National Museum of Science & Industry

Annual Report and Accounts 2006–2007

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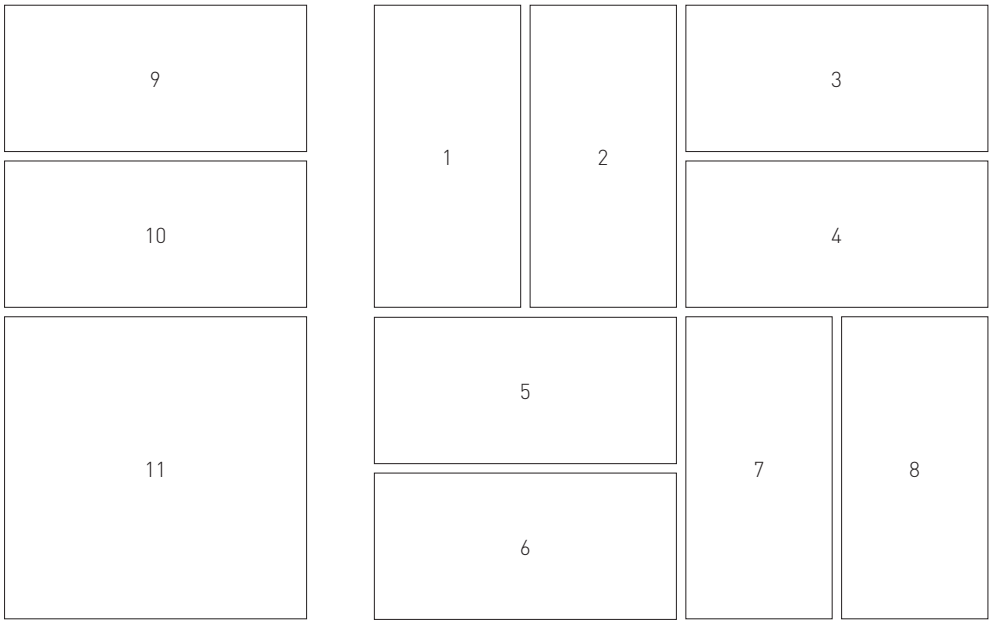

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MUSEUMS AND GALLERIES ACT 1992

Account, of the National Museum of Science and Industry prepared pursuant to Act 1992, c44, section 9(4) for the year ended 31st March 2007, together with the Report of the Comptroller and Auditor General thereon.

Presented pursuant to Museums and Galleries Act 1992, c44, section 9(8)

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1 Structure, governance and management

1.1 About NMSI

1.1.1 NMSI now

The National Museum of Science & Industry (NMSI) is devoted to the history and contemporary practice of science, medicine, technology and industry. Its collections, in the fields of science, technology, medicine, industry, transport and media, are the largest, most comprehensive and most significant in their field anywhere in the world. NMSI incorporates the Science Museum, the Science Museum Library and the Wellcome Museum of the History of Medicine at South Kensington and the Science Museum in Swindon; the National Railway Museum at York; the National Media Museum – formerly National Museum of Photography, Film & Television – at Bradford; Locomotion: the National Railway Museum at Shildon; and Concorde 002 with its associated exhibition at Yeovilton. Collections stores are in Swindon; Blythe House in West Kensington; Foundry Lane in York and Black Dyke Mills in Bradford.

1.1.2 History

The Science Museum has its origins in the South Kensington Museum set up soon after the Great Exhibition of 1851. The National Railway Museum (NRM), which opened in 1975, was established as a result of the transfer of the British Transport Commission's railway collection to the Board of Trustees of the Science Museum. The National Media Museum was established in 1983 with the support of Bradford City Council as part of the council's economic redevelopment. Science Museum Swindon in Wroughton, a former Second World War airfield, was made available to the Museum by the Ministry of Defence in 1979. Locomotion: the National Railway Museum at Shildon was opened in 2004 in partnership with Sedgefield Borough Council.

1.1.3 Legal status

NMSI was managed directly by Government until 1984 when the Board of Trustees of the Science Museum was established under the National Heritage Act (1983). Thereafter, the Museum ceased to operate as part of a Government department. NMSI now has the status of a non-departmental public body, operating within the public sector but at arm's length from its sponsor department, the Department for Culture, Media and Sport (DCMS). These Accounts fulfil the requirements of the 1983 Act and the Museums and Galleries Act 1992. NMSI is an exempt charity under the Second Schedule of the Charities Act (1960) and is recognised as charitable by the Inland Revenue. NMSI has a wholly owned subsidiary trading company, NMSI Trading Ltd (company registration no: 2196149) set up in 1988. This operates at all three Museums and covenants all taxable profits to NMSI. Bradford Film Ltd is a company limited by guarantee whose sole member is NMSI Trading Ltd.

1.1.4 Framework for operation

DCMS agreed a Management Statement and Financial Memorandum with the Museum in 2002–03; continuing receipt of the Grant is dependent upon the Museum's compliance. This sets out DCMS policy and financial requirements which include the relevant provisions of Government Accounting and such other guidance as the Treasury, Cabinet Office or DCMS have issued. It also describes the delegated powers and limits. A Funding Agreement between DCMS and NMSI defines the commitments by each party every three years and can be seen on the NMSI website.

1.2 The organisational structure

1.2.1 Management of NMSI

The Board of Trustees of the Science Museum is responsible for the whole of NMSI. The Trustees, who may number between 12 and 20, are appointed by and responsible to the Prime Minister through DCMS. The Director of NMSI, as Chief Executive Officer, is responsible to the Board of Trustees and, as Accounting Officer, is accountable to the DCMS for compliance with the Management Statement and Financial Memorandum. Within the framework of their statutory duties as stated under the National Heritage Act 1983, the role of the Trustees is to establish NMSI's policy, review performance and endorse appointments to key management positions. Their primary activity is to assist the Chairman in meeting the Board's overall responsibilities, in accordance with the policies of the Secretary of State. Trustees offer guidance and expertise to the Chairman on NMSI's strategy and its practical implementation.

Trustee subcommittees reflect the individual Museums and cross-NMSI activity and are detailed in section 4.4.

In 2006-07, the group of senior managers reporting to the Director within NMSI, together with the Director forms the Executive, comprising the Head of each Museum, the Managing Director of NMSI Trading Ltd and the Heads of NMSI-wide functions: Human Resources, Major Projects Group, Development, Finance, Information Technology, and Estates. NMSI Executive is accountable to the Director. It is responsible for resource allocation, leading strategic management, developing the cultural agenda and sustaining NMSI values.

1.2.2 Staff communications

NMSI has created several ways of facilitating effective communications. Regular staff briefings from the NMSI Chief Executive and the Directors of Museums on strategic and topical issues are supplemented by NMSI-wide and Museum-specific newsletters as well as announcements and news on the intranet and by email.

There are a number of forums where NMSI engages with staff representatives and officials from the Trades Unions on matters of mutual interest and concern. These forums are used for the usual business of negotiating pay and benefits, but also for the development policies and health and safety matters.

NMSI has successfully implemented a new performance development process that enables personal objectives to be articulated and fully aligned to the wider business goals. The process looks at how results are achieved as well as the results themselves, enables individual feedback and provides for an element of pay to be directly linked to the assessed performance level.

The staff opinion survey remains a primary tool for tracking and responding to staff views across a range of issues. The survey is completed online and the results discussed with staff and actions agreed at both central and local level.

1.2.3 Equal opportunities policy and measures

It is NMSI policy that all eligible people shall have equal opportunity for employment and advancement in NMSI on the basis of their ability, qualifications and fitness for the work. There must be no discrimination based on gender, race, religion, age, physical disability or sexual orientation against any eligible person whether in recruitment, training, promotion or in any other way.

NMSI aims to reduce job segregation, where people of one group are concentrated in particular areas of work, and to make best use of the potential of all employees, regardless of race, religion, gender, age, sexual orientation or any physical disability.

We have continued our work with the Shaw Trust and Access to Work and a range of specialist advisers to make reasonable adjustments to the workplace for staff and potential recruits with disabilities. As a result of their assistance, funding has been obtained and new facilities introduced to the workplace making a real difference to the working lives of a number of individuals. NMSI has been commended for the commitment it has shown to this important area.

NMSI has a new Disability Equality Scheme in place together with an action plan to further enable disabled people to be fully engaged whether they are staff or visitors. This work will be taken forward by our HR team and Disability Access Co-ordinator.

NMSI is also launching a new diversity scheme aimed to encourage and enable a broader intake into the creative and curatorial areas.

1.3 Relationship between charity and related parties

The National Museum of Science & Industry is an executive Non Departmental Public Body whose parent body is DCMS. DCMS is regarded as a related party. Details of related party transactions are contained in note 22 to the Accounts.

2 Review of 2006–07 and future plans

2.1 Director's Statement

This has been a year of substantial achievement for NMSI. Our visitor numbers have exceeded 4.3 million and we have achieved the overall DCMS set visitor targets, our learning programmes are reaching record numbers of children, our fundraising has been very successful, and our trading company has delivered excellent results. In addition we have had major exhibition openings at all NMSI museums. A particular highlight was the creation of the Smith Centre at the Science Museum designed to provide a venue for serious scientific debate and philanthropic support for the Museum, opened by Her Majesty the Queen in October 2006.

Improving the care of, and access to, our collections is very important to NMSI. I was delighted that our exciting plan to create an inspiring collections centre and visitor attraction at our Science Museum Swindon site – called Inspired - has reached the finals of a Big Lottery competition, to be decided by public television vote in late 2007.

Since my appointment at the beginning of the year, I have reviewed the strategic direction, priorities and structure of NMSI, the results of which have been incorporated into a new corporate plan. The plan was approved by the Trustees in November 2006 and sets out an ambitious vision for the Museums and establishes the key priorities necessary to realise it.

Vision

- To be the most admired museums in the world and thus be a source of pride to the public, our sponsors and our staff.

Mission

- Inspiring, engaging and motivating the widest audience about the development of the modern world and its relevance to the present and future, through the best use of our collections.

The reorganisation, which is now complete, builds on strengthening the three core Museum brands – the National Railway Museum, the National Media Museum and Science Museum – and redefines the role of the Museum directors to concentrate on the cultural agenda, building better relationships with sponsors and strengthening the reputation of their Museum. In addition, we have appointed a National Head of Learning to strengthen our learning offer still further.

All day-to-day operations of the Museums have been brought together alongside our commercial activities and put under the leadership of the Managing Director of NMSI Trading Ltd. Thus all customer-focused activity is now coherently managed. Corporate services have also been integrated across all sites. These changes will enable NMSI to focus on the cultural offer, generate new sources of income – both sponsorship and commercial – improve our visitor offer and realise internal efficiencies.

Martin J Earwicker FREng
Director
18 July 2007

2.2 Science Museum

Objectives

The Science Museum aims to be the first choice for existing and new audiences seeking an opportunity to explore science, industry, technology and medicine. In delivering this aim the Museum has opened new exhibitions and pioneered dialogue on the most debated issues in contemporary science.

Strategic priorities for 2006–2007 were:

- Collections acquisition, care and access
- Engaging the public with science
- Implementation of the Master Plan with focus on gallery renewal and a strong learning offer
- Winning larger audiences and inspiring them to return
- Maximising financial opportunities.

Achievements

It was an exciting year all round. The Museum received more visitors than it has done in the last three years with the total of 2,604,612 and the number of educational visits rose to 317,112. There was a parallel increase in commercial activity with the IMAX cinema and the Museum store breaking all trading records. The Museum's website continued its year-on-year upward trend in visits, with over 8.1 million visits this year. The Science Museum Swindon also increased its visitor figures this year to 49,283.

The Science Museum Swindon became one of six visionary projects to progress to the next stage of the Big Lottery Fund's *Living Landmarks: The People's Millions programme*. It secured a £500,000 development grant to be used towards the cost of developing the project through to stage two by May 2007. The six shortlisted projects will compete for a single Lottery grant, with the winning project to be decided by a televised public vote in late 2007.

Another coup for the Museum was the publication of the critically acclaimed *Giant Leaps* in November. The book combines the *Sun*'s headline writing skills with the Museum's expertise in presenting the greatest developments in the history of science. Endorsers included Buzz Aldrin, Sir David Attenborough and Professor Colin Blakemore, with the Prime Minister himself reading from the book at a Royal Society conference.

Activities

During the year audiences were treated to a wide range of exhibitions. *Pixar: 20 years of Animation* was the first in a series of family-oriented exhibitions, exploring the art and science of animated films such as *Toy Story* and *Cars*. The successful *Game On* spanned the history of computer gaming and technology, also examining the culture of gaming. The year also saw members of the public taking part in exhibition curating for the first time ever in the Museum's history. *Playing with Science* showcased visitors' toys alongside objects from the Museum's own collections such as a 1930s chemistry set that once belonged to King George V. The Museum also celebrated the bicentenary of the birth of Isambard Kingdom Brunel with *Isambard Kingdom Brunel: Fame and Fate*, an exhibition examining the engineer through some of the most iconic photographs taken of him. Issues of contemporary science were also addressed through the cutting-edge *Antenna* exhibition series, which included *NEURObotics... the future of thinking?* exploring the effect medical technology can have on the human brain.

The Museum's collections information team carried out extensive work to improve the quantity and quality of collections documentation data. Fundamental research into the collections resulted in a book on penicillin by one of the senior curators and a display of key items from the astronomy collections. The Museum also received its licence from the Human Tissue Authority for the storage and display of human remains, and continues to ensure that all its collections meet the requirements of the current legislation.

The Dana Centre continued its public engagement work through innovative events such as the Cybersonica digital arts festival and Fairground: Thrill Laboratory where participants could learn about the science behind fear and excitement, and experience the fairground rides themselves. Other highlights included witnessing a live kidney transplant for the first time in the UK and Drugsfutures, part of the Academy of Sciences public consultation project. During the year the Dana Centre also developed its first audience-led events in partnership with the Chinese community in London.

An impressive number of people, from nursery groups to adults, took part in the Museum's schools and outreach programme. The team continued to offer some of its most successful programmes such as the Creative Canal project, which engages with disadvantaged groups along the Regent's Canal. New projects include an outreach programme to support Launchpad, the Museum's hands-on interactive gallery, and a programme about waste management for Key Stage 3 students in association with SITA and DEFRA.

The year saw NMSI Wroughton rebranded as Science Museum Swindon. The first step towards realising the plans for the site was taken in April 2006 when the Rt. Hon Tessa Jowell MP opened the Engineering Building. The purpose-built space now houses the collections care and conservation workshops and allows visitors to learn more about science through exhibitions, events and education programmes.

The Swindon site also welcomed hundreds of visitors to learn about science. Over 500 visitors experienced the thrill of a Mission to Mars at the interactive weekend in June, featuring a Roving Robots workshop, building and launching rockets as well as learning about the science behind space suits. January saw Dream Factory, an educational extravaganza to inspire local primary school children about engineering. Organised by the Museum in partnership with Honda UK it was attended by 2,800 children.

The Museum now has 94 volunteers contributing over 5,000 hours for activities including making over 1,000 ship model plans accessible and allowing the Museum to deliver more learning events over the school holidays. Working with Imperial College, Kings College Student Union, the Refugee Council and the TimeBank, the Museum is committed to building a diverse volunteer base.

