

FINANCIAL REPORT

Addendum to the Annual Report of the Council 2001-2002



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

CORFF NODDEDIG | SPONSORED BODY

NATIONAL MUSEUMS & GALLERIES OF WALES FINANCIAL REPORT OF COUNCIL

2001-2002



AMGUEDDFEYDD AC ORIELAU CENEDLAETHOL CYMRU
NATIONAL MUSEUMS & GALLERIES OF WALES



Llywodraeth Cynulliad Cymru
Welsh Assembly Government
CORFF NODDEDIG | SPONSORED BODY

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Financial Report of Council

Statutory Background

The National Museum of Wales, which operates as the National Museums & Galleries of Wales (NMGW) was incorporated by Royal Charter in 1907. Its Charter was last reviewed in 1991. Its activities during the period covered by the Report were funded predominantly by payments made by the National Assembly for Wales.

Objectives of NMGW

The Museum's purpose is the education of the public by the collection and preservation of objects relating to the story of Wales from the earliest times; scholarly research on these collections; and the enrichment of public understanding through their display and interpretation. The Museum's subjects include the country's flora, fauna, geology, archaeology, art, cultural, social and industrial history, and its activities have been described as 'Telling Wales about the World and the World about Wales'. In accordance with its Charter, the Museum reflects its Welsh collections in a worldwide context. It possesses an outstanding collection of 20th century European painting and sculpture; is renowned for environmental studies based on international scientific collections; and collaborates, formally and informally, with other major academic institutions throughout the world.

Organisation of NMGW

NMGW is one of Wales's premier heritage organisations whose underlying purpose is the advancement of education of the public. It cares for, develops, studies and encourages access to its collections for the benefit of society in perpetuity. As an independent chartered body and a registered charity, the Museum receives its core funding through grant-in-aid from the National Assembly for Wales as an Assembly Sponsored Public Body (ASPB). The eight museums and a Collections Centre which comprise the National Museums & Galleries of Wales are as follows:

National Museum & Gallery (NMG) situated in Cardiff's Civic Centre, the museum first opened in 1922, with only the south wing of its original design. It was subsequently extended with the east wing in 1932 and the northern section of the west wing followed in 1965. A major geological display, new art galleries and some office facilities were added in the Centre Block in 1993. It was re-named the National Museum & Gallery in 1994 to draw attention to its art gallery role. The Museum houses collections of archaeology, art, geology and biodiversity and systematic biology. It has spaces devoted to temporary exhibitions, and recently opened an interactive area, the Glanely Gallery, to show behind-the-scenes activity.

Museum of Welsh Life (MWL), St Fagans, Cardiff – a sub-department of Social and Industrial History was set up in 1932 and, following the gift of St Fagans Castle and its estate by the 2nd Earl of Plymouth in 1947, the present Museum of Welsh Life was set up as a branch of the National Museum of Wales. The Museum of Welsh Life's collections illustrate Welsh history, with authentic re-erected buildings drawn from all over Wales.

Roman Legionary Museum (RLM), Caerleon, Newport – established in 1850 by the Caerleon Antiquarian Association, the Museum stands at the centre of the Roman legionary fortress of Isca. It has been part of NMGW since 1930. During 1985-86, the existing 19th century building was redeveloped and extended. In 1995 an educational resource centre (The Capricorn Centre) opened followed by 'The Studio' in 1999 which provides additional space for 'living history' activities. The opening of 'The Pegasus Centre' in 2000, to coincide with the 150th anniversary of the Museum, provides further space to accommodate the large number of school children who visit the Museum

Welsh Slate Museum (WSM), Llanberis, Gwynedd – this museum was established in 1969 in the former Dinorwig Quarry Workshops, a listed building and a Scheduled Ancient Monument, to tell the story of the slate industry. It has recently undergone a £2.2m re-development, largely funded by the Heritage Lottery Fund (HLF). This has enhanced interpretation at the Museum through the reinstatement of the V2 incline, the translocation of a number of quarrymen's houses and a dramatic 3-D audio-visual presentation, 'To Steal a Mountain'.

Museum of the Welsh Woollen Industry (MWWI), Dre-fach, Felindre, Carmarthenshire - opened in July 1976 in the former Cambrian Mills, recently listed by Cadw as the best surviving group of woollen mill buildings in the area once known as

the *Huddersfield of Wales*. The Museum presents a picture of the technological, social, economic and artistic development of the woollen industry in Wales. Comprehensive re-development plans for this museum, supported by a grant of almost £1m from the HLF, are currently being implemented.

