>	<b>84</b>	<b>1,391</b>	<b>(8,805)</b>
<b>FUND BALANCES B/FWD AT 1 APRIL 2006</b>	17	<b>95,502</b>	<b>(8,179)</b>	<b>3,618</b>	<b>339</b>	<b>91,280</b>	<b>100,085</b>
<b>FUND BALANCES C/FWD AT 31 MARCH 2007</b>	17	<b>101,068</b>	<b>(12,605)</b>	<b>3,785</b>	<b>423</b>	<b>92,671</b>	<b>91,280</b>

The above SOFA includes all recognised gains and losses.

All activities are continuing.

The non-consolidated net increase in funds recorded in the Museum's own Statement of Financial Activities during 2006-07 was £1,382,000 (£8,806,000 decrease in 2005-06).

The notes on pages 23 to 36 form part of these accounts.

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2007

	Notes	Museum		Consolidated	
		2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>FIXED ASSETS</b>					
Tangible Assets	9	77,610	71,688	77,628	71,688
Heritage Assets	10	11,658	10,985	11,658	10,985
Share of Joint Venture:	8				
Share of gross assets		13,513	13,985	13,513	13,985
Share of gross liabilities		(129)	(335)	(129)	(335)
		13,384	13,650	13,384	13,650
Investments	11	2,133	2,055	2,133	2,055
		104,785	98,378	104,803	98,378
<b>CURRENT ASSETS</b>					
Stock	12	137	106	495	485
Debtors due within one year	13	1,899	2,791	1,453	2,226
Debtors due after more than one year	13	39	71	39	71
Cash at bank and in hand		852	620	1,048	923
		2,927	3,588	3,035	3,705
<b>CREDITORS</b>					
Amounts falling due within one year	14	(1,066)	(970)	(1,124)	(1,028)
<b>NET CURRENT ASSETS</b>		<u>1,861</u>	<u>2,618</u>	<u>1,911</u>	<u>2,677</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>106,646</b>	100,996	<b>106,714</b>	101,055
<b>CREDITORS</b>					
Amounts falling due after more than one year	15	(42)	(82)	(42)	(82)
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>		<u>106,604</u>	<u>100,914</u>	<u>106,672</u>	<u>100,973</u>
Defined benefit pension scheme liability	16	(14,001)	(9,693)	(14,001)	(9,693)
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>		<u>92,603</u>	<u>91,221</u>	<u>92,671</u>	<u>91,280</u>
<b>FUNDS</b>	17				
Public Funds Restricted		101,068	95,502	101,068	95,502
Public Funds Unrestricted		1,328	1,455	1,396	1,514
Pension Reserve		(14,001)	(9,693)	(14,001)	(9,693)
Total Public Funds Unrestricted		(12,673)	(8,238)	(12,605)	(8,179)
Private Funds Restricted		3,785	3,618	3,785	3,618
Private Funds Unrestricted		423	339	423	339
		92,603	91,221	92,671	91,280

Signed on behalf of the Trustees by

Michael Houlihan  
Accounting Officer and Director General  
Approved and signed on 24 July 2007

G. Wyn Howells  
Treasurer, on behalf of the Board of Trustees  
Approved and signed on 24 July 2007

The notes on pages 23 to 36 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2007**

	Notes	Museum		Consolidated	
		2006-07 £'000	2005-06 £'000	2006-07 £'000	2005-06 £'000
<b>Net Cash Inflow from Operating Activities</b>	18	<b>4,365</b>	3,355	<b>4,278</b>	3,309
<b>Capital Expenditure and Financial Investment</b>	19	<b>(4,133)</b>	(3,262)	<b>(4,153)</b>	(3,262)
<b>Increase in Cash</b>	20	<b><u>232</u></b>	<u>93</u>	<b><u>125</u></b>	<u>47</u>

The notes on pages 23 to 36 form part of these accounts.

## Notes to the Accounts for the Year Ended 31 March 2007

### 1. Accounting Policies

#### 1.1 Basis of Accounting

The Accounts are prepared under the historical cost convention, modified to include the revaluation of tangible fixed assets at their value to the Museum. They have been prepared in accordance with the Accounts Direction issued by the Welsh Ministers with the consent of the Treasury. Without limiting the information given, the Accounts meet the accounting and disclosure requirements of the Statement of Recommended Practice (SORP 2005), Accounting and Reporting by Charities, issued by the Charities Commissioners for England and Wales, and the accounting statements issued or adopted by the Accounting Standards Board in so far as those requirements are appropriate. HM Treasury has confirmed that the exemptions contained in the Charities SORP in respect of the need to disclose the historic cost of tangible fixed assets may apply.

#### 1.2 Joint Venture Undertakings

The Museum and the City and County of Swansea are two equal members in the National Waterfront Museum Swansea (NWMS) Ltd, a company limited by guarantee and does not have a share capital. The results of the joint venture have been included within the financial statements and are accounted for using the gross equity method of accounting.

#### 1.3 Subsidiary Undertakings

The Museum operates a wholly owned trading subsidiary National Museums and Galleries of Wales Enterprises (NMGW Enterprises) Ltd. The trading results for the company have been included within the consolidated financial statements on the 'line by line' method. The accounts of NMGW Enterprises Ltd for the year to 31 March 2007 received an unqualified audit opinion. A copy of the accounts can be obtained from the Museum's Principal Office : National Museum Cardiff, Cathays Park, Cardiff CF10 3NP.