Future plans

The Museum will be opening its new *Launchpad* gallery in November 2007, improving accessibility and delivering curriculum-linked activities to 8- to 14-year-olds.

Forthcoming exhibitions will include a temporary exhibition on the discovery of penicillin, linked to the Museum's own collections and curatorial research. An object-rich *Evolving Plastics* exhibition on the centenary of plastics will open in spring 2007. Other gallery renewal projects include a major upgrade to the ever-popular *Space* gallery, opening in May 2007, as well as to *Health Matters and Challenge of Materials*. Events and displays are being planned to commemorate the bicentenary of the abolition of the slave trade in the UK.

The Museum's Learning Unit will be launching a major new teacher training project, which will reach over 1,200 secondary teachers over the next three years. The teachers will learn how to facilitate debate on contemporary science issues.

The Museum website will also be redesigned to improve its reach and accessibility.

The Science Museum Swindon and the *Inspired* project will be in the spotlight in the months to come with a local press launch planned for April 2007 and a national launch for later in the year. A series of events supporting the project will also be taking place throughout the year.

2.3 National Railway Museum and Locomotion at Shildon

Objectives

The National Railway Museum is the largest railway museum in the world and England's most visited museum outside London. The NRM aims to build on these strengths by engaging the broadest possible audience with the story of the train.

In 2006–07 the Museum particularly aimed to:

- Provide a compelling experience for visitors both at York and Locomotion at Shildon
- Deliver programmes and services for the widest range of learners, both independently and through its partnerships with the Yorkshire Rail Academy and the Institute of Railway Studies and Transport History
- Take its programmes to diverse audiences nationwide
- Build, care for and encourage the use of the national rail collection.

Achievements

Another successful year saw the NRM welcoming 903,188 visitors – more than 180,000 over target – and Locomotion receiving 139,064 museum-goers, almost double its anticipated original figures.

The year also saw the opening of the Norwich Union Yorkshire Wheel in April 2006, creating an instant draw on the York skyline and an added attraction for the Museum visitor. Some 40% of visitors have ridden the wheel and research shows it has attracted a younger audience, providing a useful platform for events aimed at teenagers and visitors in their early 20s.

An invaluable addition to the Museum's collections was a working model, which may be one of the oldest steam locomotives in the world and may help unlock the engineering secrets of the Industrial Revolution. Known as *Sans Pareil*, the object may be a prototype built by Richard Trevithick, famed for building the world's very first steam locomotive in 1804, and, as such, would be the forerunner to virtually all modern engines. The model was displayed in the Museum's Great Hall between July and September, and will return in 2008 after being studied by scientists and historians.

The coveted Yorkshire Visitor Attraction of the Year Award was won by the NRM for the fourth time. The Museum was praised for its "ongoing policy of investment in the future" by the judges. The Yorkshire Tourist Board also highlighted "the Museum's excellent record in customer care, and the overall standard of the ever-changing experience it offers to visitors".

Activities

Good progress was made on the *Search Engine* project to refurbish and improve the Museum's research facilities, which are due to open in December 2007.

Conservation of collections continued with the restoration of *Duchess of Hamilton and Oliver Cromwell*, the last steam locomotive to operate in main-line service on British Railways. The overhaul of *Flying Scotsman* has continued in the NRM workshop with visitors being able to follow the ongoing works from the viewing gallery overlooking the workshop.

In April 2006 the eagerly-awaited *Flying Scotsman Story* exhibition was opened and welcomed by enthusiastic audiences. An exhibition of the First TransPennine 185 simulator ran from May to September, allowing members of the public to experience real-life train driving as experienced by main-line train drivers.

The Museum also hosted a series of innovative events throughout the year. Green Railways celebrated the greener side of railways through a rich array of activities and exhibitions, encouraging members of the public to think about the environment and sustainable transport. The annual Thomas the Tank Engine event, targeted at the under-5 age group, was held in February and attracted over 40,000 visitors. The summer season between June and November featured the Giants of Steam, with three historic locomotives carrying over 6,000 people on five popular routes.

At Locomotion, a regular events programme, including the North East Steam Gala, traction and motor rallies, art exhibitions and antique fairs, attracted over 4,000 visitors. With Renaissance in the Regions funding the Museum also organised a major dance event, Rails around the World. Taking place in November, the event saw dance groups interpreting the history of railways through traditional dances from different cultures.

The NRM Learning team provided a popular programme of events for schools, families and students. The team engaged with thousands of people in learning activities based around science and engineering at Science, Technology, Engineering and Mathematics fairs across the region. The Museum's Strategic Commissioning Project funded by DCMS, Moving Stories was also a success, engaging with pupils from non-participating schools in both York and Hull to write and perform theatre pieces about transmigration and the positive and negative effects of this on their communities. The two educational partners of the NRM, the Yorkshire Rail Academy and the Institute of Railway Studies, continued teaching students and industry professionals. The Rail Academy provided training for students from York College and industry about rail engineering whereas the Institute of Railway Studies awarded 17 qualifications, including PhDs, MAs and Distance Learning Certificates.

Volunteers continue to contribute to almost all of the Museum's activities and the number of volunteers remained stable at just over 250. Key volunteer achievements included contributing over 2,500 hours of stewarding on the Museum's summer mainline operations, and listing and recording of over 30,000 individual engineering drawings, which will be made available to the public through the new *Search Engine* research facility.

Future plans

Work will continue on *Search Engine*, which will open in December 2007. It will enable visitors for the first time to come face to face with thousands of valuable artefacts and documents that until now have been locked away in the Museum's stores.

Flying Scotsman will return to main-line service in late 2007. As promised to the public on its acquisition, the rebuilding of *Flying Scotsman* will ensure a further ten years of operation on the main-line railway. It will help the Museum attract visitors, tell stories, stimulate debate and generate income.

In June 2007, the NRM will host the Annual Conference of the International Association of Transport Museums.

Through the Porterbrook Portable Engine Project the Museum will work with school children from disadvantaged areas in the York region to design a train of the future. The train will be life-size and will travel around the region encouraging learners to find out more about science and mathematics.

In 2008 the Museum will hold festivals on the subjects of 'steam' as well as China. The overall development of York Central will continue to be central to the NRM's cultural planning.

The Yorkshire Wheel will continue to operate with a new sponsor.

Locomotion will continue hosting many of its ever-popular transport events, such as the annual Steam Gala in September. Featuring star locomotives the event will also celebrate Locomotion's third anniversary.

2.4 National Media Museum

Objectives

Rebranded in 2006–07 as the National Media Museum, the Museum intends to be the UK centre for telling the story of media. It will retain its commitment to its current core subjects of photography, film and television, and will broaden its coverage to encompass other media subjects including the internet, new media and radio.

In 2006-07 the Museum aimed to:

- Widen its remit, change its name and define its brand
- Use its current assets to serve audiences better
- Expand in and beyond Bradford
- Support the regeneration of Bradford.

Achievements

The year saw some major achievements. The Museum was renamed and rebranded the 'National Media Museum' after a long process of reviewing its remit, mission and vision. An ambitious Future Plan designed to renew and refresh its existing offer was also announced. Opening Experience TV, the Museum's first major new gallery in seven years, was also a great achievement, allowing most of the Museum's world-class TV collection to be displayed in public for the first time. Finally, the Museum increased its visitor numbers, welcoming 677,029 visitors compared to 615,431 in 2005–06.

Other achievements included the Museum's involvement as a key partner in bringing the Indian International Film Awards – the 'Bollywood Oscars' – to Yorkshire in summer 2007 and the first annual fundraising dinner.

Activities

Experience TV, the Museum's new flagship £3-million TV gallery, opened to the public in July 2006. The new gallery has been a major draw for audiences, resulting in the most successful visitor figures the Museum has had in six years. The opening weekend featured a debate on the future of high-definition TV by experts from Pace, Sky and the BBC, and CBBC broadcasting live in the building for an entire day.

The Museum acquired some significant collections during the year, including the EMI TV Archive, the Sarosh Collection of film equipment formerly on show at MoMI in London and the collection of the colour photography pioneer, John Hinde. Discussions about establishing an academic research post in photography with the University of Leeds also took place. Plans to establish a new Bursary scheme for emerging talent in photography as well as a Collectors Group focusing on acquiring contemporary works are also in place.

The Museum Learning team continued to deliver learning opportunities to a wide range of groups. The DCMS Strategic Commissioning funded Anim8d project was a success, encouraging local schools to use museum objects as inspiration for curriculum-linked animation projects. Youth TV continued to attract young people to take part in broadcast training, with the Museum securing a grant from the Football Foundation to ensure the future running of the project. Two of the Museum's lecturers also continued to deliver modules in television production and theory to students enrolled at the University of Bradford. Life-long learners also had a chance to get involved in courses about digital photography and film appreciation, including German Silent Cinema and New European Cinema. Working closely with groups of senior citizens the Museum has also developed a fortnightly reminiscence session, based around elements of the exhibitions programme. A new newspaper and film review group aimed at senior citizens is also being developed.

The Museum successfully delivered three festivals during the year. The Bite the Mango Festival of World Cinema in September focused on Singaporean film and attracted a strong audience. The Bradford Animation Festival included highlights such as hearing from speakers from Pixar and Sony and the Bradford International Film Festival 2007 saw the best programme ever in its 13 years. The opening night premiere, Amazing Grace, was introduced to audiences by the film's director, Michael Apted. The Festival-goers could also see Michael Parkinson in conversation, a Ken Loach retrospective and Alan Bennett hosting the Kraszna Kraus Book Awards.

The year was also the beginning for a partnership between justB, a Yorkshire based new-media company, and the Museum, bringing 'B:Tween' an annual new media and interactive-media festival to the Museum. The BBC, Channel 4, Orange, 3 and eBay were among the keynote speakers.

Future Plans

The overall ambition in the Museum's Future Plan is to be a museum which reflects the rapidly changing and converging media world. The plan is to update the photography and animation galleries and to establish new galleries about film heritage, radio, the Internet, advertising and news. In addition, the Museum's UK-wide reach will be increased through greater web and broadcast presence and through a satellite operation in London.

During the coming year the Museum is planning to complete two particular development projects: establishing a virtual gallery about the Internet on its website with a physical portal in the Museum, and upgrading the IMAX cinema, allowing the Museum to screen feature-length IMAX films. Importantly for the Museum, the International Indian Film Academy Awards will also be taking place in June 2007 at which the Museum will be hosting a day-long workshop for aspiring Bollywood talent. In addition, the Museum is staging a three-month special exhibition celebrating Indian cinema.

In the long term, two key infrastructure projects will soon be progressing to their second stage. Firstly, the Lightwave project – a partnership between the Museum, the University of Bradford, Bradford Council, the Learning and Skills Council and the city's urban regeneration company – is aiming to establish a media centre of excellence in a new building adjoining the Museum as part of the city centre regeneration. Secondly, the plans to showcase the Museum's photography collections in London are now focusing on using a space in the Science Museum.

2.5 National Services

2.5.1 National activities

Estate management
The primary goal of the property management teams during the financial year was to maintain and repair the Estate as economically as possible, to use capital investment to renew the infrastructure and realise income, wherever possible, from the Estate. For instance, NRM has undergone extensive renewal works as part of the Search Engine project, and serious building failures are being addressed at the Swindon site through financial support by DCMS. The group works at reducing its energy usage to realise savings, and through the South Kensington consortium of the 'invest to save' scheme it aims to reduce energy use.

NMSI is active in improving its procurement activity across NMSI. The framework agreements negotiated by OGC are used and the group has established an ongoing dialogue with the NHM and the V&A in seeking procurement partnerships.

Health and safety
Health and safety management is continuously being developed and improved throughout the organisation. New presumptive policies have been introduced for safe management of asbestos, and plans, processes and training for its management in our collections are being prepared. New guidelines have also been introduced for managing contractors, and a new health and safety policy is to be launched shortly.

A security review for London has been completed and a security review at NRM is under way. A new security policy is to be introduced shortly and this will underpin the five year strategy plan currently in preparation.

Fundraising
The Science Museum continued to develop strong, ongoing partnerships with sponsors such as BP and Shell and made significant progress in building relationships with new corporate prospects. The Museum also raised over £1m from trusts and foundations, exceeding its target, with the Wellcome Trust as the largest funder. American Friends and UK Friends of the Science Museum programmes were also successfully launched.

The National Media Museum revised its fundraising strategy to focus on increased operating revenue during the year, with positive results from the revised business partners' scheme and the fundraising dinner. The Museum now also has support for establishing a chair of photography, a bursary programme for young artists and a photography acquisitions fund.

The National Railway Museum increased its unrestricted income from individual supporters and renewed its corporate partners programme. The Museum also continued to receive strong sponsorship support, primarily from rail-related companies. Over the next three years the NRM will institute legacy and membership programmes, increase corporate partner income, and further develop its ongoing programme of cultivation events.

The Science Museum Swindon focused almost exclusively on the *Inspired* capital campaign. Work continues to secure matched funding for the bid.

2.5.2 National achievements

Fundraising
Considerable progress was made to redirect and expand NMSI's fundraising efforts. Overall, NMSI raised £5.5m and is well on the way to an additional £9.1m toward matched funding for the Science Museum Swindon project *Inspired*.

One of the highlights of the year was the Queen's visit to the Science Museum to open a pioneering new group-wide facility, the Smith Centre, promoting Britain's scientific heritage and its relevance to the modern world. The Smith Centre, funded by the Martin Smith Foundation, aims to bring together key figures in business, science, culture and academia, and encourage greater private sector philanthropic support for science through receptions, talks and conferences. The opening of the Centre also saw the successful launch of the Patrons Programme.

Information Technology
The year also saw the IT and Collections Management teams at the Science Museum successfully implementing a new and improved system MIMSY XG to replace the old NMSI Collections Database, Multi-MIMSY. The first phase of a pan-NMSI Content Management System was also delivered, with the completion of the new Science Museum Website, reducing duplication and making it easier to repurpose content.

2.5.3 National Future Plans

Fundraising
In the coming year, NMSI will seek to expand patrons support, market the general membership programme, and cultivate major gift prospects.

Information Technology
Major investment in the IT infrastructure will take place in 2007-08, starting at the NRM. This will result in greater resilience supporting the ever-expanding use of the networks across NMSI. It is planned that converged voice/data technology will be implemented across NMSI within the next five years. The Science Museum data network will be upgraded in 2007. A new Information Group has been established to manage the storage, security, accessibility and cohesive delivery of the organisation's critical assets and technical mechanisms. It will also be responsible for ensuring statutory compliance in these areas.

2.6 Performance

2.6.1 Performance against DCMS targets
Targets are from the NMSI Funding Agreement 2005-08. Information is sourced through both internal record and periodic independent external surveys. 2005-06 website visits have been restated to include two additional web-sites previously omitted.