Turner House Gallery (THG), Penarth, Vale of Glamorgan - a gallery of NMGW since 1921 which provides facilities for temporary exhibitions, mainly art.

Segontium Roman Fort Museum (SRM), Caernarfon – standing within the Roman Auxiliary Fort of Segontium, the museum houses finds from the 1921-23 excavations of the fort and the 1950's excavation of the mithraeum. Together with interpretative displays, the artefacts throw light on the daily life of the garrison and the impact the Romans had on the area. Whilst NMGW has full responsibility for the interior of the museum, the exterior and excavated remains are jointly the responsibility of Cadw, the National Trust and Gwynedd County Council. NMGW is currently in negotiations to create a local management structure that is more appropriate to the museum's nature and local context.

Big Pit: National Mining Museum of Wales (NMMW), Blaenafon, Torfaen – in the heart of the recently declared World Heritage Site at Blaenafon, Big Pit offers an experience unparalleled in Britain and unique to Wales. Guided by an ex-miner, visitors descend to 300 feet to explore the underground mine workings. On the surface there are colliery buildings, pithead baths, a blacksmiths workshop and a winding engine house, most of which have been listed as Grade II or Grade II star. The site is regarded by Cadw as being the most functionally complete colliery site remaining in Wales; it is currently undergoing a major £7m re-development largely funded by the HLF. Prior to its integration into NMGW on 1 February 2001, Big Pit operated for 18 years as an independent Charitable Trust and Limited Company; as part of the integration NMGW acquired the Trust's trading subsidiary 'Matchtake Ltd' as a going concern.

The Collection Centre, Nantgarw, Rhondda Cynon Taf - this currently houses most of the Museums' industrial and maritime collection resited from the Welsh Industrial and Maritime Museum, Cardiff Bay (WIMM - sold March 1998). An Archive Resource Centre has been built within the centre and plans for a major extension to the building are being developed.

Format of Accounts

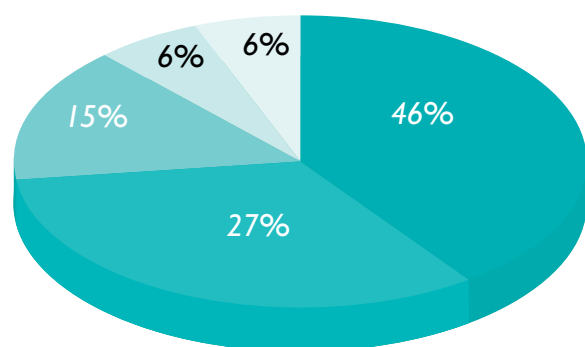
The accounts are prepared under Section 9(4) of Museums & Galleries Act 1992 in a form directed by the National Assembly for Wales with approval of the Treasury. A copy of the Accounts Direction is available on application to the Head of Finance and Audit. The Museums accounts are fully compliant with the requirements of the Statement of Recommended Practice (SORP 2000) "Accounting and Reporting by Charities". For the purposes of the SORP the Financial Report of Council represents the Annual Report of the Trustees.

Results and Appropriations

The Museum's consolidated net incoming resources before notional costs were £4,111,000 (£1,438,000 incoming in 2000-01). The Museum's incoming resources were £24,264,000 (£19,352,000 in 2000-01) and the Museum's total resources expended were £20,153,000 (£17,914,000 in 2000-01) before notional costs. The net increase in funds for the year after taking account of all realised and unrealised gains and losses was £5,529,000 (net increase of £6,168,000 in 2000-01). Fund balances at 31 March 2002 stood at £72,478,000 (£66,949,000 at 31 March 2001). Matchtake Ltd reported a profit of £29,000 for the 2001-02 financial year

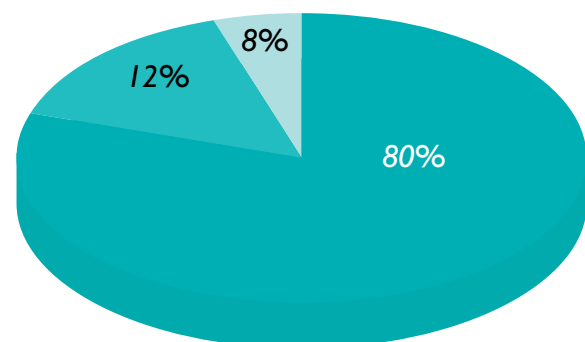
ANALYSIS OF TOTAL RESOURCES EXPENDED

■ Collections, Care, Management and Research	27%
■ Permanent Display, Education and Exhibitions (Including major developments)	15%
■ Support Expenditure (Including Warding and Technical Services)	46%
■ Fundraising & Marketing	6%
■ Management & Administration	6%



