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# Financial Report 2007/08

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# FINANCIAL REPORT OF THE BOARD OF TRUSTEES OF AMGUEDDFA Genedlaethol Cymru – THE NATIONAL MUSEUM OF WALES

## Statutory background

The 'National Museum of Wales' (the Museum) was established by Royal Charter in 1907 and continues to be registered as a legal entity and charity under this name (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 & 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.

On 19 September 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 2007-08 set out an objective to devise and implement a cost-effective consultation scheme to reflect the fact that the collections are held in trust on behalf of the public and to encourage stakeholders to take part in a variety of consultative mechanisms, suitable for the diverse needs of users and non-users, by providing meaningful participation in the museum's planning processes at all levels.

The resulting Consultation Scheme and Ownership Action Plan for 2007-08 set out the values,

principles and key participatory techniques which directed Amgueddfa Cymru's main consultative activities for last year.

## Aims and Objectives

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

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

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

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. Details of their company directorships and other significant interests are maintained in a Register of Interests which is open to the public. Trustee Jane Peirson Jones died on 13 September 2007 and the Board of Trustees and staff wish to record their appreciation of her service to the Museum.

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

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

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

## Amgueddfa Cymru – National Museum Wales's locations

During 2007-08, 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 and science displays. During 2007-08 it started work on developing a distinct National Museum of Art, alongside the national collections of Archaeology & Numismatics, Geology and Biodiversity & Systematic Biology.

### 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. It now offers an experience unparalleled in Britain and unique to Wales. 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

Founded by the Caerleon Antiquarian Association in 1850, and transferred in 1930, 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 town of Caerleon stands on the site of one of only three permanent legionary bases in Roman Britain.

### The National Slate Museum, Llanberis, Gwynedd

Here, the story of slate unfolds in the original 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 provides a unique insight into the effects of industrialisation and maritime trading on life in 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 organisations for the management of Segontium Roman Museum in Caernarfon, Gwynedd, and the Turner House Gallery in Penarth, Vale of Glamorgan, and with the Pembrokeshire Coast National Park Authority for a new facility at St Davids, Pembrokeshire, which is currently under construction.

## Achievements

During 2007-08, the Museum celebrated a number of notable achievements across its sites, including:

Nearly 1.7 million visits were made to national museums in Wales during 2007-08 – the highest total on record and 124% up on the number of visits made in the last financial year before free entry was introduced in April 2001.

The 1,672,677 visits was 9% up on 2006-07 and included a record 674,678 to St Fagans: National History Museum, 353,509 to National Museum Cardiff in Cathays Park and 264,195 to Wales's newest museum, the National Waterfront Museum in Swansea. The Museum attributes this success to three main factors:

- the continuing popularity of the Welsh Assembly Government funded free entry policy
- the opening of the National Waterfront Museum in Swansea in 2005

- a strong public programme of Centenary anniversary exhibitions and events during 2007

The 2007 Centenary celebrations were launched in January 2007 with the *Art Treasures of Wales* exhibition. More than 30 paintings, sculptures and items of decorative art were displayed at a central London location to mark the UK-wide launch of the Centenary fundraising project to create a distinctive new home for the National Art Collections at Cathays Park.

It was also an exciting time for St Fagans: National History Museum too as one of Amgueddfa Cymru's major centenary projects was realised in April 2007. A new indoor gallery, *Oriel 1*, uses objects, photography, film, art and personal stories to show the multiplicity of experiences that have created the nation that we call Wales today.

Visitors from Wales and beyond also flocked to National Museum Cardiff to see works created by artists such as Monet, Cézanne and Van Gogh as the extraordinary story of Gwendoline and Margaret Davies was explored in the major centenary exhibition, *Industry to Impressionism*.

Thanks to the launch of *Rhagor* website at the end of the summer these works and much more can also be enjoyed online. This brand new 'virtual' museum reveals, for the first time, many previously unseen treasures from the collections housed at Wales's seven national museums.

The *Rhagor* site includes a wealth of authoritative articles with interactive comment and rating facilities, breathtaking image galleries, quizzes, dynamic maps and interactive image 'navigators'. Users are also able to submit their own images and memories to the site. Updated regularly and designed to expand into the future, the site's ultimate goal is to present a holistic approach to collections data, research activity and academic knowledge.

The nation's collections are also highlighted in *Amgueddfa Cymru – National Museum Wales: celebrating the first 100 years* published by National Museum Wales Books. The book contains historical photographs from the Museum's archives together with striking modern images, which tell the story of some of those who helped create the museum over the last century.

In October 2007, the opening of St Teilo's medieval church at St Fagans saw many more thousands coming to see a stunning 'new' re-erected historic building at the nation's most popular visitor attraction.

The centenary closed in December 2007 with a major international conference, *National Museums and Small Nations*, and the opening of the *Origins* exhibition at National Museum Cardiff. This innovative archaeology display challenges visitors to question objects from the past in a way that helps us understand who we are today.

### Working in Partnership

Amgueddfa Cymru continued to work in partnership and collaboration with a range of bodies across Wales and beyond. Its two flagship schemes to devise displays featuring the national collections in small venues around Wales – *Cyfoeth Cymru Gyfan-Sharing Treasures* and *Celf Cymru Gyfan-ArtShare Wales* – saw some contrasting projects, illustrating the range of opportunities they create. A successful application was made to the Esmée Fairbairn Foundation for a further three year's support for *Celf Cymru Gyfan-ArtShare Wales* and the final two exhibitions in the present round opened at Bodelwyddan Castle in January 2008 and at Oriel Davies Newtown in February 2008. Both included major works from our historic art collections alongside contemporary art.

The Departments of Geology and BioSyB completed their assessment of the Field Club collection held by Llandudno Museum, while *Dinosaurs in your Garden* was shown at Newport Museum following its presentation in Carmarthen. The treasures – literally – of *The Tregwynt Hoard - Coins, Cromwell & Cavalier* were displayed with great success through the summer and autumn in a newly refurbished space at Scolton Manor Museum, Pembrokeshire.

The Heritage Lottery funded project looking at Wales and slavery, *Everywhere in Chains*, developed into a major exhibition at the National Waterfront Museum in Swansea which was then made available in alternative formats suitable for different types of venue, from museums to community libraries. Alongside, a community based learning programme was developed in Swansea, Cardiff and Newport.

Staff made a significant investment in planning towards the new Oriol y Parc in St Davids. Working closely with Pembrokeshire Coast National Park, the new centre in St Davids, which will be able to take displays and exhibitions from the national collections, took shape.

The Museum's On Common Ground conference, *Young People, Heritage and Culture: Creating a*

*Future from the Past* reviewed the impact of this large project. It was attended by over a hundred delegates, including the Minister for Heritage, Rhodri Glyn Thomas. Speakers included academics and practitioners from the youth, heritage and art sectors, together with young people and funders.

The Archaeology Learning Officer completed the development of web-based learning resources about Mynydd Parys on Anglesey, undertaken with teachers from north Wales, and funded by Menter Môn. Whilst more than 140 teachers from all over Wales attended one of 6 training days organized by the SCAN Learning Officer on the 'Spring Bulbs for Schools' project. As a result there are now 141 schools taking part and 17 of those schools are in Communities First areas, being the most disadvantaged communities across Wales.

The Museum has also worked closely with the National Library of Wales, and will continue to do so, having completed an extensive review of comparable activities under the Welsh Assembly Government's "Making the Connections" strategy.

### The Format of the Accounts

The accounts are prepared under Section 9(4) of the 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 & Galleries of Wales Enterprises Limited, which operates all of the Museum's trading activities. Also contained within the Museum's figures is its 50% share of National Waterfront Museum Swansea Limited, a joint venture with the City and County of Swansea Council, whose prime function was the development of the new National Waterfront Museum in Swansea.

### Financial Results for the Year

The Museum's consolidated net incoming resources before notional costs of capital were £3,705,000 (£2,723,000 incoming in 2006-07). Total incoming resources were £30,633,000 (£29,685,000 in 2006-07) and total resources expended were £26,802,000 (£26,696,000 in

2006-07). The net increase in funds for the year after taking account of all realised and unrealised gains and losses was £11,135,000 (£1,391,000 in 2006-07). Fund balances at 31 March 2008 stood at £103,806,000 (£92,671,000 at 31 March 2007). National Museums & Galleries of Wales Enterprises Ltd. reported a profit before gift aid to the Museum of £308,000 for the 2007-08 financial year (£255,000 in 2006-07).

