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Financial Report 2009/10



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FINANCIAL REPORT OF THE BOARD OF TRUSTEES OF AMGUEDDFA GENEDLAETHOL CYMRU – THE NATIONAL MUSEUM OF WALES

Statutory Background and Stakeholder Engagement

The 'National Museum of Wales' (the Museum) was established by Royal Charter in 1907 and continues to be registered as a legal entity and charity under this name (Charity No. 525774, VAT No. GB 783 4541 10). The current public-facing title of the organization is Amgueddfa Cymru – National Museum Wales.

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

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

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

In 2006 the Museum was granted a supplemental Royal Charter and Statutes. This new Charter changed the Museum's governance arrangements by abolishing the Court of Governors. Stakeholder engagement, however, remains the cornerstone of Amgueddfa Cymru's vision.

To this end, the Operational Plan 2009-10 continued the process of implementing the *Consultation Scheme and Ownership Action Plan – Putting the Citizen at the Centre*, a cost-effective public engagement strategy designed to encourage stakeholders to take part in a variety of consultative mechanisms. The Scheme set out the values, principles and key participatory techniques which directed Amgueddfa Cymru's main consultative activities for 2009-10. During the year, revised drafts of the Scheme and Policy were prepared for approval by the Board of Trustees in April 2010. The three documents together reflected and showcased:

- recent developments both within and without the Museum
- Contemporary thinking
- a refined statement of our organizational ethos regarding engagement
- new case studies that demonstrate how the policy and plan have been implemented
- Action Plan for 2010-11.

The revised Action Plan for 2010-11, appended to the Operational Plan 2010-11, sets out the programme of public engagement activity across the Museum. It lists activity highlighted in the Operational Plan that will be organized and/or delivered by staff engaging with the public and other stakeholders. It also includes activity relating to the development of the Ownership Agenda more generally.

Aims and Objectives

Amgueddfa Cymru – National Museum Wales’s current priorities as set out in its Vision are to:

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

These strategic priorities are designed to enable us to achieve our vision to become a ‘World-Class Museum of Learning’, while supporting the Welsh Assembly Government’s strategic vision as set out in the One Wales coalition agreement of 2007.

Governance – The Board of Trustees and the Directorate

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

Members of the Board of Trustees of the Charity are appointed by the Welsh Assembly Government and the Museum, in numbers set out within the supplemental Royal Charter and in accordance with the principles of open selection as recommended by the Nolan Review. An Appointments sub-committee has been established to assist and advise on the process. All new appointees follow an induction programme, supported by a comprehensive handbook, shortly after their appointment. No members of the Board of Trustees are remunerated by the Museum. Details of their company directorships and other significant interests are maintained in a Register of Interests, which is open to the public and held at National Museum Cardiff.

A schedule of Board of Trustee members throughout the year and up until the date of this report, including retirements and new appointments, is attached to this report. On behalf of the Board of Trustees, the President, Paul Loveluck, pays tribute to the work and commitment of the four Trustees who retired at the end of the year, Rhiannon Wyn Hughes, Colin Jones, Huw Williams and Brian Willot. Together they had given thirty-four years of unpaid service to the Museum.

The Board of Trustees delegates some authority to various sub-committees, principally the Performance Review Committee, which has a broad remit to monitor operational issues, and the Audit Committee, which has an independent Chair plus two other independent members. These committees meet on a quarterly basis. The Trustees also appoint the Board of the subsidiary company directing the Museum’s trading activities and, in addition to Trustee Directors, other non-executive Directors with specific

relevant commercial experience are appointed. A schedule of those Board members is also attached to this report.

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

In December 2009, the Director General, Michael Houlihan, announced that he had been approached to take up the post of Head of the National Museum of New Zealand, Te Papa Tongarewa, and had accepted the offer. Paul Loveluck records that in the seven years he had been head of Amgueddfa Cymru Michael Houlihan had made a huge contribution in guiding the Museum to its Vision of becoming a 'World-class museum of learning'. The Museum had thrived under his leadership and he had made a notable contribution to the development of cultural life in Wales. Michael Houlihan officially leaves his post on 8 August 2010.

The Museum's governance arrangements are fully compliant with the Code of Governance for the Voluntary and Community Sector issued by the National Governance Hub and fully endorsed by the Charity Commission. The Trustees continue to pay due regard to all Charity Commission guidance including that on public benefit and delivery of such benefit by the Museum, as set out in its aims and objectives, is comprehensively reported upon within this Financial Report.

Amgueddfa Cymru – National Museum Wales's locations

During 2009-10, the Museum directly operated museums in seven locations across Wales:

National Museum Cardiff, Cathays Park, Cardiff

National Museum Cardiff is unique among national museums in the UK in its range of arts, archaeological and science displays.

St Fagans: National History Museum, St Fagans, Cardiff

One of Europe's leading open-air museums, St Fagans is part of our group of four social and industrial history museums. Visitors can explore and enjoy over 2,000 years of history in over forty re-erected period buildings that have been collected from all over Wales.

Big Pit: National Coal Museum, Blaenafon, Torfaen

Set in the heart of the World Heritage Site at Blaenafon, Big Pit is a complete former working coal mine. Guided by ex-miners, visitors descend over 90 metres to the very depths of the mine and experience the total darkness that the miners worked in day after day.

The National Roman Legion Museum, Caerleon, Newport

The National Roman Legion Museum has been displaying a rich collection of Roman finds for over 150 years. These include sculptures, inscriptions, tombstones, building materials, a labyrinth mosaic, military equipment, pottery, glass and jewellery.

The National Slate Museum, Llanberis, Gwynedd

Here, the story of slate unfolds in the original Dinorwig quarry workshops. As well as the foundry, forges, sheds and the largest working waterwheel on mainland Britain, skilled craftsmen give live displays of splitting and dressing slate by hand.

The National Wool Museum, Dre-fach Felindre, Carmarthenshire

Located in the heart of the west Wales countryside, this museum tells the story of the forty mills once clustered around Dre-fach Felindre. Cambrian Mills – the only mill that has remained in continuous operation since it was built – now houses the Museum.

The National Waterfront Museum, Maritime Quarter, Swansea

In the heart of Swansea's regenerated Maritime Quarter, the National Waterfront Museum is housed in a listed waterfront warehouse linked to a new, ultra-modern slate and glass building. The opening of the Museum in October 2005 was the culmination of a ten-year strategy that saw £40m of investment in our four industrial museums across Wales.

The Museum also has its National Collections Centre in Nantgarw, Rhondda Cynon Taf, which is also open to the public by appointment. In addition, we are currently involved in partnership arrangements with local organizations across Wales including Pembrokeshire Coast National Park Authority and Wrexham Borough Council.

Achievements during the year

During 2009-10, the Museum celebrated a number of successes across its seven sites, including impressive visitor figures. A total of 1.64 million visits were made during 2009-10 (+9.4% above target), representing the second best year on record (surpassed only by the centenary year in 2007).

2005-06	2006-07	2007-08	2008-09	2009-10
1,343,685	1,534,727	1,672,677	1,524,806	1,641,053

With 382,374 visits, National Museum Cardiff exceeded its target by over 80,000 (26% up) and the National Waterfront Museum, with 258,626 visits, also performed strongly (20.3% up on target), while St Fagans and the National Roman Legion Museum were very close to meeting their targets.

Were it not for the severe weather in December and January, Big Pit and the National Slate Museum might well have had record years. In terms of percentage increase since the introduction of free entry in 2001, the best performing museum is the National Wool Museum with 28,052 visits (211% up compared with 2000-2001) – the first time that this museum has broken through the 25,000 barrier.

The Museum attributes much of this strong performance to the continuing popularity of the Welsh Assembly Government-funded free entry policy, which has provided public access to high-quality educational and cultural experiences during the economic recession.

Other highlights of the year included:

- Having raised the £4.2m required from Welsh Assembly and private sources, beginning major construction work on refurbishing the West Wing of National Museum Cardiff as part of the final phase of dedicating the whole of the top floor as a distinct National Museum of Art by summer 2011.
- Also at National Museum Cardiff, beginning the work on developing the Clore Discovery Centre, the Clore Learning Space and the Clore Meeting Space.
- Making good progress on the ambitious plans to redevelop St Fagans: National History Museum during the next decade. On 1 March 2010, the project was given a huge boost with the awarding of Development funding of £450,000 by the Heritage Lottery Fund (HLF). The HLF first-round 'pass' means that the Museum is able to move to the second stage of the HLF application process. It has up to two years to submit more detailed plans and apply for the remainder of the £8.75m HLF support that it is seeking for this £20m project.
- The completion of a major Visitor Profile and Satisfaction Survey in October 2009 and the formulation of Audience Development Action Plans for implementation at all seven sites during 2010-11 and beyond.

- From March 2010 onwards, hosting the *Artes Mundi 4* international contemporary art exhibition in collaboration with Artes Mundi and arranging a programme of learning opportunities for formal education and family groups at National Museum Cardiff.
- Working with the Welsh Assembly Government, the National Library of Wales, the Royal Commission on the Ancient and Historical Monuments of Wales and other partner organizations in progressing the development of Casgliad y Werin Cymru/The People's Collection Wales website for public launch in August 2010. The Museum is leading on content delivery and the learning and marketing strategies
- Continuing to work with the American Federation of Arts on organizing and promoting a major tour of artworks to the USA in 2009 and 2010. This highly successful exhibition entitled *Turner to Cezanne: Masterpieces from the Davies Collection* will ultimately visit five venues including Colombia Museum; Oklahoma City Museum of Art, Oklahoma city; the Everson Museum of Art Syracuse, New York; Corcoran Gallery of Art, Washington DC; and Albuquerque Museum, Albuquerque, New Mexico. The exhibition features fifty-eight oil paintings and watercolours, some of which have never been seen in the USA before.

