

# Natural History Museum Annual Report and Accounts 2015-2016



# Natural History Museum Annual Report and Accounts 2015-2016

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

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## The Trustees' Annual Report

### Reference and administrative details

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

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

**Board Members** The Board of Trustees comprises the following:

	<b>Appointment period</b>	<b>Appointed by</b>
Lord Stephen Green of Hurstpierpoint (Chair)	To 31 March 2018	Prime Minister
Professor Sir John Beddington CMG FRS	To 31 March 2017	Co-opted
Dame Frances Cairncross	To 31 March 2020	Co-opted
Professor Christopher Gilligan CBE	To 18 May 2019	Prime Minister
Professor Sir John Holman	To 18 September 2019	Prime Minister
Anand Mahindra	To 31 December 2018	Co-opted
Hilary Newiss	To 4 January 2019	Prime Minister
Robert Noel	To 24 April 2020	Prime Minister
Simon Patterson	To 4 January 2019	Prime Minister
Professor Stephen Sparks FRS CBE	To 31 December 2018	Royal Society
Dame Janet Thornton FRS FMedSci	To 30 March 2020	Prime Minister
Dr Kim Winser OBE	To 2 February 2017	Prime Minister

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

**Museum Director and Accounting Officer** Sir Michael Dixon

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

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

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

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

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

**Accounts Preparation** The annual report and accounts have been prepared in accordance with the accounting policies set out in note 1 (page 33). They comply with the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015), the Government Financial Reporting Manual, and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Media and Sport, with the approval of H.M.Treasury.

## Structure, governance and management

<b>Status</b>	The Trustees of The Natural History Museum were established as a body corporate under the British Museum Act 1963, when the Museum was formally separated from the British Museum, of which it had been a part since the British Museum's establishment in 1753. The Museum is also an exempt charity as listed in Part 3 of the Charities Act 2011.										
<b>Statutory duties</b>	Under Section 3 of the British Museum Act 1963, the Museum is responsible for keeping its collections and making them available for inspection by the public.										
<b>The Board of Trustees</b>	<p>The Museum is governed by a Board of 12 Trustees who are appointed by the Prime Minister (8), the Secretary of State for Culture, Media and Sport on recommendation by the Royal Society (1) or co-opted by the Board of Trustees themselves (3). Those appointed by the Prime Minister are appointed by open competition.</p> <p>Further details of Trustees who served during 2015-16 are included in the Governance Statement.</p>										
<b>Organisational structure</b>	<p>During the year responsibility and delegated authority for the management of the Museum rested with the Executive Board, under the leadership of the Director of the Museum, who is appointed by the Trustees, and, as the Accounting Officer, is responsible to Parliament.</p> <p>The Executive Board reflects the functional operation of the Museum and consists of:</p> <table border="0" style="margin-left: 40px;"> <tr> <td>Director of the Museum</td> <td>Sir Michael Dixon</td> </tr> <tr> <td>Director of Finance and Corporate Services</td> <td>Neil Greenwood</td> </tr> <tr> <td>Director of Development and Communications</td> <td>Fiona McWilliams (appointed 1 June 2015)</td> </tr> <tr> <td>Director of Public Engagement</td> <td>Dr Justin Morris</td> </tr> <tr> <td>Director of Science</td> <td>Professor Ian Owens</td> </tr> </table>	Director of the Museum	Sir Michael Dixon	Director of Finance and Corporate Services	Neil Greenwood	Director of Development and Communications	Fiona McWilliams (appointed 1 June 2015)	Director of Public Engagement	Dr Justin Morris	Director of Science	Professor Ian Owens
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Director of Public Engagement	Dr Justin Morris										
Director of Science	Professor Ian Owens										
<b>Staff and organisation</b>	<p>The Museum is an Equal Opportunity Employer and has agreed statements of policy under section 2(3) of the Health and Safety at Work Act, 1974.</p> <p>Senior management communicate with staff through regular Museum wide presentations, Museum notices and team briefings, through the Museum's Health and Safety organisation and Whitley Council mechanisms as well as through informal meetings.</p> <p>The Museum is a non-departmental public body and follows policy issued by the Cabinet Office on employment of disabled staff.</p> <p>During the year the Museum employed 924 staff (average full time equivalents) of which 645 were on permanent contracts.</p> <p>The average day's sickness per year for permanent and fixed term contract staff was 5.20 days per full time equivalent (2015: 4.64).</p> <p>Pension benefits are provided through the Principal Civil Service Pension Scheme (See note 7 to the Accounts).</p> <p>In December 2014 the Museum was re-awarded the Investors in People Standard.</p> <p>A volunteer force of c500 people assisted the Museum during 2015-16.</p>										

**Openness and accountability**

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

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

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

**Relationship with DCMS**

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

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

**Group entities**

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

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



## Objectives and Activities

**Mission** The Natural History Museum's purpose is to challenge the way people think about the natural world – its past, present and future.

**Objectives** The Natural History Museum is one of the world's great institutions and is the guardian of the national collection of more than 80 million cultural and scientific natural history specimens. This includes unrivalled collections of biological and geological specimens, the world's finest natural history library and a magnificent collection of natural history art. Many of these treasures are housed in the famous Waterhouse Building in South Kensington. They represent an important part of the nation's heritage, but more importantly, Museum Scientists actively work with the collections, and by opening up access and participation for all, make it possible to address some of the big issues and challenges facing humanity and the planet:

- The origins of our planet and life on it, and the impact of change
- The diversity of life and the delicate balance of ecosystems that ensure the survival of our planet
- The security of our food supply, the eradication of disease and the management of mineral and ore scarcity

One of the country's leading visitor attractions, the Museum is also dedicated to making natural history as accessible as possible to a wide range of people in this country and worldwide. It does so by means of its special exhibitions, publications, and its teaching and outreach programmes, including via the web. It supports all of these activities with high quality staff, services and facilities.

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

The Museum launched a *Strategy to 2020* in January 2015 which set out an ambition to redefine the Museum and its impact on society, and strategic priorities for the next five years, organised to reflect our commitment to extending our impact – digitally, nationally, internationally, and in London:

### Digital

We will use technology to deepen engagement with the collection, including mass digitisation of specimens, engaging virtual communities worldwide and creating innovative digital platforms.

### National

We will create national networks to support citizen science in schools, engage society with UK biodiversity through citizen science and open up the UK's natural history collections by sharing skills and facilities.

### International

We will develop our global relationships to create new commercial opportunities, build capacity among our partners, and tackle major scientific challenges, such as biodiversity loss, the spread of diseases and the supply of scarce minerals.

### London

We will build on our position as one of the world's great public museums in a truly global city to enhance the experience of our visitors through a series of major capital developments to improve the grounds, the Hintze Hall, galleries and learning centre.

**Achievements and activities during 2015-2016**

To achieve these goals we are developing a new business model that builds our potential to increase income from commercial opportunities and philanthropic and corporate partnerships.

The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction of the Museum.

In delivering the strategy the Museum has innovative and compelling ways to tell the stories of the collection and its research, reaching out beyond the confines of the building. The Museum has begun transforming into a truly 21st century Museum with plans for greater national reach in the UK, for steps forward in the digital and mobile space, and for ambitious international tours and collaborations.

**Digital**

The Museum has seen major progression in its digital initiatives during the last year.

**Data Portal**

There has been further development of the Data Portal as the primary online access route to collections and research data for scientists and wider commercial and public use. The Data Portal now hosts around 3.5 million records and has just recorded its billionth data download. All data is available without restriction on use or attribution in line with Government Open Data guidelines.

**Digital Collections Programme**

The Digital Collections Programme reached the end of its first three-year phase, acting as a focus for collaborative innovation in mobilising collections data for research and other purposes. The Museum has led technological innovation on the development of high-throughput pipelines with a pilot on UK butterflies, the development of robotic imaging for microscope slide digitisation, and collaborative development of conveyor-belt digitisation with the Royal Botanic Gardens, Kew, a further step towards the development of a virtual UK herbarium. Orchid Observers was the latest successful project developing innovative social approaches to mass public involvement in digitisation and citizen science, a research partnership with Oxford University examining the flowering times of British orchids in relation to climate change by inviting the general public to submit orchid photographs, and help with online data extraction and recording.

**Virtual Reality**

The Museum also worked with high profile partners, Atlantic Productions, Alchemy VR and Samsung to deliver innovative new formats to engage visitors with the collections and content. Two virtual reality offers were launched – First Life allowed visitors to explore the seas 540 million years ago and the Great Barrier Reef took visitors on a journey to this fragile ecosystem today. The First Life experience won the Innovation Category of the Museum and Heritage Awards 2016.

**App and Audio Guide**

New ways of engaging visitors through mobile technology were also developed. An audioguide was streamed to visitors' mobile devices to accompany the Otherworlds space photography exhibition, giving insight into Museum research through interviews with scientists. Further work continued on The Museum App, a location aware guide to the Museum, to introduce new functionality.

**Other Digital Initiatives**

Digital innovation continues with the development of new mass digitisation projects: the needs for collaboration with SMEs and other tech companies were explored in depth at a collaborative Digital Pit Stop with Cisco and a spectrum of other organisations at the London Digital Catapult Centre in February 2016.

Work continued on the CRM Project with the first part of this project going live in January 2016, supported by the Fidelity UK Foundation. This project marks a significant shift in how the Museum will communicate and build relationships with a range of museum audiences including members.

## **National**

### **National Strategy**

2015-16 saw a renewed focus on national activity, and during the past year a National Strategy for the Museum has been in development. The vision is 'To be the leading inspiration connecting UK citizens from all backgrounds with nature and science' delivered by continuing to work in partnership.

### **Science Uncovered**

In September 2015, the highly popular Science Uncovered evening, part of the European Researchers' night, was expanded from South Kensington to Manchester, and a further two years of European Commission funding was secured to deliver this event in London, Manchester, Newcastle and Ulster in 2016 and in 2017.

### **Humans in Ancient Britain Exhibition Tour**

The Museum worked in partnership with five regional museums and venues for the Humans in Ancient Britain exhibition tour. This brought together objects of national and scientific significance with stories of local relevance and the display appeared at Creswell Crags, Great North Museum, Manchester Museum, Yarmouth and Torquay. The tour ends in Summer 2016 with an exhibition at the Natural History Museum at Tring.

### **Dippy on Tour**

The Dippy on Tour project has progressed apace and through an open national call eight venues from across the UK including South West, Midlands, North, North East, East, Scotland, Wales and Northern Ireland have been selected. Dippy on Tour will be a lever of change for the Museum's national engagement, transforming its visibility, geographical reach and impact as well as providing the means to advocate the importance of natural history collections. Dippy on Tour will also help to lever support for the Museum's existing partnership project, Real World Science, to reinvigorate and expand this network to ensure that there is a stable and vibrant museums/schools national partnership delivering over the next five years. This will cover the whole of the UK and carry out learning research on the impact of natural history collections in learning programmes.

### **Real World Science**

Through the year Real World Science Partnership reached 34,000 students. As part of this, the Arts Council England's Museums and Schools project funded the Peterborough Museum, Flag Fen Archaeology Park and Ely Museum, supporting them to work with the Museum in order to build capacity. This funding has been renewed for 2016-17.

### **The Natural History Museum at Tring**

The Natural History Museum at Tring welcomed 152,000 visitors, supported by an exhibition programme that included *Antarctica – Sub Zero Science*, *Myths and Monsters* and *Wildlife Photographer of the Year*. The redeveloped Rothschild Room opened in early 2015-16 supported by the DCMS/Wolfson Gallery Improvement Fund. This permanent gallery tells the story of the Tring Museum's founder, Walter Rothschild, his collection and the scientific research he was involved in.

### **Natural History Stories**

The Museum partnered with BBC Natural History Unit and BBC Radio 4 to develop three radio series spanning six months. The 25 part Natural Histories series was inspired by the collection, as was the four part Natural History

Stories series where established authors wrote short stories inspired by current research. The ten part Natural History Heroes series consisted of Museum scientists talking about the historic scientists who inspire their work. In all, this partnership reached over 9 million adults, 16.6% of the adult population. The BBC webpage for the series received 2.3 million views during the series and the podcast was downloaded approximately 1.5 million times. The second series of Natural Histories will be transmitted in July 2016.