## Risk Management

The Museum's Board, Committees and Directors consider the major strategic, business and operational risks which the Museum faces on a continuous basis and have established a Risk Management Group to ensure risks are reviewed and reported across the whole organisation and that appropriate positive mitigating actions are in place. These systems have been embedded for 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, and the meetings are attended by the internal auditors. In addition, all risks are reviewed annually as an integral part of the operational planning process whilst also informing the internal audit plan.

## Performance Indicators

During 2006-07, the Museum commissioned a review of how we evaluate our work and activities at all levels. The report on this was published in January 2007 and the recommendations of this report were carried forward during 2007-08 by an internally convened Evaluation Review Group, resulting in an Evaluation Framework and 2008-09 Action Plan for the organization that was approved by Trustees in April 2008. During the Pilot Year of 2008-09, progress in relation to this Action Plan will be monitored in parallel with the standard quarterly monitoring of progress against agreed quantitative and qualitative targets, with a fully integrated planning and evaluation framework then commencing in 2009-10.

The total number of visits made to our sites during 2007-08 was 1,672,677, against a target of 1,500,000. The number of visits to the Museum website was 1,926,781, which exceeded the target figure of 1,750,000, illustrating the continuing growth in the numbers of our visitors and other users who choose to access information about our work within the 'virtual' sphere.

While all of the collections are documented according to the Museums Documentation Association guidelines, we have continued with a programme of computerising collections records with the aim of achieving appropriate levels of computerised documentation for the objects within the Museum's collections. During 2007-08, and based on a total collection size of 4,700,000, we achieved 52.9% of the collections with computerised inventory level records that allows an item to be accurately and swiftly identified and located and 29.1% of the collections with full catalogue level records, including academic data and references to publications. Both of these figures were slightly down against the targets set for the year (55% and 30% respectively) due to the heavy curatorial workload involved in the delivery of public programming during the Centenary Year. However, steady progress continues to be made in this area with the anticipation that targets will be met during 2008-09.

The number of research projects (142) during the year exceeded the target (100), illustrating the continued strength of the Museum's work in disseminating the knowledge inherent in the collections.

## Capital Investment

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

Early work in this area has 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 re-display of the permanent collections at these sites.

Initial projects within the Master Plan have included:

### *Collections Care and Access Project*

The major development during the year was the completion of the work to the building of the Domestic Collection Centre at St Fagans as well as the refurbishment of the "Atcost" Store which houses the Museum's agricultural collections. To facilitate this work the collections were temporarily

moved to the new building at Nantgarw. With expenditure of £1.1m in 2007-08, the total expenditure on this project rose to the original budget of £4.4m.

However, in addition, during 2008-09 we now anticipate converting two ceramic stores at National Museum Cardiff to create a specialist store for larger works of Art.

### **Essential Maintenance Works**

The Welsh Assembly Government committed £3.0m over a three-year period ending 31 March 2008 to allow the Museum to start to address some of the longer term capital investment issues that it now faces. Whilst the majority of this work focuses on replacing the defective parts of the roof at National Museum Cardiff and St Fagans: National History Museum, there will also be the need to improve the electrical services across these two sites. In order to maximise the impact of this funding, the Museum has added £500k per annum from its capital budget to enable these works to be addressed.

Reflecting these priorities, during 2007-08, work on renewing the roof covering to the East wing of National Museum Cardiff was completed whilst at St Fagans, the work concentrated on replacing defective roofing to the entrance and one of the galleries. In total, £1.7m was expended on these maintenance items.

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

The re-display of the Archaeological collections at National Museum Cardiff was completed by their installation into a new exhibition known as *Origins*, which opened in November 2007.

The Essential Maintenance works to the rest of the east wing at National Museum Cardiff has also required the Art collection to be taken down in preparation for a completely new "hang", of which the first phase was re-opened in November 2007. In advance of this, there was also the re-display of the "Davies Sisters" Collection in the Centre Block.

### **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. Indexation will continue until the next professional re-valuation in 3 years time, 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 since that date have been recorded at cost. The Trustees consider that the cost of valuation of heritage assets is prohibitive.

### **Specimen Acquisition**

Major acquisitions through purchase continued to be few because of the static nature of the specimen acquisition fund compared to continuing inflation in the art and antiques market.

Nevertheless, with the help of supporters and grant-funders, it was possible to make some significant purchases. They include:

- Four ceramics decorated by Pablo Picasso in the late 1940s, bought from various dealers at a total cost of £253,000. This group will be a representation of Picasso's ceramic work unique to British national museums.
- A watercolour painting by the Russian artist Vassily Kandinsky titled *Acid Green Crescent* (1927). This painting is as important for its history – it was shown in the infamous exhibition of 'Degenerate Art' held in Nazi Germany in 1937 – as it is for its aesthetic merit. This was purchased from a private collection for £290,000.

Both the above were purchased to celebrate the Museum's centennial year, and bought from the fund set up jointly by the Museum and the Derek Williams Trust for the express purpose of buying suitable works of modern and contemporary art to celebrate the centenary. The Derek Williams Trust has long been a major supporter of the Museum, and this initiative has been particularly welcome.

- Seven paintings by Sir Cedric Morris (1889-1982) were purchased for £42,000 by private treaty. This acquisition was again supported by the Derek Williams Trust.
- The Museum shared with the National Library of Wales the purchase of six sketches of Glamorgan and the Vale of Neath by G. O. Delamotte, 1820. Three works have entered the collection of each institution, with the cost to the Museum being £11,760.
- A pair of sauceboats designed by Robert Adam and made for Sir Watkin Williams Wynn in 1773,



purchased for £71,000, with the help of the Art Fund.

- A gilded relief panel by Sir Edward Burne-Jones, *Perseus and the Graiae*, was accepted in lieu of inheritance tax and allocated to the Museum through the Welsh Assembly Government. A balance of £60,000 was met in part by a grant from the Art Fund and the specimen is valued in the Museum's accounts at £250,000.

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

- A collection of some 7,000 dandelion specimens for the Welsh National Herbarium, donated by Professor A. Richards.
- 500 specimens related to medicinal plant research, donated by Cardiff University.
- A large enamelled horse-strap union and bell from Cwm Parc, Rhondda, dating to the 1st century AD and decorated in the La Tène art style, donated by Forestry Commission Wales.
- The barn and calf-shed from Kennixton, Gower were donated by Messrs. Glyn and David Rogers, whose family donated the original farmhouse to the Museum for re-erection at St Fagans in the 1950s. These buildings will join the farmhouse.

Details of all individual heritage assets acquired during the year with a value over £5,000 are contained in Note 10 to the accounts.

## Fundraising and Volunteers

The total income secured during the year by the Museum's Development Department was £876k from a range of public sources, trusts and foundations, companies and individuals. A further £542k in pledges was also secured.

Not reflected in these figures are a number of long term initiatives that are also in the planning stage or being implemented - such as a legacy promotion and significant major donor and corporate work. The Development Department has also commenced planning for income generation for the redevelopment of St Fagans: National History Museum.

The Patrons continue to increase their invaluable support through their membership, and through

advocacy work in recruiting other supporters to the scheme. In 2007 the Development Department launched a Patrons Centenary Appeal. This was recently closed and has generated in excess of £43k including gift aid, and has been used to purchase items for St Teilo's Church at St Fagans.

During the year the Development Board, which is made up of individuals who have kindly agreed to assist the Museum in meeting its fundraising targets, has started to focus on key projects, in particular the refurbishment of St Fagans: National History Museum. One of its members assisted in the facilitation of a grant from the Principality Building Society, and following this the Museum successfully submitted the Principality for one of the prestigious Arts and Business Wales awards.

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 285 hours of attendance by the Friends in a volunteering capacity.

Thirdly, the Friends also provide financial support for a number of projects and this year generously contributed towards an education van, research grants, the redevelopment of Oriel 1 at St Fagans and the Origins displays and east wing gallery at National Museum Cardiff.