NMSI-wide	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the Museums	3,576,679	3,625,500	**4,373,176**
Number of website visits	13,330,199	10,441,721	**17,653,525**
Number of child visits to the Museums	1,207,210	1,301,295	**1,366,929**
Number of children in on and off-site organised sessions	522,445	455,298	**456,266**
Efficiency savings (cash and non-cash)	2,690,000	2,937,000	**2,949,000**

Science Museum (SM)	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the Museum	2,019,931	2,102,000	**2,604,612**
Number of website visits	8,356,504	6,141,721	**11,082,965**
Number of child visits to the Museum	709,581	756,720	**813,120**
Number of children in on and off-site organised sessions	387,937	347,750	**317,382**

National Media Museum (NMeM)	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the Museum	615,431	680,000	**677,029**
Number of website visits	3,956,449	3,200,000	**5,273,623**
Number of child visits to the Museum	215,403	238,000	**236,960**
Number of children in on and off-site organised sessions	44,002	42,000	**48,795**

National Railway Museum (NRM)	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the Museum	744,472	720,000	**903,188**
Number of website visits	1,017,246	1,100,000	**1,266,370**
Number of child visits to the Museum	227,095	250,000	**263,857**
Number of children in on and off-site organised sessions	83,445	58,000	**91,046**

Locomotion: NRM at Shildon	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the Museum	141,125	70,000	**139,064**
Number of website visits	N/A	N/A	**30,567***
Number of child visits to the Museum	43,097	43,200	**39,551**
Number of children in on and off-site organised sessions	4,483	3,000	**3,282**

** July 06 – March 07. The website went live in July.*

Science Museum Swindon	Outturn 2005-06	Target 2006-07	Outturn 2006-07
Number of visits to the museum	47,538	53,500	**49,283**
Number of website visits	N/A	N/A	**N/A**
Number of child visits to the museum	12,034	13,375	**13,441**
Number of children in on and off-site organised sessions	2,578	4,548	**8,761**

Performance on key indicators:

KPI	NRM	Locomotion	NMeM	SM	SM Swindon	All NMSI 2007-08	All NMSI 2005-06
Adult visitors	564,064	70,312	440,069	1,791,492	33,989	2,899,926	2,369,469
Visitors over 60	75,267	18,495	108,325	138,759	4,973	345,819	277,230
Overseas visitors	72,255	5,672	20,310	942,789	N/A	1,041,026	612,482
Repeat visits	532,879	54,234	490,169	570,059	N/A	1,647,341	2,052,214
UK Adult visitors from an ethnic minority background	18,064	4,171	58,901	249,948	N/A	331,084	n/a
UK NS-SEC 5-8	261,925	72,313	123,791	306,955	N/A	764,984	n/a
Learners in on-site educational programmes	87,268	8,761	83,851	365,571	686	546,137	198,249
Learners in outreach educational programmes	3,778	0	3,464	61,585	0	68,827	78,224

Loans from collections:

	NRM		NMeM		SM and SM Swindon	
	Outturn 2005-06	Outturn 2006-07	Outturn 2006-07	Outturn 2005-06	Outturn 2005-06	Outturn 2006-07
English venues	66	68	incl below	15	113	80
UK venues	74	8	16	0	124	88
Overseas venues	3	4	14	7	26	25

2.7 List of awards and nominations

National Railway Museum

- Winner of 2006 White Rose Award for Large Visitor Attraction of the year for the fourth time in a row
- Short listed for the Excellence for England Awards
- Short listed for the York Tourism Bureau Marketing Award for the Yorkshire Wheel
- Short listed for the York Hospitality Association Tourism Team of the Year Award.

Locomotion

- Awarded Bronze Award in the North East Tourism Awards in two categories, 'Large Visitor Attraction of the Year' and 'Best Family Experience' of the year
- Transporting Lives, Locomotion's first regional education project was short listed in the Museums and Heritage Show for 'Best Educational Initiative'.

Science Museum and Science Museum Swindon

- Bronze winner in the Visit London Awards for the Business Venue of the Year
- Silver winner in the Visit London Awards for the Business Event of the Year
- Giant Leaps was Highly Commended at the British Press Awards, March 2007
- Science Museum Press Office short-listed for the PR Week Awards in August 2006 for its work on marketing the Dana Centre's Light Lounge
- Science Museum Swindon short-listed for the second stage of the Big Lottery Fund's Living Landmarks: The People's Millions programme, and awarded a £500,000 development grant.

National Media Museum

- Royal Photographic Society Award: Jane Fletcher was awarded The Colin Ford Award by the RPS in October 2006 for services to the relationship between our two institutions.
- Museums & Heritage Awards for Excellence: National Media Museum Rebrand shortlisted for Marketing Award. The awards ceremony will take place in May 2007.

2.8 List of exhibitions

Started between 1 April 2006 and 31 March 2007

	Opened	Closed
National Railway Museum		
The Flying Scotsman Story Exhibition	04.06 (permanent)	04.06 (permanent)
First Transpennine 185 Simulator and Exhibition	05.06	09.06
Taking It Back photographic exhibition	06.06	03.07
'Mechanical Structures' Millthorpe School GCSE students	03.06	06.06
Locomotion		
Topography: A study of Surface Features	11.09.06	30.10.06
Steam Secrets	24.11.06	31.01.07
Brunel the legacy	11.01.07	06.07
Sunset at Barry	01.02.07	04.03.07
National Media Museum		
Myths and Visions: The Art of Ray Harryhausen	19.05.06	24.09.06
A Tale of Two Cities – Photographs of London and New York	19.05.06	24.09.06
The Old Order and The New: P H Emerson and Photography 1885-1895	13.10.06	04.02.07
The British Landscape: Photographs by John Davies	13.10.06	04.02.07
An-My Le Small Wars	23.02.07	07.05.07
Paul Seawright – Field Notes	23.02.07	07.05.07
Science Museum		
Pixar: 20 years of animation	01.04.06	10.06.06
Game On	21.10.06	25.02.07
The Science of Spying	10.02.07	02.09.07
Pure Iceland	20.01.06	23.04.06
Nuclear Waste – can you handle it?	21.01.06	23.04.06
BBC3/Honey We're Killing the Kids	09.11.05	01.05.06
Inside the Spitfire	15.08.05	01.08
Isambard Kingdom Brunel: Fame and fate	18.05.06	02.07
Playing with Science	18.11.06	26.3.07
Maurice Broomfield's 'New Look' at Industry: photographs from post-war Britain	20.02.07	07.07
Dead Ringers? (Antenna feature)	29.03.06	01.10.06
NEURObotics .... The future of thinking? (Antenna feature)	10.10.06	25.03.07
Antenna rapid exhibitions – eight in period	Throughout period	Throughout period
MacRobert Award 2005 – BlueCore chip	21.02.06	19.2.07
MacRobert Award 2006 – Optomap retinal imaging	22.02.07	02.08
Living Medical Traditions (medical gallery refurbishment)	07.06 (permanent)	07.06 (permanent)

2.9 List of publications

National Railway Museum

Books

The NRM 'My Train Activity Book', Macmillan (2007)

Papers

Divall, Colin, 'From waggonway to bullet train: railway engineering through the millennium', *Transactions of the Newcomen Society,* 76 (2006): 193-205.

Divall, Colin, 'Sidings of comfort and joy?', *The Parliamentary Monitor* no. 141 (Jul.Aug. 2006): 77.

Schmucki, Barbara, 'Stadt-(r)und-Fahrt gegen Verkehrsinfarkt: Motorisierung und urbaner Raum', in Adelheid von Saldern, (ed.) Stadt und Kommunikarion in bundesrepublikanischen Umbruchszeiten, Stuttgart, 2006, pp.305-28.

Schmucki, Barbara, 'Subways', John Merriman and Jay Winter, (eds.), *Encyclopaedia of Europe 1789-1914*, New York: Charles Scribner's Sons, 2006.

National Media Museum

Taylor, John, *The Old Order and the New: P.H. Emerson and Photography 1885-1895*, Prestel (2006).

Science Museum

Books

Ardagh, Philip, (McCollin-Moore, Damon) *Inventions That Changed The World*, Macmillan (2006)

Ardagh, Philip, *Discoveries That Changed The World*, Macmillan (2006)

Bud, Robert, *Penicillin: Triumph and Tragedy*, Oxford University Press

Challoner, Jack & Perry, John, *Giant Leaps*, Macmillan (2006)

Li, Amanda, (McCollin-Moore, Damon) *How to be an Astronaut*, Macmillan (2006)

Li, Amanda, (McCollin-Moore, Damon) *How to be a Brain Surgeon*, Macmillan (2006)

Science Museum Activity/Sticker Book, Macmillan (2007)

Science Museum Activity Book, Macmillan (2006)

Papers

Boon, Tim, 'A Historical Perspective on Public Engagement', in J. Turney *Engaging Science:Thoughts, Deeds, Analysis and Action London*: Wellcome Trust, 2006, 9-11.

Bud, Robert, 'Medical Classics: *Arrowsmith'* BMJ. 2007 Mar 10; 334(7592):539

Bud, Robert, 'Antibiotics: the epitome of a wonder drug' *BMJ*. 2007 Jan 6; 334 Suppl 1:s6

Bud, Robert, 'Germ Warfare', *History Today* 57.1 (2007 Jan): 30-32

Bud, Robert, `From Germophobia to the Carefree Life and Back Again: The Lifecycle of the Antibiotic Brand' in A. Tone and E. Watkins eds, *Medicating Modern America*, NYU Press, 2007, 17-41

Bud, Robert, 'The penicillin epidemic: doctors and the Asian flu pandemic of the 1950s' in Carsten Timmerman ed., *Devices and Desires*, Palgrave Macmillan, 2006, 193-211

Bud, Robert, 'New Rhetorics for a Digital Age', *Viewpoint*, Newsletter of the British Society for the History of Science, September 2006.

Burch, Alex, 'A guide for successfully evaluating science engagement events', in J. Turney, *Engaging Science: Thoughts, deeds, analysis and action*, London: Wellcome Trust, 2006, 80-85

Insley, Jane, 'Setting the Scene', *Museums Journal*, February 2007, 33-35

Johnson, Kevin, 'A Glimpse at the Astronomy Heritage of the Science Museum, London', *Journal of Astronomical History & Heritage*, 9(2), 2006, 159-165

Johnson, Kevin, 'The 1876 Special Loan Exhibition; A Global snapshot of astronomy?', *Proceedings of the XXV Scientific Instrument Symposium – East & West: The Common European Heritage*, Jagiellonian University Museum 2006, 115-120

Liffen, John, 'The 1930 demonstration broadcast receiver and loudspeaker at the Science Museum, London', *Bulletin of the British Vintage Wireless Society*, Vol 31 No 4, Winter 2006, 5–10.

Morris, Peter, 'The Image of Chemistry Presented by the Science Museum, London in the Twentieth Century: An International Perspective.' *Hyle: International Journal for the Philosophy of Chemistry* Vol. 12 No. 2 (2006) 215-239

Morris, Peter, 'The Saga of the Electron-Capture Detector.' LCGC North America Vol. 25 No. 2, February 2007, 164-178. (With Leslie S. Ettre)

Morris, Peter, 'Fifty Years of the Dexter and Edelstein Awards. Writing the History of Modern Chemistry." *Bull. Hist. Chem.*, 32, 2007, 2-9

Morris, Peter, 'A Personal Historiography of the Chemical Industry Since 1956.' *Bull. Hist. Chem.*, 32, 2007, 2-9. 10-20.

Wess, Jane, 'Atomic force microscope.' *Nature Physics*, vol 2 no 5, May 2006, 354

Wess, Jane, 'Florentine thermometer' *Nature Physics*, vol 2 no 6 June 2006, 424

Wess, Jane, 'Joseph Priestley's electrical machine.' *Nature Physics*, vol 2 no 8, August 2006, 570

Wess, Jane, 'J. J. Thomson's cathode ray tube.' *Nature Physics*, vol 2 no 9, September 2006, 644

Wess, Jane, 'Lawrence-Livingstone cyclotron.' *Nature Physics*, vol 2 no 10, October 2006, 718

Wess, Jane, 'Wheatstone's wave machine.' *Nature Physics*, vol 2 no 12, December 2006, 862

Wess, Jane, 'Computing Before The Computer' *Resurrection*, vol 39, New Year 2007, 18-24.

3 Financial Review

3.1 Review of financial position

3.1.1 Visitors

Visitor numbers across NMSI have performed very well during 2006-07 reaching 4,373,176 across the three major museums, a higher figure than in 2005-06. The reasons were different at each location. At the Science Museum, there was a recovery from the impact of the terrorism attacks in London in the previous year and confidence grew especially for families bringing children into London. Two strong exhibitions helped attract larger numbers in the form of *Pixar* and *Game On* with *The Science of Spying* opening at the end of the year. The National Railway Museum opened the Norwich Union Yorkshire Wheel which attracted large numbers especially at the beginning of the year. The National Media Museum (previously The National Museum of Photography, Film & Television) was launched under its new name and the relaunch together with the opening of the new TV galleries attracted large numbers. In total visitors were 22.3% above 2005-06.

3.1.2 Income and expenditure

Income received for 2006-07 was £62.5m, (2005-06, £57.8m). The increase in **Grant in Aid** was £2.6m. Of the restricted element of £1.375m, £0.95m was restricted in support of the Science Museum Library changes, £0.3m to emergency repairs of hangars and £0.125m in support of the Merrion Monotype collection.

Income from **sponsorship**, £2.2m, **Lottery**, £0.6m, and **grants and donations**, £5.4m, comprised, in the main, funding for *Experience TV* at NMeM, £1.3m, *Launchpad* redevelopment and outreach at SM, £0.9m, *Search Engine* at NRM, £0.7m, the Smith Centre at the SM, £1m, and *Inspired* at Science Museum Swindon together with a variety of funding for shorter-term exhibitions and programmes.

Rental income was maximised at all sites but especially at SM Swindon where storage space was utilised effectively. Other income related to conference and educational events, service charges to tenants, services to visitors, HMRC refunds and contributions from Sedgefield Borough Council towards the costs at Locomotion.

Commercial income responded to the rise in visitor numbers with improved income through IMAX and retail activities at the Science Museum and through the Norwich Union Yorkshire Wheel at the National Railway Museum.

Operational costs were contained at £69.4m (2005-06, £65.1m) despite inflation pressures. Of this, salaries comprise £26.1m (37.6%), and depreciation and loss on asset disposals £15.5m, (22.3%). Attention to reducing energy usage constrained the impact of price rises for 2006-07 but a significant effect was felt. Restricted income supported a range of programmes and temporary exhibition developments.

3.1.3 Balance Sheet

Fixed assets decreased by £6m from £261m to £255m, mainly as a result of depreciation over buildings and plant and machinery offset to some extent by new assets to a value of £6.6m, the most significant additions being:

- £1.6m NMeM *Experience TV*
- £1.3m Objects acquired and donated
- £1.2m SM Smith Centre
- £0.9m SM Library
- £0.7m SM *Launchpad* (assets under construction)

Cash balances rose by £3.1m primarily as a result of allocations to improving safety provisions to meet new fire regulations at the Science Museum and advance funding received for *Launchpad* outreach, £0.8m, and improved commercial profit.

Debtors fell by £1.6m, **short-term creditors** remained at similar levels to the previous year.

The Early Retirement provision of £0.8m comprises the liability for future compensation payments for staff who have taken early retirement from the Museum.

3.1.4 Restricted funds

There was little overall movement in the Sponsorship, Grants and Donations reserve, expenditure on National media Museum *TV Experience* being matched by receipts towards *Launch Pad* outreach work.

3.1.5 Designated reserves

The Museum Improvement Fund rose by £0.7m as a result of allocations towards Science Museum safety provisions and modernisation.