### **Other National Projects**

As part of the national strategy the Museum aims to actively support inclusion of sectors of society that are currently less engaged with science, nature and culture. To this end, during 2015-16 the Museum worked with the Wellcome Trust to deliver training nationally to over 100 Fairbridge Executives at the Princes' Trust. The Fairbridge Executives work with some of the most disadvantaged young people in the country. Subsequently the Wellcome Trust have invited the Museum to deliver further youth engagement training to even more youth workers, ensuring the Museum reaches diverse audiences through partnership.

During the year, in addition to Orchid Observers, the Museum also led or partnered on a number of school and citizen science initiatives. These included:

- *The Microverse*, a collaborative project between the Museum and schools across the UK, aimed at Key Stage 5. Schools collect samples of microorganisms from buildings, sending them to the Museum for DNA analysis. The research aims to discover what species are living on our buildings and what factors affect their diversity and community assemblages.
- In partnership with the Old Malthouse in Dorset and supported by the Cothill Trust, *Decoding Nature* is aimed at Key Stage 2 and above and focuses on using DNA barcoding to identify species and understand species relationships.
- *Notes from Nature* which was launched in 2013 came to end in June 2016 and has resulted in the transcription of over 370,000 bird records which is an important contribution to the continuing digitisation of the collections.

### **International**

The Museum continued to produce world leading research, often leading and working with consortia, and continued to attract significant grant funding.

### **Research Funding**

- The Museum is an international scientific centre of excellence for research on parasites and their vectors. During the year an agreement was signed with the Bill and Melinda Gates Foundation for a five-year partnership focusing on international research to demonstrate the feasibility of eliminating an important group of neglected tropical diseases: the soil-transmitted helminths. The research will leverage the political and programmatic momentum of efforts to eliminate another important neglected tropical disease, lymphatic filariasis to expand treatment and break the transmission of soil transmitted helminths. This partnership has started to engage with scientific peers and will be launched to broader policy and public audiences later in 2016.
- A NERC grant was awarded to the Museum, as part of a larger collaboration, to examine how different parts of fresh water ecosystems – living, chemical and physical – are connected to provide ecosystem functions, and how these connections are impacted by different stresses such as pollution, overuse or competing demands. They will examine how local evidence can be combined and scaled up to a national scale to enable prediction of future trends, to give options for policy and management, and to support restoration of stressed ecosystems.

- The Leverhulme Trust awarded a grant to investigate the evolution of extreme asymmetry and peculiarity of form in a group of tiny southeast Asian fishes – the priapiumfishes. The research will allow detailed understanding of how genes function in the development of individuals and why this differs between species. This will also allow the evolution of these differences to be explored, leading to better understanding of the fundamental mechanisms of life and their origins.
- The EU Horizon 2020 research programme has funded a Museum scientist working with colleagues from a number of European and international institutions to develop an integrated ecosystem-based management approach to preserve and sustainably use vulnerable deep-sea sponge ecosystems in the North Atlantic. The work will develop understanding, information and prediction of impact for these systems, with the additional intention of unlocking the potential of sponge grounds for innovative blue biotechnology in drug discovery and tissue engineering.
- Land plants depend fundamentally on close symbiosis with tiny fungi to support nutrient uptake, but the origins and significance of this relationship is not yet clear. A NERC grant was awarded to a Museum led partnership to investigate the very earliest stages of plant colonisation of land in symbiotic association with fungi, more than 475 million years ago. The work will give better understanding of current soil processes and conservation and support prediction of soil ecosystem responses to climate change and environmental stress.
- The Museum has been awarded a major contract by the European Space Agency to develop an initial Sample Analogue Collection to support the Robotic Exploration mission preparation programme. This work is essential to planning and preparation for future exploration missions on Mars, Phobos, Deimos, asteroids and the Moon. Sample analogues replicate as far as possible the expected geology of the destination in terms of physical, mechanical, mineralogical and chemical properties and allow testing of all systems that land, such as parts of the spacecraft system for landing, or roving, sample collection systems such as drills or scoops, and scientific instruments.

### Scientific Research Papers

During the year there were 831 peer reviewed publications. Highlights include:

- Museum scientists and co-authors writing in the journal *Scientific Reports* described research on how whole genome DNA resequencing of the parasite *Schistosoma mansoni* reveals population history and the effects of selection. Two-hundred and forty million people are affected by schistosomiasis, a water-associated parasitic infection of the blood and organs, and this has particular social, health and economic impacts in poorer countries. Their work shows that *S.mansoni* evolved from a rodent parasite over 107,000 years ago: archaeological evidence suggests that this was the same time as the earliest human fishing in Africa. They also give evidence of the migration of the parasite to the Americas with the Atlantic Slave Trade. This understanding helps to support control of human diseases, but also gives indications of how distribution changes and how new types of disease might emerge.
- A Museum led research team authored a paper published in *Nature* describing the global effects of land use on local terrestrial biodiversity – in other words, what is the global impact of many small local changes in forests, fields, grasslands and other habitats? Building on the Museum's expertise in big data sets and environmental change the team developed a major new database of biodiversity change, land use and evidence of change. They showed that in the worst-affected habitats human pressures have led to falls

in species richness by more than 75% and that, if current land use trends continue, there will be a fall of 3.4% globally in sample species richness by 2100, with losses concentrated in the biodiverse but economically poor countries.

- Fossil collections show that past major climate change events led to the “Lilliput effect”, a reduction in the size of surviving species. Museum scientists writing in the journal *Nature Climate Change*, looking at two gastropod species, demonstrated that this effect is directly connected with high-CO<sub>2</sub> acidified sea water. They suggest that these long-term effects of increased CO<sub>2</sub> forewarn of changes expected in marine ecosystems as CO<sub>2</sub> emissions continue to rise, and support the hypothesis that ocean acidification contributed to past major extinction events.
- For well over a million years mammoths were an imposing presence in different parts of the northern hemisphere, but there has been much past confusion on their species, diversity and dispersal. A Museum scientist published definitive research in the journal *Science* that shows that the earliest North American mammoths, *Mammuthus columbi*, evolved from an advanced Eurasian species, not from primitive forms as previously assumed. Further evolution around the Bering land bridge produced the distinctive woolly mammoth that then migrated into both America and Eurasia, interbreeding with earlier species to produce intermediate forms. In addition to clarifying the picture of diversity and evolution of mammoths, the science casts new light on local adaptation in changing climates and gene flow in a wide species complex.
- Museum scientists published new research in *Nature* that uses the Museum’s expertise in reconstructing ancient DNA and proteins to look at the large animals *Toxodon* and *Macrauchenia*. It had been thought that these animals were closely related to elephants and manatees, but their research shows that they were in fact related to the ancient ancestors of horses, tapirs and rhinoceroses. The work pushes the boundaries of modern molecular science as well as clarifying ancient patterns of evolution and distribution of a lost continent of biodiversity.

### **International Exhibitions**

Beyond the science arena, a new suite of touring exhibitions has been developed that focus on sharing the collections with a global audience. The first of these, *Treasures*, will be premiered in Tokyo in March 2017 and is our first blockbuster presentation at a peer national museum in one of the Museum’s key target global cities.

### **London**

#### **Special Exhibitions and Visitors**

At South Kensington the Museum developed a successful series of exhibitions that helped to build audiences and profile whilst drawing inspiration from the cutting-edge science of the institution. In total, 418,000 people visited *Coral Reefs: Secret Cities of the Sea* in partnership with Caitlin Insurance; *Otherworlds* – a collaboration with photographic artist Michael Benson exploring the solar system; *Wildlife Photographer of the Year* and *Sensational Butterflies*. In December a new human evolution gallery was opened supported by the DCMS/ Wolfson Museum and Galleries Improvement fund.

The total number of visitors to South Kensington continued at a high level with 5,200,000 visiting during the year, though the last quarter showed a notable drop compared with earlier periods. The number included 1,083,000 children visiting as part of a family group and a further 254,000 came as part of a school visit.

### Hintze Hall

Work continued on redisplaying Hintze Hall, the first stage of our plans to revitalise our permanent spaces to better enable our renewed purpose and mission, challenging how people think about the natural world. Hintze Hall is supported by funding from the Hintze Family Charitable Foundation and The Cadogan Charity. A particular area of focus has been the Blue Whale with a pop-up conservation studio set up in the Darwin Centre to make this area of the Museum's work accessible to visitors who have been encouraged to engage with the conservators, the work they're doing and the role of the Blue Whale in the redisplay.

### Grounds Transformation Programme

In addition, substantial work was conducted on the Grounds Transformation Programme. Concept Design stage was reached and a planning application has been submitted. Work will continue through 2016 to establish the range of Science and Public Engagement activities that the Grounds will support including volunteering, new learning programmes, national citizen science activity and ID training.

### Other Investment

During the year there was investment in the onsite retail offer with refurbishment of the main shop and the opening of the Cranbourne Boutique. There was also investment in the catering offer with the launch of the Coffee Shop and refurbishment of The Kitchen and the Central Café.

### Plans for 2016-2017

2016-17 will see major progress at South Kensington on the redesign of Hintze Hall. Dippy will be removed from display on the ground floor and prepared to go on tour. The Blue Whale will be installed, wonder bays developed, and subject to planning approval, the front entrance will be reconfigured to improve accessibility as part of the first phase of the grounds transformation project. A new Members' and Patrons' Room will also be developed.

The main special exhibitions at South Kensington through the summer are *Colour and Vision* and *Sensational Butterflies*. The *Wildlife Photographer of the Year 2016* will open in the autumn.

At Tring the main summer exhibition is *Humans in Ancient Britain* which will run through to November 2016. In addition there will be *Wildlife Photographer of the Year* and a Dodo exhibition towards the end of the year.

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

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

The Museum's International Strategy outlined a need to focus on nations with fast growing economies; where there were opportunities for scientific discovery; and large urban populations for public engagement. Using these criteria work will continue to develop relationships in the key areas of Argentina, China, Japan, Singapore and India with further visits planned.

### The Natural History Museum and consolidation

For the Natural History Museum Accounts which consolidate the results of the Natural History Museum, the Natural History Museum Trading Company, the Special Funds Trust, the Cockayne Fund and the Benevolent Fund, there was an overall deficit for the year before gains and losses on investments and revaluation of £8.6m (2015: £0.1m surplus). After adjusting for depreciation, amortisation and loss on disposal of fixed assets, which is considered a more meaningful indicator

of financial performance because of the impact of the annual revaluation of fixed assets and resulting additional depreciation – neither of which have any impact on cash – there was an overall surplus of net income amounting to £3.2m (2015: £11.7m).

At the year end, the General Fund, the unrestricted and non-designated reserve, amounted to £6.8m (2015: £6.4m) which is in excess of the minimum reserve figure of £3m approved by Trustees as part of the annual budgeting process, and net current assets of £17.5m (2015: £19.4m).

These figures are summarised below:

	2015-16 £m	2014-15 £m
Net income for the year before depreciation, asset indexation and revaluation	3.2	11.7
General Fund	6.8	6.4
Net Current Assets	17.5	19.4

The reduction in net income compared to the previous year reflects an overall reduction in gross income with a decrease in grant-in-aid, donation income (due to a one off £6m capital grant received in 2014-15 from the Natural History Museum Development Trust) and sponsorship being in part compensated by an increase in scientific grant and contract income. There was also an overall increase in expenditure with an increase in non capitalised project development costs, digital costs, and expenditure funded by restricted science grant income. The net income position also takes account of a reduction in the profit generated by the Natural History Museum Trading Company. A strategic focus for the coming year is to grow the net income from commercial opportunities and philanthropic and corporate partnerships. In addition an expenditure reduction programme is already in progress. This will enable an increase in funds available to underpin future capital investment.

In addition to the General Fund at the year end, there were reserves of £6.7m (2015: £9.6m) held within the Designated Fund for capital projects in progress and for future scientific research projects, and £2.9m (2015: £2.5m) of reserves held within the Restricted Fund for future investment and activities.

**The Natural History Museum Trading Company Limited**

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

The net operating profit for 2015-16 amounted to £4.3m (2015: £5.3m).

Profits from the Trading Company are donated to the Museum under gift aid. For 2015-16 this amounted to £4.3m (2015: £5.3m).

The results of the Trading Company are included in the Museum’s consolidated accounts and are summarised in note 12.

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

**The Natural History Museum Special Funds Trust**

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



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

During the year the fund received income amounting to £50.3k (2015: £49.5k) and incurred expenditure of £6.7k (2015: £17.9k). At 31 March 2016 the value of the Fund amounted to £1.492m (2015: £1.527m) including investments valued at £1.358m (2015: £1.437m) and cash of £143k (2015: £102k).