## Prompt Payment Performance

The Museum subscribes to the objectives of the Better Payment practice code issued by HM Treasury and aims to pay valid invoices within 30 days of receipt. The average time taken for payment of invoices during 2007-08 was 8 days (7 days in 2006-07), which includes 98% (by number) of invoices settled within 30 days (98% in 2006-07). There were no payments of interest under the Late Payment of Commercial Debts (Interest) Act 1998 (£Nil in 2006-07).

## Sustainability

During 2007-08, 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.

The National Roman Legion Museum maintained its Level 3 Accreditation status within the 'Green Dragon' Environmental Accreditation Scheme. Big Pit, the National Slate Museum, the National Wool Museum, St Fagans and National Museum Cardiff all maintained their Level 2 status and the National Waterfront Museum and the National Collections Centre both undertook preparatory work towards gaining Level 2 status during 2008-09.

The Museum has also entered into a formal partnership with the Carbon Trust who will work with us throughout the coming years to help us to reduce the total carbon footprint of the organization.

## Policy on Reserves

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

This policy is currently dependent on the authority granted by the Welsh Assembly Government in the Museum's Management Statement and Financial Memorandum which at the financial year-end 2007-08 limited cash reserves to 2% 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, Swansea (to reflect the joint funding arrangement with the City and County of Swansea) and capital projects which straddle the financial year end. The Museum regrets the imposition of these restrictive annual carryover limits within AGSBs as it believes it can hinder prudent financial management and could encourage in-year expenditure in order to reduce cash balances which possibly could be more profitably invested after the artificial barrier created at the financial year-end.

Within these limits, however, the Museum is endeavouring to generate cash reserves during 2008-09 in order to reduce and defer the impact on its operations that may be forthcoming based upon

indicative grant-in-aid allocations received from the Assembly for 2009-10 and 2010-11.

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, whilst remaining within any restrictions on use contained within the Private Funds.

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

With the Museum continuing on a long-term plan of capital developments and refurbishments at its locations, in order to part-fund these developments, it is essential that maximum flexibility in reserve retention is available via carry-over, private funds and retained profits from trading.

The Museum's Total Funds at 31 March 2008 were £103,806,000 with an analysis provided within the notes to the Financial Accounts.

## Investment Policy and Performance

The Museum's private funds investments are managed by its advisors Gerrard Investment Management Ltd. There is a cautious attitude to risk and the funds are invested in a medium risk portfolio plus a substantial element retained in cash based deposits. The performance of those funds is subject to review on a regular basis. The value of the portfolio fell during the year from £2,029k to £1,848k which reflects the general movement in stock market investments.

The Museum also held, from bequests, an equity investment in eleven blue chip companies. The value of this portfolio also fell during the year from £104k to £83k.

## Pension Liability

The Museum operates a defined benefit pension scheme which is available to all permanent

employees. In common with the vast majority of such schemes, recent annual valuations for the statutory accounts have shown a deficit of scheme assets when compared to scheme liabilities. The deficit was predominantly caused in the first place by a significant fall in the valuation of the scheme's investments, particularly equity investments, a few years ago. Whilst investment returns remain variable, further factors also affect the scheme valuations including the anticipated increased longevity of the members. 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".

Details of how pension costs are accounted for are contained in the accounting policies note to the accounts. Disclosure requirements contained in Financial Reporting Standard 17 are contained within note 16 to the Financial Statements, and compare the present day value of the scheme's assets to the potential scheme liabilities. The value of the scheme deficit has fallen at 31 March 2008 to £11.754m compared to the opening deficit of £14.001m. A key component in the calculations of the scheme's position is the discount rate that is used to calculate the present day value of the liabilities. The Museum is required to comply with accounts guidance from HM Treasury which this year set a discount rate of 2.5% above inflation and this rate was accordingly incorporated within the calculation by scheme's actuary. The fall in the scheme's deficit balance is predominantly due to the use of this higher discount rate compared to last year's rate of 1.8%, as it significantly reduced the liabilities. This effect has been offset, to some extent, by the fall in equity investments.

Over the last few years, the Museum has taken various steps to address the deficit including an increase in employer contributions of 4.5% to the current 21.3% plus there have been capital injections from the Welsh Assembly Government. 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. In the meantime, the Museum and the Scheme's Trustees have agreed that the current level of contributions will remove the deficit over an acceptable time frame, taking due account of the Crown Guarantee.

## Future Developments

The Museum used its Centenary year as a platform to drive our vision to become 'a world-class museum of learning'. Building on the visioning exercise undertaken in 2005, including consulting with around 5,000 organizations and individuals in Wales and beyond, the views expressed through this process were taken into account in preparing our plans for the future. In summary, there was a general consensus in several areas:

1. The need to split National Museum Cardiff to become a National Museum of Natural Science on the ground floor and a National Museum of Art on the upper floors.
2. That the moving of the Archaeology collections to St Fagans and a major future development at that site would be beneficial in developing the site as a National History Museum.
3. That the Museum needs to work towards developing its Art facilities as an essential precursor to the development of a National Art Gallery.
4. That our existing partnership arrangements are already extending access to our collections across Wales and wider, and that this should be maintained and developed.
5. That the public already use much of the Museum's intellectual assets via the internet but the development of the 'virtual museum' will enhance this provision.

Against this background, the Museum has assessed the relative priorities of its developments as follows:

- i. Completing the essential maintenance works project to address the significant maintenance backlog at National Museum Cardiff and St Fagans: National History Museum.
- ii. Converting spaces within National Museum Cardiff so as to extend the spaces available for the display of Art and giving greater focus and space to Natural Science.
- iii. Support the Pembrokeshire Coast National Park in its aspirations to develop their existing St Davids Tourist Visitor Centre into an environmental centre which will be able to house the collection of Graham Sutherland which has been left in trust to the Museum.
- iv. Developing the facilities at St Fagans such that it becomes "The National History Museum".

- v. To develop proposals to create a National Art Gallery at a venue yet to be identified, by undertaking an options appraisal in conjunction with the Welsh Assembly Government, the Arts Council for Wales, and the National Library of Wales.

At St Fagans, work has already started on the strategy to redevelop the country's most popular visitor attraction as a National History Museum for Wales. The 2005 consultation exercise gave the Museum a clear steer about what the public wanted in terms of the future direction of St Fagans and confirmed what many visitors from home and abroad have been telling us over the years – that St Fagans is the place to which many people make a pilgrimage and expect to experience the story of the development of a nation.

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 predate the modern period will be moved from the city centre National Museum Cardiff and re-displayed 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.

## Policies Relating to Staff

### Equality of Opportunity

The Museum continues to implement non-discriminatory recruitment procedures and therefore interviews and appoints only on merit. The Museum works with local Disability Employment Advisors to ensure the needs of disabled people are met on appointment. Employees who become disabled during the course of their employment are similarly helped – every effort is made to ensure that employees are able to remain in employment.

Furthermore, the Museum continues to invest in public facilities to improve disabled access to both buildings and information. To assist this work, the Museum has trained over 60 employees to become Disability Advocates during the past year. This group champions diversity throughout the

organization and works to the Social Model of Disability.

In addition to its policy on engaging with disabled people, the Museum also has an Equal Opportunities policy which commits the organization to the “elimination of all forms of discrimination and harassment within the organization”.

### 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, e-mail and intranet communications, plus informal methods of communication as appropriate.

### 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 and the National Slate Museum. Both the National Waterfront Museum and St Fagans: National History Museum are working towards assessment.

### 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 dependant upon the Museum's system of personal development reviews. Inflationary elements contained within the agreed pay remit are automatically awarded to all staff.

The Director General's salary consists of a basic salary with an annual bonus. The amount of this bonus (up to a maximum of 10% of salary) is agreed by a Remuneration Committee which consists of the President, Vice President, Treasurer and Dr W B Willott. 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 Remuneration 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 12 and further details of the remuneration and pension benefits of Directors are contained within note 7(c) to the Accounts. 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 Remuneration Committee and (where appropriate) the Welsh Assembly Government.

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

This Remuneration Report and the details contained in note 7(c) to the Accounts are subject to audit.

### Welsh Language Policy

Each AGSB is expected to draw up and review a Welsh language mainstreaming strategy annually (including the implementation of a Welsh Language Scheme). The Museum's 2007-08 Mainstreaming Strategy was implemented in full and has now been revised to reflect the mainstreaming implications of the overall Operational Plan for 2008-09.