ANALYSIS OF TOTAL INCOMING RESOURCES

■ Grants Receivable	
National Assembly for Wales	75%
Other grants including from other government bodies	5%
	80%
■ Donations, and Bequests	12%
■ Other Income	8%



Including corporate functions, facilities fees, service charges, research grants, copyright fees, education, demonstrating craftsmen, sponsorship, investment and bank interest.

Performance Indicators

The Museum's performance against its Primary Performance Indicator targets set by the National Assembly for Wales are as follows:

Primary Performance Indicator	2001-02 Target	2001-02 Actual	2000-01 Actual
1. Visitor Numbers (000's)	800	1,430	765
2. Percentage of collections documented for inventory control	29.85%	30.88%	25.60%
3. Percentage of days open ^a	48.00%	50.10%	45.50%
4. Self-generated income as a percentage of net operating spend ^a	6.45%	5.83%	6.60%
5. Number of people visiting NMGW to participate in educational programmes (000's)	160(a) 55(b)	228(a) 141(b)	201(a)

(a) formal education, (b) informal education

1. In 2001-02, the National Assembly for Wales' sponsored 'free for all' initiative saw an 87% increase in the total number of visits to the Museum.
2. Good progress against increasingly difficult targets in this fundamentally vital area.
3. Total reflects an increase in the number of events held outside normal opening hours. In addition MWWI remained open until mid-march before closing for redevelopment.
4. Project slippage has impacted on the activities of the Development Department such that income originally expected by the Museum in 2001-02 will not now be realised until 2002-03.
5. The increase in visitors in informal education related parties reflect the overall increase in visitor numbers.

Prompt Payment Performance

The Museum subscribes to the objectives of the Confederation of British Industry (CBI) code of practice and aims to pay valid invoices within 30 days of receipt. The average length of payment of invoices during 2001-02 was 22 days (25 days in 2000-01), which include 90% settled within 30 days (72% in 2000-01).

Capital Investment and Fixed Assets

Major works undertaken during the year included information and communication technology (ICT) infrastructure, gallery refurbishment, replacement of essential plant and equipment at NMG, the provision of an education eating area at MWL, racking at Nantgarw for art collections transferred from RAF St Athan, completion of the new management information system and preparatory work on the MWWI Heritage Lottery Fund project.

The National Assembly for Wales allocated £100,000 additional funds in respect of the flood damage at MWL carried forward from 2000-01. These works included rebuilding the damaged boundary wall, flood alleviation works, repairs to the boathouse and replacement of the woollen mill pump.

The Museum also received £185,000 from the National Assembly for Wales, Capital Modernisation Fund. The funds were spent on an archives digitisation suite, outreach initiative facilities, microscope imaging system, electronic point of sale (EPOS) and education booking systems.

At 1 April 2001, the National Assembly for Wales held a sum of £4,200,000 (of the original £4.5m) for the National Waterfront Museum, Swansea. Further funding of £200,000 was drawn down for the development work undertaken in 2001-02, leaving £4,000,000 to be spent on the construction. The Museum has also transferred funds to the NWM Swansea Ltd of £137,500 (for capital preparation works on Stage II of the HLF bid) from the Museum's £4,000,000 sum and £822,000 from the additional £6,000,000 sum earmarked by the National Assembly for Wales as underwriting of the project.

Work commenced on the £7m major redevelopment of Big Pit, which in addition to Museum funding, is funded by grants from HLF (£5m), Local Regeneration Fund (LRF) (£0.5m), Wales Tourist Board (WTB) (£0.4m); and other grants and donations (£0.7m.) As at 31 March actual expenditure of £726,000 had been incurred on the project.

Specimen Acquisition

There have been two major purchases in 2001-02 being:

'Penitents Vision' by Henry Clarence Whaite at a cost of £24,000

'Near Beddgelert' by Thomas Girtin at a cost of £300,000

The Thomas Girtin purchase was supported by a grant of £70,000 from the National Art Collection Fund.