#### 1.4 Incoming Resources

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met. Grants are credited to the Statement of Financial Activities on a receivable basis. Income for services performed is credited when the service is provided. Donations and bequests are accounted for when conditions for their receipt have been met.

#### 1.5 Resources Expended

Expenditure is allocated across expenditure heads on the basis of direct allocation and indirect apportionment in the case of support costs as appropriate.

#### 1.6 Tangible Fixed Assets and Heritage Assets

Plant, equipment, fixtures and fittings are valued at their depreciated replacement cost. Leasehold and freehold properties are valued at their economic use value or depreciated replacement cost value as appropriate. Routine maintenance work in respect of these properties is written off in the year in which it is undertaken.

Heritage assets are defined as assets of historic, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of charities and through public access contribute to the nation's culture and education at either a national or local level. These assets are central to the achievement of the aims of the Museum and include land, buildings, exhibits and artefacts. With effect from 1 April 2001 heritage assets purchased from the specimen grant or donated to the Museum have been capitalised at historic cost. In accordance with Treasury accounts direction, assets acquired before 1 April 2001 have not been capitalised and in the opinion of the Trustees the cost of valuation is prohibitive.

Items of a capital nature costing less than £5,000 are not capitalised. Assets are professionally revalued every 5 years and are revalued using indices (with the exception of IT assets which are not indexed) in the intervening period in addition to an annual impairment review by management.

#### 1.7 Depreciation

Depreciation is charged on tangible fixed assets (excluding freehold land and heritage assets). The principal rates, using the straight-line method, are as follows:

Freehold buildings and long leasehold properties are depreciated over their useful lives from 50 to 125 years.

As permitted by the Charities SORP 2005, heritage assets are not depreciated. It is the opinion of the Trustees that with regard to works of art their residual value is higher than the carrying value and with regard to other heritage assets their estimated useful life is of such length that depreciation is not material.

Plant, equipment, fixture and fittings are depreciated over 5-10 years. In specific cases of items subject to technological changes or with a high obsolescence factor, a 3 year life is used. Other specific items may have a longer depreciation period.

Leased assets are charged on a straight line basis over the term of the lease.

### **1.8 Funds**

Public and Private Unrestricted Funds are available for use, at the discretion of the Trustees, in furtherance of the general objectives of the Museum.

Public Restricted Funds represent Capital and Specimen Purchase Grants receivable from the Welsh Assembly Government and other government bodies.

Private Restricted Funds are funds subject to specific restriction imposed by donors and can only be applied in accordance with the deeds under which they are set up.

### **1.9 Stock**

The Museum maintains a stock of publications and other items for sale in its Shops. These are valued at the lower of cost and net realisable value.

### **1.10 Investments**

Investments are shown at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising relating to previous years. As a result the Statement of Financial Activities does not distinguish between the valuation adjustments relating to sales and those relating to continued holdings as they are treated as changes in the value of the investment portfolio throughout the year.

### **1.11 Research and Development**

Expenditure on research and development is charged to the Statement of Financial Activities in the year in which it is incurred.

### **1.12 Taxation**

The Museum has been granted charitable status by the Inland Revenue, though NMGW Enterprises Ltd is subject to Corporation Tax.

### **1.13 Pensions**

Contributions to the National Museum of Wales' Pension Scheme are charged to the Statement of Financial Activities so as to spread the cost of pensions over employees' working lives. The charge to the Statement of Financial Activities is calculated based upon the current service cost as calculated by the scheme actuary.

### **1.14 Cost of Capital**

Government Accounting requires the inclusion of a notional cost of capital, calculated by applying a percentage of 3.5% to the average public capital employed. The cost of capital charge measures an appropriate return on the taxpayers equity.

### **1.15 Derivatives**

The Museum has no borrowings and relies primarily on government grants for its cash requirements and is therefore not exposed to liquidity risks. All material assets and liabilities are denominated in sterling, and are not exposed to interest rate risk or currency risk.



## 2. Trading Subsidiary

The Museum has one wholly owned trading subsidiary which is incorporated in the UK. The principal activities of NMGW Enterprises Ltd are sales at all the Museum's retail shops, catering, car parking, image licensing, corporate hire, mail order, proceeds from the sale of exhibitions and filming rights. NMGW Enterprises Ltd remits its profits to the Museum by means of gift aid. A summary of the Company's results is shown below.