### 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 2008 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 Bentley Jennison, Cardiff  
Investment Managers: Gerrard Investment Management Ltd, Cardiff  
Pension Fund Managers: BBS Consultants and Actuaries LLP, Bristol  
Taxation: Deloitte & Touche LLP, Cardiff

#### *Michael Houlihan*

Accounting Officer and Director General  
Approved and signed on 23 July 2008

#### *J. Peter W. Morgan*

Treasurer, on behalf of the Board of Trustees  
Approved and signed on 23 July 2008

## BOARD OF TRUSTEES

(From 1 April 2007 onwards)

### President

Paul E. Loveluck, CBE, JP, BA \*

### Immediate Past President

Mathew Prichard, CBE, DL, BA (to 31 October 2007)

### Vice President

Dr Susan J. Davies, BA \* (to 31 October 2007)

Elisabeth Elias, MA, DL \* (Board member to 31 October 2007 then appointed Vice President)

### Treasurer

G. Wyn Howells, ACIB \* (to 31 October 2007)

J. Peter W. Morgan, M.Sc., FCA \* (Board member to 31 October 2007 then appointed Treasurer)

### Appointed by the Welsh Assembly Government

Rhiannon Wyn Hughes, MBE

H. R. C. Williams

Gareth Williams

Carole-Anne Davies (from 1 November 2007)

Miriam Hazel Griffiths (from 1 November 2007)

Prof. Gareth Wyn Jones (from 1 November 2007)

Christina Macaulay (from 1 November 2007)

### Appointed by the National Museum of Wales

Dr Iolo ap Gwynn, B.Sc., Ph.D., FRMS

J. W. Evans CBE, MA (to 21 June 2007)

Prof. C. L. Jones OBE, FRSA

Jane Peirson Jones, MA, FMA (deceased 13 September 2007)

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

D. Bowen Lewis (to 31 October 2007)

Dr W. B. Willott, C.B.

Prof. Jonathan P. Osmond (from 1 November 2007)

Dr Haydn Ellis Edwards (from 1 November 2007)

\* Indicates members of the Audit Committee

## DIRECTORATE

(From 1 April 2007 onwards)

Director General

Director of Collections and Research

(Deputy Director General)

Director of Finance

Director of St Fagans: National History Museum

Director of Learning & Programmes

Director of Operations

Director of Communications

Michael Houlihan

Eurwyn Wiliam

Jon Sheppard

John Williams-Davies

Michael Tooby

Mark Richards

Robin Gwyn

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

Under section 9(4) of the 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 and for the keeping of proper records and for safeguarding the Museum's assets, are set out in the Accounting Officers' Memorandum issued by the Treasury.

### Statement of disclosure of information to auditors

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

## Statement on Internal Control

### 1. Scope of responsibility

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

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

The system of internal control is designed to manage risk to a reasonable level, rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Museum for the year ended 31 March 2008, 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 Whistleblowing policies which are subject to audit review.

### 3. 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 by comparison with other organisations.

### 4. The Risk and Control Framework

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

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

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

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



Threats to the security of all the Museum's assets is a fundamental risk, requiring mitigating actions, and is regularly reviewed by internal audit and the Board of Trustees. During the year ended 31 March 2008, the Museum, via the Risk Management Group, also reviewed the risk and mitigating actions relating to the security and confidentiality of personal and other data. Appropriate controls were confirmed and reported thereon from the group's meetings.

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. Audit of the design and operation of the Risk Management process is included within the internal auditors rolling programme of work and was subject to review during the year ended 31 March 2008. No recommendations arose from that review with the conclusion by the internal auditors that "the control framework, as currently laid down and operated, provides substantial assurance that the risks material to the achievement of the organization's objectives for this area are adequately managed and controlled".

## 5. Review of effectiveness

The Accounting Officer also has responsibility for reviewing the effectiveness of the system of internal control. The review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the 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 indicate financial performance against the forecasts;
- setting targets to measure financial and other performance within the Operational Plan, with progress monitored by quarterly meetings of a Performance Review Committee;
- clearly defined capital investment control guidelines and monitoring thereof;
- regular reports by internal audit to standards defined in the Government Internal Audit Manual which includes the Internal Auditor's independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement.

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

*Michael Houlihan*  
Accounting Officer and Director General  
Approved and signed on 23 July 2008

*J. Peter W. Morgan*  
Treasurer, on behalf of the Board of Trustees  
Approved and signed on 23 July 2008

## **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 2008 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. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

#### **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 and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with 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 the National Museum of Wales corporate governance procedures or its risk and control procedures.

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

#### **Basis of Audit Opinions**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the

amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and 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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure 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 and the part of the Remuneration Report to be audited.

## Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by Welsh Ministers, of the state of the National Museum of Wales, and its group, affairs as at 31 March 2008 and of its incoming resources and application of resources, and cash flows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and 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.

*Jeremy Colman*  
Auditor General for Wales  
24 Cathedral Road  
Cardiff  
CF11 9LJ

Date: 1 August 2008

## CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 MARCH 2008

	Notes	Public funds		Private Funds		2007-08	2006-07
		Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	Total £'000	Total £'000
<b>INCOMING RESOURCES</b>							
<b>Activities for Generating Funds:</b>							
Investment Income		0	0	62	10	72	68
Income from trading subsidiary	2	0	2,579	0	0	2,579	2,488
Fundraising income		0	0	329	33	362	214
		<b>0</b>	<b>2,579</b>	<b>391</b>	<b>43</b>	<b>3,013</b>	<b>2,770</b>
<b>Activities in Furtherance of Charitable Objects:</b>							
Grants	3	3,689	21,480	0	0	25,169	25,101
Donations & bequests	4	760	0	164	71	995	522
Other income	5	53	1,273	126	4	1,456	1,292
		<b>4,502</b>	<b>22,753</b>	<b>290</b>	<b>75</b>	<b>27,620</b>	<b>26,915</b>
<b>TOTAL INCOMING RESOURCES</b>		<b>4,502</b>	<b>25,332</b>	<b>681</b>	<b>118</b>	<b>30,633</b>	<b>29,685</b>
<b>RESOURCES EXPENDED</b>							
6&7							
<b>Costs of Generating Funds:</b>							
Costs of Trading Subsidiary		0	2,271	0	0	2,271	2,233
Costs of Fundraising		0	465	0	0	465	564
		<b>0</b>	<b>2,736</b>	<b>0</b>	<b>0</b>	<b>2,736</b>	<b>2,797</b>
<b>Costs of Charitable Activities:</b>							
Learning & Programmes		115	2,755	83	0	2,953	2,764
Collections & Research		1,004	7,394	98	1	8,497	8,300
Museum Operations		568	11,553	77	27	12,225	11,808
		<b>1,687</b>	<b>21,702</b>	<b>258</b>	<b>28</b>	<b>23,675</b>	<b>22,872</b>
<b>Governance Costs</b>		0	672	0	0	672	633
<b>Pension Finance Costs</b>	16	0	(281)	0	0	(281)	394
<b>TOTAL RESOURCES EXPENDED</b>		<b>1,687</b>	<b>24,829</b>	<b>258</b>	<b>28</b>	<b>26,802</b>	<b>26,696</b>
<b>SHARE OF JOINT VENTURE</b>	8	(126)	0	0	0	(126)	(266)
<b>NET INCOMING RESOURCES BEFORE NOTIONAL COSTS</b>		<b>2,689</b>	<b>503</b>	<b>423</b>	<b>90</b>	<b>3,705</b>	<b>2,723</b>
Notional cost of capital		(3,678)	397	0	0	(3,281)	(3,076)
<b>NET INCOMING/(OUTGOING) RESOURCES BEFORE TRANSFERS</b>		<b>(989)</b>	<b>900</b>	<b>423</b>	<b>90</b>	<b>424</b>	<b>(353)</b>
Reversal of notional cost of capital		3,678	(397)	0	0	3,281	3,076
<b>NET INCOMING RESOURCES FOR THE FINANCIAL YEAR</b>		<b>2,689</b>	<b>503</b>	<b>423</b>	<b>90</b>	<b>3,705</b>	<b>2,723</b>
Unrealised Gains on revaluation of fixed assets intended for Charity Use	9	5,532	16	79	23	5,650	2,932
Realised/Unrealised Gains/(Losses) on market valuation of investments	11	0	0	(173)	(27)	(200)	83
Actuarial Gains/(Losses) on defined benefit pension scheme	16	0	1,980	0	0	1,980	(4,347)
<b>NET MOVEMENT IN FUNDS DURING THE FINANCIAL YEAR</b>		<b>8,221</b>	<b>2,499</b>	<b>329</b>	<b>86</b>	<b>11,135</b>	<b>1,391</b>
<b>FUND BALANCES B/FWD AT 1 APRIL 2007</b>	17	<b>101,068</b>	<b>(12,605)</b>	<b>3,785</b>	<b>423</b>	<b>92,671</b>	<b>91,280</b>
<b>FUND BALANCES C/FWD AT 31 MARCH 2008</b>	17	<b>109,289</b>	<b>(10,106)</b>	<b>4,114</b>	<b>509</b>	<b>103,806</b>	<b>92,671</b>

The above SOFA includes all recognised gains and losses. All activities are continuing. The non-consolidated net increase in funds recorded in the

Museum's own Statement of Financial Activities during 2007-08 was £11,139,000 (£1,382,000 increase in 2006-07). The notes on pages 21 to 35 form part of these accounts.