Other items of expenditure included completion of work on the WSM waterwheel, ongoing work on the llandeilo Talybont Church and Taffs Well Police Station, additions to the library collection and fieldwork by the various curatorial departments.

Future Developments

Developments at Big Pit: National Mining Museum

Big Pit is currently undergoing a major £7m redevelopment, funded principally by an HLF grant, that will conserve the underground workings and the existing surface buildings as well as enhancing interpretation facilities and galleries to exhibit the coal industry collections from both Big Pit and NMGW. Scheduled for completion in 2003-04, the redevelopment will lead to enhanced visitation and visitor satisfaction, and make the museum the central attraction in the new World Heritage Site. It will enable the development of a thriving visitor destination in Blaenafon and promoting greater understanding of Wales's foremost historical industry.

Developments at the National Waterfront Museum (NMWS)

NMWS is being developed in conjunction with the City and County of Swansea, Wales's second city and one of the cradles of the Industrial Revolution. It will replace both WIMM and the Swansea Maritime and Industrial Museum (SMIM), and serve as a signpost to NMGW's other industrial sites and to relevant sites operated by other bodies, as well as being a major and innovative museum in its own right. Grant applications have been submitted to the HLF and other funding bodies in order to maximise the sums available from the sale of WIMM. NMGW has already been successful in its Stage I bid to HLF for over £11m. We have also received written confirmation of in-principle support of up to £2.5m from the Welsh Development Agency (WDA) and £1.5m from the WTB. Subject to NMGW making best efforts to secure match-funding, the National Assembly for Wales has agreed to underwrite risks to the project of up to £6m. The fundraising target for this project is £4.4m, most of which will be secured over the next 3 years with the aim of opening the new museum in 2005-06.

Developments at the Museum of the Welsh Woollen Industry.

Following the successful bid to the HLF for almost £1m, NMGW will be developing MWWI to bring it up to the standards expected of a national museum. A further bid of £350,000 has been submitted for Objective I funding. The redevelopment will make 60% more space accessible to the visitors and will be safeguarding the fabric of the four listed mill buildings, completely re-displaying and re-interpreting the collections and upgrading the educational and visitor facilities on the site thereby creating a flagship destination attraction for the Teifi Valley.

Policy on Reserves

The Museum's policy on reserves is dependant on the authority granted by the National Assembly for Wales in the Museum's Management Statement and Financial Memorandum which limits cash reserves to 2% of total annual grant and income. On an annual basis the Museum aims to achieve a balanced financial position with a breakeven of its income and expenditure.

The Museum's private funds are separately maintained and specified within the accounts. These are not subject to a limit and the Museum's policy is to build up these funds to be utilised as match funding for projects and capital schemes for which it does not receive core funding.

Investment Policy and Performance

The Museum's permanent and donated funds are invested on its behalf by its investment advisors Gerrard Ltd. The Museum's attitude to risk is cautious and the fund's assets are invested in a lower risk portfolio with a substantial element retained in cash-based investments. The performance of those funds are subject to a formal review on a quarterly basis.

Impact of the Euro

The Museum believes that the introduction of the Euro will not have a significant impact on its operations or its accounts.

Major Risks

The Museum's Council, Committees and Directors have examined the major strategic, business and operational risks which the Museum faces and have established a system that ensures risks are reviewed and reported quarterly at all levels of the organisation, and that appropriate action is in place to mitigate the significant risks. These systems were fully implemented by 31 March 2002 in accordance with the recommendations of the Turnbull Committees published guidance and SORP 2000. In addition all risks are reviewed annually as an integral part of the corporate planning process.

Major risks identified as part of the risk management process include financial risks such as: changes in the economic environment, Assembly funding and difficulties in attracting match funding for the Museum's major projects; buildings, utilities and health and safety implications; public accountability and planning and personnel/staffing risks.

Action taken with regard to the employment of disabled employees

The Museum implements a non-discriminatory recruitment procedure and is always prepared to consider applications from and to appoint disabled persons. Further, the Museum makes every effort to ensure that disabled employees are provided with the facilities necessary to carry out their employment effectively. In addition, the Museum's strategic plan includes investment in public facilities to improve disabled access to both buildings and information.

Welsh Language Policy

Following completion of the public consultation period on the draft Welsh Language Plan, it was submitted to the Welsh Language Board, from whom it has received favourable comment, and is currently being implemented.