	<b>2006-07</b>	2005-06
	<b>£ '000</b>	£ '000
Turnover	<b>2,109</b>	1,662
Cost of sales	<b><u>(1,859)</u></b>	<u>(1,322)</u>
<b>Gross Profit</b>	<b>250</b>	340
Administrative expenses	<b>(269)</b>	(249)
Other operating income	<b>356</b>	247
Less Direct costs	<b><u>(86)</u></b>	<u>(64)</u>
<b>Profit on ordinary activities before interest</b>	<b>251</b>	274
Interest receivable	<b>23</b>	21
Interest payable	<b>(19)</b>	(18)
<b>Profit on ordinary activities before taxation</b>	<b>255</b>	277
Tax on profit on ordinary activities	<b><u>0</u></b>	<u>0</u>
<b>Profit for the financial year</b>	<b>255</b>	277
Gift aid payable to the Museum	<b><u>(246)</u></b>	<u>(276)</u>
<b>Retained profit for the financial year</b>	<b>9</b>	1

## 3. Grants Receivable

	Public Restricted	Public Unrestricted	<b>2006-07</b>	2005-06
	£'000	£'000	<b>£'000</b>	£'000
Revenue Grant in Aid	0	20,519	<b>20,519</b>	19,928
Specimen Purchase Grant in Aid	1,075	0	<b>1,075</b>	1,107
Capital Grant in Aid	3,259	0	<b>3,259</b>	3,331
Grants from other government bodies	<u>23</u>	<u>225</u>	<b><u>248</u></b>	<u>383</u>
	<b>4,357</b>	<b>20,744</b>	<b>25,101</b>	24,749

The Museum received total Grant from the Welsh Assembly Government of £24,853,000 (£24,366,000 in 2005-06) which comprises the Revenue, Specimen Purchase and Capital Grant in Aid.

Grants from other government bodies included: Heritage Lottery Fund grant of £55,000 (£125,000 in 2005-06); European Union grant of £135,000 (£103,000 in 2005-06) and other grant of £58,000 (£155,000 in 2005-06).

## 4. Donations & Bequests

	Public Funds		Private Funds		<b>2006-07</b>	2005-06
	Restricted	Unrestricted	Restricted	Unrestricted		
	£'000	£'000	£'000	£'000	<b>£'000</b>	£'000
Donated Assets	0	0	105	0	<b>105</b>	97
Other donations	<u>235</u>	<u>0</u>	<u>106</u>	<u>76</u>	<b><u>417</u></b>	<u>299</u>
	<b>235</b>	<b>0</b>	<b>211</b>	<b>76</b>	<b>522</b>	396

## 5. Other Income

	Public Funds		Private Funds		2006-07 £'000	2005-06 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000		
Learning and Programmes	0	142	0	0	142	195
Collections and Research	24	308	0	0	332	350
Museum Operations	0	688	0	0	688	1,205
Support	<u>0</u>	<u>110</u>	<u>19</u>	<u>1</u>	<u>130</u>	<u>94</u>
	<b>24</b>	<b>1,248</b>	<b>19</b>	<b>1</b>	<b>1,292</b>	<b>1,844</b>

## 6. Total Resources Expended

### (a) Museum

	Direct Costs £'000	Depre- ciation £'000	Marketing, Press & PR £'000	Support Costs			2006-07 £'000	2005-06 £'000
				Finance & Admin £'000	ICT £'000	Human Resources £'000		
<b>Costs of Generating Funds</b>								
Cost of Fundraising	<u>425</u>	<u>0</u>	<u>69</u>	<u>46</u>	<u>15</u>	<u>9</u>	<u>564</u>	<u>446</u>
	425	0	69	46	15	9	564	446
<b>Costs of Charitable Activities</b>								
Learning & Programmes	2,424	83	86	29	92	50	2,764	2,832
Collections & Research	7,341	367	110	101	244	137	8,300	8,251
Museum Operations	<u>10,772</u>	<u>388</u>	<u>262</u>	<u>155</u>	<u>153</u>	<u>264</u>	<u>11,994</u>	<u>12,448</u>
	20,537	838	458	285	489	451	23,058	23,531
<b>Governance Costs</b>	501	0	109	4	12	7	633	579
<b>Pension Finance Costs</b>	<u>394</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>394</u>	<u>720</u>
<b>Total Resources Expended</b>	<b>21,857</b>	<b>838</b>	<b>636</b>	<b>335</b>	<b>516</b>	<b>467</b>	<b>24,649</b>	<b>25,276</b>

### (b) Consolidated

	Direct Costs £'000	Depre- ciation £'000	Marketing, Press & PR £'000	Support Costs			2006-07 £'000	2005-06 £'000
				Finance & Admin £'000	ICT £'000	Human Resources £'000		
<b>Costs of Generating Funds</b>								
Cost of Trading Subsidiary	2,231	2	0	0	0	0	2,233	1,653
Cost of Fundraising	<u>425</u>	<u>0</u>	<u>69</u>	<u>46</u>	<u>15</u>	<u>9</u>	<u>564</u>	<u>446</u>
	2,656	2	69	46	15	9	2,797	2,099
<b>Costs of Charitable Activities</b>								
Learning & Programmes	2,424	83	86	29	92	50	2,764	2,832
Collections & Research	7,341	367	110	101	244	137	8,300	8,251
Museum Operations	<u>10,586</u>	<u>388</u>	<u>262</u>	<u>155</u>	<u>153</u>	<u>264</u>	<u>11,808</u>	<u>12,239</u>
	20,351	838	458	285	489	451	22,872	23,322
<b>Governance Costs</b>	501	0	109	4	12	7	633	579
<b>Pension Finance Costs</b>	<u>394</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>394</u>	<u>720</u>
<b>Total Resources Expended</b>	<b>23,902</b>	<b>840</b>	<b>636</b>	<b>335</b>	<b>516</b>	<b>467</b>	<b>26,696</b>	<b>26,720</b>

The amount of £42,875 (£38,000 in 2005-06) is included in resources expended for external auditors' remuneration, £35,400 (£31,400 for the Museum) for the audit fee and £7,475 (£6,900 for the Museum) for other work.