Working in Partnership

Over the last year our partnership display work saw a number of highlights. The two flagship schemes to devise displays from the national collections in small venues around Wales, Cyfoeth Cymru Gyfan – Sharing Treasures and Celf Cymru Gyfan – ArtShare Wales, included the remarkable display *A World Untouched: Eric Gill, David Jones and Edgar Holloway at Capel y Ffin* at Abergavenny Museum. It featured works by the artist/craftsmen associated with Capel y Ffin in the 1920s. Another highlight was *Secret Writing, Hidden Faces*, a display based on 20th-century collections shared between Amgueddfa Cymru and the host venue, Glynn Vivian Gallery, Swansea.

2009-10 saw a significant rise in numbers at the new Oriel y Parc in St David's, Amgueddfa Cymru's partnership with Pembrokeshire Coast National Park. A central element was an extended residency by artist Brendan Stuart Burns, which concluded with a powerful exhibition entitled *Influere*. Burns showed new paintings made in the studio at the Centre, alongside a rich selection of objects, from geology and natural specimens to works by a range of artists from the 17th to the 20th century.

Amgueddfa Cymru staff continued to make significant contributions to content development, learning resources and promotion activity as a lead partner in the virtual project Casgliad y Werin Cymru/The People's Collection Wales. Pilot projects included interactive trails based in Caerleon and Llanberis and a wide range of specific interpretations of material designed to provide links to the curriculum for teachers. These worked as specific areas of development alongside the huge range of material generated for the core content of the site.

Partnerships operate both locally and internationally. For example, the range of well-established partnerships and collaborations with members of minority community organizations across our sites saw events presented for festivals from Diwali (celebrated by the Hindu Community) to Chinese New Year.

The major touring exhibition *Turner to Cezanne: Masterpieces from the Davies Collection* travelled to four venues in the USA. At two of the venues, in South Carolina and New York state, it recorded the highest ever visitor figures for an exhibition at that museum. The last venue, the Corcoran Gallery of Art, Washington DC, saw the exhibition opened by the British Ambassador to the United States and the Minister for Heritage at the Welsh Assembly Government.

Also in Washington DC, many Museum staff took part in the project led by the Smithsonian Institution, with the support of Welsh Assembly Government, featuring Wales in the Smithsonian Folklife Festival in June and July 2009. Over a million people participate in the festival, which is held on the Washington

Mall in the centre of the city. Demonstrating craftsmen from our industrial museums were particularly popular, as were specialists from St Fagans, all of whom engaged the crowds with their skills and interpretative information. In contrast, the National Slate Museum is twinned with the Slate Valley Museum, Granville, NY and a visit to Llanberis by Green Mountain College choir from Poultny, NY was part of a visit to the slate quarrying communities of north-west Wales by a group whose contact was generated through this specific long-term partnership.

Lastly, projects, training and reports have begun to be produced as the Beacons of Public Engagement, a partnership with Cardiff and Glamorgan Universities, Techniquet and BBC Wales, has seen the first round of activity complete. Work has ranged from engaging teenagers from communities in the South Wales Valleys with issues surrounding DNA and genetic research and records, to studies of how rural communities understand climate change.

The Format of the Accounts

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

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

Financial Results for the Year

The Museum's consolidated net incoming resources before notional costs of capital were £2,628,000 (£1,135,000 incoming in 2008-09). Total incoming resources were £32,673,000 (£29,864,000 in 2008-09) and total resources expended were £29,938,000 (£28,607,000 in 2008-09). The net decrease in funds for the year after taking account of all realised and unrealised gains and losses was £5,423,000 (£18,518,000 decrease in 2008-09). Fund balances at 31 March 2010 stood at £79,865,000 (£85,288,000 at 31 March 2009). NMGW Enterprises Ltd reported a record profit before gift aid to the Museum of £475,000 for the 2009-10 financial year (£410,000 in 2008-09).

Risk Management

The Museum's Board, Committees and Directors consider the major strategic, business and operational risks which the Museum faces on a continuous basis and have established a Risk Management Group to ensure risks are reviewed and reported across the whole organization and that appropriate positive mitigating actions are in place. These systems have been embedded for many years and remain fully operational in accordance with best practice. The work of the Risk Management Group is scrutinised by both the Performance Review and Audit Committees, who will also refer issues to the Risk Management Group for assessment and action as appropriate. All risks are reviewed annually as an integral part of the operational planning process while also informing the internal audit needs assessment and thereby the internal audit plan. The Risk Management Group meetings are attended by the internal auditors.

The format of the risk register was changed this year to include an arrow as an indicator of the movement of the risk since the last Risk Management Group meeting and the introduction of a critical risk rating, against which two risks have been assessed as critical (being the risk to future core funding and the pension scheme liability).

In mitigation of these critical risks the Museum is forward planning for significant reductions over the next three years in Welsh Assembly Government grant-in-aid while endeavouring to continue to deliver the Vision priorities and is also commencing the process of amending employee benefits or contributions to reduce the pension liability.

Performance Indicators

As a 'learning organization' the Museum remains committed to the monitoring and evaluation of our work in both quantitative and qualitative ways. While our quantitative key performance indicators provide a snapshot of performance, qualitative data from case studies etc. continue to provide a more detailed insight and an opportunity for reflecting on and enriching our work. During 2009-10, we completed work on the development of a new evaluation framework for the Museum which embraces both of these approaches. This toolkit and the targets we set for 2010-11 onwards, a period in which there will be significant public sector financial austerity, will focus on consolidating our excellent performance to date while also looking to achieve better outcomes for the people of Wales through the delivery of our long-term Vision.

As reported earlier, the total number of visits made to our sites during 2009-10 was 1,641,053 (1,524,806 in 2008-09), against a target of 1,500,000. The number of visits to the Museum website during the same period was 1,253,630 (1,180,774 in 2008-09), illustrating the extent to which visitors choose to access information about our work within the 'virtual' sphere.

Our work on serving the formal educational sector continues to thrive with 236,284 formal education visits (238,644 in 2008-09), exceeding the target of 229,000 visits. The number of informal educational visits was 259,446 (270,231 in 2008-09), well exceeding a target of 170,000. Furthermore, there were 33,530 participants in Amgueddfa Cymru-led educational activities taking place away from our own museums (30,591 in 2008-09), exceeding the target of 30,000.

While all of the collections are documented according to the Collections Trust guidelines, we have continued with a programme of computerising collections records with the aim of achieving appropriate levels of computerised documentation for the objects within the Museum's collections. During 2009-10, and based on a total collection size of 4,700,000, we achieved 56 per cent of the collections with computerised inventory level records that allow an item to be accurately and swiftly identified and located (55 per cent in 2008-09) and 32.5 per cent of the collections with full catalogue level records, including academic data and references to publications (30.6 per cent in 2008-09). The former met the target of 56 per cent set for the year and the latter exceeded the target of 31 per cent and this is indicative of the steady progress which continues to be made in this area.

The number of research projects during the year, at 161 (143 in 2008-09), exceeded the target of 126, illustrating the continued strength of the Museum's work in disseminating the knowledge inherent in the collections. The number of venues to which loans were made reached 339 (320 in 2008-09), exceeding the target of 310.

Capital Investment

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

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

Projects within the Master Plan progressed during the year have included:

West Wing Gallery refurbishments at National Museum Cardiff

The Museum has developed plans to convert gallery spaces that were previously used to display archaeology to display contemporary and modern art. Work is currently underway on site to replace the roof of the West Wing at National Museum Cardiff, and to redisplay the galleries in this area in order to increase the space available for display of our modern art collections. The new galleries will open in summer 2011.

Learning Spaces at National Museum Cardiff

During 2009-10, contracts were let to redevelop three spaces at National Museum Cardiff: Glanely Discovery Gallery, the former science education room and the sandwich room used by schools. This work is being funded by the Clore Duffield Foundation and will be complete in the summer of 2010.

In addition, funding has been secured from Cardiff County Council under the Landfill Tax Scheme, and matched by funding from the Environment Agency, to create a new area to improve the display of the Museum's current research activities. This work will be completed in readiness for the opening of the West Wing in summer 2011.

Making History at St Fagans

As noted earlier in this report, Amgueddfa Cymru was delighted to receive a Stage 1 pass from the Heritage Lottery Fund for its application to secure £8.75m towards a £20m scheme to redevelop St Fagans: National History Museum. This announcement included the confirmation of development funding to enable the Stage 2 application to be developed for submission in September 2011.

During the next decade, St Fagans will be developed to become the place that tells the story of the peoples and nation of Wales, from earliest times to the present day. The development will enhance the offer at St Fagans through making more sense of the site by putting the existing buildings and social history collections into the wider context of the national history of Wales.

Much of the archaeology collections that pre-date the modern period will be moved from the city-centre National Museum Cardiff and redisplayed at St Fagans so that a fuller story can be told. The aim is to fulfil the expectations of visitors who want to learn more about the roots of Wales and why it is such a diverse country today.

Restructuring for the Future

In pursuance of the Vision priorities, the Museum has also been conducting an ongoing restructuring exercise across all its existing cost centres covering both employee and overhead expenditure. This process has been accelerated over the last financial year with the offering of a voluntary redundancy scheme to the staff as a means of aiding the re-allocation of resources in line with the Vision. Progress on this re-allocation is now continuing via an in-depth further review of departmental budgets to ensure the Museum recruits and retains the skills required for delivery of the Vision. This restructuring, however, will be made more difficult by the anticipated future reductions in revenue and capital grants-in-aid but, nonetheless, the Museum is committed to the implementation of the Vision.

Valuation of Fixed Assets

In line with the Museum's accounting policies, assets, which were last professionally re-valued at 31 March 2006, have been re-valued by the application of indices to provide an estimation of valuation, rather than utilise charitable funds on annual re-valuations. Unusually, this has resulted, for the second year in succession, in a fall in the value of fixed assets as at 31 March 2010. Indexation will continue until the next professional re-valuation at March 2011, at which point adjustments to the valuations will be made.