3.2 Risk management

The Corporate Risk Group, comprising members representing all sites and functions, monitored the major risks and focused on measures in place to manage them during the year, reporting to the Audit Committee and the Board of Trustees. Risk assessment and management formed an integral part of business planning and project management.

Significant NMSI-level risks during the year were identified as external events such as terrorism and from scarcity of and competition for funding for both capital and operational needs. Also high on the list of concerns were the increasing burden of statutory compliance (particularly health and safety) and its rightful priority for resources continuing to strain already tight budgets and concerns about inability to fund the Museum IT and building infrastructure with resultant impact on collections care.

3.3 Financial policies

3.3.1 Creditor policy

The Museum creditor policy follows the Government-wide standard of meeting agreed payment terms (or by 30 days where no payment terms have been specifically agreed). Under this, 63.42% of payments were made within this policy for 2006-07, (2005–06 67%). Areas for improvement have been identified for further action.

3.3.2 Investment policy

The Trustees are empowered to invest by the Trustees Act 2000. Taking into account both best return, short term availability and security, NMSI makes the optimal use of cash investment opportunities by ensuring that all funds identified as surplus to working capital are reviewed daily and invested on short to medium term facilities to maintain their value over time. Until longer-term surplus cash can be identified, investment of a more permanent nature is not planned; the position is reviewed on a periodic basis. Social, environmental and ethical considerations would be taken into account.

3.3.3 Reserves policy

In addition to designated reserves where funds have already been allocated to particular purposes ranging from capital renewal to revenue funded programmes, funds have also been allocated to a Contingency Reserve to provide a reserve for use when significant unforeseen costs arise. The reserve is normally kept at a level between £1m and £2m depending on the recent calls on the fund and the size of the current capital programme. The level of the fund is reassessed annually as part of the budget activity and also when any major change in the level of activity is planned.

As a result of the provision to support Early Retirement in 2005-06, the Contingency Fund is temporarily at a lower level but will be rebuilt as soon as funds permit. At present, the capital programme is limited thus reducing the current need for a significant Contingency Fund beyond cover for risk to covenanted income from terrorism etc but a major capital programme is planned and funds will be allocated to prepare for this risk. Unrestricted general funds usually arise from the previous year's surplus and are allocated for expenditure or to a designated reserve in the following year. See sections 1.8, 1.9 and 1.10 in the notes to the Accounts.

3.3.4 Museum specific target: development cost as a percentage of income generated

Sponsorship, grants and donations continue to be of vital importance to the Museums. The direct costs of the sponsorship function as a percentage of income generated is an important indicator of efficient management and accountability. On the basis of a three-year rolling average (to even out initial costs), we aim to spend no more than 15% of the money raised on direct administration. The rolling 3-year, NMSI average, (based on management accounts at 31 March 2007) is 7.7%.

3.4 List of sponsors and donors

Alstom Transport
Arts Council England
Arts Council England, Yorkshire
Arts & Business
Atkins Rail

Bachmann Europe
BP International Limited
Bradford & Bingley
Bradford College
British National Space Centre

Mrs Z J Cheatle
Children's University, Bradford
Clark Foundation
Cubby Broccoli Foundation

DCMS
DEFRA
Department of Trade and Industry
Deutsche Bank
Dulay Seymour Creative Communications

EADS
Dr Elmes
Energy Saving Trust
Environment Agency
English Nature
English Welsh & Scottish Railway
ERDF
European Commission

First TransPennine Express
Friends of the National Railway Museum

GNER

Heritage Lottery Fund
Hornby Hobbies Ltd
House of Townsend

Intel

JHS Catering Equipment & Furniture Hire
John Kobal Foundation
Johnson Matthey plc

King Baudouin Foundation
Kodak Eastman Charitable Trust

Let's Celebrate

Martin Smith Foundation
Medical Research Council
MezzoFilms
Museums, Libraries and Archives
Ned Railways
NESTA
Network Rail Ltd
Nintendo UK
Northern Rail

Office for Public Management
Optos plc
OSI

Particle Physics and Astronomy Research Council
Porterbrook Leasing Company Ltd

Royal Academy of Engineering
Railnews
Railtrack
Renault UK Limited
Royal Photographic Society
RWE npower

Screen Yorkshire
Sedgefield Borough Council
Shell UK
Sidney E Frank Foundation
Siemens plc
SITA Trust
Spellman Walker
Swindon Borough Council

The Art Fund
Tomahawk Outside Catering
Toshiba Corporation
Train of Events
Traveleads
Tyne & Wear Museum

UBS

Wellcome Trust
Wireless Edge Communications
Wolfson Foundation

Yorkshire Forward

Many donors to Flying Scotsman appeals

3.5 List of corporate partners

SCIENCE MUSEUM

Patron	BP
	GlaxoSmithKline
Fellow	National Savings & Investments
	London Unlimited
Benefactor	The UK Steel Industry
	UBS
Member	Akzo Nobel
	Arup Group Ltd
	CMS Cameron McKenna
	Cobham plc
	EADS
	Farrer & Co
	Halcrow Group Ltd
	Novator Partners LLP
	Renault UK Ltd
	Smiths Group plc
	Tranter Lowe
Associate	Walfords

NATIONAL MEDIA MUSEUM

Business Partner	Aagrah
	Ernst & Young
	Hallmark
	James Robinson
	Last Cawthra Feather
	Rex Procter & Partners
	Spellman Walker
	Walker Morris
	Newmason Properties

NATIONAL RAILWAY MUSEUM

Patron	BT
	Central Japan Railway Company
	English Welsh & Scottish Railway
	Eurostar
	First TransPennine Express
	Jarvis Rail
	Network Rail
	Northern Rail
	Norwich Union
	Porterbrook Leasing Company
	West Coast Railways
	West Japan Railway Company
Benefactor	Atkin Rail
	Bachmann Europe plc
	Corus Rail Consultancy
	Great Rail Journeys
	Hornby Hobbies Ltd
	Linde Castle Ltd
	Railnews
	Wabtec Rail Ltd
	William Cook Cast Products
Member	Arriva Trains Wales
	GNER
	Ned Railways
	Saville Audio Visual
Associate	Dulay Seymour Creative Communications
	Honeywell Control Systems
	Restaurant Associates

4 Reference and administrative details of the charity, its Trustees and Advisers

4.1 The name of the charity

Under the National Heritage Act 1983 the Board of Trustees of the Science Museum created the charity generally known by the name of The National Museum of Science & Industry (NMSI).

Of which parts are:

- Science Museum South Kensington and Swindon (SM)
- The National Railway Museum (NRM)
- Locomotion, the National Railway Museum at Shildon
- The National Media Museum (NMeM)

4.2 The address of the principal office of the charity and its charitable company

4.2.1 Museum addresses

Science Museum
Exhibition Road
London
SW7 2DD

National Railway Museum
Leeman Road
York
YO26 4XJ

National Media Museum
Pictureville
Bradford
BD1 1NQ

Science Museum Swindon
Hackpen Lane
Wroughton
Wiltshire
SN4 9NS

Blythe House
23 Blythe Road
London
W14 0QF

Locomotion: the National Railway Museum at Shildon
Shildon
County Durham
DL4 1PQ

4.2.2 Company information

NMSI Trading Ltd

Directors
Dr D Gurr (Chair)
Mr J Bilefield
Mr M Earwicker
Mr N Pocklington
Mr M G Smith
Mr R Steele
Mr C Weller

Secretary
Ms Anne Caine

Registered office
Exhibition Road
South Kensington
London
SW7 2DD

Registered number
2196149

Bradford Film Ltd
(a company limited by guarantee)

Directors
Mr Michael G Wilson (Chair)
Ms Molly Jackson
Mr Colin Philpott

Secretary
Ms Anne Caine

Registered office
Exhibition Road
South Kensington
London
SW7 2DD

Registered number
3309258

4.3 The Board of Trustees of NMSI

Numbers in brackets refer to membership of Sub-Committees, as listed below.

	1 or 2 term	Date of current appointment	Expiry of appointment
Chairman			
The Rt Hon Lord Waldegrave of North Hill (3) (7)	2	01.07.06	30.06.10
Members			
Lady Chisholm (8)	1	14.01.07	13.01.11
Sir Ron U Cooke PhD DSc FRGS AcSS DL (3) (4)	2	06.06.06	05.06.10
Professor Dame Ann Dowling CBE FREng FIMechE FRAeS FRS (3) (5) (7)	2	25.08.04	24.08.08
Lord Faulkner of Worcester (4)	1	14.01.07	13.01.11
Dr Douglas Gurr (2) (5) (6) (8)	1	06.06.03	05.06.07
Mr Richard Haythornthwaite (1)	2	06.06.06	05.06.10
Lord Rees of Ludlow FRS (7)	1	06.06.03	05.06.07
Sir Howard Newby (4)	1	14.01.07	13.01.11
Professor Simon Schaffer (7)	1	14.01.07	13.01.11
Dr Maggie Semple OBE (2) (9)	1	10.10.03	09.10.07
Dr Tony Sewell (7)	1	14.01.07	13.01.11
Mr Martin G Smith MA MBA MA (Econ) (2) (3) (6) (8)	2	25.08.04	24.08.08
Professor Roderick A Smith MA PhD ScD FCGI FREng CEng FIMechE FIM (4)	2	23.04.06	22.04.10
Professor Kathy Sykes (7) (9)	1	10.10.03	09.10.07
Sir William Wells	1	06.06.03	05.06.07
Mr Michael G Wilson (5) (8)	1	13.02.04	12.02.08

4.4 Trustee Sub-Committees and subsidiary company boards

(1) Audit Committee (Chair – Mr Richard Haythornthwaite)
(2) Finance & General Purposes Committee (Chair – Mr Martin G Smith)
(3) Remuneration Committee (Chair – Mr Martin G Smith)
(4) National Railway Trustee Sub-Committee (Chair – Sir Ron U Cooke)
(5) National Media Museum Trustee Sub-Committee (Chair – Mr Michael G Wilson)
(6) Board of Directors of NMSI Trading Ltd (Chair – Dr Douglas Gurr)
(7) Science Museum Trustee Sub-Committee (Chair – The Rt Hon Lord Waldegrave of North Hill)
(8) NMSI Development Trustee Sub-Committee (Chair – Mr Michael G Wilson)
(9) Wellcome Wolfson Building Trustee Sub-Committee (Chair – Dr Maggie Semple)

4.5 Full membership of Trustee Sub-Committees with non-Trustee members

National Media Museum Trustee Sub-Committee

Chairman	Mr Michael G Wilson (Trustee)
Members	Dr Douglas Gurr (Trustee)
	Mr Peter McCormick OBE
	Mr Philip Robinson

National Railway Museum Trustee Sub-Committee

Chairman	Sir Ron U Cooke from 28 January 2006 (Trustee)
Members	Mr David Atkinson
	Lord Faulkner of Worcester (Trustee)
	Mr Christopher Garnett
	Mr Brian Greenwood MCMI
	Mr Simon Linnett
	Mr John Nelson
	Sir Howard Newby (Trustee)
	Ms Sue Palmer
	Mr Frank Paterson
	Professor Roderick A Smith (Trustee)

Science Museum Trustee Sub-Committee

Chairman	The Rt Hon Lord Waldegrave of North Hill (Chairman of Trustees)
Members	Dr Nicolas Barker
	Dr Jim Bennett
	Professor Dame Ann Dowling (Trustee)
	Dr Graham Farmelo
	Dr Clare Matterson
	Lord Rees of Ludlow (Trustee)
	Dr Christine MacLeod
	Dr Gill Samuels CBE
	Professor Simon Schaffer
	Dr Tony Sewell
	Professor Kathy Sykes (Trustee)
	Dr Robyn Williams

Wellcome Wolfson Building Trustee Sub-Committee

Chairman	Dr Maggie Semple OBE (Trustee)
Members	Professor Elizabeth N Anionwu CBE
	Professor Colin Blakemore
	Dr Graham Farmelo
	Ms Caroline Hurren (until February 2007)
	Sir Roland Jackson Bt
	Mr Paul Ramsbottom
	Mr E F Rover
	Professor Kathy Sykes (Trustee)
	Professor Richard Wiseman

NMSI Development Trustee Sub-Committee

Chairman	Mr Michael G Wilson (Trustee)
Members	Lady Kitty Chisholm (Trustee)
	Mr John Crawford
	Dr Douglas Gurr (Trustee)
	Mr Martin G Smith (Trustee)

4.6 Methods adopted for recruitment and appointment of new Trustees

Five new Trustees were appointed in 2006-07. The process of appointing Trustees in 2006-07 took place in accordance with the procedures defined by DCMS under which descriptions of the roles required were advertised early in 2007, interviews conducted and recommendations made to the DCMS for appointment by the Prime Minister in accordance with the National Heritage Act 1983.

4.7 Policies and procedures for induction

Officers of NMSI work with the new Trustees to provide both general briefing about the Museums and the role of Trustees of the Board of Trustees of the Science Museum within a charity and NDPB and particular information about areas of interest in which they wish to support the Museums specifically.

4.8 Executive Committee

Mr Martin J Earwicker FREng	Director – from 03.05.06
Mr Jon Tucker	Head of Science Museum/ Acting Director, NMSI until 02.05.06
Mr John Bevin	NMSI Head of Estates
Ms Mel Burns	NMSI Head of IT
Ms Anne Caine	NMSI Head of Finance
Mr Clive Gordon	Head of Science Museum Swindon – retired 31.07.06
Ms Molly Jackson	Managing Director, Science Museum Solutions
Mr Andrew Leitch	NMSI Head of Project Development and Planning
Mrs Adele McAllister	NMSI Head of Human Resources
Mr Colin Philpott	Head of National Media Museum
Mr Matthew Pudney	NMSI Head of Corporate Communications – until 17.01.07
Ms Cynthia Rallis	NMSI Head of Development
Mr Andrew Scott	Head of National Railway Museum

4.9 Register of Interests

The Trustee Register of Interests is available for inspection on application to the Committee Manager at the Science Museum, Exhibition Road, London.

4.10 List of NMSI advisers

Auditors

NMSI

Comptroller and Auditor General
National Audit Office
Buckingham Palace Road
London SW1W 9SP

NMSI Trading Ltd and Bradford Film Ltd

Moore Stephens
Chartered Accountants
1 Snow Hill
London EC1A 2EN

Bankers

NMSI

Barclays Bank plc
Floor 27
1 Churchill Place
London E14 5HP

NMSI Trading Ltd and Bradford Film Ltd

Barclays Bank plc
Floor 27
1 Churchill Place
London E14 5HP

Solicitors

NMSI

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3LH

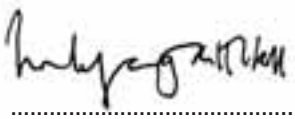
Cameron McKenna
Mitre House
160 Aldersgate Street
London EC1A 4DD

NMSI Trading Ltd and Bradford Film Ltd

Farrer & Co
66 Lincoln's Inn Fields
London WC2A 3LH

The fees due to NAO for Audit Services amounted to £48,500. Further project-grant audit certification work to the value of £2,250 was performed by NAO during 2006-07 (2005-06 £1,500). Moore Stephens audited NMSI Trading Ltd, fees due £30,500; no non-audit work was performed.