The amount of £290,000 (£183,000 in 2005-06) is included in resources expended in respect of EU grant related expenditure.

The basis of support cost allocation is as follows: Marketing, Press and PR is allocated per percentage time; Finance and Admin is allocated per total income and total expenditure; ICT is allocated per number of computer workstations and Human Resources is allocated per number of full time equivalent employees.

Costs attributable to governance include strategic planning, Board and committees, Assembly liaison, internal and external audit, risk management and statutory report and accounts.

## 7. Staff Costs

### (a) Staff Costs during the year:

	Consolidated	
	2006-07	2005-06
	£'000	£'000
Salaries & Wages	14,446	13,927
Social Security Costs	1,069	1,037
Current Service Cost	2,383	1,950
Severance Costs	25	0
	17,923	16,914
Pension Finance Costs	394	720
	18,317	17,634

Included within the staff costs are £950,000 (£587,000 in 2005-06) relating to the trading subsidiary.

Included within operating costs is an amount of £39,000 (£67,000 in 2005-06) for agency staff.

### (b) The average monthly number of full time equivalent employees comprised:

	Permanent Staff	Other Staff	2006-07	2005-06
			Number	Number
Trading Subsidiary	36	9	45	26
Fundraising	6	1	7	7
Learning & Programmes	46	8	54	52
Collections & Research	130	25	155	159
Museum Operations	270	23	293	304
Support	64	3	67	69
	552	69	621	617

**(c) The remuneration and pension benefits of the directors of the Museum were as follows:**

	Salary 2006-07 (2005-06)	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 07 and related lump sum	CETV at 31 March 07	CETV at 31 March 06	Real increase in CETV in excess of members contributions
	£	£	£	£	£	£
Mr Michael Houlihan, Director General	96,447 (94,095)	1,200 plus 3,600 lump sum	4,800 plus 14,400 lump sum	107,300	74,400	24,400
Dr Eurwyn Wiliam, Deputy Director General	67,554 (66,556)	200 plus 600 lump sum	30,000 plus 90,000 lump sum	659,500	586,900	47,300
Mr John Williams-Davies Director of Museum Operations	67,554 (65,556)	700 plus 2,100 lump sum	28,400 plus 85,200 lump sum	603,300	532,400	47,500
Mr Michael Tooby, Director of Learning & Programmes	64,884 (61,901)	1,000 plus 3,000 lump sum	18,500 plus 55,500 lump sum	279,500	208,700 (Restated)	59,300
Mr Mark Richards Director of Strategic Development	67,554 (64,492)	900 plus 2,700 lump sum	6,900 plus 20,700 lump sum	95,900	68,100	21,300
Mr Robin Gwyn, Director of Communications	59,544 (56,720)	800 plus 2,400 lump sum	4,600 plus 13,800 lump sum	63,200	40,000	18,200
Mr Jonathan Sheppard, Director of Finance & IT	62,214 (59,311)	900 plus 2,700 lump sum	9,000 plus 27,000 lump sum	170,100	129,000	32,700

The emoluments of the Director General consisted of a basic salary of £96,447 (£94,095 in 2005-06) plus a non consolidated bonus based on performance of £6,270 (£6,120 in 2005-06). He also received, as a benefit in kind, assistance with relocation costs of £3,589 (Nil in 2005-06)

The Museum's Directors are all ordinary members of the Museum's pension scheme.

The 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 real increase in CETV reflects the increase effectively funded by the Museum. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme) and uses common market valuation factors for the start and end of the period. The CETV figure for 31 March 2006 for Mr Michael Tooby has been restated in respect of a previous transfer into the scheme in 2004. The accrued pension figures allow for the additional service in respect of this transfer.

**(d) Members of the Board of Trustees**

Trustees do not receive any emoluments. The total amount of travel, subsistence and hospitality expended by the Museum for its Board and committee members was £21,000 (£32,000 in 2005-06). A total of 10 trustees were reimbursed expenses.

## 8. Share of Joint Venture

The Museum is an equal member, with the City and County of Swansea, of the National Waterfront Museum, Swansea (NWMS) Ltd (Charity No 1090512). The principal objective of NWMS Ltd is to establish for the benefit of the public a museum in Swansea to house and display (inter alia) the industrial and maritime collection of the Museum and the City and County of Swansea. In the event of the windup or dissolution of NWMS Ltd its articles and memorandum of association state that any property belonging to or vested in the charity shall be transferred to some other charity or charities having similar objectives.