The only assets not re-valued by indexation are IT assets, due to the general lowering in price of IT assets over time, and heritage assets. Heritage assets acquired prior to 1 April 2001 have not been capitalised and heritage assets purchased or donated since that date have been recorded at cost or valuation. The Trustees do not consider that the considerable cost of valuation of such a large collection of heritage assets can be justified, on cost benefit grounds, in obtaining what would be merely a valuation at one particular moment in time.

Specimen Acquisition

The Museum was fortunate in being able to make a number of very significant acquisitions during the year, some of them arising from the dedicated Centenary Fund which was created over a period of five years leading up to the centenary in 2007. Once again the more costly art purchases were only made possible thanks to the generous help of long-term supporters the Derek Williams Trust, who contributed £1m over five years to the Centenary Fund alone. The Art Fund and the National Heritage Memorial Fund were also generous supporters. It is worth noting that the Museum has been very skilled over the years in using its Specimen Acquisition Grant to lever in additional funding from third parties to enable it to enhance the national collections.

Significant acquisitions to the art collection included:

- The major Centenary Purchase was *Still Life with Poron* (1948), an oil painting by Pablo Picasso (1881-1973). Without doubt Picasso was the most influential artist of the twentieth century. Amgueddfa Cymru has four works on paper by Picasso and acquired a significant group of the artist's autograph ceramics for the collection last year. The oil painting completes our representation of one of the greatest creative geniuses of the last century. It was purchased for £1,435 million through the Centenary Fund, into which the Derek Williams Trust and the Museum each contributed £1m to enable the purchase of outstanding 20th-century works. The purchase was also supported by a significant grant from The Art Fund (£100,000).
- *The Crazy Gondolier* (1960), by Alan Davie, bought for £82,000 with the assistance of grants of £20,000 from the Art Fund and £30,707 from the Derek Williams Trust. This large and important work gives us the opportunity to further explore the impact of American painting on the development of British art in the post-war period.
- *Carving No.5* in Travertine Toscana marble by Barry Flanagan, purchased for £40,000 (with the assistance of a grant of £20,000 from the Derek Williams Trust). Flanagan was one of the most important artists to have been born in Wales in the twentieth century and made a unique contribution to the development of British sculpture.
- *The Attraction of Onlookers: Aberfan – An Anatomy of a Welsh Village*, a 5-channel high definition video installation with stereo sound by Shimon Attie, purchased for £48,000 with a 50 per cent contribution from the Derek Williams Trust.
- *Caernarfon Castle with boats in the harbour* by Cornelius Varley, given by Lowell Libson in memory of Michael Griffith, a Patron of the Museum.
- A group of 22 vessels, by Hans Coper, purchased for £72,000 with support of a grant of £36,000 from the Derek Williams Trust.

Significant acquisitions by the Archaeology & Numismatics Department included:

- Two Romano-British coin hoards found at Sully in the Vale of Glamorgan, comprising in total over 5,900 coins of the late third and early fourth centuries AD. Together they form the largest deposit of Roman (or any) coins found in Wales for well over a century and were acquired for £55,000.

- A replica (one of six) made by the National Library of Wales of the Pennal Letter sent by Owain Glyn Dŵr to Charles VI, King of France, dated 31 March 1406 was donated. The original is in the Archive Nationales de France, Paris. The replica is on goatskin parchment, with a cast of Glyn Dŵr's Great Seal attached.

Significant acquisitions by the Social & Cultural History Department included:

- An important collection of horse-drawn vehicles given by the late John Andrews. The John Andrews Charitable Trust also donated £26,000 to the Museum to upgrade a gallery to display the collection at St Fagans.

Research Activity

Research underpins all the functions and the credibility of a national museum. Many of the specialised fields covered by our staff (e.g. art, numismatics, industrial archaeology, taxonomy and ethnology) have declined in universities. The Museum thus has a pivotal role to play in the understanding of the heritage, culture and natural environment of Wales and its place in the world and supporting increasing public and popular interest in these areas.

Following the creation of a new Research Policy and an overall Research Strategy, and our recognition as an Independent Research Organisation by both the Arts & Humanities Research Council and the Natural Environment Research Council, research frameworks have been created for all our subject areas to ensure that future research is directed at supporting the delivery of the Vision.

A wide range of research activities were undertaken during the year with 165 continuing and new projects listed on the Research Register approved by the Board of Trustees. An increasing number of these projects are now being undertaken in partnership with other organizations. A number of projects, particularly in the natural sciences, have also attracted external funding.

Among the research projects pursued during the year were:

- A Leverhulme Trust-funded project to prepare a handbook to leafhopper and planthopper vectors of plant diseases.
- A DTI-funded project to prepare a comprehensive, illustrated identification manual covering all British bi-valve species and those likely to colonise UK waters in response to climate change.
- Insect inventories for biodiversity assessment in Fiji (one of the world's 25 key locations for world biodiversity conservation). Darwin Initiative-funded project to build local capacity, jointly with the University of Sussex, University of the South Pacific and Bishop Museum, Honolulu.
- Research on early medieval/Viking Age settlements and culture in Wales based on excavations at Llangorse Crannog, Powys and Llanbedrgoch, Anglesey.

Fundraising and Volunteers

2009-10 was another difficult year for fundraising across the UK as the recession continued. The Development Team was restructured from eight members of staff to three full-time and one part-time officers along with the Development Secretary. Despite this background the Department saw one of its most successful years in recent times with new project funding secured at £556,467 and £374,950 of pledged money received making a total of £931,497. This exceeded our annual target of £930,000.

Over the past 12 months, the Development Department worked on a number of projects including some large-scale activity. This has included at National Museum Cardiff 'Earthscape', the Upper West Wing galleries and the development of the Clore Learning Spaces. In St Fagans, projects included

Exploring our Woodlands and the Heritage Horticulture Skills scheme. A specific appeal was made towards the purchase of a painting by William Dyce.

Alongside general project fundraising, a major commitment for the Development Team was work on the successful submission for the HLF first phase application for the St Fagans redevelopment project, together with the fundraising strategy and timeline for raising the additional £2million fundraising target for the project.

Income from the Patrons Membership scheme exceeded the £30,000 target due to recruitment and a successful cultivation event helping to offset memberships lost during 2009-10. The value of the Patrons' loyalty to the Museum was highlighted with the Dyce appeal when they contributed 85 per cent of the total appeal income of £45,344.

General public donations increased by 22 per cent from 2008-09 with visitors contributing a total of £76,670 across all sites.

During 2010/11 the Development Team's primary focus will be on securing pledges for the St Fagans project. Alongside this, the team will also be working on funding for the Art Education Space in National Museum Cardiff, the climate change exhibition which is touring across Wales and the joint exhibition with the RSPB taking place in the art galleries in National Museum Cardiff.

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

Secondly, the Friends provide a volunteer group to support the Museum's own activities. Friends meet and greet groups and individuals, such as Friends groups from other museums, interested casual visitors and also assist curatorial staff across the spectrum of the Museum's activities. It is important to note that such activity is regarded by the Museum as valuable additionality, rather than the provision of core work by volunteers. In total we received 158 hours of attendance by the Friends in a volunteering capacity during 2009-10.

Thirdly, the Friends also provide financial support for a number of projects and this year generously contributed towards refurbishment of the Upper West Wing in National Museum Cardiff, projects at St Fagans and sponsorship of the organ recitals also at National Museum Cardiff.

The Museum's Volunteer Co-ordinator also worked with colleagues throughout the Museum to greatly enhance the opportunities for volunteering in the Museum. As a result, the Museum received 8,876 hours of input from volunteers during 2009-10. This reflected behind the scenes working in curatorial departments, students on part-time placements developing their work experience opportunities and those working front of house by offering guided tours to various exhibitions. The Museum is greatly indebted to them for their commitment in this growing area of our activities.

Prompt Payment Performance

The Museum subscribes to the objectives of the Better Payment practice code issued by HM Treasury and aims to pay valid invoices within thirty days of receipt. The average time taken for payment of invoices during 2009-10 was seven calendar days (six in 2008-09), which includes 98 per cent (by number) of invoices settled within thirty days (98 per cent in 2008-09). There were no payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998 (£Nil in 2008-09).

Sustainability

During 2009-10, the Museum continued to develop working practices and methods of communication that enhanced the sustainability of our day to day operations, as well as our visitors' understanding of issues involved with the impact of changing climates and the threats to local and global biodiversity.

All of the Museums have now obtained Level 3 Accreditation status within the Green Dragon Environmental Accreditation Scheme.

The Museum used its formal partnership with the Carbon Trust to help us to reduce the total carbon footprint of the organization. During the year we invested £154,000 in capital works to reduce our energy consumption across all of our sites and commissioned a formal review of the progress made by implementing the recommendations from the Carbon Trust reviews in previous years. The Museum also assisted the Carbon Trust by documenting the work undertaken at the Museum to reduce our carbon footprint in a DVD, which will be used to publicise the benefits of the partnership across the public and private sector.

Policy on Reserves

As a body charged with collection and conservation of heritage assets, including land and buildings, in order to achieve its aims and objectives, the policy on reserves here stated applies to disposable cash reserves only and not to the total funds held.

This policy remains dependent upon, and restricted by, the authority granted by the Welsh Assembly Government in the Museum's Management Statement and Financial Memorandum which at the financial year-end 2009-10 limited cash reserves to 2 per cent of its grant-in-aid, with exemptions from any limit in respect of the Specimen Purchase Grant and self-generated income. Further exemptions may be available upon application in respect of the National Waterfront Museum (to reflect the joint funding arrangement with the City and County of Swansea) and capital projects which straddle the financial year end.

Restrictions on carryover limits can hinder prudent financial management by encouraging ill-judged expenditure simply to avoid losing the funding if year-end balances exceed the agreed carryover limit. Limits on cash carryover are particularly detrimental to forward budget planning at a time when public finances are likely to be considerably restricted for a number of years to come. The Museum was aware of restrictions to its grant-in-aid allocation for 2010-11 onwards and accordingly planned to maximise its cash carryover, within Assembly limits, at the end of 2009-10. It is therefore pleasing to report that the Welsh Assembly Government agreed the principle that the Museum is endeavouring to mitigate the impact of future cuts to grant-in-aid by utilising cash savings as they occur in year to smooth the effect of those cuts in future years. Adapting such an approach can only aid the ability of the Museum to maintain front-line delivery of its Vision priorities in line with the Assembly's approach as laid out in their policy document *Better outcomes for tougher times*. Evidencing their agreement with this approach, the Assembly agreed to the Museum's request to increase the cash carryover limit at the end of 2009-10 from 2 per cent to 6 per cent.