### **The Cockayne Trust**

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

At the meetings of the Trust in 2013 and 2014 the Trustees approved a resolution for the permanent endowment fund held by the Trust to be freed from the restrictions with respect to its expenditure and to use the funds of the Trust to support a major project to digitise and rehouse the British Lepidoptera collection. The Trustees also approved that the Trust should be closed once the funds have been utilised.

During the year the fund received income amounting to £95 (2015: £4,876) and incurred expenditure of £191 (2015: £158). At 31 March 2016 the value of the Fund amounting to £175,264 was transferred to the Natural History Museum, and the Trust subsequently closed down.

The Trust was formally removed from the Charity Commission register on 11 April 2016.

### **The Benevolent Fund**

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

The balance of funds held at 31 March 2016 was £35.2k (2015: £35.5k).

### **The Funding Agreement**

The Museum has a Funding Agreement with the Department for Culture, Media and Sport which sets out what the Government expects the Museum to deliver for the grant-in-aid it receives. The current funding settlement was issued in March 2016.

The grant-in-aid which the Museum is to receive over the period 2016-17 to 2020-21, is as follows:

£m	2016-17	2017-18	2018-19	2019-20	2020-21
Resource Grant-in-aid	39.515	39.515	39.515	39.515	TBC
Capital Grant-in-aid	9.600	2.300	2.300	2.300	2.300
Total	49.115	41.815	41.815	41.815	TBC

### **Reserves Policy**

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

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

The level of reserves is set to provide a comfort level for shortfalls in income and to underpin cash flow and budgetary risks particularly arising from capital expenditure projects. Taking an overall view of the annual operational expenditure and level of comfort required, the Trustees have approved at their Board meeting in February 2016 a minimum level of General Fund of £3.0m. At 31 March 2016 the General Fund amounted to £6.8m.

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

**Investment powers and policy**

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

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

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

**Sustainability**

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

Key performance data

	2013-14	2014-15	2015-16
Greenhouse gas emissions (tonnes CO <sub>2</sub> ) *	11,601	10,591	10,554
Energy consumption (MWh)	29,280	30,922	29,297
Water consumption (m <sup>3</sup> )	94,348	90,837	85,319
Waste (tonnes)	507	513	549

\* Comparatives for 2014-15 greenhouse emissions have been restated to report total gas burned on site (reportable under the European Union Emissions Trading Scheme) and total imported from the grid whereas figures had previously been based solely on CRC methodology.

Specific activities undertaken and achievements during 2015-16 include:

- ISO 14001 Environmental Management certification was re-awarded based on the on-going audit assessment;
- The Museum has completed a second year of involvement with the National Union of Students’ Green Impact scheme with an increase in teams taking part in the workbook challenge; and
- The Museum has recruited an Environment and Sustainability Officer who will be responsible for delivering the Green Impact Scheme, and developing the ISO 14001 Environmental Management system and Energy & Sustainability Strategy.

**Payment of creditors**

The Museum observes the principles of the Better Payment Practice Code in ensuring that creditors are paid within the terms of credit. The Museum policy is that creditors are paid within 30 days of invoice date unless separate arrangements have been contractually agreed. In 2015-16 in excess of 94% of creditors were paid within the agreed period (2015: in excess of 95%).

**Disclosure of relevant audit information**

At the time of approving the financial statements:

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

5 July 2016

## Appendix 1

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

Performance indicator	15-16 Outturn	14-15 Outturn	13-14 Outturn	12-13 Outturn	11-12 Outturn
<b>Visitors</b>					
Total number of visitors (South Kensington and Tring) #6	5,352,000	5,426,000	5,579,000	5,132,000	4,992,000
Number of child visitors #1	1,328,000	1,421,000	1,452,000	1,287,000	1,243,000
Number of over 60s visitors #1	308,000	312,000	311,000	235,000	200,000
Number of UK visitors from lower socio-economic groups (NS- SEC Groups 5-8) aged 16 and over #1	182,000	240,000	363,000	327,000	186,000
% of visitors who thought the museum was excellent / good #1 #2	96	96	94	97	97
<b>Other Access</b>					
Number of unique website visits	10,489,392	10,278,971	8,607,235	7,332,006	7,992,592
Number of specimens loaned	22,187	65,079	34,216	49,320	31,937
Number of UK loan venues #3	43	95	133	135	131
Number of enquiries to Science Group	8,253	10,494	14,441	11,960	13,743
<b>Learning</b>					
Number of children aged 16 and under in on and off site organised educational sessions	555,799	542,029	497,123	492,295	497,139
<b>Research</b>					
Number of peer reviewed research publications #4	831	867	721	668	807
Value of major research grants won (£m total value to the Museum)	2.7	5.1	4.7	2.1	2.0
Number of visitor days for visiting researchers	11,588	14,574	14,813	14,454	13,572
<b>Income Generation</b>					
Gross income from admissions (£m)	3.27	3.56	2.46	2.06	2.39
Net income from trading activities (£m) #5	11.61	11.50	9.61	8.42	9.37
Fundraising income (£m)	5.57	11.18	3.58	1.97	2.05
<b>Charitable Giving</b>					
Total income from charitable giving (£m) #6	6.30	11.48	3.52	2.15	2.26
Charitable giving as a % of grant in aid #6	15%	26%	8%	5%	5%

#1 Based on sampling.

#2 Reported figure for 2013-14 has been corrected from 97 to 94.

#3 Reported figures for 2012-13 and 2013-14 have been amended to reflect the UK loan venues in place at the beginning of the year as well as during the year and therefore comparable to other disclosed years.

#4 Comparative figures for 2012-13 and 2013-14 were previously disclosed as the 'total number of publications'. These figures have been amended to reflect the 'total number of peer reviewed publications' only.

#5 Includes the contribution from trading activities excluding depreciation.

#6 DCMS key performance indicators from the Funding Agreement.

The performance indicators are under review, to align more closely with strategic objectives.

## Report on the Remuneration of Senior Management

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

The Trustees receive no remuneration.

### Service contracts

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

The senior management of the Museum hold appointments which are open-ended with a notice period of six months. Termination payments are in accordance with contractual terms. During the year 2015-16 there were no compensation or severance payments to senior management.

### Remuneration Committee

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

The membership of the Remuneration Committee for 2015-16 comprised:

*David Drewry*  
*Stephen Green*  
*John Holman*

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

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

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

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

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

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

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

## Salary and pension entitlements

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

### Remuneration

	Salary (£'000)		Bonus payments (£'000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) <sup>1</sup>		Total (£'000)	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	185-190	180-185	20-25	20-25	700	1,700	50-55	45-50	235-240	230-235
Neil Greenwood <i>Director of Finance and Corporate Services</i>	120-125	115-120	5-10	5-10	–	–	35-40	20-25	160-165	140-145
Professor Ian Owens <i>Director of Science</i>	120-125	120-125	5-10	5-10	–	–	40-45	40-45	165-170	160-165
Dr Justin Morris <i>Director of Public Engagement</i>	120-125	115-120	5-10	5-10	–	–	55-60	30-35	175-180	150-155
Fiona McWilliams <i>Director of Development and Communications (from 1 June 2015)</i>	80-85 (FTE 100-105)	–	–	–	–	–	30-35	–	115-120	–

The above information has been subject to audit.

### Salary

'Salary' includes gross salary; performance pay or bonuses paid in the year but relating to prior year performance; overtime; and any allowance to the extent that it is subject to UK taxation. Bonus payments are also shown separately in the remuneration table. This presentation is based on payments made by the Museum and thus recorded in these accounts.

### Benefits in kind

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

### Pay multiples

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

The remuneration of the highest-paid director in the financial year 2015-16 was £185,000-£190,000 (2015: £180,000- £185,000). This was 5.8 times the median salary of the workforce, which was £32,178 (2015: 5.8 times the median of £31,714).

In 2015-16, no employees received remuneration in excess of the highest paid director. Remuneration ranged from £18,405 - £122,000 (2015: £15,467 - £120,000).

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

<sup>1</sup> The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

**Pension benefits**

	Accrued pension at pension age as at 31 March 2016 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2016	CETV at 31 March 2015	Real increase in CETV	Employer contribution to pension account
	£'000	£'000	£'000	£'000	£'000	£'000
Sir Michael Dixon <i>Museum Director, Accounting Officer</i>	29.6	3.0	578.5	507.7	49.5	23.6
Neil Greenwood <i>Director of Finance and Corporate Services</i>	34.9 plus lump sum of 104.7	2.2 plus lump sum of 6.6	688.4	598.0	32.6	27.7
Professor Ian Owens <i>Director of Science</i>	9.4	2.7	110.0	100.0	17.3	28.2
Dr Justin Morris <i>Director of Public Engagement</i>	32.2	3.3	432.3	362.7	23.2	27.9
Fiona McWilliams <i>Director of Development and Communications (from 1 June 2015)</i>	2.0	2.0	24.4	–	18.2	20.8

The above is subject to audit.

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015, Museum staff would have been in one of five defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos** or **alpha**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus**, **nuvos** and **alpha** are increased annually in line with Pensions Increase legislation. All new employees since 1 April 2015 must default into the alpha scheme unless they have reserved rights, from previous Civil Service employment, to remain in one of the other schemes. All employees continue to have the option for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**Civil Service Pension Partnership Account**).

From 1 April 2015 employee contributions continued to be salary-related and ranged between 3.0% and 8.05% of pensionable earnings for **classic** and 4.6% and 8.05% for **premium**, **classic plus**, **nuvos** and **alpha**. Increases to employee contributions will apply from 1 April 2016 and 1 April 2017. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In **alpha** pension accrual is similar to **nuvos** but the accrual rate is 2.32% of pensionable earnings. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5%, this increased to 8% and 14.75% from 1 October 2015 (depending on the age of the member) into a stakeholder pension product chosen by the employee from a choice of two providers. The employee does not have to contribute, but where they do make contributions, the employer

will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic age-related contribution). Employers also contribute a further 0.8% (0.5% from 1 October 2015) of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

### **Cash Equivalent Transfer Values (CETV)**

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

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### **Real increase in CETV**

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

### **Other information**

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

The Trustees of the Natural History Museum are not remunerated. Expenses paid are disclosed in note 7 to the Annual Accounts.



**Reporting of Civil Service and other compensation schemes – exit packages**

Exit package cost band	2015-16			2014-15		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	9	-	9	11	-	11
£10,000-£25,000	3	2	5	-	2	2
£25,000-£50,000	-	2	2	-	1	1
£50,000-£100,000	-	2	2	-	-	-
£100,000-£150,000	-	-	-	-	-	-
Total number of exit packages	12	6	18	11	3	14
Total resource cost (£)	98,098	267,567	365,665	64,745	61,099	125,844

Redundancy and other departure costs have arisen as a result of expiring fixed term contracts and restructuring within the Finance department.

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

5 July 2016

## Statement of Trustees' and Director's Responsibilities

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

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

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

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

5 July 2016

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

## Governance Statement

### The Governance Framework

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

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

During the year 2015-16 the following served as Trustees:

	Attendance at Board Meeting (max 4)	Attendance at Audit and Risk Committee (max 4)	Attendance at Remuneration Committee (max 1)
The Lord Green of Hurstpierpoint (Member of the Remuneration Committee)	4/4	–	1/1
Professor Sir Roy Anderson FRS FMedSci (retired 31 March 2016, Member of the Audit and Risk Committee)	4/4	3/4	–
Professor Sir John Beddington CMG FRS	3/4	–	–
Professor David Drewry (Member of the Remuneration Committee)	4/4	–	1/1
Professor Christopher Gilligan CBE	4/4	–	–
Professor Sir John Holman (Member of the Remuneration Committee)	4/4	–	1/1
Dr Derek Langslow CBE (Chair of the Audit and Risk Committee)	4/4	4/4	–
Anand Mahindra	1/4	–	–
Hilary Newiss (Member of the Audit and Risk Committee from 12 November 2015)	4/4	1/2	–
Simon Patterson	4/4	–	–
Professor Stephen Sparks FRS CBE	4/4	–	–
Dame Janet Thornton FRS FMedSci (appointed 31 March 2016)	0/0	–	–
Dr Kim Winser OBE (Member of the Audit and Risk Committee until 11 February 2016)	4/4	4/4	–

Subsequent to 31 March 2016 David Drewry and Derek Langslow have retired as Trustees while Dame Frances Cairncross and Robert Noel have been appointed as Trustees.