The Museum's share of the net movement in funds and net assets of the Joint Venture comprises:

	Total Net Movement in Funds		Share of Net Movement in Funds	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Incoming resources from generating funds	0	4,234	0	2,117
Investment income	35	38	18	19
Other incoming resources	0	12	0	6
<b>Total incoming resources</b>	<b>35</b>	<b>4,284</b>	<b>18</b>	<b>2,142</b>
Costs of generating funds	21	8	11	4
Charitable activity expenditure	260	684	130	342
Other resources expended	276	0	138	0
Governance costs	9	44	5	22
<b>Total resources expended</b>	<b>566</b>	<b>736</b>	<b>284</b>	<b>368</b>
<b>Net Movement in Funds</b>	<b>(531)</b>	<b>3,548</b>	<b>(266)</b>	<b>1,774</b>

	Total Assets and Liabilities		Share of Assets and Liabilities	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Fixed Assets	26,408	26,158	13,203	13,079
Current Assets	619	1,811	310	906
Liabilities due within one year	(210)	(621)	(104)	(310)
Liabilities due after more than one year	(49)	(49)	(25)	(25)
<b>Net Assets</b>	<b>26,768</b>	<b>27,299</b>	<b>13,384</b>	<b>13,650</b>
<b>Funds</b>				
General Fund (unrestricted)	26,408	26,158	13,203	13,079
Restricted Fund	360	1,141	181	571
	<b>26,768</b>	<b>27,299</b>	<b>13,384</b>	<b>13,650</b>

At 31 March 2007, NWMS Ltd had contracted for £26,735 of capital expenditure which had not been incurred at that date.

## 9. Tangible Fixed Assets

### (a) Museum

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Assets Under Construction £'000	<b>Total £'000</b>
<b>Cost or Valuation</b>						
At 1 April 2006	15,165	54,776	105	513	1,158	<b>71,717</b>
Transfer	1,158	0	0	0	(1,158)	<b>0</b>
Additions in Year	1,691	1,561	34	542	0	<b>3,828</b>
Revaluation	<u>708</u>	<u>2,211</u>	<u>4</u>	<u>41</u>	<u>0</u>	<b><u>2,964</u></b>
<b>At 31 March 2007</b>	<b>18,722</b>	<b>58,548</b>	<b>143</b>	<b>1,096</b>	<b>0</b>	<b>78,509</b>
<b>Depreciation</b>						
At 1 April 2006	0	0	29	0	0	<b>29</b>
Charge for the Year	250	457	25	106	0	<b>838</b>
Revaluation	<u>10</u>	<u>17</u>	<u>1</u>	<u>4</u>	<u>0</u>	<b><u>32</u></b>
<b>At 31 March 2007</b>	<b>260</b>	<b>474</b>	<b>55</b>	<b>110</b>	<b>0</b>	<b>899</b>
<b>Net Book Value</b>						
At 1 April 2006	15,165	54,776	76	513	1,158	71,688
<b>At 31 March 2007</b>	<b>18,462</b>	<b>58,074</b>	<b>88</b>	<b>986</b>	<b>0</b>	<b>77,610</b>

### (b) Consolidated

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Assets Under Construction £'000	<b>Total £'000</b>
<b>Cost or Valuation</b>						
At 1 April 2006	15,165	54,776	105	525	1,158	<b>71,729</b>
Transfers	1,158	0	0	0	(1,158)	<b>0</b>
Additions in Year	1,691	1,561	34	562	0	<b>3,848</b>
Revaluation	<u>708</u>	<u>2,211</u>	<u>4</u>	<u>41</u>	<u>0</u>	<b><u>2,964</u></b>
<b>At 31 March 2007</b>	<b>18,722</b>	<b>58,548</b>	<b>143</b>	<b>1,128</b>	<b>0</b>	<b>78,541</b>
<b>Depreciation</b>						
At 1 April 2006	0	0	29	12	0	<b>41</b>
Charge for the Year	250	457	25	108	0	<b>840</b>
Revaluation	<u>10</u>	<u>17</u>	<u>1</u>	<u>4</u>	<u>0</u>	<b><u>32</u></b>
<b>At 31 March 2007</b>	<b>260</b>	<b>474</b>	<b>55</b>	<b>124</b>	<b>0</b>	<b>913</b>
<b>Net Book Value</b>						
At 1 April 2006	15,165	54,776	76	513	1,158	71,688
<b>At 31 March 2007</b>	<b>18,462</b>	<b>58,074</b>	<b>88</b>	<b>1,004</b>	<b>0</b>	<b>77,628</b>

The Museum's tangible fixed assets were professionally valued at 31 March 2006 by M A Lawley of Cooke and Arkwright Chartered Surveyors. The valuations were in accordance with the requirements of the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards and FRS15. The valuation of each property was on the bases and assumptions for owner occupied properties: being valued to Existing Use Value assuming that the properties would be sold as part of continuing business or by using the depreciated replacement cost method.

The net book value of fixed assets of £77,628,000 includes an amount of £10,000 (Total costs of £48,000 less depreciation of £38,000) in respect of assets held under a finance lease.