The Museum is continuing to plan in the same manner through 2010-11 via the prudent retention of in-year budget savings naturally occurring and by the impact of salary savings arising from a voluntary redundancy scheme which has generated the loss of twenty posts to date. As a result, the Museum is continuing discussions with the Assembly to obtain another increase in cash carryover limits at the end of 2010-11, this time increasing the figure to 10 per cent. It is hoped that the Assembly will continue to support the prudent approach being taken by the Museum to maintain front-line delivery for as long as possible, via this pro-active cash management, without the need for an actual increase in grant, and thereby defer the potential for cuts in front-line delivery arising from the expected cuts in grant-in-aid.

Private funds are separately maintained and specified within the accounts. These are not subject to a carryover limit and the Museum's policy is to maximise and hold these funds for utilisation on projects

and capital schemes for which it is unable to receive core funding or other grant support, while remaining within any restrictions on use contained within the Private Funds. The Museum does not intend to reduce the limited Private funds it holds by utilising those funds on subsidising short-term gaps in revenue grant-in-aid.

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

Despite the current uncertainty surrounding future grant-in-aid allocations and the difficult economic environment for fundraising from private sources, the Museum wishes to continue on a long-term plan of capital developments and refurbishments at its locations while delivering the Vision priorities. In order to part-fund these developments and manage budgets prudently, it is essential that maximum flexibility in reserve retention is available via carry-over, private funds and retained profits from trading.

The Museum's Total Funds at 31 March 2010 were £79,865,000 with an analysis provided within the notes to the Financial Accounts.

Investment Policy and Performance

The Museum's private funds investments are actively managed by its advisors Barclays Wealth. The Museum's investment policy accepts short-term volatility in the pursuit of positive investment returns after the effects of inflation and acknowledges that the capital value may fluctuate significantly from time to time. In addition, a substantial element is retained in cash-based deposits to be readily available for investment in the Museum's capital programme. The performance of those funds is subject to review on a regular basis, with changes made to the portfolio as appropriate to the risk appetite. Against the background of a recovery in equity prices, the value of the portfolio rose significantly during the year from £1,393k to £1,907k.

The Museum also held, from bequests, an equity investment in eleven blue chip companies. The value of this portfolio also rose during the year from £44k to £66k.

Pension Liability

The Museum operates a defined benefit pension scheme which is available to all permanent employees. In common with the vast majority of such schemes, recent annual valuations for the statutory accounts have shown a deficit of scheme assets when compared to scheme liabilities. This year despite a significant increase in the value of the Scheme's assets from £48.7m to £68.6m, changes in the assumptions incorporated into the calculations of the Scheme's obligations have resulted in the deficit, as shown on the Balance Sheet, increasing from £23.5m to £27.2m. The key changes in assumptions include a significant reduction in the discount rate applied to the conversion of future liabilities back to present day values and an increase in life expectancy. However, it is highly significant to note that on 21 June 2006 the National Assembly for Wales issued a Crown Guarantee in respect of "all such sums as are necessary to secure that the assets of the scheme are sufficient to meet in full all of its liabilities".

Over the last few years, the Museum has taken various steps to address the deficit including an increase in employer contributions of 4.5 per cent to the current 21.3 per cent plus there have been capital injections from the Welsh Assembly Government. A full actuarial valuation at 31 March 2009 has been undertaken and the Museum and the Scheme's Trustees are pursuing a course of action to address the significant deficit over an acceptable, but extended, time frame, taking due account of the Crown Guarantee. The proposed actions will result in some reductions in employee benefits or an increase in employee contributions and the Museum is currently entering a consultation period with its employees regarding these proposals, which are aimed at ensuring the continuance of a defined benefit

scheme that attracts and retains quality employees while enabling the Museum to fund and reduce the deficit over time. In the meantime, the Museum will continue to seek financial support for the Scheme from the Welsh Assembly Government and it will also continue to make further lump sum contributions from within its own resources if they become available.

Further details of how pension costs are accounted for are contained in the accounting policies note to the accounts. Disclosure requirements contained in Financial Reporting Standard 17 are contained within note 16 to the Financial Statements.

Policies Relating to Staff

Equality of Opportunity

The Museum continues to implement and monitor its Equality and Diversity policy and schemes to ensure that equality and diversity are an integral part of all that it does. This includes procedures relating to recruitment, employment and volunteering, as well as the services offered to the public.

In autumn 2009, the Museum carried out its first Equality Monitoring exercise. The information collected in this exercise has been disaggregated by the Museum's Diversity Officer to help improve the way the Museum works and identify any trends or possible issues. The data will also inform the continuing work of the Museum's Diversity Group in the promotion of equality for staff and all other stakeholders.

The Museum has been working with Mencap Cymru's Pathway Supported Employment project to offer placements for disabled people to help them develop skills to enable them to return to work. The Museum has also offered tailored work experience placements to students with special educational needs and other disabilities and continues to work with Careers Wales to develop these.

Staff Consultation

The Museum continues to comply with the 2005 Information and Consultation regulations, and consults with staff, both directly and through recognised unions, on major changes in the organization. This legal requirement to consult is supplemented by a variety of methods including staff meetings, department meetings, working groups, email and intranet communications, plus informal methods of communication as appropriate. Furthermore, the Museum has maintained the regular bi-monthly meetings of the Staff Forum, where it discusses issues of importance with recognised Trade Union representatives.

Staff Training

The Museum continues to invest time and resources to provide development and training opportunities (both formal and informal) for all its employees. The Museum has identified Investors in People status as an important external measure of this commitment. This accreditation has been achieved at Big Pit: National Coal Museum, the National Roman Legion Museum, the National Slate Museum and the National Waterfront Museum. St Fagans: National History Museum is working towards assessment.

Sickness Absence Data

The Museum has in place policies to support the management of absence at work. The Museum considers long-term absence to be anything over 28 consecutive days. All absence is recorded and monitored by both line managers and the HR Department. Absence for the year to 31 March 2010 was 4.26 per cent compared with the previous year's figure of 5.95 per cent. The Museum continues to have a number of staff with serious long-term illnesses, which affects this overall absence figure.

Remuneration Report

The Museum has in place an agreed pay and grading structure, which was implemented to ensure fair and equitable treatment for all. This covers all employees, with the exception of the Director General whose terms and conditions are agreed directly with the Welsh Assembly Government. There is an independent internal appeals process to consider grading issues.

Each year a working group considers the Museum's remuneration package and develops a pay remit (proposal), which is submitted to the Welsh Assembly Government for approval and which forms the basis of negotiations with the recognised trade unions. This results in a new pay and conditions package for the whole of the Museum, which is binding until the next round of negotiation. Incremental increases under the pay remit are dependent upon the Museum's system of personal development reviews. Any inflationary elements contained within the agreed pay remit are automatically awarded to all staff.

The Director General's salary consists of a basic salary with an annual bonus. The amount of this bonus (up to a maximum of 10 per cent of salary) is agreed by an Appointments and Remuneration Committee, which consisted of the President, Vice President, Treasurer, Rhiannon Wyn Hughes, Huw Williams and Prof. John Last. Following the retirement of Rhiannon Wyn Hughes and Huw Williams on 31 March 2010, Haydn Edwards, Miriam Griffiths and Gareth Williams have subsequently been appointed to this Committee. The performance of the Director General is reviewed against a set of pre-determined objectives and this evaluation of performance is then considered by the Committee. A percentage of the bonus is then consolidated into his annual salary and the amount which can be consolidated is established under guidance from the Welsh Assembly Government.

Directors of the Museum are shown on page 17 and further details of the remuneration and pension benefits of Directors are contained within Note 7(c) to the Accounts and that information is subject to audit. No Director is employed on a fixed-term basis and all, with the exception of the Director General, are employed on the Museum's standard terms and conditions. Any changes to the terms and conditions pertaining to the Director General are subject to the agreement of the Appointments and Remuneration Committee and (where appropriate) the Welsh Assembly Government.

The notice period for the Director General is six months. Notice period for all the other Directors varies with length of service, with one week of notice for each year of service (plus one further week) up to a maximum of thirteen weeks. The dates of commencement of employment of the Directorate are:

Michael Houlihan (Director General)	14 April 2003
Robin Gwyn	1 February 2001
Mark Richards	25 January 1999
Jon Sheppard	1 November 2002
Michael Tooby	1 January 2000
John Williams-Davies	1 September 1973

Provision for compensation for early termination is contained within the Museum's standard redundancy arrangement.

Welsh Language Policy

Each AGSB is expected to draw up and then review a Welsh Language Mainstreaming Strategy annually (including the implementation of a Welsh Language Scheme). The Museum's Mainstreaming Strategy annual Action Plan for 2009-10 was implemented during the year and has now been revised to reflect the mainstreaming implications of the overall Operational Plan for 2010-11.

Auditor

The accounts are audited by the Auditor General for Wales in accordance with Section 9 (8) of the Museums and Galleries Act 1992. Details of auditors' remuneration for the year ending 31 March 2010 are contained in Note 6 to the Financial Accounts.