As far as the Accounting Officer is aware there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.



The Rt Hon. Lord Waldegrave of North Hill
Chairman of the Board of Trustees
.....
18 July 2007

Mr Richard Haythornthwaite
Chairman of the Audit Committee
.....
18 July 2007

Martin J Earwicker
Director and Accounting Officer
.....
18 July 2007

Remuneration Report

Membership

The membership of the Remuneration Committee comprised:

Mr Martin Smith (Chair)
Sir Ron U Cooke
Professor Dame Ann Dowling
Lord Waldegrave of North Hill

The Acting Director, Mr Jon Tucker and NMSI Head of Human Resources, Ms Adele McAllister, were in attendance at the meeting which reviewed staff pay (except for discussion concerning their own pay and performance).

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

The Remuneration Committee reviews salaries of all Museum senior managers whose jobs are of a certain size (as determined by formal job evaluation) and of Trading staff paid above £50,000. This level will be reviewed year on year.

At the beginning of the year, senior managers are set objectives based on the Museum's business plans. At the end of the year they are assessed by the Director on how far they have achieved their objectives and their performance is rated accordingly. The Chairman of Trustees assesses and rates the Director's performance. All ratings are then reviewed by the Remuneration Committee. All of senior managers' pay depends on performance being delivered.

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

- The projected budget for the annual staff settlement
- Salary levels internally and in the marketplace (through salary surveys)
- Job size and whether this has changed over the period (through formal evaluation, where applicable)
- The performance and contribution of the individual over the period (through performance appraisal).

Policy on duration of contracts, notice periods and termination payments

Senior staff are permanent employees of either the National Museum of Science & Industry or of NMSI Trading Ltd apart from the Director who is on a five year contract and the Head of Communications who is on an annual contract. Notice periods for senior employees are between one and three months, for the Director, six months. Termination payments are in accordance with Museum or NMSI Trading Ltd contractual terms.

All Museum employees are members of the PCSPS Pension scheme with associated redundancy and early retirement conditions. Civil Service pension details are given in notes to the accounts at 6.2.2. All NMSI Trading Ltd staff are entitled to payments as defined under the Employment Rights Act 1996 unless individual contracts define other terms.

The Board of Trustees of the Science Museum, who hold overall responsibility for NMSI, are not remunerated. Expenses paid are disclosed in Note 6.2.3 to the Annual Accounts.

Director

Mr Jon Tucker, Head of the Science Museum, was appointed Acting Director from 1 July 2005 to 2 May 2006. Dr Martin Earwicker was appointed Director from 3 May 2006.

'Remuneration' includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; and any other allowance to the extent that it is subject to UK taxation.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. The value of benefits in kind in 2006-07 was nil.

Audited information:

	2007	2006
Jon Tucker	**£**	**£**
Remuneration (i)	8,636	73,875
Employer's pension contribution	2,147	18,314
Total accrued pension at age 60 as at 31 March	12,724	11,121
Real increase in pension at age 60	1,202	1,595
Total lump sum at age 60 as at 31 March	0	-
Real increase in lump sum at age 60	0	-
CETV at start date (01 July 2005)	145,589	93,228
CETV at end date (31 March 2006)	163,316	145,589
Real increase in CETV	12,065	20,873
Martin Earwicker		
Remuneration (ii)	113,911	-
Employer's pension contribution	24,491	-
Total accrued pension at age 60 as at 31 March	56,261	-
Real increase in pension at age 60	8,220	-
Total lump sum at age 60 as at 31 March	168,783	-
Real increase in lump sum at age 60	24,660	-
CETV at start date (31 March 2005; 31 March 2004)	1,012,607	-
CETV at end date (30 Sept 2005; 31 March 2005)	1,303,458	-
Real increase in CETV	188,785	-

(i) Figure quoted is for the period 1 April 2006 to 2 May 2006. The full-year equivalent is £98,500.
(ii) Figure quoted is for the period 3 May 2006 to 31March 2007. The full-year equivalent is £125,000.

Cash Equivalent Transfer Values

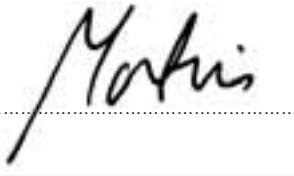
A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in his or her former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of his or her total membership of the pension scheme, not just service in a senior capacity to which disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements and for which the CS Vote has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of his or her purchasing additional years of pension service in the scheme at his or her own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries. Please note that the factors used to calculate the CETV were revised on 1 April 2006 on the advice of the Scheme Actuary. The CETV figure for 31 March 2006 has been restated using the new factors so that it is calculated on the same basis as the CETV figure for 31 March 2007.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. 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 or arrangement) and uses common market valuation factors for the start and end of the period.

As the Trustees and the Director exercise ultimate responsibility and authority for controlling the major activities of the entity, NMSI has determined that additional disclosure of emoluments and pension entitlements is inappropriate.

Mr Martin Smith ..... 18 July 2007
Chair of Trustee Remuneration Committee



Martin J Earwicker ..... 18 July 2007
Director and Accounting Officer

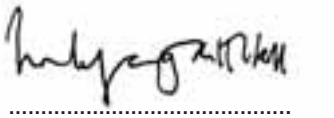
Statement of Trustees' and Director's responsibilities

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

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

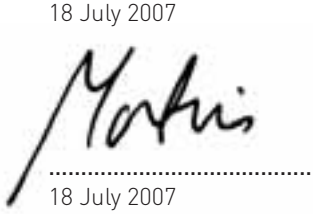
- Observe the accounts direction issued by the Secretary of State*, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- Make judgments and estimates that are reasonably prudent
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that NMSI will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for NMSI. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records and for safeguarding NMSI's assets are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.



The Rt Hon. Lord Waldegrave of North Hill
Chairman of the Board of Trustees
.....
18 July 2007

Mr Richard Haythornthwaite
Chairman of the Audit Committee
.....
18 July 2007



Martin J Earwicker
Director and Accounting Officer
.....
18 July 2007

* A copy of which is available from the Accounting Officer, Science Museum, London SW7 2DD

Statement on the system of internal control

As Chairman of the Trustee Audit Committee and representative of the Board of Trustees and as Accounting Officer we are responsible for maintaining a sound system of internal control that:

- Supports the achievement of objectives of the National Museum of Science & Industry
- Safeguards the public funds and assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in Government Accounting
- Ensures compliance with the requirements of the National Museum of Science & Industry's Management Statement and Financial Memorandum
- Has incorporated risk management within the strategic business planning process.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve the Museum's 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 the principal 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 NMSI for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts and accords with Treasury guidance.

Separate Trustee subcommittees give strong, direct support to each Museum in addition to the Finance and General Purposes Subcommittee, the Audit Subcommittee and the Remuneration Subcommittee. The recently appointed Director has reviewed the governance structure of NMSI with the Chairman and confirmed the changes made following an earlier review. He has improved the quality of meeting papers and reduced the number of officials attending meetings to make best use of the Trustee and Officials' time. A review of the effectiveness of the Board was delayed until later in 2007 as several new Board members had recently joined the Board. A new Investment Committee, chaired by the Finance Director will improve further the consistency and rigorousness of investment decisions by NMSI. A Management Statement outlining key responsibilities and Financial Memorandum is in place between DCMS and NMSI.

During 2006-07 NMSI continued to plan the implementation of its objectives through the business plans, which included an assessment of the major risks to achieving these objectives. A number of the major risks stem from continued cumulative pressure on the funding of core activities and maintenance and failure to renew galleries and exhibitions against rising prices especially relating to building costs in London. Other major risks include the threat of terrorism or other external disaster, impact of regional decline, increased regulation compliance, resolution of storage issues and impact on collections and failure to develop the full potential of trading income or to secure other non Grant in Aid revenue.

Risk evaluation informs our actions in managing these risks efficiently, effectively and economically as we implement our plans to achieve the objectives over the coming years. Risk management is integrated into corporate planning and decision-making processes of NMSI.

The Board received reports from the Chairs of the Audit and Finance and General Purposes Committees and the Director concerning matters affecting internal control and the minutes of all subcommittees are distributed to Trustees. During 2006-07 the Museum has worked closely with the HSE to enhance standards of health and safety in selected areas and is making steady progress to meet their requirements. The Directors of NMSI Trading Ltd formalised their relationship with the health and safety service provision by the NMSI Head of Estates and their review of Audit Committee activity. The recommendations of the 2005-06 security review at the Science Museum were implemented in 2006-07. Plans to ensure compliance with the new Fire (Safety Order) Regulations are being reviewed with the enforcing authorities.

The system of internal control has been in place in NMSI for the year ended 31 March 2007 and up to the date of approval of the Annual Report and Accounts, in accordance with Treasury Guidance. The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- A management team comprising the Heads of Museums and of major corporate services which meets monthly to consider the plans and strategic direction of NMSI
- An Investment Committee undertaking consistent review of all proposals

- Regular reports from managers to the Audit Committee, Finance and General Purposes Committee or management team (as appropriate) on the steps they are taking to manage risks in their areas of responsibility including progress on key projects
- Annual completion of internal control schedules by senior managers to confirm their compliance with NMSI's internal control standards
- Continual development of a range of robust system controls designed to ensure the integrity of NMSI's IT networks and external communications links
- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Trustees
- Regular reviews by the Board of Trustees of progress against the key performance indicators indicating attainment against objectives and Funding Agreement and of periodic and annual financial reports reviewing financial performance against forecast
- A Funding Agreement between NMSI and the Department for Culture, Media and Sport which includes performance measures for future years
- Clearly defined capital investment prioritisation and control processes
- Formal project management disciplines paying attention to risk and contingency levels
- The establishment of the Corporate Risk Group in 2004-05, chaired by the NMSI Finance Director, reporting to the Audit Committee, which is responsible for
  (i) developing and monitoring the implementation of the Museum's risk strategy
  (ii) monitoring changes in the corporate risk profile and, via its Chairman
  (iii) reporting significant changes to the Director, Audit Committee, Board of Trustees
- The Corporate Risk group is responsible for the maintenance of an organisation-wide risk register, progressing work to develop a consistent evaluation framework and encouraging the use of ongoing control and risk self assessment procedures
- Maintenance of Register of Interests for Trustees, subcommittee advisers, senior staff.

In 2006-07 the National Museum of Science & Industry continued to use the internal audit services of AHL Ltd, which operates to the Government Internal Audit Standards. AHL Ltd has provided internal audits and annual assurance for 2006-07 to the Accounting Officer. The work of the internal audit provider is informed by an analysis of the risk to which the body is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Trustees' Audit Committee and approved by NMSI. The Head of Internal Audit (HIA) provides NMSI with regular reports on internal audit activity in the body. The reports include the HIA's independent opinion on the adequacy and effectiveness of the body's system of internal control, together with recommendations for improvement. In the internal audit annual report for 2006-07 the HIA gave reasonable assurance on the effectiveness of the Museum's risk management, control and governance processes. Actions arising from the audits are being addressed by NMSI and are monitored through the Audit Committee.

As Chairman of the Audit Committee and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within NMSI who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management review letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board and the Audit Committee and plan to address weaknesses and ensure continuous improvement of the system is in place.

Mr Richard Haythornthwaite
Chairman of the Audit Committee
.....
18 July 2007

Martin J Earwicker
Director and Accounting Officer
.....
18 July 2007

Audit Opinion

NATIONAL MUSEUM OF SCIENCE AND INDUSTRY
THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the consolidated financial statements of the National Museum of Science & Industry for the year ended 31 March 2007 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet and Museum Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture, Media and Sport's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises of; 'Structure, governance and management'; Review of 2006-07 and plans for future periods'; 'Financial review'; and 'Reference and administrative details of the charity, its Trustees and advisers'; and the unaudited part of the Remuneration Report, is consistent with the Financial Statements. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament 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 Science & Industry has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

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

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport, of the state of the National Museum of Science & Industry and the group affairs as at 31 March 2007 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museum and Galleries Act 1992 and the Secretary of State for the Department for Culture, Media and Sport's directions made thereunder; and
- information given within the sections of the Annual Report titled: 'Structure, governance and management'; Review of 2006-07 and plans for future periods'; 'Financial review'; and 'Reference and administrative details of the charity, its Trustees and advisers'; and the unaudited part of the Remuneration Report, is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

23 July 2007

NATIONAL MUSEUM OF SCIENCE & INDUSTRY
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR YEAR ENDED 31 MARCH 2007

	Notes	2007 unrestricted funds £000	2007 restricted funds £000	2007 endowment £000	2007 total £000	2006 total £000 (restated, see note 23)
Incoming resources						
Incoming resources from generated funds						
Voluntary income						
Grant in Aid from DCMS	2	35,322	1,375	-	36,697	34,093
Grants, legacies and donations	3	159	5,284	-	5,443	5,065
Activities for generating funds						
Income from commercial activities	2	13,966	-	-	13,966	13,446
Rental income from operating leases	2	459	-	-	459	487
Investment income	5	362	-	3	365	199
Incoming resources from charitable activities						
Lottery income	2	-	627	-	627	664
Sponsorship	2	469	1,765	-	2,234	2,015
Other income	4	2,741	-	-	2,741	1,880
Total incoming resources		**53,478**	**9,051**	**3**	**62,532**	**57,849**
Resources expended						
Costs of generating funds						
Costs of generating voluntary income		3,425	281	-	3,706	3,137
Commercial costs (fundraising trading: costs of goods sold and other)		13,437	-	-	13,437	14,678
Charitable activities						
Care for and research into collections		11,077	4,374	-	15,451	13,302
Science education and communication		15,177	8,991	-	24,168	22,079
Visitor services		9,706	2,525	-	12,231	11,474
Governance costs		365	-		365	391
Total resource expended	6	**53,187**	**16,171**	-	**69,358**	**65,061**
Notional cost of capital	8	1,153	3,742	-	4,895	4,971
Total resource expended including notional costs		**54,340**	**19,913**	-	**74,253**	**70,032**
Net incoming/(outgoing) resources		**(862)**	**(10,862)**	**3**	**(11,721)**	**(12,183)**
Gain/(Loss) on revaluation of assets	10	455	1,977	-	2,432	17,445
Reversal of notional costs		1,153	3,742	-	4,895	4,971
Net movement in funds		**746**	**(5,143)**	**3**	**(4,394)**	**10,233**
Fund balances brought forward at 01.04.06		**26,644**	**237,387**	**87**	**264,118**	**253,885**
Fund balances carried forward at 31.03.07		**27,390**	**232,244**	**90**	**259,724**	**264,118**

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period. The Museum has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented.

The notes on pages 41 to 60 form part of these accounts.