## 10. Heritage Assets

Heritage Assets transferred/acquired in year comprise:

	Art £'000	Historic Buildings £'000	Other £'000	Total £'000
"Kamikaze" - Peter Blake	215			215
Plate - Hafod Dessert Service, Derby 1787	8			8
"Kingchinjunga from Darjeeling" - Edward Lear	300			300
NSM Heritage Buildings (Refurbishment)		32		32
Boverton Collar			5	5
Geological Map - J Macculloch			8	8
"Portrait of a man" - John Downman	5			5
"Distant View of Mountains" - Frederic, Lord Leighton	15			15
"Coast of Asia Minor" - Frederic, Lord Leighton	15			15
"Felicite Parmentier" - Antony Eyton	5			5
"Lt Col Thomas Peers Williams" - George Hayter	6			6
"Sur un table" - Theodore Ribot	10			10
Pair of silver sauceboats by Ann Tanqueray	35			35
Dessert Plate decorated by Thomas Baxter	14			14
<b>Total Additions in Year</b>	<b>628</b>	<b>32</b>	<b>13</b>	<b>673</b>
At 1 April 2006	4,687	5,591	707	10,985
<b>At 31 March 2007</b>	<b>5,315</b>	<b>5,623</b>	<b>720</b>	<b>11,658</b>

## 11. Fixed Asset Investments

	Museum		Consolidated	
	2006-07 £'000	2005-06 £'000	2006-07 £'000	2005-06 £'000
At 1 April 2006	2,055	1,769	2,055	1,769
Additions to investments at cost	79	637	79	637
Disposals at market value	(84)	(639)	(84)	(639)
Net Gain on Revaluation	<u>83</u>	<u>288</u>	<u>83</u>	<u>288</u>
Market Value at 31 March 2007	<b>2,133</b>	2,055	<b>2,133</b>	2,055

The historic cost of investments at 31 March 2007 was £1,516,000 (£1,517,000 at 31 March 2006). The portfolio consists of Collective Investments (Unit Trusts) authorised by the Securities and Investments Board (these were professionally valued by the Museum's investment managers, Gerrard Ltd) and shareholdings (bequeathed to the Museum) listed on the London Stock Exchange.

## 12. Stock

	Museum		Consolidated	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Shop Goods for Sale	0	0	358	379
Publications stock held separately	137	118	137	118
Less Provision for Stock Write Off	<u>0</u>	<u>(12)</u>	<u>0</u>	<u>(12)</u>
	<b>137</b>	106	<b>495</b>	485

**13. Debtors**

	Museum		Consolidated	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
<b>Amount due within one year:</b>				
Trade Debtors	76	227	225	286
Amount due from trading subsidiary	252	324	0	0
Loan due from trading subsidiary	301	321	0	0
Other Debtors	1,075	1,743	997	1,743
Prepayments	195	176	231	197
	<b>1,899</b>	<b>2,791</b>	<b>1,453</b>	<b>2,226</b>
<b>Amount due after one year:</b>				
Other Debtors	39	71	39	71

Included within Other Debtors are intra government balances with: the National Assembly for Wales of £77,000 (£130,000 in 2005-06); the Heritage Lottery Fund of £244,000 (£799,000 in 2005-06); English Nature £11,000 (Nil in 2005-06); HM Revenue & Customs of £550,000 (£684,000 in 2005-06) , all being defined as other central government bodies within the Whole of Government Accounts.

The Trustees agreed to a reduction in the loan due from the trading subsidiary in respect of obsolete stock previously transferred via the loan arrangement.

**14. Creditors : Amounts falling due within one year**

	Museum		Consolidated	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Trade Creditors	475	530	508	546
Other Creditors and Accruals	591	440	616	482
	<b>1,066</b>	<b>970</b>	<b>1,124</b>	<b>1,028</b>

Included within Other Creditors and Accruals are intra government balances with the Heritage Lottery Fund of £48,000 (Nil in 2005-06).

**15. Creditors : Amounts falling due after one year**

	Museum		Consolidated	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Finance Lease Arrangements	42	82	42	82

**16. Pension Costs**

The Museum operates a defined benefit scheme in the UK, which is underwritten by a Crown Guarantee issued by the National Assembly for Wales. A full actuarial valuation was carried out at 31 March 2006. This was updated at 31 March 2007 by a qualified independent actuary using guidelines issued by HM Treasury. The major assumptions used by the actuary were (in nominal terms):

	2007	2006	2005
Rate of increase in salaries	4.6%	4.4%	4.6%
Rate of increase in pensions in deferment	3.1%	2.9%	3.1%
Rate of increase in pensions in payment	3.1%	2.9%	3.1%
Discount Rate	4.9%	5.7%	6.6%
Inflation Assumption	3.1%	2.9%	3.1%



The actuarial valuation at 31 March 2007 utilising the above assumptions showed an increase in the deficit from £9,693,000 to £14,001,000. The Museum contributed to the Scheme in the year to 31 March 2007 at a rate of 21.3% of Pensionable Remuneration.