## CONSOLIDATED BALANCE SHEET AS AT 31 MARCH 2008

	Notes	Museum		Consolidated	
		2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>FIXED ASSETS</b>					
Tangible Assets	9	85,380	77,610	85,394	77,628
Heritage Assets	10	12,642	11,658	12,642	11,658
Share of Joint Venture:	8				
Share of gross assets		13,308	13,513	13,308	13,513
Share of gross liabilities		(50)	(129)	(50)	(129)
		13,258	13,384	13,258	13,384
Investments	11	1,931	2,133	1,931	2,133
		113,211	104,785	113,225	104,803
<b>CURRENT ASSETS</b>					
Stock	12	112	137	481	495
Debtors due within one year	13	1,582	1,899	980	1,453
Debtors due after more than one year	13	1	39	1	39
Cash at bank and in hand		1,351	852	1,696	1,048
		3,046	2,927	3,158	3,035
<b>CREDITORS</b>					
Amounts falling due within one year	14	(760)	(1,066)	(822)	(1,124)
<b>NET CURRENT ASSETS</b>		<u>2,286</u>	<u>1,861</u>	<u>2,336</u>	<u>1,911</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>115,497</b>	106,646	<b>115,561</b>	106,714
<b>CREDITORS</b>					
Amounts falling due after more than one year	15	(1)	(42)	(1)	(42)
<b>NET ASSETS EXCLUDING PENSION SCHEME LIABILITY</b>		<u>115,496</u>	<u>106,604</u>	<u>115,560</u>	<u>106,672</u>
Defined benefit pension scheme liability	16	(11,754)	(14,001)	(11,754)	(14,001)
<b>NET ASSETS INCLUDING PENSION SCHEME LIABILITY</b>		<u>103,742</u>	<u>92,603</u>	<u>103,806</u>	<u>92,671</u>
<b>FUNDS</b>	17				
Public Funds Restricted		109,289	101,068	109,289	101,068
Public Funds Unrestricted		1,584	1,328	1,648	1,396
Pension Reserve		(11,754)	(14,001)	(11,754)	(14,001)
Total Public Funds Unrestricted		(10,170)	(12,673)	(10,106)	(12,605)
Private Funds Restricted		4,114	3,785	4,114	3,785
Private Funds Unrestricted		509	423	509	423
		103,742	92,603	103,806	92,671

Signed on behalf of the Trustees by

*Michael Houlihan*  
Accounting Officer and Director General  
Approved and signed on 23 July 2008

*J. Peter W. Morgan*  
Treasurer, on behalf of the Board of Trustees  
Approved and signed on 23 July 2008

The notes on pages 21 to 35 form part of these accounts.

**CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2008**

	Notes	Museum		Consolidated	
		2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
<b>Net Cash Inflow from Operating Activities</b>	18	<b>4,536</b>	4,365	<b>4,685</b>	4,278
<b>Capital Expenditure and Financial Investment</b>	19	<b>(4,037)</b>	(4,133)	<b>(4,037)</b>	(4,153)
<b>Increase in Cash</b>	20	<b>499</b>	232	<b>648</b>	125

The notes on pages 21 to 35 form part of these accounts.

## Notes to the Accounts for the Year Ended 31 March 2008

### 1. Accounting Policies

#### 1.1 Basis of Accounting

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

#### 1.2 Joint Venture Undertakings

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

#### 1.3 Subsidiary Undertakings

The Museum operates a wholly owned trading subsidiary National Museums and Galleries of Wales Enterprises (NMGW Enterprises) Ltd. The trading results for the company have been included within the consolidated financial statements on the 'line by line' method. The accounts of NMGW Enterprises Ltd for the year to 31 March 2008 received an unqualified audit opinion. A copy of the accounts can be obtained from the Museum's Principal Office: National Museum Cardiff, Cathays Park, Cardiff CF10 3NP.

#### 1.4 Incoming Resources

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

#### 1.5 Resources Expended

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

#### 1.6 Tangible Fixed Assets and Heritage Assets

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

Heritage assets are defined as assets of historic, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of charities and through public access contribute to the nation's culture and education at either a national or local level. These assets are central to the achievement of the aims of the Museum and include land, buildings, exhibits and artefacts. With effect from 1 April 2001 heritage assets purchased 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 cost of valuation is prohibitive.

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

#### 1.7 Depreciation

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

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

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

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

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

### **1.8 Funds**

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

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

Private Restricted Funds are funds subject to specific restriction imposed by donors and can only be applied in accordance with the 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 Inland Revenue, though NMGW Enterprises Ltd is subject to Corporation Tax.

### **1.13 Pensions**

Contributions to the National Museum of Wales's 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% to the average public capital employed. The cost of capital charge measures an appropriate return on the taxpayers equity.

### **1.15 Derivatives**

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



## 2. Trading Subsidiary

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

	2007-08 £ '000	2006-07 Restated £ '000
Turnover	2,433	2,350
Cost of sales	<u>(1,958)</u>	<u>(1,952)</u>
<b>Gross Profit</b>	<b>475</b>	398
Administrative expenses	<b>(290)</b>	(262)
Other operating income	<b>111</b>	115
<b>Profit on ordinary activities before interest</b>	<b>296</b>	251
Interest receivable	<b>35</b>	23
Interest payable	<b>(23)</b>	(19)
<b>Profit on ordinary activities before taxation</b>	<b>308</b>	255
Tax on profit on ordinary activities	<b>0</b>	0
<b>Profit for the financial year</b>	<b>308</b>	255
Gift aid payable to the Museum	<b>(312)</b>	<u>(246)</u>
<b>Retained profit for the financial year</b>	<b>(4)</b>	9

The comparative figures for last year have been restated. However there is no change to the overall profit figure for last year.

## 3. Grants Receivable

	Public Restricted £'000	Public Unrestricted £'000	2007-08 £'000	2006-07 £'000
Revenue Grant in Aid	0	21,301	<b>21,301</b>	20,519
Specimen Purchase Grant in Aid	1,075	0	<b>1,075</b>	1,075
Capital Grant in Aid	2,325	0	<b>2,325</b>	3,259
Grants from other government bodies	289	179	<b>468</b>	248
	<b>3,689</b>	<b>21,480</b>	<b>25,169</b>	25,101

The Museum received total Grant from the Welsh Assembly Government of £24,701,000 (£24,853,000 in 2006-07) which comprises the Revenue, Specimen Purchase and Capital Grant in Aid.

Grants from other government bodies included: Heritage Lottery Fund grant of £162,000 (£55,000 in 2006-07); European Union grant of £5,000 (£135,000 in 2006-07) and other grant of £301,000 (£58,000 in 2006-07).