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

The Museum communicates information to its employees by various methods including regular team briefing of all staff, quarterly addresses by the Director to all staff, open memoranda, memoranda to Heads of Departments and through consultation and negotiation with the recognised Trade Unions with whom both formal and informal meetings are held.

Court and Council Membership

In 1990, the Museum, which is a registered charity (Charity No. 525774, VAT No. GB 783 4541 10), was granted a new supplemental Royal Charter and Statutes. The new Charter changed the composition of the Museum's Court and Council and confirmed The National Museum of Wales ('Amgueddfa Genedlaethol Cymru') as the body corporate in succession to that named in the original Charter. The Charter was amended in 2000 to recognise the formation of the National Assembly for Wales.

The executive authority is the Council which is responsible for the management and administration of the finances and property of the Museum in which is vested all monies contributed by the Treasury or derived from other sources and all lands, buildings, or gifts in kind devised or granted for the purpose of the institution.

Schedules of Court and Council members nominated at 31 March 2002, including leavers and starters during the year, are added to this foreword. The trustees of the Museum are the members of Council.

Auditor

The accounts are audited by the Auditor General for Wales in accordance with Section 9 (8) of the Museums and Galleries Act 1992.

Principal Office

The principal office for NMGW is : National Museum & Gallery, Cathays Park, Cardiff CF10 3NP.

Principal Advisers

Bankers:	LloydsTSB, Cardiff
Solicitors:	Morgan Cole, Cardiff
Internal Auditors:	Grant Thornton, Cardiff
Investment Managers:	Gerrard Ltd, Bristol
Pension Fund Managers:	Mercer Human Resource Consulting, Bristol
Taxation:	Deloitte & Touche, Cardiff

Anna Southall

Accounting Officer and Director

Approved and signed on 10 September 2002

G. Wyn Howells

Treasurer, on behalf of the Council

Approved and signed on 11 September 2002

COURT OF GOVERNORS

(At 31 March 2002)

PRESIDENT

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

VICE PRESIDENT

Roger G. Thomas O.B.E., LLB, C.C.M.I.

TREASURER

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

MEMBERS OF THE COUNCIL

NOT OTHERWISE MEMBERS OF THE COURT

Mrs. A. Carey-Evans

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

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

M. A. J. Salter

APPOINTED BY THE LORD PRESIDENT OF THE PRIVY COUNCIL

AND THE WELSH ASSEMBLY GOVERNMENT

Dr S. J. Davies, B.A., (to Feb 2002)

Dr P. T. Warren C.B.E., M.A.

Linda D. Quinn

C. Malcolm Parry

Eirlys Pritchard Jones, B.A.

Dr Nancy M. Edwards, B.A., F.S.A.

THE NATIONAL LIBRARY OF WALES

Vacant

THE UNIVERSITY OF WALES

Mair Waldo Thomas

Professor J. King

WELSH JOINT EDUCATION COMMITTEE

Councillor D. Parry Jones (to June 2001)

MEMBERS OF PARLIAMENT FOR WALES

W. Griffiths

APPOINTED BY THE COURT

H. Jones (to Oct 2001)

D. Bowen Lewis

Dr W. B. Willott, C.B.

Dr E. Wyn Lewis

C. Rowlands

H. Mansfield (from Oct 2001)

REPRESENTATIVES OF LOCAL AUTHORITIES

Councillor J. G. Jenkins
 Councillor R. W. Hughes
 Councillor P. G. Larsen
 Councillor P. M. Thomas
 Dr C. Grace
 Councillor R. Francis Davies
 Councillor D. Rogers
 Councillor J.A.H. Harries
 Councillor R. Cass
 Councillor R.H. Poole
 Councillor J. Huish
 Councillor D.I. Bowen

ORGANISATIONS IN WALES

Cambrian Archaeological Association:	K. Mascetti
The Council of the Royal National Eisteddfod:	G.E Humphreys
The National Museum of Wales Society:	H. Looker
The Council of Museums in Wales:	Councillor R. Francis Davies
Wales TUC Cymru:	<i>Vacant</i>
The Welsh Council of the CBI:	<i>Vacant</i>
The National Trust:	M. A. McLaggan
The Arts Council of Wales:	S. Crouch
Wales Tourist Board:	J. Jones
The Welsh Wildlife Trusts Ltd:	<i>Vacant</i>
Countryside Council for Wales:	P. Loveluck
Council for British Archaeology:	F. L. Llewelyn
The Federation of Museums and Galleries in Wales:	<i>Vacant</i>

COUNCIL

(At 31 March 2002)

PRESIDENT

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

VICE PRESIDENT

Roger G. Thomas O.B.E., LLB, C.C.M.I.