NATIONAL MUSEUM OF SCIENCE & INDUSTRY
BALANCE SHEETS AS AT 31 MARCH 2007

	Notes	CONSOLIDATED BALANCE SHEET 2007 £000	CONSOLIDATED BALANCE SHEET 2006 £000 (restated, see note 23)	MUSEUM BALANCE SHEET 2007 £000	MUSEUM BALANCE SHEET 2006 £000 (restated, see note 23)
Fixed assets	9	3	8	-	-
Intangible assets	10	242,056	249,810	235,704	243,003
Tangible assets	11	12,827	11,560	12,827	11,560
Heritage assets		-	-	411	411
Investments		**254,886**	**261,378**	**248,942**	**254,974**
Current assets					
Stock		605	620	-	-
Debtors	14	5,914	7,558	8,203	9,585
Short-term deposits		8,500	5,000	8,500	5,000
Cash in hand and at bank		57	412	(451)	305
		15,076	**13,590**	**16,252**	**14,890**
Creditors: amounts falling due within one year	15.1	**(6,521)**	**(6,603)**	**(4,716)**	**(4,568)**
Net current assets		**8,555**	**6,987**	**11,536**	**10,322**
Total assets less current liabilities		**263,441**	**268,365**	**260,478**	**265,296**
Creditors: amounts falling due after one year	15.2	**(2,910)**	**(3,157)**	(533)	(583)
Provision for liability and charges					
Early Retirement provision	17	**(807)**	**(1,090)**	(807)	(1,090)
Net assets		**259,724**	**264,118**	**259,138**	**263,623**
Represented by:					
Restricted funds					
Sponsorship, Grants and Donations Reserve		4,460	4,366	4,460	4,366
Revaluation Reserve		22,169	21,805	22,169	21,805
Capital Projects Fund		205,615	211,216	205,615	211,216
Unrestricted funds	19.1	**232,244**	**237,387**	**232,244**	**237,387**
Designated funds					
Museum Improvement Reserve		4,581	3,892	4,581	3,892
Collections Purchase Fund		79	119	79	119
Revaluation Reserve		3,272	2,902	2,040	1,670
Capital Projects Fund		17,727	18,688	17,727	18,688
Contingency Fund		645	623	645	623
Post Office Building Purchase Reserve		200	100	200	100
General funds		886	320	1,532	1,057
	19.2	**27,390**	**26,644**	**26,804**	**26,149**
Total income funds		**259,634**	**264,031**	**259,048**	**263,536**
Endowment Funds	1.9	**90**	**87**	**90**	**87**
Total Funds		**259,724**	**264,118**	**259,138**	**263,623**

The Rt Hon. Lord Waldegrave of North Hill
Chairman of the Board of Trustees — 18 July 2007

Mr Richard Haythornthwaite
Chairman of the Audit Committee — 18 July 2007

Martin J Earwicker
Director and Accounting Officer — 18 July 2007

The notes on pages 41 to 60 form part of these accounts

NATIONAL MUSEUM OF SCIENCE & INDUSTRY

CONSOLIDATED CASH FLOW FOR THE YEAR TO 31 MARCH 2007

	Note	2007 £000	2006 £000
Net cash inflow from operating activities	20.1	8,433	5,829
Returns on investments and servicing of finance	20.2	291	119
Capital expenditure	20.2	(5,533)	(3,658)
Management of liquid resources	20.2	(3,500)	(5,000)
Financing	20.2	(46)	(42)
(Decrease) in cash		**(355)**	**(2,752)**

Reconciliation of net cash flow to movement in net funds

Decrease in cash in the period		(355)	(2,752)
Increase in liquid resources		3,500	5,000
Decrease in debt and lease financing		46	42
Change in net fund resulting from cash flow	20.3	**3,191**	**2,290**
Net funds as at 01.04.06	20.3	**4,706**	**2,416**
Net funds at 31.03.07	20.3	**7,897**	**4,706**

The notes on pages 41 to 60 form part of these accounts

NOTES TO THE CONSOLIDATED ACCOUNT FOR THE YEAR ENDED 31 MARCH 2007

1 STATEMENT OF ACCOUNTING POLICIES

1.1 Accounting convention

The accounts have been prepared under a historical cost convention as modified by the revaluation of certain fixed assets. The accounts comply with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice 2005 (the SORP), applicable accounting standards and the Government Financial Reporting Manual (the FReM). The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector.

Consolidated accounts have been prepared which include the Museum and its subsidiary companies, NMSI Trading Ltd and Bradford Film Ltd.

1.2 Incoming resources

All income is accounted for on a receivable basis. Grant in Aid from the Department for Culture, Media and Sport is taken to Statement of Financial Activities in the year in which it is received. Except where it is has been allocated for a designated purpose, it is disclosed as unrestricted income. Grant income, sponsorship and donation income including Lottery income is recognised as income when the conditions for its receipt have been met. (Notes 2, 3, 4, 5)

1.3 Expenditure

Expenditure is classified under the principal categories of charitable and other expenditure rather than the type of expense, in order to provide more useful information to users of financial statements.

Costs of generating voluntary income include fundraising and publicity costs incurred in seeking voluntary contributions to the Museum, and in publicising the Museum.

Charitable expenditure comprises direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resources as set out in note 6.1.2

Governance costs are the costs associated with the governance arrangements and the costs associated with the strategic management of the charity's activities. These costs include internal and external audit, legal advice for Trustees and costs associated with constitutional and statutory requirements. An analysis of resources expended is set out at note 6.1.1

1.4 Amortisation, fixed-assets valuation and depreciation

The intangible asset is being written off in equal instalments over its estimated economic life of 3 years. Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the cost or valuation of each asset evenly over its expected useful life. A full year of depreciation is charged in the year of capitalisation and none in the year of disposal.

Land	Not depreciated
Freehold, leasehold and residential buildings	10 to 50 years
Plant and machinery	5 to 25 years
Galleries and exhibitions	5 to 15 years
Fixtures and fittings	3 to 10 years

Fixed assets are defined as assets costing £5,000 or more with a useful life of greater than 1 year. A fixed asset impairment review is undertaken annually. Freehold and leasehold buildings includes both the building structure with a life of between 10 and 50 years and building fit-out (including such items as lift shafts, raised floors, ventilator ducts) with a life of 10–30 years.

These land and buildings were valued by Drivers Jonas, Chartered Surveyors as at 31 March 2004 in accordance with the RICS Appraisal and Valuation Manual. Since then, assets have been revalued to current cost using a range of appropriate price indices. Galleries and exhibitions have not been revalued as the current cost is equal to their actual cost but the lives of these assets are reviewed annually to reflect their true value. The difference between current cost and historic cost depreciation is taken to the Revaluation Reserve.

1.5 Collection objects

As the collection is considered to be inalienable, no past valuation is attempted whether for purchased or donated objects and no amount is included for collections acquired on or before 31 March 2001 in the Balance Sheet. Additions to the collections acquired since 1 April 2001 with a purchase price greater than £5,000 or objects donated with an estimated value greater than £10,000 are capitalised and recognised in the Balance Sheet, where such a cost or valuation is reasonably obtainable and reliable. For the valuation of donated objects, reliance is placed on the professional knowledge expertise of the Museum's in-house curatorial staff. Collections objects are not routinely depreciated or revalued.

Purchases of items at a price less than £5,000 for the collection are charged to the Statement of Financial Activities in the year of acquisition.

1.6 Stock

Stock is stated at the lower of cost and net realisable value and comprises goods for resale.

1.7 Leases

Costs relating to operating leases are charged to the Statement of Financial Activities over the life of the lease.

1.8 Restricted funds

Where a donor or sponsor has specified a particular purpose for a donation, grant or sponsorship income, that income is shown as restricted income in the year in which receipt is due.

Sponsorship, Grants and Donations Reserve

Sponsorship income, grants and donations received for specific projects or events are shown as restricted income and credited to a Sponsorship, Grants and Donations Reserve.

Collections Purchase Fund

Income received for the purchase of specific items or from the sale of objects is shown as restricted income and credited to the Collections Purchase Fund.

Revaluation Reserve

In the years between quinquennial professional revaluations the net replacement cost of property assets is adjusted by the BCIS Public Sector Tender Price Index; other assets are adjusted by appropriate ONS Price Indices. Upward revaluation movements based on price indices, insofar as they relate to assets purchased using restricted funding, are taken to the Restricted Revaluation Reserve. The additional current cost depreciation charge generated by indexation revaluation movements is charged to this Reserve.

Capital Projects Fund

This fund represents the net book value of fixed assets financed by restricted funds and is used to fund depreciation on these assets. For property assets, the net book value reflected in the fund is based on the quinquennial professional revaluation figure, the fund therefore encompasses an element of the revaluation movement.

1.9 Endowment fund

The Brink endowment fund is a permanent endowment established to advance the education in science of disadvantaged children. The income generated by the endowment is treated as restricted to the purpose of the fund.

1.10 Unrestricted designated funds

Where the Museum decides to commit to a specific project, an allocation is made to a designated fund. Income is recognised in the Statement of Financial Activities as it arises and is allocated as explained in the reconciliation and analysis of movements of the funds.

Collections Purchase Fund
Museum funds committed specifically to the purchase of objects for the collections are credited to the Collections Purchases Fund and released in the year in which expenditure takes place.

Revaluation Reserve
Upward revaluation movements based on price indices, insofar as they relate to assets purchased using unrestricted funding, are taken to the Designated Revaluation Reserve. The additional current cost depreciation charge generated by indexation revaluation movements is charged to this Reserve.

Capital Projects Fund
This fund represents the net book value of fixed assets financed by unrestricted funds and is used to fund depreciation on these assets. For property assets, the net book value reflected in the fund is based on the quinquennial professional revaluation figure, the fund therefore encompasses an element of the revaluation movement.

Museum Improvement Reserve
Museum funds committed to specific future project activity are credited to the Museum Improvement Reserve and released in the year in which the related expenditure takes place.

Contingency Reserve
Funds have been allocated to a Contingency Reserve to provide a reserve for use when significant unforeseen costs arise. The Reserve is normally kept at a level between £1m and £2m depending on the recent calls on the funds and the size of the current capital programme but is temporarily at a lower level to support the Early Retirement provision. The necessary level is reassessed annually as part of the budget activity and also when any major change in the level of activity is planned.

Post Office Building Purchase Reserve
The Museum is contracted to purchase the leasehold (99 years from 1995) of the 'The Post Office Building' (formerly known as the Old Meteorological Building) Exhibition Road, for £1,004,697 in 2016, once the mortgage on the property is repaid by NMSI Trading Ltd. This fund represents monies set aside to meet this obligation.

1.11 General funds

General Funds are available for use in furtherance of the general objectives of the Museum and are usually allocated for expenditure in the year after they arise. Specific general reserves are detailed under designated funds.

1.12 NMSI Trading Ltd

NMSI Trading Ltd is a wholly owned subsidiary of NMSI. All shareholders of NMSI Trading Ltd must be Trustees of the Board of NMSI. A total of 500,000 shares at £1 nominal in NMSI Trading Ltd have been authorised, of which 411,000 shares have been issued. These are held by the Board of Trustees of the Science Museum. Under a Deed of Covenant, all taxable profits from NMSI Trading Ltd are paid to NMSI. Bradford Film Ltd is a company limited by guarantee for which NMSI Trading Ltd is the sole member. NMSI Trading Ltd has been gifted shares in Science Exhibitions Ltd as part of the outsourcing of exhibition development to Science & Media Ltd. A summary of the consolidated accounts is given in note 2.

1.13 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is a non-contributory and unfunded scheme. Although the scheme is a defined benefit scheme, liability for payment of future benefits is a charge to the PCSPS. The NMSI, and other bodies covered by the PCSPS, meet the cost of pension cover provided for the staff they employ by payment of charges calculated on an accruing basis.

There is a separate scheme statement for the PCSPS as a whole. Pension contributions are paid at rates determined from time to time by the Government Actuary and advised by the Treasury.

NMSI Trading Ltd operates a defined contribution pension scheme, the assets of which are held separately in an independently administered fund. Contributions are charged to the Statement of Financial Activities as they become payable, in accordance with the rules of the scheme.

1.14 Early Retirement Scheme

The Museum operates an Early Retirement and Severance Scheme, which gives retirement benefits on redundancy terms to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. The Museum pays annual compensation payments to those employees retired under the Early Retirement and Severance Scheme.

The total forecast annual compensations payments liability up to normal retiring age in respect of each employee is charged to the Statement of Financial Activities in the year in which the employee takes early retirement. The Early Retirement provision is recalculated annually informed by updated information. Funds are released from the provision annually to fund annual compensation payments made in the year. (Note 17)

1.15 Taxation

There are no sources of income received by NMSI liable to Corporation Tax and no provision has therefore been made.

For NMSI Trading Ltd and Bradford Film Ltd, provision is made at current rates of taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the Directors, there is reasonable probability that the liability will not arise in the foreseeable future. Under a deed of covenant with NMSI, all taxable profits are paid to the Museum and there is no liability to taxation.

1.16 Investments

Funds identified as surplus to working capital in the short- or longer-term are invested to maintain their value over time. The value of the Museum's investment in its trading subsidiary is disclosed at cost.

1.17 Foreign Currencies

Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction and, at year end, balances are restated at the year end rate. All exchange differences are taken to the Statement of Financial Activities. For significant purchases, an option to purchase currency at an agreed exchange rate at a forward date is secured at the time of contract.

1.18 Notional Costs

In accordance with Treasury guidance, notional cost of capital, at 3½%, is charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. This notional cost is reversed so no provision is included on the Balance Sheet.

1.19 Debtors

Specific provisions are made where a debt is deemed unlikely to be recovered and a general provision is made depending on the age of debt and organisations owing funds.

1.20 Provisions

Provisions are made when an obligation exists for a future liability in respect of a past event and where the amount of the obligation can be reliably estimated. Discount rates provided by H M Treasury are used in current value calculations for long term commitments.

1.21 Accounts Direction

A copy of the Accounts Direction issued to the National Museum of Science & Industry by the Department for Culture, Media and Sport may be obtained from the Finance Director at the Science Museum, Exhibition Road, London SW7 2DD.

2. STATEMENT OF FINANCIAL ACTIVITIES: MUSEUM AND SUBSIDIAIRES

	Museum account £000	NMSI Trading Ltd £000	Bradford Film Ltd £000	Eliminations on consolidation £000	2007 total £000	2006 total £000
Incoming resources						[restated, see note 23]
Incoming resources from generated funds						
Grant in Aid from DCMS	36,697	-	-	-	36,697	34,093
Voluntary income (grants, legacies and donations)	5,258	-	185	-	5,443	5,065
Activities for generating funds						
Income from commercial activities	2,767	13,722	244	(2,767)	13,966	13,446
Staff costs recharged		2,779		(2,779)	-	-
Rental income from operating leases	121	338	-	-	459	487
Investment income	488	20	-	(143)	365	199
Income resources from charitable activities						
Lottery income	627	-	-	-	627	664
Sponsorship	120	2,114	-	-	2,234	2,015
Other income	2,741	-	-	-	2,741	1,880
Total incoming resources	**48,819**	**18,973**	**429**	**(5,689)**	**62,532**	**57,849**
Resources expended						
Cost of generating funds						
Costs of generating voluntary income	3,706	-	-	-	3,706	3,137
Commercial costs (fundraising trading: cost of goods sold and other costs)	-	13,333	247	(143)	13,437	14,678
Cost of staff re-charged	-	2,779	-	(2,779)	-	-
Charitable activities						
Care for and research into collections	15,451	-	-	-	15,451	13,302
Science education and communication	23,983	-	185	-	24,168	22,079
Visitor services	12,231	-	-	-	12,231	11,474
Governance costs	365	-	-	-	365	391
Total resource expended	**55,736**	**16,112**	**432**	**(2,922)**	**69,358**	**65,061**
Operating surplus/(deficit)	(6,917)	2,861	(3)	(2767)	(6,826)	(7,212)
Amount covenanted to Museum	-	(2,767)	-	2,767	-	-
Revaluation of assets	2,432	-	-	-	2,432	17,445
Surplus/(deficit) for the year	**(4,485)**	**94**	**(3)**	**-**	**(4,394)**	**10,233**
Reserves brought forward	**263,623**	**537**	**(42)**	**-**	**264,118**	**253,885**
Reserves carried forward	**259,138**	**631**	**(45)**	**-**	**259,724**	**264,118**

Museum income for the year includes £8,865k of restricted income. This is received partly for expenditure on deferred activity, mainly of a capital nature.