Dame Janet Thornton has been appointed to serve as a member of the Remuneration Committee from 22 June 2016.

Derek Langslow retired as chair of the Audit and Risk Committee on 5 May 2016 and was succeeded as chair by Hilary Newiss. Chris Gilligan and Robert Noel have been appointed to serve as members of the Audit and Risk Committee from 5 May 2016 and 30 June 2016 respectively.

Mark Richardson served as a co-opted member of the Audit and Risk Committee and attended four (of four) meetings during 2015-16 prior to retiring from the Committee. Colin Hudson has subsequently been co-opted to serve on the Committee with effect from 5 May 2016.

Trustees are initially appointed for a four year period and may be appointed to serve a second four year term before standing down.

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

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

- **The Audit and Risk Committee** generally meets four times a year to receive reports on risk management, including on the management of specific major risks, on any internal control issues from the Risk and Assurance unit, and matters arising from external audits, and to review progress on the implementation of recommendations. The Committee also reviews a sample of audit reports and those reviewed during 2015-16 include cyber risk management and cyber security, physical security penetration testing, pest management, supplier standing data, and spot checking of cash handling. The Chairman of the Audit and Risk Committee reports any matters arising directly to the Board.
- **The Remuneration Committee** generally meets once a year to review performance and consider performance related pay for the Museum Director and other members of the Executive Board (see Remuneration Report).
- **The Nominations Committee** is convened and meets as required to consider and make recommendations for Trustee and Senior appointments.

In addition there are 3 advisory groups – the **Estates and Buildings Advisory Committee** to provide advice on the long term management and development of the Museum's estate; the **Science Advisory Committee** to provide advice on the Museum's scientific activities; and the **Commercial Advisory Committee** to provide advice on commercial activities.

The Board carries out an externally facilitated review of its performance and effectiveness every three years with an internal self-assessment usually carried out in intervening years. The last external review was completed in late 2012-13 which concluded that the Board operated effectively, and a further review is currently in progress for reporting to the Board in July 2016.

### **Compliance with the Corporate Governance Code**

The Museum is a non-departmental public body and a statutory charity. It is mindful of the Corporate Governance Code for central government departments and Trustees are content that the Museum complies where appropriate.

### **Scope of responsibility**

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

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

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

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

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

The system of internal control is based on a process designed to identify the principal risks, to evaluate the nature and extent of the risks, and to manage them efficiently, effectively and economically. This process has been in place throughout the year ended 31 March 2016 and up to the date of signature of the accounts.

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

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

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

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

A risk profile, highlighting the key risks is prepared annually by the Executive Board, taking account of departmental and project based risk registers, museum wide risks and the external environment. This is reviewed and endorsed by the Audit and Risk Committee and the Board of Trustees.

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

The current major risks being managed focus on the plans to increase commercial income and development income significantly from all sources, the need to develop a realisable solution for the ongoing storage needs for the parts of the collection that are subject to deterioration and damage, and other masterplanning and space planning requirements. Further major risks focus on the ongoing development of digital products and services, the need to develop further a flexible and affordable employment offer, and the impact of the result of the EU referendum.

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

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

### **Significant internal control improvements during the year**

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

- Continuing investment in museum wide security and fire safety infrastructure and further embedding of physical security systems and processes;
- Continuing investment in IT systems resilience;
- OHSAS 18001 certification was maintained for the occupational health and safety management;
- ISO 14001 was maintained for the environmental management;
- Relaunch of Financial Regulations and the Business Expenses Guidelines;
- Refresher training for museum managers and key staff on key museum policies has taken place;
- The promotion of Crisis Management and staff emergency procedures; and
- The set-up of an offsite crisis management facility.

## **Significant internal control matters arising during the year**

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

## **Risks to data and information**

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

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

## **Review of effectiveness**

We have responsibility for reviewing the effectiveness of the system of internal control and this review for 2015-16 has been informed by the work of the Museum's Risk and Assurance Unit including the review of the controls in place for effective management of information risk and:

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

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

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

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

The annual report on audit activity, which includes the Head of Risk and Assurance's opinion on the adequacy and effectiveness of the risk management and internal control system is considered by the Audit and Risk Committee and presented to the Board of Trustees. The report for 2015-16 concluded that the overall level of assurance was substantial.

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

The Lord Green of Hurstpierpoint  
Chair of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

5 July 2016

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

I certify that I have audited the financial statements of the Natural History Museum for the year ended 31 March 2016 under the Museums and Galleries Act 1992. The financial statements comprise: the Statement of Consolidated Financial Activities, the Consolidated and Museum Balance Sheet, the Consolidated Cash Flow Statement, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

### Scope of the audit of the financial statements

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

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

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Natural History Museum's affairs as at 31 March 2016 and of its net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

### Opinion on other matters

In my opinion:

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

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.

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

7 July 2016



## Consolidated Statement of Financial Activities for the year ended 31 March 2016

Notes	Unrestricted Funds		Restricted Funds		Permanent Endowment Funds		Total Funds 2016		Unrestricted Funds		Restricted Funds		Permanent Endowment Funds		Total Funds 2015	
	Designated	General	£000	£000	£000	£000	£000	£000	Designated	General	£000	£000	£000	£000	£000	£000
<b>Incoming and endowments from</b>																
<b>Donations and legacies</b>																
3	-	41,815	-	-	-	-	41,815	-	-	43,384	-	-	-	-	43,384	-
			135	-	-	-	135	-	-	-	17	-	-	-	17	-
			3,317	1,557	-	-	4,874	-	6,849	2,660	-	-	-	9,509	-	-
			294	-	-	-	294	-	-	396	-	-	-	396	-	-
<b>Other trading activities</b>																
4	-	16,078	-	-	-	-	16,078	-	16,212	-	-	-	-	16,212	-	-
4	-	613	-	-	-	-	613	-	1,192	-	-	-	-	1,192	-	-
	1,876	-	-	-	-	-	1,876	2,387	-	-	-	-	-	2,387	-	-
5	-	691	208	-	-	-	899	6	544	374	-	-	-	924	-	-
5	51	47	-	-	-	-	98	51	45	4	-	-	-	100	-	-
<b>Investments</b>																
<b>Charitable activities:</b>																
	-	3,786	-	-	-	-	3,786	-	3,945	-	-	-	-	3,945	-	-
	-	1,219	4,484	-	-	-	5,703	-	957	3,506	-	-	-	4,463	-	-
	1,927	65,806	8,438	-	-	-	76,171	2,444	73,128	6,957	-	-	-	82,529	-	-
<b>Total income</b>																
<b>Expenditure on</b>																
<b>Raising funds</b>																
7	2,272	10,224	517	-	-	-	13,013	2,164	8,956	458	-	-	-	11,578	-	-
7	1,876	10,003	-	-	-	-	11,879	2,387	9,481	-	-	-	-	11,868	-	-
<b>Charitable activities</b>																
7	2,840	18,709	2,834	-	-	-	24,383	2,891	19,235	1,589	-	-	-	23,715	-	-
7	4,817	23,918	6,731	-	-	-	35,466	5,220	24,362	5,673	-	-	-	35,255	-	-
<b>Other</b>																
7	-	26	-	-	-	-	26	-	46	-	-	-	-	46	-	-
	11,805	62,880	10,082	-	-	-	84,767	12,662	62,080	7,720	-	-	-	82,462	-	-
<b>Total expenditure</b>																

	Unrestricted Funds			Unrestricted Funds			Unrestricted Funds			Total Funds 2014 £000	
	Notes	Designated £000	General £000	Restricted Funds £000	Permanent Endowment Funds £000	Total Funds 2015 £000	Designated £000	General £000	Restricted Funds £000		Permanent Endowment Funds £000
<b>Net (expenditure)/income before gains and losses on investments</b>	6	(9,878)	2,926	(1,644)	-	<b>(8,596)</b>	(10,218)	11,048	(763)	-	<b>67</b>
<b>Net (losses)/gains on investments</b>		(36)	-	-	(44)	<b>(80)</b>	33	-	-	46	<b>79</b>
<b>Net (expenditure)/income after gains and losses on investments</b>		(9,914)	2,926	(1,644)	(44)	<b>(8,676)</b>	(10,185)	11,048	(763)	46	<b>146</b>
<b>Transfers</b>											
<b>Gross transfers between funds</b>	20	1,642	(3,008)	1,521	(155)	-	6,236	(6,866)	630	-	-
<b>Net outgoing resources before other recognised gains and losses</b>		(8,272)	(82)	(123)	(199)	<b>(8,676)</b>	(3,949)	4,182	(133)	46	<b>146</b>
<b>Other recognised gains/(losses)</b>											
Gains on indexation and revaluation of fixed assets for charity's own use	8	59,285	-	12,338	-	<b>71,623</b>	12,886	-	681	-	<b>13,567</b>
Gain/(loss) on foreign exchange		-	566	-	-	<b>566</b>	-	(798)	-	-	<b>(798)</b>
<b>Net movement in funds</b>		51,013	484	12,215	(199)	<b>63,513</b>	8,937	3,384	548	46	<b>12,915</b>
<b>Reconciliation of funds</b>											
<b>Total funds brought forward</b>		409,785	6,358	76,938	963	<b>494,044</b>	400,848	2,974	76,390	917	<b>481,129</b>
<b>Total funds carried forward</b>	20	469,070	6,842	89,153	764	<b>557,557</b>	409,785	6,358	76,938	963	<b>494,044</b>

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

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

The notes on pages 33 to 58 form part of these accounts.

**Consolidated and Museum Balance Sheets as at 31 March 2016**

	Note	Group 2016 £000	Group 2015 £000	Museum 2016 £000	Museum 2015 £000
<b>Fixed Assets</b>					
Tangible assets	8	<b>535,086</b>	469,322	<b>534,738</b>	468,863
Intangible Assets	9	<b>1,584</b>	1,718	<b>1,077</b>	1,071
Heritage assets	10	<b>2,861</b>	2,861	<b>2,861</b>	2,861
Investments	11	<b>1,378</b>	1,458	<b>300</b>	300
Total fixed assets		<b>540,909</b>	475,359	<b>538,976</b>	473,095
<b>Current Assets</b>					
Stock	13	<b>1,340</b>	997	<b>266</b>	245
Debtors	14	<b>6,554</b>	13,596	<b>5,841</b>	12,653
Cash at bank and in hand	15,16	<b>24,662</b>	19,461	<b>24,043</b>	18,860
Total current assets		<b>32,556</b>	34,054	<b>30,150</b>	31,758
<b>Liabilities</b>					
Creditors: amounts falling due within one year	17	<b>(15,036)</b>	(14,672)	<b>(12,224)</b>	(11,852)
Net current assets		<b>17,520</b>	19,382	<b>17,926</b>	19,906
Total assets less current liabilities		<b>558,429</b>	494,741	<b>556,902</b>	493,001
<b>Creditors: amounts falling due after more than one year</b>	18	<b>(306)</b>	–	<b>(306)</b>	–
Provision for liabilities and charges	23	<b>(566)</b>	(697)	<b>(566)</b>	(697)
Net assets		<b>557,557</b>	494,044	<b>556,030</b>	492,304
<b>The funds of the charity</b>					
Permanent Endowment funds	20	<b>764</b>	963	<b>–</b>	–
Restricted income funds	20	<b>89,153</b>	76,938	<b>89,258</b>	76,936
Unrestricted income funds					
Designated funds	20	<b>460,798</b>	409,785	<b>459,474</b>	408,197
General funds	20	<b>6,842</b>	6,358	<b>7,298</b>	7,171
<i>Total unrestricted funds</i>		<b>467,640</b>	416,143	<b>466,772</b>	415,368
<i>Total charity funds</i>	20	<b>557,557</b>	494,044	<b>556,030</b>	492,304

*The notes on pages 33 to 58 form part of these accounts.*

The Lord Green of Hurstpierpoint  
Chairman of the Board of Trustees

Sir Michael Dixon  
Director and Accounting Officer

5 July 2016

## Statement of Cash Flows and Consolidated Statement of Cash Flows for the year ending 31 March 2016

	Note	Group 2016 £000	Group 2015 £000	Museum 2016 £000	Museum 2015 £000
<b>Net cash from operating activities</b>	22	<b>10,552</b>	4,633	<b>10,585</b>	4,015
<b>Cash flow from investing activities</b>					
Interest income received		47	45	47	45
Investment income received		51	55	–	–
Purchase of tangible fixed assets		(5,523)	(5,262)	(5,523)	(4,759)
Purchase of intangible fixed assets		(232)	(416)	(232)	(337)
Disposals of investments		–	157	–	–
<b>Net cash used in investing activities</b>		<b>(5,657)</b>	(5,421)	<b>(5,708)</b>	(5,051)
<b>Cash flow from financing activities</b>					
Loan received from DCMS	18	306	–	306	–
<b>Net cash used in financing activities</b>		<b>306</b>	–	<b>306</b>	–
<b>Net increase in cash and cash equivalents</b>		<b>5,201</b>	(788)	<b>5,183</b>	(1,036)
Cash and cash equivalents at the beginning of the year		19,461	20,249	18,860	19,896
<b>Cash and cash equivalents at the end of the year</b>		<b>24,662</b>	19,461	<b>24,043</b>	18,860

## Notes to the Financial Statements

### 1 Accounting Policies

#### Basis of accounting

The financial statements have been prepared under the historical cost convention as modified for the inclusion of certain fixed assets at their value to the business by reference to current costs and of investments at market value. The accounts comply with the requirements of the Government Financial Reporting Manual, the Financial Reporting Standard Applicable in the UK and Republic of Ireland issued by the Financial Reporting Council (FRS102), the Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) (effective 1 January 2015), and applicable accounting standards as modified by the Accounts Direction given by the Secretary of State for Culture, Media and Sport, with the approval of H.M.Treasury.