TREASURER

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

APPOINTED BY THE SECRETARY OF STATE FOR WALES

Dr Susan J. Davies B.A. (to Feb 2002)
 Mrs Eirlys Pritchard Jones B.A.
 Dr Nancy M Edwards B.A., F.S.A.
 Dr P. T. Warren C.B.E., M.A.

ELECTED BY THE COURT OF GOVERNORS

D. Bowen Lewis
 Dr W. B Willott C.B.
 Dr. E. Wyn Lewis

ELECTED BY THE COUNCIL

Mrs. A. Carey-Evans
 J.W. Evans C.B.E., M.A.
 Prof. C. L. Jones O.B.E., F.R.S.A
 M. A. J. Salter

MANAGEMENT BOARD

(At 31 March 2002)

Director NMGW
 Director of Collections & Education (Deputy Director NMGW)
 Director Social & Industrial History
 Director Arts & Sciences
 Director of Resource Planning
 Director of Strategic Communications

Anna Southall
 Eurwyn Wiliam
 John Williams-Davies
 Michael Tooby
 Mark Richards
 Robin Gwyn

Statement on the System of Internal Control

As Accounting Officer I have responsibility for maintaining a sound system of internal control that supports the achievement of the National Museum of Wales policies, aims and objectives, set by the Council, whilst safeguarding the public funds and assets for which I am personally responsible in accordance with the responsibilities assigned to me in Government Accounting.

The system of internal control is designed to manage rather than eliminate the risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on a framework of regular management information, financial regulations, administrative procedures including segregation of duties and various levels of delegation specified by H M Treasury, the National Assembly for Wales and the Council of the National Museum of Wales (Trustees). It is an ongoing process designed to identify the principal risks to the achievement of the Museums policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently effectively and economically. This process has been in place since February 2002, and up to the date of approval of the annual report and accounts.

As Accounting Officer I also have responsibility for reviewing the effectiveness of the system of internal control. The Museum has established the following processes:

- Comprehensive budgeting systems with an annual budget which is approved by the Trustees and regular reviews by the Trustees of quarterly and annual financial reports, which indicate financial performance against the forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines;
- A Directorate which meets monthly to consider the plans and strategic direction of the Museum (the Directorate comprises the Directors of the Museum);
- Periodic reports from the Chairman of the Audit Committee to the Council concerning internal control;
- Regular reports by internal audit to standards defined in the Government Internal Audit Manual which include the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the department's system

- of internal control together with recommendations for improvement;
- Quarterly reports from managers on the steps they are taking to manage risks in their areas of responsibility including progress reports on key projects; and
- A regular programme of risk awareness training facilitated workshops to identify and keep up to date the record of risks facing the organisation with implementation of a robust prioritisation methodology based on risk ranking.

My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, Trustees and the Audit Committee, which oversees the work of the internal auditor, and by comments made by the external auditors in their management letter and other reports.

Anna Southall
Accounting Officer
10 September 2002

Statement of Council's and Director's Responsibilities

Under section 9(4) of the Museum and Galleries Act 1992, the Board of Trustees (the Council) of the National Museum of Wales is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the National Assembly for Wales, with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at the end of the year.

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

- observe the accounts direction issued by the National Assembly for Wales including the relevant accounting and disclosure requirements and apply them on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

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

The Certificate and Report of the Auditor General for Wales to the Members of The National Assembly for Wales

I certify that I have audited the financial statements on pages 17 to 32 under Section 9(4) of the Museums and Galleries Act 1992. These financial statements have been prepared under the historical cost convention as modified by the revaluation of fixed assets and the accounting policies set out on pages 21 and 22.

Respective responsibilities of the Council, the Director and Auditors

As described on page 15, the Council and the Director of the National Museum of Wales as the Accounting Officer are responsible for the preparation of the financial statements in accordance with the Museums & Galleries Act 1992 and National Assembly for Wales directions made thereunder and for ensuring the regularity of financial transactions. The Council and Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the National Assembly for Wales, and whether

in all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent mis-statements or material inconsistencies with the financial statements.