Grant in Aid funding includes the annual allocation of £125k towards upkeep of the Museum's Merrion Monotype collection presently on loan to the Type Museum.

Grant in Aid is intended to fund both revenue and capital expenditure. In 2006–07 £2.3m of the total Grant in Aid allocation was for capital expenditure. (2006 £1.6m)

In accordance with the Management Statement and Associated Memorandum between NMSI, NCMME and DCMS, the Museum received a grant totalling £2,528k from DCMS on behalf of the National Coal Mining Museum for England during 2006–07 and passed this money over to it on receipt each month. This is not included in NMSI's incoming resources and expenditure.

Covenanted profit of £2,767k, salaries charged to the Museum by NMSI Trading Ltd of £2,779k and interest charged by the Museum to NMSI Trading Ltd of £143k have been eliminated on consolidation.

3. VOLUNTARY INCOME

	2007 £000	2006 £000 [restated, see note 23]
Grants (excluding Lottery grants and European Union grants)	3,172	3,152
European Union grants	585	45
Value of donated collection objects and capital assets	1,180	1,544
Value of donated goods and services	347	-
Individual donations	110	240
Recognition of endowment income	-	84
Patrons' scheme	49	-
	5,443	**5,065**

4. OTHER INCOME

Other income arises from project self-generated income, conference and educational events, locomotive hire and cloakroom payments. The total for 2006–07 includes £240k, a refund from HMRC in respect of payroll deductions.

5. INVESTMENT INCOME

Consolidated investment income of £365k (2005–06 £199k) arose through interest earned from investing surplus funds.

6 TOTAL RESOURCES EXPENDED

6.1.1 Analysis by functional purpose

	Staff costs £000	Other costs £000	Depreciation and loss on disposal £000	2007 Total £000	2006 Total £000
Cost of generating funds					
Costs of generating voluntary income	1,741	1,889	76	3,706	3,137
Fundraising trading: cost of goods sold and other costs	4,723	8,229	485	13,437	14,678
Charitable activities					
Care for and research into collections	5,698	6,195	3,558	15,451	13,302
Science education and communication	8,680	6,862	8,626	24,168	22,079
Visitor Services	5,081	4,346	2,804	12,231	11,474
Governance costs	219	146	-	365	391
	26,142	**27,667**	**15,549**	**69,358**	**65,061**

Within the staff costs above, the Museum includes staff and agency costs recharged to the Museum as part of the Trading Company services. Museum staff and other costs recharged to the Trading Company are shown as fundraising trading costs within staff and other costs respectively.

6.1.2 Support cost allocation

	Management (1) £000	Finance (2) £000	Human Resources (3) £000	Information Technology (4) £000	Estates (5) £000	Total £000
Costs of generating voluntary income	130	118	62	123	-	433
Care for and research into the collections	400	148	186	297	5,659	6,690
Science education and communication	510	334	353	423	5,432	7,052
Visitor services	288	172	252	150	5,443	6,305
Total	**1,328**	**772**	**853**	**993**	**16,534**	**20,480**

Costs were allocated to each activity on the basis defined below:
(1) Management – in proportion to the expenditure
(2) Finance – in proportion to the expenditure
(3) Human Resources – in proportion to the number of full-time equivalent staff
(4) Information Technology – in proportion to the number PCs/terminals
(5) Estates – divided equally over the three charitable activities.

6.2 Staff

6.2.1 Staff costs

	2007 £000	2006 £000
Salaries and wages	20,733	20,895
Social Security costs	1,675	1,661
Other pension costs (Museum only)	2,592	2,501
Pension contributions (NMSI Trading Ltd and Bradford Film Ltd)	186	202
Movements on Early Retirement provision		
• Refund due to transfer out of the Early Retirement provision into an ill-health scheme	(119)	-
• Fund future costs of staff retiring in the year	41	42
• Revaluation of Early Retirement provision	49	29
Agency staff	642	535
Compensation and redundancy payments	343	318
	26,142	26,183

Capitalised staff costs to the value of £190k (2005–06 £276k) were excluded from the staff costs above.

6.2.2 Pensions

Civil Service pensions
Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory-based 'final salary' defined-benefit schemes (classic, premium or classic plus). The schemes are unfunded, the cost of benefits being met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus were increased annually in line with changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of premium or joining a good quality 'money purchase' stakeholder arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. In premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up – commute – some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly in the same way as in classic.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Further details about the Civil Service pension arrangements can be found on the website www.civilservice-pensions.gov.uk

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme but NMSI is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2006–07, employers' contributions of £2,591,729 were payable to the PCSPS (2005–06 £2,500,668) at one of four rates in the range 17.1%–25.5% of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. From 2007–08, the salary bands will be revised but the rates will remain the same. The contribution rates are set to meet the cost of the benefits accruing during 2006–07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

The NMSI Trading Ltd Pension Scheme is a contracted-in group money-purchase scheme with optional contracted-out personal pensions to which NMSI Trading Ltd contributes 7% and the employee 5%. NMSI Trading Ltd pension contributions of £169,123 were paid, (2005–06 £201,756).

In relation to the Early Retirement provision, £2,505 was debited to the Provision and refunded to the Statement of Financial Activities. This is because a refund received on account of an ex-employee transferring out of the scheme exceeded the in year increases necessitated by an additional new member and the revaluation of the Provision. (In 2005–06 £71,221 was credited to the Provision and charged to the Statement of Financial Activities). A sum of £280,588 (2005–06 £309,727) was charged against the provision to fund annual compensation payments. (Note 17)

6.2.3 Trustees

The Chairman and Trustees (listed in the Annual Report) received no remuneration for their services but travel and subsistence expenses totalling £5,583 were paid to twelve Trustees.

6.2.4 Director

Details of the Director's remuneration are contained within the Remuneration report but he is included in note 6.2.5 below.

6.2.5 Employees receiving remuneration over £60,000:

£	2007	2006
60,001– 70,000	4	6
70,001– 80,000	7	7
80,001– 90,000	1	2
90,001–100,000	3	3
110,001–120,000	1	-
120,000–130,000	1	-
130,001–140,000	-	1
	17	**19**

For 7 of these employees total remuneration includes BUPA contributions.
In the year contributions totalling £25k were paid to a defined contribution scheme on behalf of 5 employees who received remuneration over £60,000. Retirement benefits accrued to the other 12 staff under a defined benefit scheme .

6.2.6 Employees (full-time equivalents) analysed by activity are as follows:

	2007 Employment contract	2007 Other staff engaged	2007 total	2006 total
Care for and research into collections	156	3	159	173
Science education and communication	277	7	284	284
Visitor services	182	12	194	191
Costs of generating voluntary income	48	1	49	52
Fundraising and trading	125	17	142	141
Governance costs	1	-	1	1
Total	**789**	**40**	**829**	**842**

57 of the 789 employed staff were on fixed term contracts.
Of staff included in the above analysis, 16 have declared disabilities.

6.3.1 Other direct costs

Other direct costs included:	2007 NMSI £	2007 NMSI Trading/ Bradford Film £	2007 total £	2006 total £	
Auditors' remuneration – audit fees	48,500	30,500	79,000	72,800	
Auditors' remuneration – grant certifications	2,250	-	2,250	1,500	
Lease rental payments on land and buildings	87,684	-	87,684	87,684	
Lease rental payments on equipment	71,570	5,796	77,366	44,980	
Lease rental payments on vehicles	36,766	-	36,766	35,738	
Travel, subsistence and entertainment	604,526	99,767	704,293	717,518	(i)
Charge to create specific grant provision (Note 14)	895,886	-	895,886	-	

(i) The comparative figure has been restated to be consistent with more comprehensive disclosure in the current year.

6.3.2 Ex-gratia payments
No ex-gratia payments were made in the year.

7 NMSI TRADING LTD

The Board of Trustees of the Science Museum owns the whole of the issued share capital of 411,000 shares of NMSI Trading Ltd, a company registered in England and Wales. The company's principal activities are retailing, catering, corporate hire, corporate partnership, temporary exhibitions and interactive production and providing services to the Museum for admissions, public relations, sponsorship and fundraising. Bradford Film Ltd is a company limited by guarantee for which NMSI Trading Ltd is the sole member.

7.2 NMSI Trading Ltd Consolidated Balance Sheet

	2007	2006
	£000	£000
Intangible assets	3	8
Tangible fixed assets	6,352	6,808
Stock	605	620
Debtors	2,593	3,308
Bank and cash	507	107
Creditors due within one year	(6,687)	(7,371)
Creditors due after one year	(2,376)	(2,574)
Net assets	**997**	**906**

7.3 Subsidiary companies

The National Museum of Science & Industry has NMSI Trading Ltd as a subsidiary. NMSI Trading Ltd has National Science Centre Ltd, Wide Eye Management Company Ltd, Lift Off Interactives Ltd, Science Shops Ltd, Launch Pad Ltd, Curricula Ltd and Curriculum Ltd as dormant subsidiaries. Bradford Film Ltd, a company limited by guarantee, is a subsidiary of NMSI Trading Ltd.

8 NOTIONAL COST OF CAPITAL

Notional cost of capital is calculated as 3½% of the average capital employed by the Museum (excluding externally funded assets) in the year. The notional charge for 2006-07 is £4,895k (2005–06 £4,971k).

9 INTANGIBLE ASSETS

	2006 £000
Cost or revalued amount as at 01.04.06	15
Cost as at 31.03.07	**15**
Amortisation as at 01.04.06	7
Amortisation during year	5
Amortisation as at 31.03.07	**12**
Net book value at 31.03.07	**3**
Net book value at 31.03.06	8

All intangible assets costs relate to development costs of an NMSI Trading Ltd website.

10 TANGIBLE FIXED ASSETS

10.1 Consolidated assets

	Land and buildings £000	Plant and machinery £000	Galleries and exhibitions £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Cost or revalued amount as at 1.4.06	197,082	62,554	34,036	4,340	2,202	300,214
Recategorisation (i)	-	901	(137)	(764)	-	-
Transfers from assets under construction	-	27	985	-	(1,012)	-
Additions during year	1,410	839	1,641	442	1,030	5,362
Disposals (ii)	-	(788)	(11,659)	(817)	-	(13,264)
Movement on assets as part of the revaluation process	62	2,355	-	15	-	2,432
Cost or revalued amount as at 31.03.07	**198,554**	**65,888**	**24,866**	**3,216**	**2,220**	**294,744**
Depreciation as at 01.04.06	10,595	13,438	23,202	3,169	-	50,404
Recategorisation (i)	-	729	(134)	(595)	-	-
Disposals (ii)	-	(746)	(10,826)	(815)	-	(12,387)
Depreciation during year	5,430	7,040	1,871	330	-	14,671
Depreciation as at 31.03.07	**16,025**	**20,461**	**14,113**	**2,089**	**-**	**52,688**
Net book value at 31.03.07	**182,529**	**45,427**	**10,753**	**1,127**	**2,220**	**242,056**
Net book value at 31.03.06	186,487	49,116	10,834	1,171	2,202	249,810

(i) At the year end the asset categorisation method employed for assets of the Trading subsidiary was brought into line with Museum methodology.

(ii) Gallery and Exhibition disposals include fully depreciated Wellcome Wing fit-out and write off of the Human Body film.

The net book value at 31 March 2007 represents fixed assets for;

	Land and buildings £000	Plant and machinery £000	Galleries and exhibitions £000	Fixtures and fittings £000	Assets under construction £000	Total £000
Charitable activities	179,001	43,398	10,529	556	2,220	235,704
Other activities	3,528	2,029	224	571	-	6,352
Total	**182,529**	**45,427**	**10,753**	**1,127**	**2,220**	**242,056**

These land and buildings were valued by Drivers Jonas, Chartered Surveyors as at 31 March 2004 in accordance with the RICS Appraisal and Valuation Manual. The main site was valued on the basis of depreciated replacement cost and the remaining property at open market value on the basis of existing use. The valuations were carried out in accordance with guidelines laid down by the Royal Institution of Chartered Surveyors. Under the impact of FRS15, which requires the different building components to be separated out, the plant and machinery elements of buildings have been included under 'Plant and machinery' while building fit-out elements (lift shafts, ventilation ducts, raised floors etc) are included with buildings. Values have been adjusted in 2007 using indices.

The Science Museum was transferred from the Secretary of State for the Environment on 10 August 2001. Wroughton Airfield was transferred from the Secretary of State for Defence to the Science Museum on 27 July 1997. The buildings and land relating to the National Railway Museum were transferred from the Secretary of State for the Environment on 1 August 1997. The Royal Naval Air Yard was purchased from the Ministry of Defence on 31 March 2000. All are valued in accordance with valuations carried out, as above, at 31 March 2004, and have been revalued by indexation in the year to March 2007.

Blythe House is currently occupied by the British Museum, the Science Museum and the Victoria and Albert Museum. The freehold title is held by the Office of the Deputy Prime Minister, although ministerial responsibility for all museum estate issues has subsequently transferred to the Secretary of State for Culture, Media and Sport. As a longstanding tenant of Blythe House, NMSI brought a one-third share of the value established by Drivers Jonas at March 2004 onto the Balance Sheet of NMSI as beneficial user.

At 31 March 2007, the cost of Heritage assets was £12,827k (2005–06 £11,560k). There were £1,267k of additions in year and no disposals. Heritage assets are not subject to depreciation and indexation.

10.2 Museum assets

	Land and buildings	Plant and machinery	Galleries and exhibitions	Fixtures and fittings	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or revalued amount as at 01.04.06	193,554	60,177	32,058	869	2,202	288,860
Transfers from assets under construction	-	27	985	-	(1,012)	-
Additions during year	1,410	836	1,641	417	1,030	5,334
Disposals	-	(788)	(11,659)	(486)	-	(12,933)
Revaluation	62	2,355	-	15	-	2,432
Cost or revalued amount as at 31.03.07	**195,026**	**62,607**	**23,025**	**815**	**2,220**	**283,693**
Depreciation as at 01.04.06	10,595	13,091	21,516	655	-	45,857
Disposals	-	(746)	(10,826)	(483)	-	(12,055)
Charge for the year	5,430	6,864	1,806	87	-	14,187
Depreciation as at 31.03.07	**16,025**	**19,209**	**12,496**	**259**	**-**	**47,989**
Net book value at 31.03.07	**179,001**	**43,398**	**10,529**	**556**	**2,220**	**235,704**
Net book value at 31.03.06	182,959	47,086	10,542	214	2,202	243,003

10.3 LAND AND BUILDINGS

	Net book value at 31.03.07			Net book value at 31.03.06
	Museum assets £000	NMSI Trading assets £000	Total £000	Total £000
Freehold	155,383	2,524	157,907	161,065
Freehold residential properties	539	-	539	550
Long leasehold (i)	14,630	-	14,630	15,117
Buildings fit out on long leasehold properties	8,449	-	8,449	8,751
	-	1,005	1,005	1,005
Short leasehold	**179,001**	**3,529**	**182,530**	**186,488**

(i) Defined as leases with more than 50 years to run at Balance Sheet date.