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

The address of its registered office is the Natural History Museum, Cromwell Road, London, SW7 5BD.

The financial statements are prepared in sterling, which is the functional currency of the Museum. Monetary amounts in these financial statements are rounded to the nearest thousand.

#### Incoming resources

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

Grant-in-aid from the Department for Culture, Media and Sport is shown in its entirety in the Statement of Financial Activities. Grant-in-aid for specific projects or activities is credited to Restricted Funds and all other Grant-in-aid income is credited to General Funds. However, within the Statement of Funds (Note 20), Grant-in-aid income allocated to capital expenditure other than specific projects is transferred from General Funds to Unrestricted Designated Funds and Grant-in-aid income allocated to acquisitions for the collection is transferred from General Funds to Restricted Funds.

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

Donations, shared services and sponsorship income are recognised as income when the conditions for its receipt have been met.

The Museum recognises the income of a charged exhibition in the year(s) in which the exhibition takes place. Income received for an exhibition taking place in a future period is treated as deferred income in the Balance Sheet. Expenditure for the related exhibition is charged in the period in which the goods and services have been received.

Membership income is recognised in the period it is received.

Donations in kind, including donated collections, are recognised when received and valued at their value to the Museum. The contribution of volunteers is excluded from the Statement of Financial Activities as the value of their contribution cannot be reasonably quantified in financial terms.

#### Expenditure

All expenditure is accounted for on an accruals basis.

Expenditure has been classified according to the main activities of the Museum and aggregates all costs related to each activity. Where costs cannot be directly attributed to particular activities they have been allocated on a

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

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

Support costs are those functions that assist the work of the Museum but do not directly undertake charitable activities. Support costs have been allocated between costs of generating voluntary income, public engagement, and scientific curation and research based on headcount.

### **Significant accounting estimates**

In the application of the Museum's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis.

#### *Amortisation*

The annual amortisation charge for intangible assets is sensitive to changes in the estimated lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

#### *Depreciation*

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually.

#### *Provisions*

Provisions are made for early retirement and severance obligations. These provisions require management's best estimate of the costs that will be incurred based on legislative requirements. In addition, the timing of the cash flows and the discount rates used to establish the new present value of the obligations require management's judgement.

### **Subscriptions**

Subscriptions for the purchase of scientific periodicals are spread evenly over the period to which the subscription relates.

### **Fund accounting**

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

#### *Unrestricted funds general*

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

#### *Unrestricted funds designated*

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

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

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

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

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

#### *Restricted funds*

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

Scientific Grants – grant awards for specific scientific projects.

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

Equipment Reserve – a fund established for replacement of the telephone exchange and the boiler – see note 1 (Shared Services) and note 23.

#### *Permanent endowment funds*

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

### **Tangible fixed assets**

Tangible fixed assets are stated at cost or valuation.

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

Freehold buildings	– between 15 and 100 years depending on the building.
Plant and machinery	– between 5 and 30 years depending upon the nature of the asset.
Permanent Exhibitions	– 20 years
Equipment	
IT equipment	– between 3 and 20 years depending on the nature of the asset
Scientific equipment	– 5,10,15 or 20 years
Furniture and Fittings	– between 4 and 20 years depending on the nature of the asset
Vehicles	– between 5 and 10 years depending on the nature of the asset

Tangible fixed assets are reviewed annually for evidence of impairments of value and, where there is evidence that recoverable value has fallen below carrying value, a calculation of the recoverable value is made. Any excess of the carrying value over the recoverable value is written off, either within depreciation in the Statement of Financial Affairs, or to the revaluation reserve to the extent that it relates to a previously revalued asset.

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

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

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

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

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

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

### **Intangible Assets**

Intangible assets are stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the depreciable amount of the assets to their residual values of their estimated useful lives, as follows:

Image rights	– 5 years
Software and website	– between 3 and 10 years depending on the nature of the asset

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

### **Heritage assets**

The Museum's collections which are assets of historical and scientific importance held to advance the Museum's scientific and educational objectives and, through public access, contribute to the nation's culture and education, are recognised as heritage assets in accordance with FRS 30 (Heritage Assets) which requires such assets to be reported in the balance sheet where information is available on cost or value. Prior to the financial year 2001/02 these assets were not capitalised, reliable cost information is not available and conventional valuation approaches lack sufficient reliability, with the cost of providing such information unaffordable and unmanageable, and deemed to outweigh the benefits to the users. Accordingly these assets are not capitalised in the balance sheet. However since 1 April 2001 collections acquisitions in excess of the capitalisation threshold of £5,000 have been capitalised at acquisition value, and treated as non depreciable heritage assets in the balance sheet. A description of the collections, their management and developments in the year are given in note 10.

### **Investments**

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

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

### **Financial instruments**

The Museum only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of the Museum loan which is subsequently measured at amortised cost using the effective interest method.

### **Cash and cash equivalents**

Cash and cash equivalents include cash in hand and deposits held on call with banks.

### **Stocks**

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

### **Leases**

The Museum has no finance leases. Costs in relation to operating leases are charged to the Statement of Financial Activities over the life of the lease. Forward liabilities are disclosed in note 19.

### **Foreign currencies**

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

### **Taxation**

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



**Pension costs**

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

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

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

**Provision for shared services**

During 2015-16 the Museum supplied electricity and heating to the Victoria and Albert Museum, and telephone services to the Science Museum. The costs of these supplies are recharged on a not-for-profit basis. Each type of supply is accounted for separately and is ring-fenced within the accounts. The funds accumulated for the replacement of the facilities are shown as restricted funds titled Equipment Reserve.

Contributions to and releases from the Equipment Reserve are shown in the Statement of Financial Activities, Restricted Funds and note 23.

**Transition to FRS102**

The opening fund balances at the date of transition have been restated (see note 31) due to a liability for holiday pay and to reclassify software costs from tangible fixed assets to intangible assets.

**2 Summary of results for the Natural History Museum only**

	<b>2016</b>	2015
	<b>£000</b>	£000
<b>Income and endowments</b>		
Grant-in-aid	<b>41,815</b>	43,384
National lottery	<b>135</b>	17
Donations	<b>4,874</b>	9,509
Donations in kind	<b>294</b>	396
Trading activities	<b>1,219</b>	1,414
Shared services	<b>1,876</b>	2,387
Other income	<b>899</b>	924
Investments	<b>47</b>	45
Admissions and memberships	<b>3,786</b>	3,945
Scientific grants	<b>4,484</b>	3,506
Transfer of funds from the Natural History Museum Cockayne Fund (note 29)	<b>175</b>	–
Gift aid from the Natural History Museum Trading Company	<b>4,337</b>	5,343
	<b>63,941</b>	70,870
<b>Expenditure</b>		
Costs of generating voluntary income	<b>13,013</b>	11,579
Fundraising trading: costs of goods sold and other costs	<b>1,971</b>	2,504
Public engagement	<b>24,383</b>	23,715
Scientific curation and research	<b>35,048</b>	34,930
Recharge from the Natural History Museum Trading Company	<b>(2,021)</b>	(1,893)
Loss on disposal of fixed assets	<b>10</b>	7
	<b>72,404</b>	70,842
<b>Net (expenditure)/income before other recognised gains/(losses)</b>	<b>(8,463)</b>	28
Gains/(losses) on foreign exchange	<b>566</b>	(798)
Gains on revaluation of fixed assets	<b>71,623</b>	13,567
	<b>63,726</b>	12,797

**3 Grant-in-aid**

	<b>2016</b>	2015
	<b>£000</b>	£000
Department for Culture, Media and Sport		
Resource grant-in-aid	<b>39,515</b>	41,005
Capital grant-in-aid	<b>2,300</b>	2,379
	<b>41,815</b>	43,384
General Funds	<b>41,815</b>	43,384
	<b>41,815</b>	43,384

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

**4 Trading activities income**

	<b>2016</b>	2015
	<b>£000</b>	£000
Brand Management	<b>139</b>	124
Retail	<b>8,351</b>	8,321
Catering and Functions	<b>4,820</b>	4,259
Touring Exhibitions	<b>1,215</b>	1,749
Other	<b>1,553</b>	1,759
	<b>16,078</b>	16,212

This reconciles to the Trading Company income in Note 12 as follows:

Trading subsidiary turnover	<b>16,692</b>	16,947
Less: Science consultancy (included in Scientific grants and contracts)	<b>(1,219)</b>	(957)
Commercial sponsorship	<b>(613)</b>	(1,192)
Add: Other trading activities income (Museum income)	<b>1,218</b>	1,414
	<b>16,078</b>	16,212

**5 Investment income and other income**

	<b>2016</b>	2015
	<b>£000</b>	£000
Income from UK equities	<b>36</b>	35
Income from other investments	<b>15</b>	20
Bank interest	<b>47</b>	45
	<b>98</b>	100
Other income		
Rentals	<b>164</b>	135
Other	<b>735</b>	789
	<b>899</b>	924

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

**6 Net (expenditure)/income before transfers**

	<b>2016</b>	2015
	<b>£000</b>	£000
is stated after crediting:		
Scientific grants from the European Union	<b>1,374</b>	906
and after charging:		
Expenditure in respect of scientific grants from the European Union	<b>1,374</b>	906
Auditors' remuneration – Museum auditors		
Museum audit	<b>49</b>	47
Auditors' remuneration – subsidiaries auditors		
Trading Company audit	<b>21</b>	22
Special Funds audit	<b>3</b>	2
other services	<b>2</b>	2
Hire of plant and machinery	<b>673</b>	1,485
Travel, subsistence and hospitality	<b>1,107</b>	1,364
Depreciation	<b>11,356</b>	11,143
Amortisation	<b>364</b>	421
Stock recognised as an expense	<b>4,218</b>	4,128

**7 Total resources expended**

	Activities undertaken directly £000	Support costs £000	<b>Total 2016 £000</b>	Activities undertaken directly £000	Support costs £000	<b>Total 2015 £000</b>
Costs of generating voluntary income	6,442	6,571	<b>13,013</b>	5,907	5,671	<b>11,578</b>
Fundraising trading	11,879	–	<b>11,879</b>	11,868	–	<b>11,868</b>
Public Engagement	16,306	8,077	<b>24,383</b>	16,139	7,576	<b>23,715</b>
Scientific curation and research	22,929	12,537	<b>35,466</b>	23,077	12,178	<b>35,255</b>
Loss on disposal of fixed assets	26	–	<b>26</b>	46	–	<b>46</b>
	<b>57,582</b>	<b>27,185</b>	<b>84,767</b>	<b>57,037</b>	<b>25,425</b>	<b>82,462</b>

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

**Support costs by activity**

	Generating voluntary income £000	Public Engagement £000	Scientific £000	<b>Total £000</b>
2015-16				
Management	379	465	721	<b>1,565</b>
Human resources	379	467	723	<b>1,569</b>
Estates	2,408	2,960	4,596	<b>9,964</b>
Finance	422	519	806	<b>1,747</b>
Information technology	773	950	1,474	<b>3,197</b>
Governance	54	66	102	<b>222</b>
Depreciation	2,156	2,650	4,115	<b>8,921</b>
	<b>6,571</b>	<b>8,077</b>	<b>12,537</b>	<b>27,185</b>
2014-15				
Management	426	568	913	<b>1,907</b>
Human resources	329	440	707	<b>1,476</b>
Estates	1,954	2,610	4,196	<b>8,760</b>
Finance	339	454	729	<b>1,522</b>
Information technology	627	838	1,347	<b>2,812</b>
Governance	43	57	92	<b>192</b>
Depreciation	1,953	2,609	4,194	<b>8,756</b>
	<b>5,671</b>	<b>7,576</b>	<b>12,178</b>	<b>25,425</b>

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

**Staff costs**

	Permanent contracts £000	Other contracts £000	<b>2016 Total £000</b>	2015 Total £000
Salaries and Wages	23,518	4,095	<b>27,613</b>	26,453
Superannuation	4,878	653	<b>5,531</b>	4,778
National Insurance	1,926	307	<b>2,233</b>	2,090
Cost of agency staff	–	3,946	<b>3,946</b>	3,784
	<b>30,322</b>	<b>9,001</b>	<b>39,323</b>	<b>37,105</b>

Included in the above staff costs are redundancy costs of £416,000 (2015: £92,000).