Principal Office

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

Principal Advisers

Bankers: Lloyds TSB Bank PLC, Cardiff

Solicitors: Geldards LLP, Cardiff

Internal Auditors: RSM Tenon Ltd., Cardiff

Investment Managers: Barclays Wealth, Cardiff

Pension Fund Managers: BBS Consultants and Actuaries Ltd., Bristol

Taxation: Deloitte & Touche LLP, Cardiff

Michael Houlihan

Accounting Officer and Director General
Approved and signed on 19 July 2010

J. Peter W. Morgan

Treasurer, on behalf of the Board of Trustees
Approved and signed on 19 July 2010

BOARD OF TRUSTEES

(From 1 April 2009 onwards)

President

Paul E. Loveluck, CBE, JP, BA *

Vice President

Elisabeth Elias, MA, DL *

Treasurer

J. Peter W. Morgan, M.Sc., FCA *

Appointed by the Welsh Assembly Government

Rhiannon Wyn Hughes, MBE, FRSA (retired 31 March 2010)

Huw R.C. Williams* (retired 31 March 2010)

Gareth Williams

Carole-Anne Davies*

Miriam Hazel Griffiths, MA

Prof. R. Gareth Wyn Jones, D.Phil, DSc, FSB, FRSC

Christina Macaulay, MA (Hons)

David Vokes LLB, MA (appointed 1 April 2010)

Prof. Tony Atkins ScD, FR Eng. (appointed 1 April 2010)

Appointed by the National Museum of Wales

Dr Iolo ap Gwynn, B.Sc, PhD, FRMS

Prof. C. L. Jones, OBE, FRSA (retired 31 March 2010)

Prof. J. Last, CBE, MA, D.Litt, Hon. FMA, FRSA

Dr W. B Willott, C.B. (retired 31 March 2010)

Prof. Jonathan Osmond, MA, D.Phil (Oxon), FRHist.S (*Audit Committee from 22 April 2010)

Dr Haydn Ellis Edwards, BSc., MBA, Ph.D, FRSC, F.I.Mgt.

Keshav Singhal FRCS, M.Ch. (appointed 1 April 2010)

Victoria Provis MBA (appointed 1 April 2010)

* Indicates members of the Audit Committee

BOARD OF NATIONAL MUSEUMS AND GALLERIES OF WALES ENTERPRISES LTD

(From 1 April 2009 onwards)

Gareth Williams – Chairman

Christina Macaulay

Vivian Pollard (retired 1 September 2009)

Sian Llywelyn

Arwyn Davies

Nerys Howell Snowsill (appointed 1 September 2009)

Michael Houlihan

Jon Sheppard

Philip Smith

DIRECTORATE

(From 1 April 2009 onwards)

Director General

Michael Houlihan

Director of Operations

Mark Richards

(Deputy Director General – appointed 18 June 2009)

Director of Communications

Robin Gwyn

Director of Finance

Jon Sheppard

Director of Learning & Programmes

Michael Tooby

Director of Collections and Research

John Williams-Davies

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

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

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

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

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

Statement of disclosure of information to auditors

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

Statement on Internal Control

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Museum for the year ended 31 March 2010, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. In support of the system of internal control, the Museum operates Fraud and Whistle blowing policies which are subject to audit review.

Capacity to handle risk

Risk Management on a day-to-day basis is the responsibility of the Directorate, with formal reviews and assessment of risks conducted regularly by a Risk Management Group. These reviews are scrutinised by the Performance Review sub-committee of the Board of Trustees and the Audit Committee. By drawing upon the experience of the internal auditors, who attend the risk reviews, and by the experience of the independent members of the Audit Committee, the process is continually refreshed and benchmarked by comparison with other organisations. Furthermore, the chairmanship and membership of the Risk Management Group is periodically changed to provide a fresh perspective on the risks faced by the Museum, supported by relevant training.

The Risk and Control Framework

The Risk Management Policy and Guidelines set out the framework and roles and responsibilities in managing risk together with guidance on risk identification, assessment, monitoring and control. The Policy and Guidelines were revisited during the year to ensure that they were still appropriate and effective, with particular reference to HM Treasury's "Orange Book" on risk management and the Welsh Assembly Government's manual on risk management – "Risk Essentials", and presented accordingly to the Performance Review and Audit Committees. Audit of the design and operation of the Risk Management process is included within the internal auditors rolling programme of work and during the previous year it was subject to an assessment of the Museum's "risk maturity". This considered "not only the framework in place to identify, assess record and monitor risks but how that information is used". The internal auditors' assessment of the Museum's risk maturity placed it at the highest level within the risk maturity spectrum.

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

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

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

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

Threats to the security of all the Museum's assets is a fundamental risk, requiring mitigating actions, and is regularly reviewed by internal audit, the Risk Management Group and the Board of Trustees. During the year ended 31 March 2010, the Audit Committee received and reviewed a detailed report on the risk and mitigating actions relating to the security and confidentiality of personal and other data. This was supplemented in May 2009 by an information security staff survey conducted by the Wales Audit office as part of their Additional Assurance Review. Actions arising from both reports have been progressed resulting in a raising of awareness of the risks and issues involved amongst the Museum's employees, issuing of revised guidance and policy, the application of appropriate password and access controls, the provision of technical support and the supply of appropriate encryption facilities. There have been no personal data related incidents during the year.

Review of effectiveness

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

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

- Detailed financial regulations and administrative procedures including segregation of duties and various levels of delegated authority
- Comprehensive budgeting systems with an annual budget which is approved by the Trustees and regular reviews by Heads of Department, Directorate and the Board of Trustees of monthly financial reports, which measure financial performance against the forecasts
- Setting targets to measure financial and other performance within the Operational Plan, with progress monitored by quarterly meetings of a Performance Review Committee
- Clearly defined capital investment control guidelines and monitoring thereof
- Regular reports by internal audit to standards defined in the Government Internal Audit Manual which includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement. Based upon the internal audit work for the twelve months ended 31 March 2010, the Internal Auditor concluded that the Museum has adequate and effective risk management, control and governance processes to manage the achievement of its objectives.

A key component in the Museum's review of effectiveness of systems of internal control is the Audit Committee. The Committee is made up by Trustees and up to four independent members (one of whom usually acts as the Chairman). The Committee meets quarterly with not only the minutes of the meeting being considered by the Board of Trustees, but also a report from the Chairman. The Committee considers the coverage of the internal audit programme and receives reports from both internal and external auditors and follows up on all action points arising. Key Directorate members also attend as appropriate to the agenda and annually, the Committee meets the auditors without the Directorate being present and vice-versa. Broad terms of reference for the Committee cover all aspects of risk, control and corporate governance including risk management reports. During the year, the Audit Committee also reviewed guidance issued by the National Audit Office on Statements of Internal Control and examined that guidance as a means of reviewing the Museum's own Statement.

No significant internal control issues arose during the year which we need to bring to your attention.

Michael Houlihan
Accounting Officer and Director General
Approved and signed on 19 July 2010

J. Peter W. Morgan
Treasurer, on behalf of the Board of Trustees
Approved and signed on 19 July 2010

AMGUEDDFA GENEDLAETHOL CYMRU – THE NATIONAL MUSEUM OF WALES

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

I certify that I have audited the financial statements of the National Museum of Wales for the year ended 31 March 2010 under section 9(4) of the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and the related notes which include a remuneration report. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board of Trustees, the Accounting Officer and Auditor

The Board of Trustees and the Director General, as Accounting Officer, are responsible for preparing the Financial Report and the financial statements in accordance with section 9(4) of the Museums and Galleries Act 1992 and Welsh Ministers' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Board of Trustees and Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with section 9(4) of the Museums and Galleries Act 1992 and Welsh Ministers' directions made thereunder. I report to you whether, in my opinion, the information given in the Financial Report is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

In addition, I report to you if in my opinion the National Museum of Wales has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

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

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by Welsh Ministers, of the state of the National Museum of Wales, and its group, affairs as at 31 March 2010 and of its incoming resources and application of resources, and cash flows for the year then ended
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Welsh Ministers directions made thereunder and
- information given within the Financial Report is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Gillian Body
Auditor General for Wales
24 Cathedral Road
Cardiff
CF11 9LJ

Date: 23 July 2010

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 MARCH 2010

	Notes	Public funds		Private Funds		2009-10	2008-09
		Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	Total £'000	Total £'000
INCOMING RESOURCES							
Activities for Generating Funds:							
Investment Income		0	0	36	5	41	77
Income from trading subsidiary	2	0	2,687	0	0	2,687	2,610
Fundraising income		0	0	784	32	816	187
		0	2,687	820	37	3,544	2,874
Activities in Furtherance of Charitable Objects:							
Grants	3	3,052	23,946	0	0	26,998	25,348
Donations & bequests	4	956	0	37	77	1,070	452
Other income	5	15	1,046	0	0	1,061	1,190
		4,023	24,992	37	77	29,129	26,990
TOTAL INCOMING RESOURCES		4,023	27,679	857	114	32,673	29,864
RESOURCES EXPENDED							
Costs of Generating Funds:							
Costs of Trading Subsidiary		0	2,212	0	0	2,212	2,200
Costs of Fundraising		0	406	0	0	406	488
		0	2,618	0	0	2,618	2,688
Costs of Charitable Activities:							
Learning & Programmes		103	3,191	109	0	3,403	3,239
Collections & Research		1,043	7,866	7	1	8,917	8,782
Museum Operations		512	12,209	196	15	12,932	12,637
		1,658	23,266	312	16	25,252	24,658
Governance Costs		0	584	0	0	584	690
Pension Finance Costs/(Income)	16	0	1,484	0	0	1,484	571
TOTAL RESOURCES EXPENDED		1,658	27,952	312	16	29,938	28,607
SHARE OF JOINT VENTURE	8	(107)	0	0	0	(107)	(122)
NET INCOMING RESOURCES BEFORE NOTIONAL COSTS		2,258	(273)	545	98	2,628	1,135
Notional cost of capital		(3,523)	798	0	0	(2,725)	(3,155)
NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS		(1,265)	525	545	98	(97)	(2,020)
Reversal of notional cost of capital		3,523	(798)	0	0	2,725	3,155
NET INCOMING RESOURCES FOR THE FINANCIAL YEAR		2,258	(273)	545	98	2,628	1,135
Unrealised Losses on revaluation of fixed assets intended for Charity Use	9	(5,815)	(6)	(82)	(24)	(5,927)	(7,546)
Realised/Unrealised Gains/(Losses) on market valuation of investments	11	0	0	477	59	536	(494)
Actuarial Gains/(Losses) on defined benefit pension scheme	16	0	(2,660)	0	0	(2,660)	(11,613)
NET MOVEMENT IN FUNDS DURING THE FINANCIAL YEAR		(3,557)	(2,939)	940	133	(5,423)	(18,518)
FUND BALANCES B/FWD AT 1 APRIL 2009	17	102,453	(21,341)	3,628	548	85,288	103,806
FUND BALANCES C/FWD AT 31 MARCH 2010	17	98,896	(24,280)	4,568	681	79,865	85,288

The above SOFA includes all recognised gains and losses. All activities are continuing.