11 HERITAGE ASSETS

Additions in the year included collection objects purchased at a cost of £97k. The value attributed to collection objects donated to the Museum during the year was £1.17m. No capitalised collection objects were disposed of during the year.

12 COMMITMENTS UNDER OPERATING LEASES

As at 31 March 2007, NMSI had annual commitments under non-cancellable operating leases as set out below:

	2007 Land & buildings £000	2007 Vehicles £000	2007 Equipment £000	2007 Total £000	2006 Land & buildings £000	2006 Vehicles £000	2006 Equipment £000	2006 Total £000
Operating leases which expire:								
Within one year	5	16	3	24	-	23	-	23
In the second to fifth year	-	11	70	81	5	11	49	65
Over five years	82	-	-	82	82	-	-	82
	87	27	73	187	87	34	49	170

13 CAPITAL COMMITMENTS

13.1 Projects

The major projects under way at present are Inspired at Science Museum Swindon and, at the South Kensington site, Launchpad and the Science Museum Library review.

13.2 Outstanding capital commitments

At the Balance Sheet date, outstanding contracted commitments for the Science Museum amounted to £1.25m for Launchpad, the Space gallery, lift modernisation and other estates works. Commitments in respect of estates works at the National Media Museum and Science Museum Swindon amounted to £45k and £18k respectively.

14 DEBTORS

	2007 NMSI	2007 NMSI Trading/ Bradford Film	2007 Total	2006 Total
	£000	£000	£000	£000
Trade debtors	1,284	2,413	3,697	3,692
Provision for bad debts	(9)	(46)	(55)	(51)
Other debtors	195	16	211	431
Prepayments and accrued income	2,311	210	2,521	3,245
Taxation recoverable (VAT)	436	-	436	241
Specific grant provision	(896)	-	(896)	-
	3,321	2,593	**5,914**	**7,558**
Eliminated on consolidation:				
Museum loans to NMSI Trading Ltd.	2,897			
Intercompany current account	1,985			
Debtors per Museum Balance Sheet	**8,203**			

NMSI Trading Ltd debtors exclude £45k of intercompany debtor eliminated on consolidation with Bradford Film Ltd.

14.1.2 Loans to trading subsidiary

Purpose of loan	£000	Interest payable
Future purchase of leasehold interest in the Old Meteorological Building, Exhibition Road	1,005	0%, subject to continuing provision to the Museum of office accommodation
Purchase of land at Leeman Road York	1,292	1% above Bank of England Base rate
Working capital loan	600	1% above Bank of England Base rate

All loans held by the Trading subsidiary are repayable on demand and are secured by a floating charge on all of the subsidiary's assets. The Museum has confirmed that it will not call the loans for repayment until, at the earliest 30 June 2008, then subject to the ability of the subsidiary to make repayments.

15 CREDITORS

15.1 Amounts falling due within one year

	2007 NMSI	2007 NMSI Trading/ Bradford Film	2007 Total	2006 Total [restated, see note 23]
Trade creditors	£000	£000	£000	£000
Other creditors	1,887	709	2,596	2,098
Accruals and deferred income	297	-	297	694
Taxation and social-security costs	2,122	1,046	3,168	3,365
Bank loan	410	-	410	396
	-	50	50	50
Eliminated on consolidation:	**4,716**	1,805	**6,521**	**6,603**
Museum loans to NMSI Trading Ltd.		2,897		
Intercompany current account		1,985		
Creditors per NMSI Trading Ltd		6,687	Note 7.2	

Bradford Film creditors exclude £45k of intercompany creditor eliminated on consolidation.

15.2 Amounts falling due after one year

	2007 NMSI	2007 NMSI Trading/ Bradford Film	2007 Total	2006 Total
	£000	£000	£000	£000
Bank loan	-	610	610	657
Deferred income: advance rent (i)	533	-	533	583
Deferred income: grants and donations (ii)	-	1,767	1,767	1,917
	533	2,377	**2,910**	**3,157**

(i) The advance rent will be recognised as income in instalments of £50,000 per annum over the next 12 years.

(ii) Grants and donations received in respect of the acquisition of two IMAX cinema projectors and will be released to the Statement of Financial Activities in instalments of £150,862 per annum over the next 13 years. Since these assets are owned by NMSI Trading Ltd, SSAP4 defines the appropriate accounting treatment as opposed to SORP 2005.

16 INTRA-GOVERNMENT BALANCES

	Debtor balance £000	Creditor balance £000
Balances with central government bodies	620	2
Balances with local authorities	15	66
Balances with public corporations and trading funds	10	2

17 PROVISION FOR EARLY RETIREMENT

	2007 £000	2006 £000
Opening balance at 01.04.06	1,090	1,329
Increase in provision :future liability for new early retirees	41	42
Write-back provision for employee transferred out of the scheme on ill health grounds	(92)	-
Revaluation of provision	49	29
Release of provision	(281)	(310)
Closing balance at 31.03.07	**807**	**1,090**
Liability due within one year	245	285
Liability due after one year	562	805

The final charge against the provision will be in the year to March 2014. The amount of the provision anticipates increases of 3.25% per annum in the cost of the compensation payments payable to those ex-employees who have reached the age of 55. In accordance with FRS12 guidance the sum provided is equivalent to the present value of expenditures expected to be required to settle the obligation. In accordance with Treasury guidance on the discounting of pension liabilities the discount factor applied is 1.8%.

18 FINANCIAL INSTRUMENTS

18.1 Liquidity risk

Approximately 59% of NMSI's income is provided by Grant in Aid from the Department for Culture, Media and Sport. 23% of NMSI's income is from a wide range of commercial activities. As a result, NMSI is not exposed to significant liquidity risks.

Amounts due in relation to financial liabilities, NMSI Trading Ltd borrowings, are:

	2007 £000	2006 £000
Loan not wholly repayable within five years:	660	707
Analysis of maturity of debt		
Within one year of demand	50	49
Between one and two years	55	50
Between two and five years	203	149
After five years	352	459
	660	707
Amount repayable by instalments any of which fall for payment after five years	352	459

The leasehold interest in the Old Meteorological Building at Exhibition Road, London (net book value at 31.03.07 £1,004,697) is subject to a mortgage equal to the total amount of the bank loan shown above.

18.2 Interest-rate risk

One hundred per cent of both NMSI's financial liabilities carry nil or fixed rates of interest. NMSI is not therefore exposed to significant interest-rate risk. The average rate of interest earned on short term treasury deposits during the year was 4%.

18.3 Financial liabilities

	Total	Floating rate financial liabilities	Fixed rate financial liabilities	Non-interest bearing financial liabilities
	£000	£000	£000	£000
At 31.03.07	1,172	-	610	562
At 31.03.06	1,461	-	657	804

18.4 Foreign-currency risk

NMSI's exposure to foreign currency is not significant.

19 STATEMENT OF FUNDS

19.1 Statement of restricted funds

	Sponsorship, Grants and Donations Reserve £000	Capital Projects Fund £000	Collection Purchases Fund £000	Revaluation Reserve £000	Total restricted funds £000
Opening balances at 01.04.06	4,366	211,216	-	21,805	237,387
Income	7,802	10	1,239	-	9,051
Expenditure	(3,088)	(11,477)	-	(1,606)	(16,171)
Gain/(Loss) on revaluation of assets	-	-	-	1,977	1,977
Transfers:					
Capitalisation of donated collection objects	-	1,170	(1,170)	-	-
Capitalised project expenditure	(4,620)	4,620	-	-	-
Capitalised operating budget expenditure	-	69	(69)	-	-
Transfer between Capital Projects and Revaluation Reserves	-	7	-	(7)	-
Closing balances at 31.03.2007	**4,460**	**205,615**	**-**	**22,169**	**232,244**

19.2 Statement of unrestricted funds

	Museum Improvement Reserve £000	Capital Projects Fund £000	Collections Purchase Fund £000	Revaluation Reserve £000	Conting-ency Fund £000	Post Office Building Purchase Reserve £000	Total designated funds £000	General funds £000	Total unrestricted funds £000
Opening balances at 01.04.06	3,892	18,688	119	2,902	623	100	26,324	320	26,644
Income	7,051	-	-	-		-	7,051	46,427	53,478
Expenditure	(5,751)	(1,542)	(13)	(235)	(230)	-	(7,771)	(45,416)	(53,187)
Gain/(Loss) on revaluation of assets	-	-	-	455	-	-	455	-	455
Transfers:							-	-	-
Reallocation of 2006 depreciation charge	-	(153)	-	153	-	-	-	-	-
Capitalised project expenditure	(611)	611	-	-	-	-	-	-	-
Capitalisation of collection object additions purchased using operating budgets	-	27	(27)	-	-	-		-	-
Capitalisation of non-collection object additions purchased using operating budgets	-	93	-	-	-	-	93	(93)	-
Transfer to replenish Contingency Fund	-	-	-	-	252	-	252	(252)	-
Annual transfer to Post Office Building Reserve	-	-	-	-	-	100	100	(100)	-
Transfer between Capital Projects and Revaluation Reserves	-	3	-	(3)	-	-	-	-	-
Closing balances at 31.03.07	**4,581**	**17,727**	**79**	**3,272**	**645**	**200**	**26,504**	**886**	**27,390**

19.3 Analysis of group net assets between funds

Fund balances at 31 March 2007 are represented by:	Unrestricted funds £000	Restricted funds £000	Endowment fund £000	Total £000
Intangible assets				
Tangible fixed assets	3	-	-	3
Heritage assets	26,981	215,075	-	242,056
Current assets	118	12,709	-	12,827
Current liabilities	7,730	7,256	90	15,076
Long term liabilities	(6,024)	(497)	-	(6,521)
Provisions	(611)	(2,299)	-	(2,910)
Total net assets	(807)	-	-	(807)
	27,390	**232,244**	**90**	**259,724**

20 CASH-FLOW INFORMATION

20.1 Reconciliation of net incoming resources to net cash inflow from operating activities

	2007 £000	2006 £000 (restated, see note 23)
Net outgoing resources (i)	(11,721)	(12,183)
Cost of capital	4,895	4,971
Investment income (note 5)	(365)	(196)
Interest payable	74	77
Amortisation (note 9)	5	5
Depreciation (note 10)	14,671	15,111
Loss on disposal of asset (note10)	877	116
(Increase)/decrease in stocks	15	(11)
(Increase)/decrease in debtors	1,644	302
Increase/(decrease) in creditors	(199)	(580)
Increase/(decrease) in pension provision	(283)	(239)
Donated assets (note 19.1)	(1,180)	(1,544)
Net cash inflow from operating activities	**8,433**	**5,829**

(i) Prior year net outgoing resources have been adjusted to include notional cost of capital. This is reversed out on the line below in compliance with HM Treasury's Financial Reporting Manual.

20.2 Gross cash flows

	2007 £000	2006 £000
Returns on investments and servicing of finance		
Interest received (note 4)	365	196
Interest paid	(74)	(77)
	291	**119**
Capital expenditure		
Payments to acquire intangible assets	-	-
Receipt from sale of tangible fixed assets	-	236
Payments to acquire tangible fixed assets	(5,533)	(3,894)
	(5,533)	**(3,658)**
Management of liquid resources		
Cash (placed)/withdrawn from short-term investments	**(3,500)**	**(5,000)**
Financing		
Loan repayments	**(46)**	**(42)**

20.3 Analysis of changes in net funds

	At 01.04.06 £000	Cash flows £000	Non-cash changes £000	At 31.03.07 £000
Cash at bank and in hand	412	(355)	-	57
Current asset investments	5,000	3,500	-	8,500
Debt due within one year	(50)	-	-	(50)
Debt due after one year	(656)	46	-	(610)
	4,706	**3,191**	**-**	**7,897**

The balances brought forward have been reanalysed as between due within one year and due after one year.

21 CONTINGENT LIABILITIES

Contingent liabilities exist for those parts of the collection on long-term loan to other institutions or where there is a commitment to acquire another collection under certain conditions. The potential cost of storage and care for these collections forms a contingent liability. At March 2007 the Commissioners of HMRC were in the process of reviewing the Museum's claims under Para 9, Sch 20 ICTA 88.

22 RELATED PARTY TRANSACTIONS

The National Museum of Science & Industry is an executive Non Departmental Public Body whose parent body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During 2006–07 the National Museum of Science & Industry had a number of transactions in the normal course of business and at full arms length with the Department and with other entities for which the Department is regarded as the parent Department. Loans of objects were also made to other Museums for whom DCMS is the parent body. In addition, NMSI provides advisory services to the Heritage Lottery Fund for which it receives payment.

Organisation

BBC
Big Lottery Fund
British Museum
Channel Four Television
Heritage Lottery Fund
Imperial War Museum
Museum of London
Natural History Museum
National Coal Mining Museum for England
Tate
Type Museum
Victoria & Albert Museum

In addition NMSI had a small number of transactions with other government departments and other central government bodies. Most of these transactions have been with:

Particle Physics and Astronomy Research Council
Department of Trade and Industry
English Nature
Environment Agency
Forestry Commission
National Museums of Scotland
Royal Mail
Transport for London

Nine Trustees and two staff members had relationships with bodies with which NMSI had transactions;

Organisation	Nature of transaction	Payments £000	Receipts £000	Creditor £000	Debtor £000
British Council	Services to BC in China	-	4	-	-
Brunel University	Corporate events	-	4	-	-
Imperial College	Corporate events IT and other services	11	18	1	-
John Paul Getty Museum of Art	Exhibition hire	-	5	-	5
Science & Media LLP	Exhibition hire/ income & services	132	59	156	1
UBS	Donation for Science Nights	-	25	-	-
Wellcome Trust	Grants for exhibitions, events & digitisation	-	74	-	483
Yorkshire Forward	Grant for exhibition	-	224	-	-

23 PRIOR YEAR ADJUSTMENT

Prior year adjustments to the Statement of Financial Activity

	2006 per published accounts £000	Prior year adjustment (i) £000	Prior year adjustment (Ii) £000	2006 restated £000
Grants, legacies and donations	4,981	84	-	5,065
Investment income	196	-	3	199
Total incoming resources	57,762	84	3	57,849
Net incoming/(outgoing) resources	(7,299)	84	3	(7,212)

Prior year adjustments to the Balance Sheet

	Balance at 01.04.06	Prior year adjustment (i)	Prior year adjustment (i)	Restated opening balance at 01.04.06
Creditors, amounts falling due within one year	6,690	(87)	-	6,603
Endowment fund	-	84	3	87

(i) Recognition of the balance on the Brinks Endowment Fund as a reserve rather than as a creditor

(ii) Recognition in the SOFA of investment income attributable to the Endowment fund

24 POST BALANCE SHEET EVENT

The Annual Report and Accounts 2006-07 were authorised for issue by the Accounting Officer on 24 July 2007. There were no other post balance sheet events.

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