**(a) The assets in the scheme and the expected rates of return were:**

	2007		2006		2005	
		£'000		£'000		£'000
Equities	6.90%	49,963	6.50%	44,798	6.90%	34,402
Fixed Interest Bonds	4.65%	1,796	4.25%	1,499	4.65%	1,248
Index Linked Gilts	4.65%	14,066	4.25%	12,022	4.65%	9,498
Other	4.65%	147	4.00%	227	4.00%	552
Total market value of assets		65,972		58,546		45,700
Actuarial value of liability		(79,973)		(68,239)		(55,053)
Recoverable deficit in the scheme		(14,001)		(9,693)		(9,353)
Related deferred tax asset /(liability)		0		0		0
<b>Net pension liability</b>		<b>(14,001)</b>		<b>(9,693)</b>		<b>(9,353)</b>

**(b) Analysis of the amount charged to operating costs:**

	2007	2006
	£'000	£'000
Current Service Cost	2,383	1,950
Past Service Costs	0	0
<b>Total Operating Charge</b>	<b>2,383</b>	<b>1,950</b>

**(c) Analysis of net return on Scheme:**

	2007	2006
	£'000	£'000
Expected return on pension scheme assets	3,547	2,947
Interest on pension scheme liabilities	(3,941)	(3,667)
<b>Net return</b>	<b>(394)</b>	<b>(720)</b>

**(d) Analysis of actuarial gains and losses**

	2007	2006
	£'000	£'000
Actual return less expected return on assets	2,486	8,624
Experience loss on liabilities	(68)	0
Changes in assumptions	(6,765)	(8,910)
Actuarial loss	(4,347)	(286)
Adjustment due to surplus cap	0	0
<b>Net loss recognised</b>	<b>(4,347)</b>	<b>(286)</b>

**(e) Movement in deficit during the year:**

	2007 £'000	2006 £'000
Deficit in scheme at beginning of year	(9,693)	(9,353)
Movement in year:		
Current service cost	(2,383)	(1,950)
Contributions paid	2,816	2,616
Net interest cost	(394)	(720)
Actuarial loss	<u>(4,347)</u>	<u>(286)</u>
Deficit in scheme at end of year	<b>(14,001)</b>	(9,693)

The above figures, under Financial Reporting Standard 17 – Retirement Benefits, are incorporated in the Consolidated Statement of Financial Activities and Balance Sheet.

**(f) History of experience gains and losses**

	2007	2006	2005	2004	2003
Difference between expected and actual return on scheme assets:					
amount (£' 000)	2,486	8,624	1,901	5,147	(10,853)
percentage of scheme assets	3.8%	14.7%	4.2%	13.0%	34.4%
Experience gains/(losses) on scheme liabilities:					
amount (£' 000)	(68)	0	0	2,683	(1,865)
percentage of scheme liabilities	0.1%	0.0%	0.0%	4.8%	3.9%
Actuarial gains/(losses):					
amount (£' 000)	(4,347)	(286)	6,494	1,110	(13,607)
percentage of scheme liabilities	5.4%	0.0%	11.8%	2.0%	28.5%

**17. Statement of Funds****(a) Movement in Funds**

	1 April 2006	Incoming Resources	Resources Expended	Other Movements in Year	31 March 2007
	£000	£000	£000	£000	£000
<b>Public Funds</b>					
Restricted - Capital	89,284	3,282	(1,046)	2,618	<b>94,138</b>
Restricted - Specimens	<u>6,218</u>	<u>1,334</u>	<u>(628)</u>	<u>6</u>	<b><u>6,930</u></b>
Total Restricted	95,502	4,616	(1,674)	2,624	<b>101,068</b>
Unrestricted	1,514	24,480	(24,608)	10	<b>1,396</b>
Pension Reserve	<u>(9,693)</u>	<u>0</u>	<u>39</u>	<u>(4,347)</u>	<b><u>(14,001)</u></b>
Total Unrestricted	(8,179)	24,480	(24,569)	(4,337)	<b>(12,605)</b>
<b>Total Public Funds</b>	<b>87,323</b>	<b>29,096</b>	<b>(26,243)</b>	<b>(1,713)</b>	<b>88,463</b>
<b>Private Funds</b>					
Restricted	3,618	462	(397)	102	<b>3,785</b>
Unrestricted	<u>339</u>	<u>127</u>	<u>(56)</u>	<u>13</u>	<b><u>423</u></b>
<b>Total Private Funds</b>	<b>3,957</b>	<b>589</b>	<b>(453)</b>	<b>115</b>	<b>4,208</b>
<b>Total</b>	<b>91,280</b>	<b>29,685</b>	<b>(26,696)</b>	<b>(1,598)</b>	<b>92,671</b>

Unrestricted Public Funds recorded in the Museum's own non-consolidated accounts at 31 March 2007 was £1,328,000 with £68,000 attributable to NMGW Enterprises Ltd.

Restricted Private Funds include two major fund balances being: the Art Fund and the St Fagans National History Museum Fund.

### (b) Analysis of Net Assets Between Funds

	Public Funds		Private Funds		2007 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	
Fixed Assets	100,806	299	3,344	354	<b>104,803</b>
Current Assets	754	1,769	441	71	<b>3,035</b>
Current Liabilities	(480)	(642)	0	(2)	<b>(1,124)</b>
Long Term Liabilities	<u>(12)</u>	<u>(30)</u>	<u>0</u>	<u>0</u>	<b><u>(42)</u></b>
<b>Net Assets (before pension liabilities)</b>	<b>101,068</b>	<b>1,396</b>	<b>3,785</b>	<b>423</b>	<b>106,672</b>
Pension Liabilities	<u>0</u>	<u>(14,001)</u>	<u>0</u>	<u>0</u>	<b><u>(14,001)</u></b>
<b>Net Assets (after pension liabilities)</b>	<b>101,068</b>	<b>(12,605)</b>	<b>3,785</b>	<b>423</b>	<b>92,671</b>