The non-consolidated net decrease in funds recorded in the Museum's own Statement of Financial Activities during 2009-10 was £5,422,000 (£18,507,000 decrease in 2008-09).

The notes on pages 27 to 41 form part of these accounts.

CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2010

	Notes	Museum		Consolidated	
		2010 £'000	2009 £'000	2010 £'000	2009 £'000
FIXED ASSETS					
Tangible Assets	9	72,484	77,729	72,490	77,739
Heritage Assets	10	15,032	13,208	15,032	13,208
Share of Joint Venture:	8				
Share of gross assets		13,056	13,163	13,056	13,163
Share of gross liabilities		(3)	(27)	(3)	(27)
		<u>13,053</u>	<u>13,136</u>	<u>13,053</u>	<u>13,136</u>
Investments	11	1,973	1,437	1,973	1,437
		<u>102,542</u>	<u>105,510</u>	<u>102,548</u>	<u>105,520</u>
CURRENT ASSETS					
Stock	12	64	71	428	387
Debtors due within one year	13	1,990	1,734	1,007	818
Investments		800	0	1,100	0
Cash at bank and in hand		2,282	1,984	2,742	2,699
		<u>5,136</u>	<u>3,789</u>	<u>5,277</u>	<u>3,904</u>
CREDITORS					
Amounts falling due within one year	14	(683)	(590)	(778)	(662)
		<u>4,453</u>	<u>3,199</u>	<u>4,499</u>	<u>3,242</u>
NET CURRENT ASSETS					
		<u>106,995</u>	<u>108,709</u>	<u>107,047</u>	<u>108,762</u>
NET ASSETS EXCLUDING PENSION SCHEME LIABILITY					
Defined benefit pension scheme deficit	16	(27,182)	(23,474)	(27,182)	(23,474)
		<u>79,813</u>	<u>85,235</u>	<u>79,865</u>	<u>85,288</u>
NET ASSETS INCLUDING PENSION SCHEME LIABILITY					
		<u>79,813</u>	<u>85,235</u>	<u>79,865</u>	<u>85,288</u>
FUNDS	17				
Public Funds Restricted		98,896	102,453	98,896	102,453
Public Funds Unrestricted		2,850	2,080	2,902	2,133
Pension Reserve		(27,182)	(23,474)	(27,182)	(23,474)
Total Public Funds Unrestricted		<u>(24,332)</u>	<u>(21,394)</u>	<u>(24,280)</u>	<u>(21,341)</u>
Private Funds Restricted		4,568	3,628	4,568	3,628
Private Funds Unrestricted		681	548	681	548
		<u>79,813</u>	<u>85,235</u>	<u>79,865</u>	<u>85,288</u>

Signed on behalf of the Trustees by

Michael Houlihan
Accounting Officer and Director General
Approved and signed on 19 July 2010

J. Peter W. Morgan
Treasurer, on behalf of the Board of Trustees
Approved and signed on 19 July 2010

The notes on pages 27 to 41 form part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2010

	Notes	Museum		Consolidated	
		2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Net Cash Inflow from Operating Activities	18	4,504	2,049	4,549	2,419
Capital Expenditure and Financial Investment	19	(3,406)	(1,416)	(3,406)	(1,416)
Management of Liquid Resources	20	(800)	0	(1,100)	0
Increase in Cash	21	298	633	43	1,003

The notes on pages 27 to 41 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2010

1. Accounting Policies

1.1 Basis of Accounting

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

1.2 Joint Venture Undertakings

The Museum and the City and County of Swansea are two equal members in the National Waterfront Museum Swansea (NWMS), a company limited by guarantee and does not have a share capital. The results of the joint venture have been included within the financial statements and are accounted for using the gross equity method of accounting. The accounts of NWMS for the year to 31 March 2010 were signed on 8 June 2010 and received an unqualified audit opinion. A copy of the accounts can be obtained from the Museum's Principal Office: National Museum Cardiff, Cathays Park, Cardiff CF10 3NP.

1.3 Subsidiary Undertakings

The Museum operates a wholly owned trading subsidiary National Museums and Galleries of Wales Enterprises Ltd (NMGW Enterprises Ltd). The trading results for the company have been included within the consolidated financial statements on the 'line by line' method. The accounts of NMGW Enterprises Ltd for the year to 31 March 2010 were approved on 1 July 2010 and received an unqualified audit opinion. A copy of the accounts can be obtained from the Museum's Principal Office : National Museum Cardiff, Cathays Park, Cardiff CF10 3NP.

1.4 Incoming Resources

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

1.5 Resources Expended

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

1.6 Tangible Fixed Assets and Heritage Assets

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

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

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

1.7 Depreciation

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

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

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

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

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

1.8 Funds

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

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

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

1.9 Stock

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

1.10 Investments

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

1.11 Research and Development

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

1.12 Taxation

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

1.13 Pensions

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

1.14 Cost of Capital

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

1.15 Derivatives

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

1.16 Foreign Currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the net incoming resources.

2. Trading Subsidiary

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

	2009-10 £ '000	2008-09 £ '000
Turnover	2,552	2,454
Cost of sales	(1,889)	(1,882)
Gross Profit	663	572
Administrative expenses	(315)	(301)
Other operating income	133	124
Profit on ordinary activities before interest	481	395
Interest receivable	0	20
Gain on currency movements	2	12
Interest payable	(8)	(17)
Profit on ordinary activities before taxation	475	410
Tax on profit on ordinary activities	0	0
Profit for the financial year	475	410
Gift aid payable to the Museum	(476)	(420)
Retained loss for the financial year	(1)	(10)

3. Grants Receivable

	Public Restricted £'000	Public Unrestricted £'000	2009-10 £'000	2008-09 £'000
Revenue Grant in Aid	0	23,758	23,758	22,501
Specimen Purchase Grant in Aid	1,075	0	1,075	1,044
Capital Grant in Aid	925	0	925	956
Other government grant	1,052	188	1,240	847
	3,052	23,946	26,998	25,348

The Museum received total Grant from the Welsh Assembly Government of £25,758,000 (£24,501,000 in 2008-09) which comprises the Revenue, Specimen Purchase and Capital Grant in Aid.

Other government grant included: Welsh Assembly Government grant of £1,050,000 (£741,000 in 2008-09); Heritage Lottery Fund grant of £2,000 (£26,000 in 2008-09); European Union grant of £1,000 (£Nil in 2008-09) and other grant of £187,000 (£80,000 in 2008-09).

4. Donations & Bequests

	Public Funds		Private Funds		2009-10 £'000	2008-09 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000		
Donated Assets	0	0	37	0	37	109
Other donations	956	0	0	77	1,033	343
	956	0	37	77	1,070	452

5. Other Income

	Public Funds		Private Funds		2009-10 £'000	2008-09 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000		
Learning and Programmes	0	108	0	0	108	128
Collections and Research	5	158	0	0	163	218
Museum Operations	10	680	0	0	690	694
Support	0	100	0	0	100	150
	15	1,046	0	0	1,061	1,190

6. Total Resources Expended

(a) Museum

	Direct Costs	Depre- ciation	Marketing, Press & PR	Support Costs Finance & Admin	ICT	Human Resources	2009-10 £'000	2008-09 £'000
	£'000	£'000	£'000	£'000	£'000	£'000		
Costs of Generating Funds								
Cost of Fundraising	321	0	43	20	14	8	406	488
	321	0	43	20	14	8	406	488
Costs of Charitable Activities								
Learning & Programmes	3,052	93	67	35	99	57	3,403	3,239
Collections & Research	7,898	439	86	91	251	152	8,917	8,782
Museum Operations	11,796	462	208	160	167	298	13,091	12,805
	22,746	994	361	286	517	507	25,411	24,826
Governance Costs	420	0	128	11	16	9	584	690
Pension Finance Costs	1,484	0	0	0	0	0	1,484	571
Total Resources Expended	24,971	994	532	317	547	524	27,885	26,575

(b) Consolidated

	Direct Costs	Depre- ciation	Marketing, Press & PR	Support Costs Finance & Admin	ICT	Human Resources	2009-10 £'000	2008-09 £'000
	£'000	£'000	£'000	£'000	£'000	£'000		
Costs of Generating Funds								
Cost of Trading Subsidiary	2,208	4	0	0	0	0	2,212	2,200
Cost of Fundraising	321	0	43	20	14	8	406	488
	2,529	4	43	20	14	8	2,618	2,688
Costs of Charitable Activities								
Learning & Programmes	3,052	93	67	35	99	57	3,403	3,239
Collections & Research	7,898	439	86	91	251	152	8,917	8,782
Museum Operations	11,637	462	208	160	167	298	12,932	12,637
	22,587	994	361	286	517	507	25,252	24,658
Governance Costs	420	0	128	11	16	9	584	690
Pension Finance Costs	1,484	0	0	0	0	0	1,484	571
Total Resources Expended	27,020	998	532	317	547	524	29,938	28,607

The amount of £43,220 (£44,775 in 2008-09) is included in resources expended for external auditors' remuneration, £38,225 (£37,360 in 2008-09) for the audit fee and £4,995 (£7,415 in 2008-09) for other work.

The amount of £1,000 (£Nil in 2008-09) is included in resources expended in respect of EU grant related expenditure.