In addition, there were early retirement costs of £33,000 written off in 2015-16 against the 2014-15 provision of £449,000.

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

The scheme's actuary reviews employer contributions usually every four years following a full scheme valuation. During 2015-16, the rates were in the range 20% to 24.5%. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

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

The Chairman and Board of Trustees received no remuneration for their services during the year (2015: nil). Travel and subsistence expenses of £4,591 (2015: £5,552) were reimbursed to 5 (2015: 5) Trustees.

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

	<b>2016</b>	2015
£180,000 – £190,000	<b>1</b>	1
£120,000 – £130,000	<b>3</b>	1
£110,001 – £120,000	<b>–</b>	2
£100,001 – £110,000	<b>1</b>	–
£90,001 – £100,000	<b>1</b>	1
£80,001 – £90,000	<b>8</b>	5
£70,001 – £80,000	<b>9</b>	7
£60,001 – £70,000	<b>15</b>	14

The total pensions contributions payable for the senior employees included above, all of whom were members of the PCSPS, were £676,084 (2015: £555,336).

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

The key management personnel comprise the Museum Director, the Director of Finance and Corporate Services, the Director of Science, the Director of Public Engagement and the Director of Development and Communications. The total employee benefits of the key management personnel of the Museum were £865,340 (2015: £690,478).

The Remuneration of key management personnel of the Museum, including details of bonuses and pensions, are disclosed in the Remuneration Report on pages 17 to 21.

The average number of employees during the year was 924 (2015: 891) organised into the following categories:

	Permanent contracts	Other contracts	2016 Total	2015 Total
Costs of generating voluntary income	128	43	171	161
Public Engagement	177	116	293	277
Scientific curation and research	255	101	356	352
Support	85	19	104	101
	645	279	924	891

## 8 Tangible fixed assets

Group	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	Total £000
<b>Value</b>								
Balance 1 April 2015 (as previously stated)	388,874	66,754	2,059	37,770	11,449	19,607	4	526,517
Prior period adjustment	1,064	–	(1,064)	–	–	–	–	–
Balance at 1 April 2015 (as restated)	389,938	66,754	995	37,770	11,449	19,607	4	526,517
Additions	156	–	3,013	303	1,277	774	–	5,523
Disposals	–	–	–	(1,347)	(409)	(433)	–	(2,189)
Revaluation	61,739	13,097	–	–	–	–	–	74,836
Transfers in/(out)	2,127	–	(2,328)	–	89	112	–	–
Balance 31 March 2016	453,960	79,851	1,680	36,726	12,406	20,060	4	604,687
<b>Depreciation</b>								
Balance 1 April 2015	4,069	4,067	–	26,920	8,273	13,862	4	57,195
Charge for year	4,262	4,103	–	1,244	522	1,225	–	11,356
Disposals	–	–	–	(1,344)	(393)	(426)	–	(2,163)
Revaluation	1,632	1,581	–	–	–	–	–	3,213
Balance 31 March 2016	9,963	9,751	–	26,820	8,402	14,661	4	69,601
<b>Net Book Value 31 March 2016</b>	<b>443,997</b>	<b>70,100</b>	<b>1,680</b>	<b>9,906</b>	<b>4,004</b>	<b>5,399</b>	<b>–</b>	<b>535,086</b>
Net Book Value 31 March 2015	384,805	62,687	2,059	10,850	3,176	5,745	–	469,322

Following a review of the Museum's assets under construction, assets with a value of £1,064,000 were identified as being brought into use during 2014-15. A prior period adjustment has therefore been raised to reflect this. No adjustment has been made for the related depreciation as this has not been considered material.

Land and Buildings includes the Natural History Museum at Tring, residential properties at Tring, premises at Kimber Road, London SW18, and the main Museum site at South Kensington. The freehold interest in the South Kensington site was transferred to the Trustees by the Secretary of State for the Environment, Transport and the Regions in August 2001. In accordance with Treasury Guidance all land and building assets are revalued at least quinquennially on a depreciated replacement cost basis and indexed using indices from professional sources in the intervening years. The most recent valuation was performed by Gerald Eve, Chartered Surveyors, as at 31 March 2014, in accordance with the RICS Appraisal and Valuation Manual (the red book).

The freehold properties comprising the Natural History Museum Estate were valued as at 31 March 2014 by an external valuer, Gerald Eve LLP, a regulated firm of Chartered Surveyors. The valuation was prepared in accordance with the requirements of the RICS Valuation – Professional Standards, January 2014 amendment and Financial Reporting Standard (FRS) 15. The valuation of the non-specialised properties was undertaken on an Existing Use Value (EUV) basis. Specialised properties were valued on a Depreciated Replacement Cost (DRC) basis.

The professional valuations at 31 March 2014 were as follows:

<b>Property</b>	<b>Value 31 March 2014 £000</b>	<b>Basis of Valuation</b>
The Natural History Museum, South Kensington	419,835	Land at market rate for restricted use, buildings at depreciated replacement cost
Natural History Museum at Tring	11,280	Land at market rate for restricted use, buildings at depreciated replacement cost
Residential properties, Tring	2,237	Existing use basis
Premises at Kimber Road, Wandsworth, London	8,606	Existing use basis and depreciated replacement cost. Freehold purchase 1991.

At 31 March 2014 the valuers were of the opinion that the valuation of the premises at Kimber Road, Wandsworth, at market value for general storage and distribution would be significantly lower than the valuation at existing use value, reflecting specialist adaptations for the storage of Museum collections at the property. The specialist adaptations are not likely to have any value for a prospective purchaser. The valuers have stated their opinion that the market value of the main museum site at South Kensington would be significantly lower than the depreciated replacement cost value reported because of the restrictive covenants contained in the Museum's title. For all other properties, the valuers considered that the difference between market value and the stated value would not be significant.

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

	<b>2016 £000</b>	2015 £000
The current cost depreciation shown above is charged in the Statement of Financial Activities (page 29) as follows:		
Historic cost depreciation included in Total resources expended	<b>11,356</b>	11,604
	<b>11,356</b>	11,564
	<b>2016 £000</b>	2015 £000
Gains on indexation and revaluation of fixed assets shown above are recognised in the Statement of Financial Activities as follows:		
Revaluation value	<b>74,836</b>	13,630
Prior year depreciation adjustment arising from revaluation	<b>(3,213)</b>	(63)
	<b>71,623</b>	13,567

<b>Museum</b>	Land & Buildings £000	Plant & Machinery £000	Assets under construction £000	Permanent Exhibitions £000	Furniture & Fittings £000	Equipment £000	Vehicles £000	<b>Total £000</b>
<b>Value</b>								
Balance 1 April 2015 (as previously stated)	388,874	66,754	2,059	37,769	11,052	18,997	4	<b>525,509</b>
Prior period adjustment	1,064	–	(1,064)	–	–	–	–	<b>–</b>
Balance at 1 April 2015 (as restated)	389,938	66,754	995	37,769	11,052	18,997	4	<b>525,509</b>
Additions	156	–	3,013	303	1,277	774	–	<b>5,523</b>
Disposals	–	–	–	(1,347)	(315)	(433)	–	<b>(2,095)</b>
Revaluation	61,739	13,097	–	–	–	–	–	<b>74,836</b>
Transfers in/(out)	1,063	–	(1,264)	–	89	112	–	<b>–</b>
Balance 31 March 2016	452,896	79,851	2,744	36,725	12,103	19,450	4	<b>603,773</b>
<b>Depreciation</b>								
Balance 1 April 2015	4,069	4,067	–	26,920	8,044	13,542	4	<b>56,646</b>
Charge for year	4,262	4,103	–	1,244	483	1,169	–	<b>11,261</b>
Disposals	–	–	–	(1,344)	(315)	(426)	–	<b>(2,085)</b>
Revaluation	1,632	1,581	–	–	–	–	–	<b>3,213</b>
Balance 31 March 2016	9,963	9,751	–	26,820	8,212	14,285	4	<b>69,035</b>
<b>Net Book Value 31 March 2016</b>	<b>442,933</b>	<b>70,100</b>	<b>2,744</b>	<b>9,905</b>	<b>3,891</b>	<b>5,165</b>	<b>–</b>	<b>534,738</b>
Net Book Value 31 March 2015	384,805	62,687	2,059	10,849	3,008	5,455	–	<b>468,863</b>

## 9 Intangible assets

<b>Group</b>	Image Rights £000	IT Software £000	<b>Total £000</b>
<b>Value</b>			
Balance 1 April 2015	480	3,335	<b>3,815</b>
Additions	–	232	<b>232</b>
Disposals	–	(162)	<b>(162)</b>
Balance 31 March 2016	480	3,405	<b>3,885</b>
<b>Amortisation</b>			
Balance 1 April 2015	40	2,057	<b>2,097</b>
Charge for year	96	270	<b>366</b>
<b>Disposals</b>	<b>–</b>	<b>(162)</b>	<b>(162)</b>
Balance 31 March 2016	136	2,165	<b>2,301</b>
<b>Net Book Value 31 March 2016</b>	<b>344</b>	<b>1,240</b>	<b>1,584</b>
Net Book Value 31 March 2015	440	1,278	<b>1,718</b>



**Museum**

	IT Software £000	<b>Total £000</b>
<b>Value</b>		
Balance 1 April 2015	3,048	<b>3,048</b>
Additions	232	<b>232</b>
Disposals	(162)	<b>(162)</b>
<b>Balance 31 March 2016</b>	<b>3,118</b>	<b>3,118</b>
<b>Amortisation</b>		
Balance 1 April 2015	1,977	<b>1,977</b>
Charge for year	226	<b>226</b>
Disposals	(162)	<b>(162)</b>
<b>Balance 31 March 2016</b>	<b>2,041</b>	<b>2,041</b>
Net Book Value 31 March 2015	1,071	<b>1,071</b>
<b>Net Book Value 31 March 2016</b>	<b>1,077</b>	<b>1,077</b>

**10 Collections assets**

	<b>Group 2016 £000</b>	Group 2015 £000	<b>Museum 2016 £000</b>	Museum 2015 £000
Net book value at 1 April 2015	<b>2,861</b>	2,741	<b>2,861</b>	2,741
Additions in year	–	120	–	120
Net book value at 31 March 2016	<b>2,861</b>	2,861	<b>2,861</b>	2,861

**Valuation**

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

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

For these reasons the Museum has never assigned a financial value to its natural history specimens and collections. A full valuation of the entire inventory of approximately 80 million items is considered impractical, lacking in reliability and of no benefit.

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

**Scope of the collections**

The life and earth science collections of the Museum are comprised of approximately 80 million specimens or items. These collections cover virtually all groups of animals, plants, rocks, meteorites, minerals and fossils. They represent the natural variation that exists within and between groups. The foundation collections were those of Sir Hans Sloane, which formed the basis of the British Museum in 1753. These scientific collections are complemented by the collections of the Museum's Library. Brief summary details of the collections and the Library are given below.

## **Botany**

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

Collections are worldwide in origin with around 10% from Britain and Ireland.

The collections span a period from the 17th century to the present and include a number of historically important 17th and 18th century collections such as those of Sir Hans Sloane, Sir Joseph Banks, R. K. Greville and F. T. Kützing, the Linnaean herbariums of John Clayton and George Clifford as well as 19th century collections by Robert Brown and Charles Darwin.