I review whether the statement on page 14 reflects the Museum's compliance with Treasury's guidance 'corporate governance: statement on internal control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Council and Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Museum of Wales and the Group at 31 March 2002 and of the incoming resources and application of resources, and cash flows of the Group, for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the National Assembly for Wales; and
- In all material respects the expenditure and income have been applied to the purposes intended by the National Assembly for Wales and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Auditor General for Wales
16 September 2002.

National Assembly for Wales
Cardiff Bay
Cardiff CF99 1NA

Consolidated Statement of Financial Activities for Year Ended 31 March 2002

	Notes	Public funds		Private Funds		2001-02	2000-01
		Restricted £000's	Unrestricted £000's	Restricted £000's	Unrestricted £000's	Total £000's	Total £000's
INCOMING RESOURCES							
Grants Receivable	2	3,560	15,512	0	0	19,072	15,458
Donations and Bequests	3	2,665	19	101	116	2,901	470
Investment Income		0	0	56	4	60	52
Admission Income		0	0	0	0	0	685
Net Shop Sales(including subsidiary)	4	0	558	0	0	558	266
Other Income	5	4	1,108	9	49	1,170	922
Incorporation of Big Pit Trust Ltd		0	0	0	0	0	1,499
Share of Joint Venture	6	<u>503</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>503</u>	<u>0</u>
TOTAL INCOMING RESOURCES		<u>6,732</u>	<u>17,197</u>	<u>166</u>	<u>169</u>	<u>24,264</u>	<u>19,352</u>
RESOURCES EXPENDED 7&8							
Direct Expenditure							
Charitable Expenditure							
Collection & Preservation		963	3,233	63	0	4,259	4,729
Research		189	923	0	0	1,112	1,138
Exhibition & Education		<u>688</u>	<u>2,280</u>	<u>63</u>	<u>0</u>	<u>3,031</u>	<u>2,766</u>
		1,840	6,436	126	0	8,402	8,633
Support Expenditure		<u>606</u>	<u>8,716</u>	<u>0</u>	<u>0</u>	<u>9,322</u>	<u>7,176</u>
Total Direct Expenditure		2,446	15,152	126	0	17,724	15,809
Other Expenditure							
Fund Raising and Publicity		40	1,030	0	74	1,144	1,061
Management and Administration		<u>77</u>	<u>1,208</u>	<u>0</u>	<u>0</u>	<u>1,285</u>	<u>1,044</u>
Total Other Expenditure		<u>117</u>	<u>2,238</u>	<u>0</u>	<u>74</u>	<u>2,429</u>	<u>2,105</u>
TOTAL RESOURCES EXPENDED		<u>2,563</u>	<u>17,390</u>	<u>126</u>	<u>74</u>	<u>20,153</u>	<u>17,914</u>
NET INCOMING/(OUTGOING) RESOURCES							
BEFORE NOTIONAL COSTS		4,169	(193)	40	95	4,111	1,438
Notional Costs –							
Cost of Capital		<u>(4,036)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,036)</u>	<u>(3,698)</u>
NET INCOMING/(OUTGOING) RESOURCES							
BEFORE TRANSFERS		<u>133</u>	<u>(193)</u>	<u>40</u>	<u>95</u>	<u>75</u>	<u>(2,260)</u>

Consolidated Statement of Financial Activities for Year Ended 31 March 2002 (continued)

	Notes	Public funds		Private Funds		2001-02	2000-01
		Restricted £000's	Unrestricted £000's	Restricted £000's	Unrestricted £000's	Total £000's	Total £000's
Total brought forward from previous page		<u>133</u>	<u>(193)</u>	<u>40</u>	<u>95</u>	<u>75</u>	<u>(2,260)</u>
Gains/(Losses) on disposal of fixed assets intended for Charity Use		0	0	0	0	0	(18)
Reversal of notional cost of capital		<u>4,036</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,036</u>	<u>3,698</u>
NET INCOMING/(OUTGOING) RESOURCES FOR THE FINANCIAL YEAR		<u>4,169</u>	<u>(193)</u>	<u>40</u>	<u>95</u>	<u>4,111</u>	<u>1,420</u>
Unrealised Gains on revaluation of fixed assets intended for Charity Use	9	1,415	0	0	0	1,415	4,761
Unrealised Gains/(Losses) on Market Valuation of Investments	11	<u>0</u>	<u>0</u>	<u>3</u>	<u>0</u>	<u>3</u>	<u>(13)</u>
NET MOVEMENT IN FUNDS DURING THE FINANCIAL YEAR		<u>5,584</u>	<u>(193)</u>	<u>43</u>	<u>95</u>	<u>5,529</u>	<u>6,168</u>
FUND BALANCES B/FWD AT 1 APRIL	18	<u>64,228</u>	<u>372</u>	<u>2,167</u>	<u>182</u>	<u>66,949</u>	<u>60,781</u>
Fund Balances C/Fwd at 31 MARCH	18	<u>69,812</u>	<u>179</u>	<u>2,210</u>	<u>277</u>	<u>72,478</u>	<u>66,949</u>