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

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

7. Staff Costs**(a) Staff Costs during the year:**

	Consolidated	
	2009-10 £'000	2008-09 £'000
Salaries & Wages	15,377	15,465
Social Security Costs	1,107	1,118
Current/Past Pension Service Cost	2,867	2,562
Severance Costs	1,091	0
	20,442	19,145
Pension Finance Costs	1,484	571
	21,926	19,716

Included within the staff costs are £1,055,000 (£1,024,000 in 2008-09) relating to the trading subsidiary.

The Museum undertook a Voluntary Redundancy Scheme during 2009-10 which incurred costs of £1,091,000.

Included within operating costs is an amount of £19,000 (£23,000 in 2008-09) for agency staff.

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

	Permanent Staff	Other Staff	2009-10 Number	2008-09 Number
Trading Subsidiary	32	6	38	40
Fundraising	4	1	5	8
Learning & Programmes	49	3	52	56
Collections & Research	133	10	143	148
Museum Operations	262	25	287	290
Support	62	4	66	71
	<u>542</u>	<u>49</u>	<u>591</u>	<u>613</u>

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

	Salary 2009-10 (2008-09)	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 10 and related lump sum	CETV at 31 March 10	CETV at 31 March 09	Real increase in CETV in excess of members contributions
	£	£	£	£	£	£
Mr Michael Houlihan, Director General	102,850 (101,330)	1,070 plus 3,210 lump sum	8,950 plus 26,850 lump sum	232,330	191,640	26,090
Mr Mark Richards Deputy Director General	74,602 (72,016)	860 plus 2,580 lump sum	10,420 plus 31,260 lump sum	199,800	154,640	33,880
Mr John Williams-Davies Director of Collections and Research	73,816 (72,016)	310 plus 930 lump sum	33,750 plus 101,250 lump sum	906,410	800,390	66,370
Mr Michael Tooby, Director of Learning & Programmes	73,816 (72,016)	500 plus 1,500 lump sum	23,840 plus 71,520 lump sum	486,040	407,310	56,380
Mr Jonathan Sheppard, Director of Finance	73,816 (69,101)	1,210 plus 3,630 lump sum	13,500 plus 40,500 lump sum	331,660	261,090	54,650
Mr Robin Gwyn, Director of Communications	70,138 (66,257)	980 plus 2,940 lump sum	8,030 plus 24,090 lump sum	153,360	113,660	30,490

The emoluments of the Director General consisted of a basic salary of £102,850 (£101,330 in 2008-09) plus a non consolidated bonus based on performance estimated at £7,713 (£6,586 in 2008-09).

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

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The real increase in CETV reflects the increase effectively funded by the Museum. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme) and uses common market valuation factors for the start and end of the period.

(d) Members of the Board of Trustees

Trustees do not receive any emoluments. The total amount of travel, subsistence and accommodation expended by the Museum for its Board and committee members was £27,500 (£25,000 in 2008-09). A total of 15 trustees were reimbursed expenses during the year.

8. Share of Joint Venture

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

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

	Total Net Movement in Funds		Share of Net Movement in Funds	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Voluntary Income: Contributions	6	0	3	0
Investment income	0	2	0	1
Other incoming resources	0	0	0	0
Total incoming resources	6	2	3	1
Charitable activity expenditure	216	239	108	120
Governance costs	5	7	2	3
Total resources expended	221	246	110	123
Net Movement in Funds	(215)	(244)	(107)	(122)

	Total Assets and Liabilities		Share of Assets and Liabilities	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Fixed Assets	26,019	26,225	13,009	13,113
Current Assets	93	101	47	50
Liabilities due within one year	(6)	(6)	(3)	(3)
Liabilities due after more than one year	(48)	(48)	0	(24)
Net Assets	26,058	26,272	13,053	13,136
Funds				
General Fund (unrestricted)	25,970	26,177	13,009	13,089
Restricted Fund	88	95	44	47
	26,058	26,272	13,053	13,136

At 31 March 2010, NWMS had contracted for £Nil of capital expenditure which had not been incurred at that balance sheet date (2009: £8,268 of capital expenditure had been contracted for but not incurred).

9. Tangible Fixed Assets

(a) Museum

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost or Valuation					
At 1 April 2009	19,603	59,053	276	1,523	80,455
Additions in Year	97	1,362	99	128	1,686
Disposals	(8)	0	0	(10)	(18)
Revaluation	(1,528)	(4,685)	18	76	(6,119)
At 31 March 2010	18,164	55,730	393	1,717	76,004
Depreciation					
At 1 April 2009	799	1,417	85	425	2,726
Charge for the Year	275	475	67	177	994
Disposals	0	0	0	(8)	(8)
Revaluation	(83)	(143)	7	27	(192)
At 31 March 2010	991	1,749	159	621	3,520
Net Book Value					
At 1 April 2009	18,804	57,636	191	1,098	77,729
At 31 March 2010	17,173	53,981	234	1,096	72,484

(b) Consolidated

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
Cost or Valuation					
At 1 April 2009	19,603	59,053	276	1,555	80,487
Additions in Year	97	1,362	99	128	1,686
Disposals	(8)	0	0	(10)	(18)
Revaluation	(1,528)	(4,685)	18	76	(6,119)
At 31 March 2010	18,164	55,730	393	1,749	76,036
Depreciation					
At 1 April 2009	799	1,417	85	447	2,748
Charge for the Year	275	475	67	181	998
Disposals	0	0	0	(8)	(8)
Revaluation	(83)	(143)	7	27	(192)
At 31 March 2010	991	1,749	159	647	3,546
Net Book Value					
At 1 April 2009	18,804	57,636	191	1,108	77,739
At 31 March 2010	17,173	53,981	234	1,102	72,490

The Museum's tangible fixed assets were professionally valued at 31 March 2006 by M A Lawley of Cooke and Arkwright Chartered Surveyors. The valuations were in accordance with the requirements of the Royal Institute of Chartered Surveyors Appraisal and Valuation Standards and FRS15. The valuation of each property was on the bases and assumptions for owner occupied properties: being valued to Existing Use Value assuming that the properties would be sold as part of continuing business or by using the depreciated replacement cost method. In the intervening period assets are revalued using indices. The index used for land and buildings is the BCIS All in Tender Price Index. The index value was 214 in March 2010 (232 in March 2009).

10. Heritage Assets

Heritage Assets acquired in year comprise:

	Art £'000	Historic Buildings £'000	Other £'000	Total £'000
St Teilos Church Wall Paintings	-	12	-	12
<i>In the Tradition of Smiling Angels</i> – Claire Curneen	5	-	-	5
<i>Three Generations Welsh Miners</i> – W. E. Smith	6	-	-	6
<i>Angel and People</i> – Mali Morris	10	-	-	10
<i>Heavenly Welcome</i> – Thomas Woolner	10	-	-	10
18th Century Porcelain Wine Cooler	11	-	-	11
<i>Portraits of Sir and Lady Williams Wyn</i> – H. D. Hamilton	19	-	-	19
Stoneware – Elizabeth Fritsch	28	-	-	28
<i>Carving No5</i> – Barry Flanagan	40	-	-	40
<i>Nature morte au poron</i> – Pablo Picasso	1,435	-	-	1,435
<i>The Attraction of Onlookers, Aberfan</i> – Shimon Attie	48	-	-	48
<i>Crazy Gondolier</i> – Alan Davie	82	-	-	82
Sully Roman Coin Hoard	-	-	55	55
10,000 Hemiptera, Insect Specimens	-	-	5	5
Meteorite Specimens	-	-	5	5
Kennixton Barn	-	17	-	17
<i>Caernarfon Castle with boats in the harbour</i>	5	-	-	5
Sketch of Caernarfon Castle 1854	5	-	-	5
Sketch of Caernarfon Castle	5	-	-	5
Bust of Leo Abse – Luke Shepherd	6	-	-	6
<i>Red Stripe</i> – Rachel Woodman	8	-	-	8
Killeen Marine Collection	-	-	7	7
Total Additions in Year	1,723	29	72	1,824
At 1 April 2009	6,685	5,680	843	13,208
At 31 March 2010	8,408	5,709	915	15,032

11. Fixed Asset Investments

	Museum		Consolidated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
At 1 April 2009	1,437	1,931	1,437	1,931
Additions to investments at cost	476	359	476	359
Disposals at market value	(476)	(359)	(476)	(359)
Net Gain/(Loss) on Revaluation	536	(494)	536	(494)
Market Value at 31 March 2010	1,973	1,437	1,973	1,437

The historic cost of investments at 31 March 2010 was £1,776,000 (£1,716,000 at 31 March 2009). The portfolio consists of Collective Investments (Unit Trusts) authorised by the Securities and Investments Board (these were professionally valued by the Museum's investment managers, Barclays Wealth) and shareholdings (bequeathed to the Museum) listed on the London Stock Exchange.

12. Stock

	Museum		Consolidated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Shop Goods for Sale	0	0	364	316
Publications stock held separately	125	122	125	122
Less Provision for Stock Write Off	(61)	(51)	(61)	(51)
	64	71	428	387

13. Debtors

	Museum		Consolidated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade Debtors	145	107	266	237
Amount due from trading subsidiary	753	691	0	0
Loan due from trading subsidiary	301	301	0	0
Other Debtors	568	428	504	361
Prepayments	223	207	237	220
	1,990	1,734	1,007	818

Included within Debtors due within one year are intra government balances with: Welsh Assembly Government of £1,000 (£9,000 in 2008-09); Heritage Lottery Fund of £Nil (£8,000 in 2008-09); British Museum of £20,000 (£17,000 in 2008-09) and HM Revenue & Customs of £446,000 (£300,000 in 2008-09), all being defined as other central government bodies and with the City and County of Swansea of £34,000 (£31,000 in 2008-09) being defined as local government bodies within the Whole of Government Accounts.