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

## **Entomology**

The entomological collections comprise an estimated 33 million prepared specimens including insects and other terrestrial and freshwater arthropods including spiders, mites and myriapods.\* They include named representatives of about half of the more than one million described species.

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

The oldest specimens were collected in the mid to late 17th century, but the major part of the material is of 20th century origin.

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

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

## **Mineralogy**

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

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

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

## **Palaeontology**

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

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

The collections are arranged systematically.

## Zoology

The zoological collections comprise some 29 million specimens, housed at South Kensington, Tring and Wandsworth.

They include a remarkable diversity of material from whales to protists, prepared as wet or dry preserved specimens, frozen tissue samples, or mounted on slides. The collections are also diverse in the methods of preservation used; these include wet-preserved in alcohol (and formalin), skins, skeletal material, mounted skins and articulated skeletons, eggs, microscope slides, scanning electron microscope stubs, frozen tissue and video. The Zoology collections represent a resource of infinite value to the scientists of the world; as such they need to remain physically accessible to visitors, and they need to become 'virtually' accessible to all via the Internet. The strengths of our collection lie in the historical coverage, diversity of species and geographical coverage.

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

The collection is arranged, where possible, in systematic order.

## Library and Information services

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

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

## Preservation of materials and preservation standards

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

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

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

The museum aims to maintain its collections in the best environmental conditions possible. These are guided for collections in storage and display by the Collections Storage Infrastructure Project (CSIP) environmental standards (2015). These standards comply as far as possible with PD5454 and PAS198. The Museum aims to preserve its paper-based archive collections in the best environmental conditions it can achieve, aspiring to PD5454 provisions for its archives and manuscript collections wherever possible.

The Museum is a Registered Museum under the Arts Council Museums Accreditation Scheme. In 2014-15 the Museum submitted its Museums Accreditation return to the Arts Council. In October 2015 the Museum received confirmation of its re-approval under the Accreditation Scheme.

## Collections management policy

The Museum has a comprehensive series of policies covering all aspects of the collections and their management. They set the tone and framework for ensuring that the institution acts legally and ethically whilst aspiring to the highest professional standards. The policies were approved by the trustees in February 2014 and are due to be reviewed in 2018.

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

### **Access to the Collections**

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

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

Over 27,000 specimens are on public display and the Museum welcomed over 5.3 million visitors to its public galleries during 2015-16.

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

The Museum has completed its first tranche of projects under its Digital Collections Programme; this included pilot projects to help the Museum understand how to make available large parts of the collection and collections data. Projects completed include a virtual herbarium for the Solanaceae and Dioscoreaceae collections comprising images and transcription of data associated with 67,000 herbarium sheets; the E-Mesozoic project which digitised the Museum's British collections of Mesozoic vertebrates and which has made available the data associated with 20,000 specimens. Many other collections are available via searchable on-line databases accessed via the Data Portal <http://data.nhm.ac.uk/>

### **Immunity from Seizure**

The Museum received Approved Status for immunity from seizure purposes on 9th April 2014. During the financial year 2015-16 no loans were made to the Museum which required immunity.

### **Human Remains**

The Museum was inspected by the Human Tissue Authority (HTA) in February 2016. The HTA has a statutory function to ensure compliance with relevant legislation, codes of practice and directions and conduct inspections of licenced establishments to examine the suitability of premises, practices and procedures, governance arrangements and to meet staff working under the authority of the licence. The Inspection Report will be publically available on the HTA website at <https://www.hta.gov.uk/establishments/natural-history-museum-london-12186>

No human remains were returned in the financial year 2015-16 and no new claims for the return of human remains were received.

### **Specimens loaned**

Under the British Museum Act 1963, the Museum can make loans for research as well as exhibition purposes. Loans are made in accordance with the Museum's Collections Access and Information Policy approved by the Trustees in February 2014. Each year Science group undertakes hundreds of research loans comprising many thousands of items which are used in research projects on every continent. Study of these items contributes to countless conference talks, books, monographs, papers and PhDs and is an essential way in which the Museum makes its collections available across the globe. During the year, 22,187 specimens were loaned towards research purposes.

During the year approximately £30,000 was spent on collections purchases, below the capitalisation threshold. Notable amongst these purchases have been a slice of Huacachina meteorite, found in Peru in March 2014, and a fossil octopus from Lebanon. Entomological collections valued at approximately £65,720 from the donation of private collections have been added to the asset register.

Feasibility studies continued to be developed relating to the storage of those collections considered not to be held under acceptable conditions across the three sites occupied by Natural History Museum Collections (South Kensington, Tring and Wandsworth). Work on the Earth and Planetary Sciences Centre plans continued and were completed to RIBA Stage 2 at the end of July 2015. The Museum continued to work with DCMS and external collaborators to refine and explore different options for off-site storage. A decision about which options to continue to pursue is expected by Trustees in mid-2016. These facilities would be active collections storage.

### Acquisitions Summary 2011-16

	2011-12	2012-13	2013-14	2014-15	2015-16
	£000	£000	£000	£000	£000
Acquisitions >£5k	330	95	794	120	–
Donations > £5k	–	–	–	–	–

### 11 Investments

	Market Value at 1 April 2015 £000	Additions £000	Increase in market value £000	Disposals £000	Market Value at 31 March 2016 £000
<b>Group</b>					
UK Equities	938	–	(63)	–	<b>875</b>
Other UK investments	520	–	(17)	–	<b>503</b>
	<b>1,458</b>	<b>-</b>	<b>(80)</b>	<b>–</b>	<b>1,378</b>
<b>Museum</b>					
UK investment in Subsidiary	300	–	–	–	<b>300</b>
	<b>300</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>300</b>

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

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

## 12 Trading Subsidiary

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

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

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

	<b>Total 2016 £000</b>	Total 2015 £000
<b>Income and expenditure</b>		
Turnover	<b>16,692</b>	16,947
Cost of sales	<b>(7,958)</b>	(6,465)
Gross profit	<b>8,734</b>	10,482
Other expenses	<b>(4,397)</b>	(5,139)
Operating profit	<b>4,337</b>	5,343
Amount of gift-aided donation to Museum	<b>(4,337)</b>	(5,343)
Loss on ordinary activities before taxation	–	–
Taxation		
Retained in subsidiary	–	–
	<b>2016 £000</b>	2015 £000
<b>Balance Sheet</b>		
Fixed assets (tangible and intangible)	<b>853</b>	1,105
Current assets	<b>3,443</b>	3,202
Current liabilities	<b>(3,996)</b>	(4,007)
<b>Net assets</b>	<b>300</b>	300
<b>Share capital and reserves</b>	<b>300</b>	300

## 13 Stock

	<b>Group 2016 £000</b>	Group 2015 £000	<b>Museum 2016 £000</b>	Museum 2015 £000
Finished goods and goods for resale	<b>1,291</b>	973	<b>217</b>	221
Work in progress	<b>49</b>	24	<b>49</b>	24
	<b>1,340</b>	997	<b>266</b>	245

## 14 Debtors

	<b>Group 2016 £000</b>	Group 2015 £000	<b>Museum 2016 £000</b>	Museum 2015 £000
Trade Debtors	<b>2,286</b>	2,301	<b>824</b>	704
Other Debtors	<b>1,422</b>	1,655	<b>1,422</b>	1,585
Amounts due from subsidiary undertaking	–	–	<b>1,193</b>	1,221
Prepayments and accrued income	<b>2,846</b>	9,640	<b>2,402</b>	9,143
	<b>6,554</b>	13,596	<b>5,841</b>	12,653

Included in the above figures are balances due from central government bodies of £462,000 (2015: £723,000) at 31 March 2016.

	<b>Group</b> <b>2016</b> <b>£000</b>	Group 2015 £000	<b>Museum</b> <b>2016</b> <b>£000</b>	Museum 2015 £000
Debtors include the following financial instruments:				
Gross trade debtors	<b>2,351</b>	3,065	<b>824</b>	704
Less: provision for impairment	<b>(65)</b>	(764)	<b>-</b>	-
	<b>2,286</b>	2,301	<b>824</b>	704
Other debtors	<b>1,422</b>	1,655	<b>1,422</b>	1,585
	<b>3,708</b>	3,956	<b>2,246</b>	2,289

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

The age profile of non-impaired trade debtors is as follows: **£000**

Not due	<b>1,829</b>
up to 30 days past due	<b>313</b>
30-60 days past due	<b>121</b>
Over 60 days past due	<b>23</b>
	<b>2,286</b>

#### 15 Cash at bank and in hand

	<b>Group</b> <b>2016</b> <b>£000</b>	Group 2015 £000	<b>Museum</b> <b>2016</b> <b>£000</b>	Museum 2015 £000
Balances held with the Government Banking Service	<b>12,862</b>	10,980	<b>12,861</b>	10,980
Balances held with commercial banks and cash in hand	<b>11,800</b>	8,481	<b>11,182</b>	7,880
	<b>24,662</b>	19,461	<b>24,043</b>	18,860

Included in the above are balances in Euros of £6,419,222 (2015: £5,733,263) These balances do not expose the Museum to any significant exchange rate risk as they are held in connection with grants received from the European Union for onward payment to project partners where both incoming and outgoing payments are made in Euros.

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

**16 Cash held for third parties**

Included in the cash balances (note 15) are funds which the Museum holds on behalf of third parties. These funds arise where the Museum acts as lead manager on grants, receiving funds from the grantor and distributing them to participants over the life of the funded projects. The funds are held separately from Museum assets where specified by the grantor and invested in money market deposits in accordance with the Museum's investment policy (see Note 15). The Museum is responsible for safe custodianship of these funds and bears the risk of any loss of the cash balances. At 31 March 2016 the cash balances held for third parties amounted to £4,267,915 (2015: £1,754,879).

**17 Creditors: amounts falling due within one year**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Trade Creditors	<b>2,394</b>	1,964	<b>2,233</b>	1,634
Other Creditors	<b>1,363</b>	1,439	<b>1,040</b>	1,415
Deferred income	<b>7,842</b>	6,545	<b>5,905</b>	4,478
Accruals	<b>3,437</b>	4,724	<b>3,046</b>	4,325
	<b>15,036</b>	14,672	<b>12,224</b>	11,852

Included in the above figures there were balances due to other central government bodies of £323,000 (2015: £31,000) and due to local authorities of £120,000 (2015: £2,300) as 31 March 2016.

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

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
<b>Deferred income</b>				
As at 1 April 2015	<b>6,545</b>	7,194	<b>4,478</b>	4,747
Deferred in current year	<b>6,897</b>	2,766	<b>5,195</b>	1,508
Released from previous year	<b>(5,600)</b>	(3,415)	<b>(3,768)</b>	(1,777)
As at 31 March 2016	<b>7,842</b>	6,545	<b>5,905</b>	4,478

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

**18 Creditors: amounts falling due within one year**

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
DCMS Loan falling due in less than 5 years	<b>306</b>	–	<b>306</b>	–
	<b>306</b>	–	<b>306</b>	–

During the year, DCMS approved a loan to the Museum totalling to £2,735,000 towards the development of the Members' and Patrons' Room. The first instalment of £305,000 was received in 2015-16 with the remaining balance due in 2016-17. The first repayment on the loan is due in April 2018. Interest is being accrued at an indicative rate of 1.02%.