## 4. Donations & Bequests

	Public Funds		Private Funds		2007-08 £'000	2006-07 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000		
Donated Assets	190	0	28	0	<b>218</b>	105
Other donations	<u>570</u>	<u>0</u>	<u>136</u>	<u>71</u>	<b>777</b>	<u>417</u>
	<b>760</b>	<b>0</b>	<b>164</b>	<b>71</b>	<b>995</b>	522

## 5. Other Income

	Public Funds		Private Funds		2007-08 £'000	2006-07 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000		
Learning and Programmes	0	124	0	0	124	142
Collections and Research	5	195	0	0	200	332
Museum Operations	48	821	0	0	869	688
Support	0	133	126	4	263	130
	<b>53</b>	<b>1,273</b>	<b>126</b>	<b>4</b>	<b>1,456</b>	1,292

## 6. Total Resources Expended

### (a) Museum

	Direct Costs £'000	Depre- ciation £'000	Marketing, Press & PR £'000	Support Costs			2007-08 £'000	2006-07 £'000
				Finance & Admin £'000	ICT £'000	Human Resources £'000		
<b>Costs of Generating Funds</b>								
Cost of Fundraising	373	0	43	26	15	8	465	564
	373	0	43	26	15	8	465	564
<b>Costs of Charitable Activities</b>								
Learning & Programmes	2,619	88	70	29	94	53	2,953	2,764
Collections & Research	7,500	416	77	114	248	142	8,497	8,300
Museum Operations	11,137	430	231	166	156	275	12,395	11,994
	21,256	934	378	309	498	470	23,845	23,058
<b>Governance Costs</b>	524	0	122	6	13	7	672	633
<b>Pension Finance Costs</b>	(281)	0	0	0	0	0	(281)	394
<b>Total Resources Expended</b>	<b>21,872</b>	<b>934</b>	<b>543</b>	<b>341</b>	<b>526</b>	<b>485</b>	<b>24,701</b>	24,649

### (b) Consolidated

	Direct Costs £'000	Depre- ciation £'000	Marketing, Press & PR £'000	Support Costs			2007-08 £'000	2006-07 £'000
				Finance & Admin £'000	ICT £'000	Human Resources £'000		
<b>Costs of Generating Funds</b>								
Cost of Trading Subsidiary	2,267	4	0	0	0	0	2,271	2,233
Cost of Fundraising	373	0	43	26	15	8	465	564
	2,640	4	43	26	15	8	2,736	2,797
<b>Costs of Charitable Activities</b>								
Learning & Programmes	2,619	88	70	29	94	53	2,953	2,764
Collections & Research	7,500	416	77	114	248	142	8,497	8,300
Museum Operations	10,967	430	231	166	156	275	12,225	11,808
	21,086	934	378	309	498	470	23,675	22,872
<b>Governance Costs</b>	524	0	122	6	13	7	672	633
<b>Pension Finance Costs</b>	(281)	0	0	0	0	0	(281)	394
<b>Total Resources Expended</b>	<b>23,969</b>	<b>938</b>	<b>543</b>	<b>341</b>	<b>526</b>	<b>485</b>	<b>26,802</b>	26,696

The amount of £41,575 (£42,875 in 2006-07) is included in resources expended for external auditors' remuneration, £36,800 (£35,400 in 2006-07) for the audit fee and £4,775 (£7,475 in 2006-07) for other work.

The amount of £25,000 (£290,000 in 2006-07) 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 liason, internal and external audit, risk management and statutory reports and accounts.

## 7. Staff Costs

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

	Consolidated	
	2007-08 £ '000	2006-07 £ '000
Salaries & Wages	14,889	14,446
Social Security Costs	1,078	1,069
Current Pension Service Cost	2,901	2,383
Severence Costs	1	25
	18,869	17,923
Pension Finance Costs	(281)	394
	18,588	18,317

Included within the staff costs are £1,007,000 (£950,000 in 2006-07) relating to the trading subsidiary.

Included within operating costs is an amount of £24,000 (£39,000 in 2006-07) for agency staff.

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

	Permanent Staff	Other Staff	2007-08	2006-07
			Number	Number
Trading Subsidiary	31	7	38	45
Fundraising	6	1	7	7
Learning & Programmes	47	4	51	54
Collections & Research	142	7	149	155
Museum Operations	278	19	297	293
Support	65	2	67	67
	569	40	609	621

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

	Salary 2007-08 (2006-07)	Real increase in pension and related lump sum at age 60	Accrued pension at age 60 at 31 March 08 and related lump sum	CETV at 31 March 08	CETV at 31 March 07	Real increase in CETV in excess of members contributions
	£	£	£	£	£	£
Mr Michael Houlihan, Director General	98,859 (96,447)	1,170 plus 3,510 lump sum	6,130 plus 18,390 lump sum	155,850	107,300	38,540
Dr Eurwyn Wiliam, Deputy Director General	70,919 (68,554)	1,240 plus 3,720 lump sum	32,360 plus 97,080 lump sum	797,410	659,500	108,590
Mr John Williams-Davies Director of St Fagans NHM	69,919 (67,554)	790 plus 2,370 lump sum	30,220 plus 90,660 lump sum	723,100	603,300	92,680
Mr Mark Richards Director of Operations	69,919 (67,554)	850 plus 2,550 lump sum	8,020 plus 24,060 lump sum	132,090	95,900	28,350
Mr Michael Tooby, Director of Learning & Programmes	67,554 (64,884)	900 plus 2,700 lump sum	20,130 plus 60,390 lump sum	355,850	279,500	61,680
Mr Jonathan Sheppard, Director of Finance	64,884 (62,214)	860 plus 2,580 lump sum	10,250 plus 30,750 lump sum	222,120	170,100	41,660
Mr Robin Gwyn, Director of Communications	62,214 (59,544)	810 plus 2,430 lump sum	5,570 plus 16,710 lump sum	91,340	63,200	22,010

The emoluments of the Director General consisted of a basic salary of £98,859 (£96,447 in 2006-07) plus a non consolidated bonus based on performance of £6,430 (£6,270 in 2006-07). He also received, as a benefit in kind, assistance with relocation costs of £Nil (£3,589 in 2006-07).

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 hospitality expended by the Museum for its Board and committee members was £27,000 (£21,000 in 2006-07). A total of 13 trustees were reimbursed expenses.

## 8. Share of Joint Venture

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

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

	Total Net Movement in Funds		Share of Net Movement in Funds	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Incoming resources from generating funds	0	0	0	0
Investment income	10	35	5	18
Other incoming resources	1	0	0	0
<b>Total incoming resources</b>	<b>11</b>	<b>35</b>	<b>5</b>	<b>18</b>
Costs of generating funds	0	21	0	11
Charitable activity expenditure	253	260	126	130
Other resources expended	0	276	0	138
Governance costs	9	9	5	5
<b>Total resources expended</b>	<b>262</b>	<b>566</b>	<b>131</b>	<b>284</b>
<b>Net Movement in Funds</b>	<b>(251)</b>	<b>(531)</b>	<b>(126)</b>	<b>(266)</b>

	Total Assets and Liabilities		Share of Assets and Liabilities	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Fixed Assets	26,441	26,408	13,221	13,203
Current Assets	175	619	87	310
Liabilities due within one year	(50)	(210)	(25)	(104)
Liabilities due after more than one year	(49)	(49)	(25)	(25)
<b>Net Assets</b>	<b>26,517</b>	<b>26,768</b>	<b>13,258</b>	<b>13,384</b>
<b>Funds</b>				
General Fund (unrestricted)	26,392	26,408	13,196	13,203
Restricted Fund	125	360	62	181
	<b>26,517</b>	<b>26,768</b>	<b>13,258</b>	<b>13,384</b>

At 31 March 2008, NWMS Ltd had contracted for £10,743 of capital expenditure which had not been incurred at that date.