### 18. Reconciliation of Changes in Resources to Net Cash Flow from Operating Activities

	Museum		Consolidated	
	2006-07 £'000	2005-06 £'000	2006-07 £'000	2005-06 £'000
Net incoming resources for the financial year	<b>2,714</b>	4,420	<b>2,723</b>	4,419
Share of Joint Venture	<b>266</b>	(1,774)	<b>266</b>	(1,774)
Donated Assets	<b>(105)</b>	(97)	<b>(105)</b>	(97)
Depreciation	<b>838</b>	1,307	<b>840</b>	1,311
(Increase)/Decrease in Stocks	<b>(31)</b>	7	<b>(10)</b>	(54)
(Increase)/Decrease in Debtors	<b>914</b>	(815)	<b>809</b>	(860)
Increase/(Decrease) in Creditors	<b>(192)</b>	253	<b>(206)</b>	310
Pension Finance Costs	<b><u>(39)</u></b>	<u>54</u>	<b><u>(39)</u></b>	<u>54</u>
<b>Net Cash Inflow from Operating Activities</b>	<b>4,365</b>	3,355	<b>4,278</b>	3,309

### 19. Capital Expenditure and Financial Investment

	Museum		Consolidated	
	2006-07 £'000	2005-06 £'000	2006-07 £'000	2005-06 £'000
Payments to Acquire Tangible Fixed Assets	<b>(4,133)</b>	(3,262)	<b>(4,153)</b>	(3,262)

### 20. Movements in Cash

	Museum		Consolidated	
	2006-07 £'000	2005-06 £'000	2006-07 £'000	2005-06 £'000
Net Cash at 1 April 2006	<b>620</b>	527	<b>923</b>	876
Net Cash Inflow	<b><u>232</u></b>	<u>93</u>	<b><u>125</u></b>	<u>47</u>
<b>Net Cash at 31 March 2007</b>	<b>852</b>	620	<b>1,048</b>	923

### 21. Capital Commitments

	2006-07 £'000	2005-06 £'000
At the balance sheet date there were capital commitments of	<b>2,405</b>	1,876

These commitments mainly relate to the major capital works: at the National Museum Cardiff (roof works) and at St Fagans National History Museum (collection care and access project works).

## 22. Leased Assets

	Plant & Vehicles	Furniture, Fixtures & Fittings	2006-07	2005-06
	£'000	£'000	£'000	£'000
Payments due to acquire leased assets:				
Leases expiring within one year	10	38	48	45
Leases expiring within 2 to 5 years	2	40	42	82
	12	78	90	127

## 23. Contingent Liabilities

There is a contingent liability in the event of the closure of the Big Pit National Mining Museum to make safe the mineshaft and surrounding areas. Decommissioning is likely to cost around £1 million and has been underwritten by the National Assembly for Wales.

The Museum is in negotiation through its solicitors in respect of a number of claims for personal injury occurring at Museum sites. It is possible that the Museum will have to settle should the outcome of any negotiations or litigation be against the Museum. The Museum considers that a maximum potential charge against these claims is £18,500.

## 24. Related Party Transactions

The National Museum of Wales is an Assembly Government Sponsored Body. The National Assembly for Wales is therefore regarded as a related party. During the year the Museum received funding from the Assembly in the form of Revenue, Capital and Specimen Purchase Grant in Aid referred to in Note 3.

During the year the Museum has had material transactions in relation to service activities with other entities for which the National Assembly for Wales is the sponsor, namely the National Library of Wales.

The Museum had transactions in 2006-07 with the National Waterfront Museum Swansea Ltd (NWMS Ltd), a company in which the Museum is an equal member with the City and County of Swansea. The Museum received cost reimbursement from the NWMS Ltd amounting to £59,555. The Museum received income through fundraising activities and transferred an amount of £5,000 to the NWMS Ltd. There were nil debtor and creditor balances with NWMS Ltd at 31 March 2007 (£22,981 debtor balance at 31 March 2006).

Mr Paul E. Loveluck, President, is 1 of the 7 Directors of the National Waterfront Museum Swansea Ltd referred to in Note 8 of the Accounts. Mr Mathew Prichard, Immediate Past President and Mr G. Wyn Howells, Treasurer were also Directors of that company until 25 June 2007. Mr Gareth Williams and Mr J. Peter W. Morgan, who are also Trustees of the Museum, were appointed to accordingly replace them. None of the Directors receive remuneration from this company.

The Museum made payments of £29,980 to Geldards LLP in 2006-07 (£19,650 in 2005-06). Mr H.R.C. Williams, Trustee, is a member of the LLP.

The Museum made a payment of £5,000 to Heritage in Action (HERIAN) Ltd in 2006-07. Mr John Williams-Davies, Director of Museum Operations, is a Director of HERIAN. He received no remuneration from this company.

The Museum received a donation of £9,000 from the Colwinston Trust in 2006-07. Mr M. Prichard, Immediate Past President, is a trustee of the Colwinston Trust.

## 25. Post Balance Sheet Events

The Accounting Officer authorised these financial statements for issue on 3 August 2007.