## 19 Financial Commitments

The Museum has entered into a series of contracts of between three and fifteen years duration for the use of premises and equipment in its operations. The minimum payments under these non-cancellable agreements for each of the following periods are:

	Land and buildings £000	Other assets £000	<b>Total 2016 £000</b>	Total 2015 £000
Payments due within one year	40	1,155	<b>1,195</b>	1,213
in second to fifth year	10	1,063	<b>1,073</b>	1,211
over 5 years	–	1,045	<b>1,045</b>	1,046
	<b>50</b>	<b>3,263</b>	<b>3,313</b>	<b>3,470</b>

## 20 Statement of Funds

	At 1 April 2015 £000	Income £000	Expenditure £000	Net Investment Gains/ losses £000	Revaluation/ Indexation £000	Transfers £000	At 31 March 2016 £000
<b>Restricted Funds</b>							
Scientific Grants	–	4,827	(4,827)	–	–	–	–
Grant in aid	109	–	(7)	–	–	–	<b>102</b>
Sponsored assets	76,255	2,254	(4,410)	–	12,338	1,797	<b>88,234</b>
Projects/Other Funds	347	1,063	(544)	–	–	(276)	<b>590</b>
Donations in kind	–	294	(294)	–	–	–	–
Equipment Reserve	227	–	–	–	–	–	<b>227</b>
	<b>76,938</b>	<b>8,438</b>	<b>(10,082)</b>	<b>–</b>	<b>12,338</b>	<b>1,521</b>	<b>89,153</b>
<b>General Funds</b>	<b>6,358</b>	<b>65,806</b>	<b>(62,880)</b>	<b>566</b>	<b>–</b>	<b>(3,008)</b>	<b>6,842</b>
	<b>6,358</b>	<b>65,806</b>	<b>(62,880)</b>	<b>566</b>	<b>–</b>	<b>(3,008)</b>	<b>6,842</b>
<b>Unrestricted Funds – Designated</b>							
Special Funds	784	51	(6)	(36)	–	(21)	<b>772</b>
Projects/Other Activities	66	–	–	–	–	(46)	<b>20</b>
Shared services	–	1,876	(1,876)	–	–	–	–
Future scientific research	1,194	–	(457)	–	–	653	<b>1,390</b>
Future Projects	8,300	–	–	–	–	(2,944)	<b>5,356</b>
Capital Projects	399,441	–	(9,466)	–	59,285	4,000	<b>453,260</b>
	<b>409,785</b>	<b>1,927</b>	<b>(11,805)</b>	<b>(36)</b>	<b>59,285</b>	<b>1,642</b>	<b>460,798</b>
<b>Permanent Endowment Funds</b>	<b>963</b>	<b>–</b>	<b>–</b>	<b>(44)</b>	<b>–</b>	<b>(155)</b>	<b>764</b>
	<b>963</b>	<b>–</b>	<b>–</b>	<b>(44)</b>	<b>–</b>	<b>(155)</b>	<b>764</b>
<b>Total Funds</b>	<b>494,044</b>	<b>76,171</b>	<b>(84,767)</b>	<b>486</b>	<b>71,623</b>	<b>–</b>	<b>557,557</b>

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

The transfer from General Funds – Restricted Funds: Sponsored assets reflects the purchase of a collections asset using restricted funds.

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

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

The transfers from Designated Future Projects include transfers to Designated Capital Projects where monies set aside for 2015-16 have been used for capital expenditure, as well as transfers from General Funds to fund projects approved by the Trustees for the financial year 2016-17 not funded by revenue expected to be generated in that year.

The transfers to and from General Funds – Designated: Capital Projects reflect the acquisitions, net of disposals, of those assets which have been funded from the Museum's own resources during the year. The transfers from Permanent Endowment funds – General Funds represent the transfer of funds from the Cockayne Fund to the Natural History Museum as a result of the formal closure of the Fund (see note 29).

## 21 Analysis of group net assets between funds

	Designated Funds £000	General Funds £000	Restricted Funds £000	Permanent Endowment Funds £000	Total £000
<b>Fund balances at 31 March 2016 are represented by</b>					
Tangible and heritage fixed assets	455,211	–	82,736	–	<b>537,947</b>
Intangible assets	1,584	–	–	–	<b>1,584</b>
Investments	614	–	–	764	<b>1,378</b>
Current Assets	4,390	16,133	12,033	–	<b>32,556</b>
Liabilities	(1,001)	(9,291)	(5,616)	–	<b>(15,908)</b>
<b>Total Net Assets</b>	<b>460,798</b>	<b>6,842</b>	<b>89,153</b>	<b>764</b>	<b>557,557</b>
<b>Unrealised gains included in the above:</b>					
On Tangible Fixed Assets	230,413	–	12,338	–	<b>242,751</b>
<b>Total unrealised gains at 31 March 2016</b>	<b>230,413</b>	<b>–</b>	<b>12,338</b>	<b>–</b>	<b>242,751</b>

## 22 Net cash from operating activities

	<b>Group 2016 £000</b>	Group 2015 £000	<b>Museum 2016 £000</b>	Museum 2015 £000
Net (expenditure)/income before gains and losses	<b>(8,596)</b>	67	<b>(8,463)</b>	28
Gains/(losses) on foreign exchange differences	<b>566</b>	(798)	<b>566</b>	(798)
Investment income received	<b>(98)</b>	(100)	<b>(47)</b>	(45)
Depreciation	<b>11,356</b>	11,143	<b>11,261</b>	11,087
Amortisation	<b>366</b>	461	<b>226</b>	349
Loss on disposal of fixed assets	<b>26</b>	46	<b>10</b>	7
Increase in stock	<b>(343)</b>	(242)	<b>(21)</b>	(21)
Decrease/(increase) in debtors	<b>7,042</b>	(7,274)	<b>6,812</b>	(7,674)
Increase in creditors	<b>364</b>	1,502	<b>372</b>	1,254
Net movement in provisions	<b>(131)</b>	(172)	<b>(131)</b>	(172)
<b>Net cash from operating activities</b>	<b>10,552</b>	4,633	<b>10,585</b>	4,015

## 23 Provision for liabilities and charges

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

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

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

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

#### Early Retirement

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2015	449	624	449	624
Payments against provision	(124)	(186)	(124)	(186)
Adjustment to existing provision	(33)	11	(33)	11
Balance at 31 March 2016	<b>292</b>	449	<b>292</b>	449

#### Redundancy Provision

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2015	18	15	18	15
Addition to provision	44	18	44	18
Payments against provision	(18)	(15)	(18)	(15)
Adjustment to existing provision	–	–	–	–
Balance at 31 March 2016	<b>44</b>	18	<b>44</b>	18

#### Equipment Reserve Provision

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2015	230	230	230	230
Balance at 31 March 2016	<b>230</b>	230	<b>230</b>	230

#### Total Provision for liabilities and charges

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2016</b>	2015	<b>2016</b>	2015
	<b>£000</b>	£000	<b>£000</b>	£000
Balance at 1 April 2015	697	869	697	869
Addition to provision	44	18	44	18
Payments against provision	(142)	(201)	(142)	(201)
Adjustment to existing provision	(33)	11	(33)	11
Balance at 31 March 2016	<b>566</b>	697	<b>566</b>	697

#### 24 Capital commitments

Outstanding capital commitments at 31 March 2016 amounted to £689,000 (2015: £258,000).

#### 25 Energy services and energy management services contracts

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

a 15 year period commencing on 19 December 2006. At the end of the contract any equipment that comprises a fixture will automatically transfer to the Museum.

The accounting treatment which is to charge the monthly fee payable to Vital Energi Services Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 102.

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

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

The accounting treatment which is to charge the monthly fee payable to Total Gas Contracts Limited to expenditure as it occurs over the life of the contract has been determined in accordance with FRS 102.

## **26 Losses and special payments**

There were no losses and special payments made during 2015-16 (2015: £322,000).

## **27 Related party transactions**

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

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

Receipt of grant-in-aid from DCMS (see note 3) £41,815,000 (2015: £43,384,000).

During the year, a grant of £100,000 (2015: £38,000) was received from DCMS in respect of the Museum's fund.

The Museum also received a grant payment of £250,000 from DCMS in respect of the Friends of Ludlow Museum digitisation project.

During the year, DCMS awarded the Museum a loan towards the Members' and Patrons' Room development totalling £2,735,000 of which the Museum has received £305,000. As at 31 March 2016, there was a balance outstanding to DCMS of £306,000 in respect of this loan which includes accrued interest for the year ended.

Supply of heat and power to the Victoria and Albert Museum totalling £1,320,000 (2015: £1,640,000). At 31 March 2016, there was a balance due from the Victoria and Albert Museum of £330,000 in respect of these services.

Payments of £92,000 (2015: £84,000) were made to the Victoria and Albert Museum for security management services. At 31 March 2016, there was a balance of £17,000 (2015: £29,000) due to the Victoria and Albert Museum in respect of these services.

Supply of heat and power to the Science Museum Group totalling £618,000 (2015: £716,000). At 31 March, there was a balance of £132,000 due from the Science Museum Group in respect of these services (2015: £170,000).

No payments were made to the Science Museum Group during the year (2015: £2,500).

Partnership payments in respect of the Calleva project totalling to £75,000 were made to the British Museum during the year (2015: nil).

Income of £8,000 was received from the British Museum in respect of catering and security services (2015: nil).

Payments of £21,000 (2015: £22,000) were made to the Imperial War Museum in respect of the National Museum Directors' Council membership.

Professor Sir John Holman is a Special Advisor at The Wellcome Trust. During the year, the Museum received science grant income totalling to £6,000 for training services from the Wellcome Trust (2015: £31,000 towards a science programme).

Professor Sir John Holman and Lord Stephen Green serve on the Board of Trustees at the Natural History Museum Development Trust ('the Trust'). As at 31 March 2016, there were balances of £15,537 (2015: nil) due from the Trust in respect of administrative services and a balance of £200,000 in respect of donations (2015: £6,000,000).

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

## 28 Post Balance Sheet Events

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

After the financial year ended 31 March 2016, the Museum announced there will be significant restructuring taking place within the Science and Public Engagement departments. At the time of signing, the Museum are currently in the consultation phase of the restructure. As a result, the likely financial impact to the 2016-17 statements cannot yet be determined.

The result of the referendum held on 23 June 2016 was in favour of the UK leaving the European Union. This is a non-adjusting event. A reasonable estimate of the financial effect of this event cannot be made.

## 29 Transfer of funds from the Cockayne Fund

On 31 March 2016, the assets, liabilities and activities of the Cockayne Fund (registered charity no: 313550) which was an entity consolidated with the Natural History Museum were transferred to the Natural History Museum and the Fund was formally wound down. The Fund was formally removed from the charity register on 11 April 2016.

The total fund balances transferred to the Museum on this date amounted to £175,264 which consisted wholly of unrestricted funds.

## 30 Transition to FRS 102

This is the first year that the Museum has presented its consolidated results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 March 2015. The date of transition to FRS 102 was 1 April 2014. Set out below are the changes which reconcile net movement in funds for the year ended 31 March 2015 between UK GAAP as previously reported and FRS 102.

### Reconciliation of net movement in funds for the year for the Group

		Year ended 31 March 2015		
		As previously stated	Effect of transition	FRS 102 (as restated)
Note		£000	£000	£000
Total income		82,529	–	<b>82,529</b>
Total expenditure	1	(82,767)	(493)	<b>(83,260)</b>
		(238)	(493)	<b>(731)</b>
Net gain on investments		79	–	<b>79</b>
Other recognised gains		13,567	–	<b>13,567</b>
Net movement in funds		13,408	(493)	<b>12,915</b>
Total funds brought forward		481,129	–	<b>481,129</b>
Total funds carried forward		494,537	(493)	<b>494,044</b>

**Reconciliation of movements in net assets for the Group**

	Note	As at 1 April 2015		
		As previously stated £000	Effect of transition £000	FRS 102 (as restated) £000
<b>Fixed assets</b>				
Tangible assets	2	470,600	(1,278)	<b>469,322</b>
Intangible assets	2	440	1,278	<b>1,718</b>
Heritage assets		2,861	–	<b>2,861</b>
Investments		1,458	–	<b>1,458</b>
		<u>475,359</u>	<u>–</u>	<u><b>475,359</b></u>
Current assets		34,054	–	<b>34,054</b>
Creditors – amounts falling due within one year	1	(14,179)	(493)	<b>(14,672)</b>
Net current assets		19,875	(493)	<b>19,382</b>
Provisions for liabilities and charges		(697)	–	<b>(697)</b>
Net assets		<u>494,537</u>	<u>(493)</u>	<u><b>494,044</b></u>

1) FRS 102 requires short term employee benefits to be charged to the profit and loss account as the employee service is received. This has resulted in the Museum recognising a liability for holiday pay of £493,000 on transition to FRS 102. Previous holiday pay accruals were not recognised and holiday pay was charged to the profit and loss account as they were paid. As at 31 March 2016, this liability stood at £325,000.

2) Computer software and website costs with a net book value of £1,278,000 at 1 April 2014 have been reclassified from tangible to intangible assets as required by FRS 102. This has no effect on the Museum's net assets or on the net movement in funds, except that the previous depreciation charge is now described as amortisation.

3) The Museum's cash flow statement reflects the presentation requirements of FRS 102, which are different to those under FRS 1. In addition the cash flow statement reconciles to cash and cash equivalents whereas under previous UK GAAP the cash flow statement reconciled to cash.



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