## 9. Tangible Fixed Assets

### (a) Museum

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
<b>Cost or Valuation</b>					
At 1 April 2007	18,722	58,548	143	1,096	<b>78,509</b>
Additions in Year	1,245	1,571	23	215	<b>3,054</b>
Revaluation	1,426	4,291	4	45	<b>5,766</b>
<b>At 31 March 2008</b>	<b>21,393</b>	<b>64,410</b>	<b>170</b>	<b>1,356</b>	<b>87,329</b>
<b>Depreciation</b>					
At 1 April 2007	260	474	55	110	<b>899</b>
Charge for the Year	279	488	30	137	<b>934</b>
Revaluation	38	69	1	8	<b>116</b>
<b>At 31 March 2008</b>	<b>577</b>	<b>1,031</b>	<b>86</b>	<b>255</b>	<b>1,949</b>
<b>Net Book Value</b>					
At 1 April 2007	18,462	58,074	88	986	<b>77,610</b>
<b>At 31 March 2008</b>	<b>20,816</b>	<b>63,379</b>	<b>84</b>	<b>1,101</b>	<b>85,380</b>

### (b) Consolidated

	Freehold Land & Buildings £'000	Leasehold Properties £'000	Plant & Vehicles £'000	Fixtures, Fittings & Equipment £'000	Total £'000
<b>Cost or Valuation</b>					
At 1 April 2007	18,722	58,548	143	1,128	<b>78,541</b>
Additions in Year	1,245	1,571	23	215	<b>3,054</b>
Revaluation	1,426	4,291	4	45	<b>5,766</b>
<b>At 31 March 2008</b>	<b>21,393</b>	<b>64,410</b>	<b>170</b>	<b>1,388</b>	<b>87,361</b>
<b>Depreciation</b>					
At 1 April 2007	260	474	55	124	<b>913</b>
Charge for the Year	279	488	30	141	<b>938</b>
Revaluation	38	69	1	8	<b>116</b>
<b>At 31 March 2008</b>	<b>577</b>	<b>1,031</b>	<b>86</b>	<b>273</b>	<b>1,967</b>
<b>Net Book Value</b>					
At 1 April 2007	18,462	58,074	88	1,004	<b>77,628</b>
<b>At 31 March 2008</b>	<b>20,816</b>	<b>63,379</b>	<b>84</b>	<b>1,115</b>	<b>85,394</b>

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

The net book value of fixed assets of £85,394,000 includes an amount of £1,000 (Total costs of £48,000 less depreciation of £47,000) in respect of assets held under a finance lease.

## 10. Heritage Assets

Heritage Assets acquired in year comprise:

	Art £'000	Historic Buildings £'000	Other £'000	Total £'000
St Teilo's Church Refurbishment	-	7	-	7
Four Ceramics decorated by Pablo Picasso	253	-	-	253
Photographic Collection – John Cornwell	-	-	30	30
Pair of George III Silver Sauce Boats	71	-	-	71
<i>Acid Green Crescent</i> – Vassily Kandinsky	290	-	-	290
Paintings by Cedric Morris	42	-	-	42
Church Altar Cross	-	-	13	13
<i>Perseus and the Graiae</i> – Burne Jones	250	-	-	250
Anglo Saxon silver sword pommel	-	-	5	5
<i>View of Snowdon</i> – J T Linnell	8	-	-	8
Head of Hanako – Bronze – A Rodin	15	-	-	15
<b>Total Additions in Year</b>	<b>929</b>	<b>7</b>	<b>48</b>	<b>984</b>
At 1 April 2007	5,315	5,623	720	11,658
<b>At 31 March 2008</b>	<b>6,244</b>	<b>5,630</b>	<b>768</b>	<b>12,642</b>

## 11. Fixed Asset Investments

	Museum		Consolidated	
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
At 1 April 2007	2,133	2,055	2,133	2,055
Additions to investments at cost	452	79	452	79
Disposals at market value	(454)	(84)	(454)	(84)
Net Gain/(Loss) on Revaluation	(200)	83	(200)	83
Market Value at 31 March 2008	1,931	2,133	1,931	2,133

The historic cost of investments at 31 March 2008 was £1,712,000 (£1,516,000 at 31 March 2007). The portfolio consists of Collective Investments (Unit Trusts) authorised by the Securities and Investments Board (these were professionally valued by the Museum's investment managers, Gerrard Ltd) and shareholdings (bequeathed to the Museum) listed on the London Stock Exchange.

## 12. Stock

	Museum		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Shop Goods for Sale	0	0	369	358
Publications stock held separately	134	137	134	137
Less Provision for Stock Write Off	(22)	0	(22)	0
	112	137	481	495

### 13. Debtors

	Museum		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
<b>Amount due within one year:</b>				
Trade Debtors	224	76	281	225
Amount due from trading subsidiary	307	252	0	0
Loan due from trading subsidiary	301	301	0	0
Other Debtors	565	1,075	496	997
Prepayments	185	195	203	231
	<b>1,582</b>	<b>1,899</b>	<b>980</b>	<b>1,453</b>
<b>Amount due after one year:</b>				
Other Debtors	1	39	1	39

Included within Other Debtors due within one year are intra government balances with: Welsh Assembly Government of £42,000 (£77,000 in 2006-07); Heritage Lottery Fund of £42,000 (£244,000 in 2006-07); British Museum of £32,000 (£Nil in 2006-07); Countryside Council for Wales of £11,000 (£Nil in 2006-07); HM Revenue & Customs of £315,000 (£550,000 in 2006-07) and English Nature of £Nil (£11,000 in 2006-07), all being defined as other central government bodies within the Whole of Government Accounts.

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

	Museum		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Trade Creditors	426	475	463	508
Other Creditors and Accruals	334	591	359	616
	<b>760</b>	<b>1,066</b>	<b>822</b>	<b>1,124</b>

Included within Other Creditors and Accruals are intra government balances with: Welsh Assembly Government of £12,000 (£Nil in 2006-07); Department of Trade and Industry of £35,000 (£Nil in 2006-07); Countryside Council for Wales of £10,000 (£Nil in 2006-07) and Heritage Lottery Fund of £Nil (£48,000 in 2006-07).

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

	Museum		Consolidated	
	2008 £'000	2007 £'000	2008 £'000	2007 £'000
Finance Lease Arrangements	1	42	1	42



## 16. Pension Costs

The Museum operates a defined benefit scheme in the UK, which is underwritten by a Crown Guarantee issued by the National Assembly for Wales. A full actuarial valuation was carried out at 31 March 2006. This was updated at 31 March 2008 by a qualified independent actuary using guidelines issued by HM Treasury. The major assumptions used by the actuary were (in nominal terms):

	2008	2007	2006
Rate of increase in salaries	5.1%	4.6%	4.4%
Rate of increase in pensions in deferment	3.6%	3.1%	2.9%
Rate of increase in pensions in payment	3.6%	3.1%	2.9%
Discount Rate	6.1%	4.9%	5.7%
Inflation Assumption	3.6%	3.1%	2.9%

The actuarial valuation at 31 March 2008 utilising the above assumptions showed a decrease in the deficit from £14,001,000 to £11,754,000. The Museum contributed to the Scheme in the year to 31 March 2008 at a rate of 21.3% of Pensionable Remuneration.

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

	2008		2007		2006	
		£'000		£'000		£'000
Equities	6.85%	48,774	6.90%	49,963	6.50%	44,798
Fixed Interest Bonds	4.60%	1,942	4.65%	1,796	4.25%	1,499
Index Linked Gilts	4.60%	14,307	4.65%	14,066	4.25%	12,022
Other	4.50%	172	4.65%	147	4.00%	227
Total market value of assets		65,195		65,972		58,546
Actuarial value of liability		(76,949)		(79,973)		(68,239)
Recoverable deficit in the scheme		(11,754)		(14,001)		(9,693)
Related deferred tax asset/(liability)		0		0		0
<b>Net pension liability</b>		<b>(11,754)</b>		<b>(14,001)</b>		<b>(9,693)</b>

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

	2008	2007
	£'000	£'000
Current Service Cost	2,901	2,383
Past Service Costs	0	0
<b>Total Operating Charge</b>	<b>2,901</b>	<b>2,383</b>

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

	2008	2007
	£'000	£'000
Expected return on pension scheme assets	4,237	3,547
Interest on pension scheme liabilities	(3,956)	(3,941)
<b>Net return</b>	<b>281</b>	<b>(394)</b>

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

	2008 £'000	2007 £'000
Actual return less expected return on assets	(6,524)	2,486
Experience loss on liabilities	(191)	(68)
Changes in assumptions	<u>8,695</u>	<u>(6,765)</u>
Actuarial gain/(loss)	1,980	(4,347)
Adjustment due to surplus cap	<u>0</u>	<u>0</u>
Net gain/(loss) recognised	1,980	(4,347)

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

	2008 £'000	2007 £'000
Deficit in scheme at beginning of year	(14,001)	(9,693)
Movement in year:		
Current service cost	(2,901)	(2,383)
Contributions paid	2,887	2,816
Net interest cost	281	(394)
Actuarial gain/(loss)	1,980	(4,347)
Deficit in scheme at end of year	(11,754)	(14,001)