14. Creditors: Amounts falling due within one year

	Museum		Consolidated	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Trade Creditors	164	281	197	288
Other Creditors and Accruals	519	309	581	374
	683	590	778	662

Included within Creditors are intra government balances with: Welsh Assembly Government of £Nil (£7,000 in 2008-09); Countryside Council for Wales of £Nil (£9,000 in 2008-09) and the Particle Physics & Astronomy Research Council of £8,000 (£7,000 in 2008-09), all being defined as other central government bodies and with the City and County of Swansea of £3,000 (£Nil in 2008-09) and Conwy County Borough Council of £1,000 (£Nil in 2008-09) being defined as local government bodies within the Whole of Government Accounts.

15. Operating Lease Commitments

	Museum		Consolidated	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Expiring:				
Between one and five years	0	7	7	7

16. Pensions

The Museum operates a defined benefit pension scheme in the UK, which is underwritten by a Crown Guarantee issued by the National Assembly for Wales. A full actuarial valuation was carried out at 31 March 2009. This was updated at 31 March 2010 by a qualified independent actuary using guidelines issued by HM Treasury.

The actuarial valuation at 31 March 2010 showed an increase in the deficit from £23,474,000 to £27,182,000. The Museum's contribution to the Scheme in the year to 31 March 2010 amounted to £3,303,000 (£3,026,000 to 31 March 2009) at a rate of 21.3 per cent of Pensionable Remuneration.

The Museum expects to contribute £3,010,000 to the Scheme in 2010-11.

(a) Amounts in the balance sheet:

	2010 £'000	2009 £'000
Fair value of assets	68,578	48,718
Defined benefit obligation	(95,760)	(72,192)
Surplus/(Deficit)	(27,182)	(23,474)

(b) Analysis of changes in the fair value of assets:

	2010 £'000	2009 £'000
Opening fair value of assets	48,718	65,195
Expected return	2,882	4,128
Employer's contributions	3,303	3,026
Members' contributions	859	866
Actuarial experience losses	16,386	(21,258)
Benefits paid	(3,570)	(3,239)
Closing fair value of assets	68,578	48,718

(c) Analysis of changes in the present value of defined benefit obligations:

	2010 £'000	2009 £'000
Opening defined benefit obligation	72,192	76,949
Current service cost	2,041	2,529
Curtailement	826	0
Members' contributions	859	866
Past service cost	0	33
Interest cost	4,366	4,699
Actuarial loss	19,046	(9,645)
Benefits paid	(3,570)	(3,239)
Closing defined benefit obligation	95,760	72,192

(d) Amounts charged to resources expended:

	2010 £'000		2009 £'000	
Current service cost	2,041		2,529	
Past service cost	826		33	
		2,867		2,562
Expected return on assets	(2,882)		(4,128)	
Interest cost	4,366		4,699	
Total charge to resources expended		1,484		571
		4,351		3,133

(e) Major categories of scheme assets as a percentage of total scheme assets:

	2010	2009
Equities	76.90%	72.90%
Index Linked Gilts	13.30%	15.40%
Corporate bonds	9.70%	11.40%
Other	0.10%	0.30%

(f) Principal actuarial assumptions:

	2010	2009
Discount rate	4.60%	6.04%
Inflation	2.75%	2.75%
Salary growth	4.25%	4.25%
Pension increases in payment	2.75%	2.75%
Pension increases in deferment	2.75%	2.75%
Expected return on assets	6.30%	5.90%
Assumes life expectancy currently age 65		
Male	86.8	85.3
Female	89.0	88.2
Assumes life expectancy currently age 45		
Male	87.9	86.3
Female	89.9	89.1

The expected rate of return utilised on assets of 6.3 per cent is derived from the weighted expected return on each of the major categories of asset. In particular:

- The expected annual return on fixed interest and index linked gilts has been taken to be 4.54%, which is equal to the annualized yield on the FTSE 20 year gilts index at 31 March 2010;
- The expected annual return on corporate bonds has been taken to be 4.60 per cent, which is equal to the discount rate;
- The expected return on equities (and the small holding in property and other investments) has been taken to be 6.79 per cent pa. This has been derived as 2.25 per cent above the expected return on gilts, as in previous years.

(g) Amounts for the current and previous four years:

	2010	2009	2008	2007	2006
Fair value of assets	68,578	48,718	65,195	65,972	58,546
Defined benefit obligation	(95,760)	(72,192)	(76,949)	(79,973)	(68,239)
Deficit	(27,182)	(23,474)	(11,754)	(14,001)	(9,693)
Experience adjustments on assets	16,386	(21,258)	(6,524)	2,486	8,624
Experience adjustments on obligations	3,071	(121)	(191)	(68)	0

17. Statement of Funds

(a) Movement in Funds

	1 April 2009	Incoming Resources	Resources Expended	Other Movements in Year	31 March 2010
	£'000	£'000	£'000	£'000	£'000
Public Funds					
Restricted – Capital	93,535	1,988	(1,058)	(5,911)	88,554
Restricted – Specimens	8,918	2,035	(600)	(11)	10,342
Total Restricted	102,453	4,023	(1,658)	(5,922)	98,896
Unrestricted	2,133	27,679	(26,904)	(6)	2,902
Pension Reserve	(23,474)	0	(1,048)	(2,660)	(27,182)
Total Unrestricted	(21,341)	27,679	(27,952)	(2,666)	(24,280)
Total Public Funds	81,112	31,702	(29,610)	(8,588)	74,616
Private Funds					
Restricted	3,628	857	(312)	395	4,568
Unrestricted	548	114	(16)	35	681
Total Private Funds	4,176	971	(328)	430	5,249
Total	85,288	32,673	(29,938)	(8,158)	79,865

Unrestricted Public Funds recorded in the Museum's own non-consolidated accounts at 31 March 2010 was £2,850,000 with £52,000 attributable to NMGW Enterprises Ltd.

Restricted Private Funds include three major fund balances being: the Art Department Fund, the National Museum Cardiff Upper West Wing Project Fund and the National Museum Cardiff Learning Spaces Project Fund.

(b) Analysis of Net Assets Between Funds

	Public Funds		Private Funds		2010 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	
Fixed Assets	98,068	374	3,572	534	102,548
Current Assets	950	3,181	999	147	5,277
Current Liabilities	(122)	(653)	(3)	0	(778)
Net Assets (before pension liabilities)	98,896	2,902	4,568	681	107,047
Pension Liabilities	0	(27,182)	0	0	(27,182)
Net Assets (after pension liabilities)	98,896	(24,280)	4,568	681	79,865

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

	Museum		Consolidated	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Net incoming resources for the financial year	2,629	1,145	2,628	1,135
Share of Joint Venture	107	122	107	122
Donated Assets	(37)	(109)	(37)	(109)
Depreciation	994	1,043	998	1,047
(Increase)/Decrease in Stocks	7	40	(41)	94
(Increase)/Decrease in Debtors	(278)	(205)	(210)	110
Increase/(Decrease) in Creditors	32	(65)	54	(58)
Disposal of Fixed Asset	2	(29)	2	(29)
FRS17 current year pension costs	1,048	107	1,048	107
Net Cash Inflow from Operating Activities	4,504	2,049	4,549	2,419

19. Capital Expenditure and Financial Investment

	Museum		Consolidated	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Payments to Acquire Tangible Fixed Assets	(3,414)	(1,416)	(3,414)	(1,416)
Proceeds from Sale of Tangible Fixed Assets	8	0	8	0
	(3,406)	(1,416)	(3,406)	(1,416)

20. Management of Liquid Resources

	Museum		Consolidated	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Investments at 1 April 2009	0	0	0	0
Increase in short term investments	800	0	1,100	0
Investments at 31 March 2010	800	0	1,100	0

21. Movements in Cash

	Museum		Consolidated	
	2009-10 £'000	2008-09 £'000	2009-10 £'000	2008-09 £'000
Net Cash at 1 April 2009	1,984	1,351	2,699	1,696
Net Cash Inflow	298	633	43	1,003
Net Cash at 31 March 2010	2,282	1,984	2,742	2,699

22. Capital Commitments

	2010 £'000	2009 £'000
At the balance sheet date there were capital commitments of	<u>2,703</u>	<u>477</u>

Major commitments as at 31 March 2010 relate to refurbishment work of the Upper West Wing and construction of the Clore Learning Space at National Museum Cardiff (major commitments as at 31 March 2009 related to refurbishment work of the Upper West Wing and energy improvement works at National Museum Cardiff).

23. Contingent Liabilities and Guarantees

There are no contingent liabilities or assets as at 31 March 2010.

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

24. Related Party Transactions

The National Museum of Wales is an Assembly Government Sponsored Body. The National Assembly for Wales is therefore regarded as a related party. During the year the Museum received funding from the Assembly in the form of Revenue, Capital and Specimen Purchase Grant in Aid and other grant referred to in Note 3. It also incurred expenditure of £14,000.

During the year the Museum has had material transactions in relation to service activities with other entities for which the National Assembly for Wales is the sponsor, namely the Countryside Council for Wales (Income of £4,000), Arts Council of Wales (Income of £1,000) and National Library of Wales (Expenditure of £1,000).

Mr Paul E. Loveluck, President, Mr J. Peter W. Morgan, Treasurer and Mr Gareth Williams, Trustee, are three of the seven Directors of National Waterfront Museum Swansea referred to in Note 8 of the Accounts. None of the Directors receive remuneration from this company.

The Museum made payments of £2,890 to Geldards LLP in 2009-10. Mr H.R.C. Williams, Trustee, is a member of the LLP.

The Museum made payments of £6,610 to the University of Glamorgan in 2009-10 and received payments of £4,910 from the University of Glamorgan. Elisabeth Elias, Vice President, was Deputy Chairman of the Board of University of Glamorgan.

25. Post Balance Sheet Events

The Museum agreed an application under a Voluntary Redundancy Scheme on 29 June 2010. The cost of the redundancy payment, amounting to £74,196, will be incurred during the year ending 31 March 2011 and will be set off against the salary saving arising. Flowing from this redundancy will be an increased strain on the Museum's Pension Scheme Fund of £51,274.

The Accounting Officer authorised these financial statements for issue on 19 July 2010.

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The National Wool Museum

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