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

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

	2008	2007	2006	2005	2004
Difference between expected and actual return on scheme assets:					
amount (£'000)	(6,524)	2,486	8,624	1,901	5,147
percentage of scheme assets	-10.0%	3.8%	14.7%	4.2%	13.0%
Experience gains/(losses) on scheme liabilities:					
amount (£'000)	(191)	(68)	0	0	2,683
percentage of scheme liabilities	-0.2%	-0.1%	0.0%	0.0%	4.8%
Actuarial gains/(losses):					
amount (£'000)	1,980	(4,347)	(286)	6,494	1,110
percentage of scheme liabilities	2.6%	-5.4%	0.0%	11.8%	2.0%

## 17. Statement of Funds

### (a) Movement in Funds

	1 April 2007	Incoming Resources	Resources Expended	Other Movements in Year	31 March 2008
	£'000	£'000	£'000	£'000	£'000
<b>Public Funds</b>					
Restricted – Capital	94,138	3,112	(963)	5,406	<b>101,693</b>
Restricted – Specimens	<u>6,930</u>	<u>1,390</u>	<u>(724)</u>	<u>0</u>	<b>7,596</b>
Total Restricted	101,068	4,502	(1,687)	5,406	<b>109,289</b>
Unrestricted	1,396	25,332	(25,096)	16	<b>1,648</b>
Pension Reserve	<u>(14,001)</u>	<u>0</u>	<u>267</u>	<u>1,980</u>	<b>(11,754)</b>
Total Unrestricted	(12,605)	25,332	(24,829)	1,996	<b>(10,106)</b>
<b>Total Public Funds</b>	<b>88,463</b>	<b>29,834</b>	<b>(26,516)</b>	<b>7,402</b>	<b>99,183</b>
<b>Private Funds</b>					
Restricted	3,785	681	(258)	(94)	<b>4,114</b>
Unrestricted	<u>423</u>	<u>118</u>	<u>(28)</u>	<u>(4)</u>	<b>509</b>
<b>Total Private Funds</b>	<b>4,208</b>	<b>799</b>	<b>(286)</b>	<b>(98)</b>	<b>4,623</b>
<b>Total</b>	<b>92,671</b>	<b>30,633</b>	<b>(26,802)</b>	<b>7,304</b>	<b>103,806</b>

Unrestricted Public Funds recorded in the Museum's own non-consolidated accounts at 31 March 2008 was £1,585,000 with £63,000 attributable to NMGW Enterprises Ltd.

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

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

	Public Funds		Private Funds		2008 £'000
	Restricted £'000	Unrestricted £'000	Restricted £'000	Unrestricted £'000	
Fixed Assets	108,736	297	3,718	474	<b>113,225</b>
Current Assets	802	1,925	396	35	<b>3,158</b>
Current Liabilities	(249)	(573)	0	0	<b>(822)</b>
Long Term Liabilities	<u>0</u>	<u>(1)</u>	<u>0</u>	<u>0</u>	<b>(1)</b>
<b>Net Assets (before pension liabilities)</b>	<b>109,289</b>	<b>1,648</b>	<b>4,114</b>	<b>509</b>	<b>115,560</b>
Pension Liabilities	<u>0</u>	<u>(11,754)</u>	<u>0</u>	<u>0</u>	<b>(11,754)</b>
<b>Net Assets (after pension liabilities)</b>	<b>109,289</b>	<b>(10,106)</b>	<b>4,114</b>	<b>509</b>	<b>103,806</b>

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

	Museum		Consolidated	
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
Net incoming resources for the financial year	3,709	2,714	3,705	2,723
Share of Joint Venture	126	266	126	266
Donated Assets	(213)	(105)	(213)	(105)
Depreciation	934	838	938	840
(Increase)/Decrease in Stocks	25	(31)	14	(10)
(Increase)/Decrease in Debtors	314	914	424	809
Increase/(Decrease) in Creditors	(92)	(192)	(42)	(206)
FRS17 current year pension costs	(267)	(39)	(267)	(39)
<b>Net Cash Inflow from Operating Activities</b>	<b>4,536</b>	<b>4,365</b>	<b>4,685</b>	<b>4,278</b>

## 19. Capital Expenditure and Financial Investment

	Museum		Consolidated	
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
Payments to Acquire Tangible Fixed Assets	(4,037)	(4,133)	(4,037)	(4,153)

## 20. Movements in Cash

	Museum		Consolidated	
	2007-08 £'000	2006-07 £'000	2007-08 £'000	2006-07 £'000
Net Cash at 1 April 2007	852	620	1,048	923
Net Cash Inflow	499	232	648	125
<b>Net Cash at 31 March 2008</b>	<b>1,351</b>	<b>852</b>	<b>1,696</b>	<b>1,048</b>

## 21. Capital Commitments

	2007-08 £'000	2006-07 £'000
At the balance sheet date there were capital commitments of	687	2,405

Major commitments in 2007-08 relate to water treatment works and the installation of humidifiers (major commitments in 2006-07 related to roof works and collection care project works).

## 22. Leased Assets

	Plant & Vehicles £'000	Furniture, Fixtures & Fittings £'000	2007-08 £'000	2006-07 £'000
Payments due to acquire leased assets:				
Leases expiring within one year	2	37	39	48
Leases expiring within 2 to 5 years	<u>0</u>	<u>1</u>	<u>1</u>	<u>42</u>
	2	38	40	90

## 23. Contingent Liabilities

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

The Museum is in negotiation through its solicitors in respect of a number of claims for personal injury occurring at Museum sites. It is possible that the Museum will have to settle should the outcome of any negotiations or litigation be against the Museum. The Museum considers that a maximum potential charge against these claims is £10,000.

## 24. Related Party Transactions

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

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

The Museum had transactions in 2007-08 with the National Waterfront Museum Swansea Ltd (NWMS Ltd), a company in which the Museum is an equal member with the City and County of Swansea. The Museum received cost reimbursement from the NWMS Ltd amounting to £140,390. There were nil debtor and creditor balances with NWMS Ltd at 31 March 2008.

Mr Paul E. Loveluck, President, Mr J. Peter W. Morgan, Treasurer and Mr Gareth Williams, Trustee are 3 of the 7 Directors of the National Waterfront Museum Swansea Ltd referred to in Note 8 of the Accounts. None of the Directors receive remuneration from this company.

The Museum made payments of £7,740 to Geldards LLP in 2007-08. Mr H. R. C. Williams, Trustee, is a member of the LLP.

The Museum made a payment of £5,000 to Heritage in Action (HERIAN) Ltd in 2007-08. Mr John Williams-Davies, Director of St Fagans: National History Museum, is a Director of HERIAN. He received no remuneration from this company.

The Museum made a payment of £2,500 to Dafydd Wiliam (the son of Dr Eurwyn Wiliam, Deputy Director General) for work on the celtic village at St Fagans: National History Museum. The contract was awarded in line with procurement procedures and Dr Eurwyn Wiliam took no part in the process.

The Museum received a donation of £1,600 from the Colwinston Charitable Trust in 2007-08. Mr M. Prichard, Immediate Past President, is a trustee of the Colwinston Charitable Trust.

## 25. Post Balance Sheet Events

The Accounting Officer authorised these financial statements for issue on 1 August 2008.

### **National Museum Cardiff**

Cathays Park, Cardiff CF10 3NP  
+ 44 (0) 29 2039 7951

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### **Big Pit: National Coal Museum**

Blaenafon, Torfaen NP4 9XP  
+ 44 (0) 1495 790 311

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### **National Slate Museum**

Gilfach Ddu, Llanberis, Gwynedd LL55 4TY  
+ 44 (0) 1286 870 630

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### **National Waterfront Museum**

Oystermouth Road, Maritime Quarter, Swansea SA1 3RD  
+ 44 (0) 1792 638950

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### **St Fagans National History Museum**

St Fagans, Cardiff CF5 6XB  
+ 44 (0) 29 2057 3500

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### **National Roman Legion Museum**

High Street, Caerleon NP18 1AE  
+ 44 (0) 1633 423 134

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### **National Wool Museum**

Dre-Fach Felindre, Llandysul, Carmarthenshire SA44 5UP  
+ 44 (0) 1559 370929

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### **The Collections Centre**

Nantgarw, Rhondda Cynon Taf CF15 7QT  
+ 44 (0) 29 20573651