All activities are continuing.

The net increase in funds attributable to the Museum's own activities during 2001-02 was £5,500,000.

The notes on pages 20 to 32 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2002

	Notes	NMGW		Consolidated	
		2002 £000's	2001 £000's	2002 £000's	2001
FIXED ASSETS					
Tangible Assets	9	62,227	60,238	62,227	60,238
Heritage Assets	10	3,248	0	3,248	0
Share of Joint Venture:	6				
Share of gross assets		808	0	808	0
Share of gross liabilities		<u>(305)</u>	<u>0</u>	<u>(305)</u>	<u>0</u>
		503	0	503	0
Investments	11	<u>1,711</u>	<u>1,708</u>	<u>1,711</u>	<u>1,708</u>
		67,689	61,946	67,689	61,946
CURRENT ASSETS					
Stock	12	438	412	473	437
Debtors due within 12 months	13	2,584	773	2,584	766
Debtors due after more than 12 months	13	2,500	4,000	2,500	4,000
Investments	14	132	250	132	250
Cash at Bank and in Hand		<u>681</u>	<u>805</u>	<u>681</u>	<u>805</u>
		6,335	6,240	6,370	6,258
CREDITORS					
Amounts falling due within one year	15	<u>(1,509)</u>	<u>(1,088)</u>	<u>(1,498)</u>	<u>(1,088)</u>
NET CURRENT ASSETS		<u>4,826</u>	<u>5,152</u>	<u>4,872</u>	<u>5,170</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		72,515	67,098	72,561	67,116
PROVISIONS FOR LIABILITIES AND CHARGES					
Severance Scheme Costs	16&17	(83)	(167)	(83)	(167)
NET ASSETS		<u>72,432</u>	<u>66,931</u>	<u>72,478</u>	<u>66,949</u>
FUNDS					
	18				
Public Funds Restricted		69,812	64,228	69,812	64,228
Public Funds Unrestricted		133	354	179	372
Private Funds Restricted		2,210	2,167	2,210	2,167
Private Funds Unrestricted		<u>277</u>	<u>182</u>	<u>277</u>	<u>182</u>
		<u>72,432</u>	<u>66,931</u>	<u>72,478</u>	<u>66,949</u>

Signed on behalf of the Trustees by
Anna Southall
 Accounting Officer and Director
 Approved and signed on 10 September 2002

G. Wyn Howells
 Treasurer, on behalf of the Council
 Approved and signed on 11 September 2002

The notes on pages 20 to 32 form part of these accounts.

Cash Flow Statement for the Year Ended 31 March 2002

	Notes	2001-02 £000's	2000-01 £000's
Net Cash Inflow from Operating Activities	19	1,559	1,387
Capital Expenditure and Financial Investment	20	(1,801)	(1,034)
Management of liquid resources	21	<u>118</u>	<u>(237)</u>
Increase in Cash	22	<u>(124)</u>	<u>116</u>

The notes on pages 20 to 32 form part of these accounts.

Notes to the Accounts for the Year Ended 31 March 2002

I. Accounting Policies

I.1 Basis of Accounting

The Accounts are prepared under the historical cost convention, modified to include the revaluation of tangible fixed assets at their value to the Museum. They have been prepared in accordance with the Accounts Direction issued by the National Assembly for Wales with the consent of the Treasury. Without limiting the information given, the Accounts meet the accounting and disclosure requirements of the Statement of Recommended Practice (SORP), Accounting and Reporting by Charities, issued by the Charities Commissioners for England and Wales, and the accounting statements issued or adopted by the Accounting Standards Board in so far as those requirements are appropriate. The Treasury has granted exemptions to the Charities SORP requirement for a Summary Income and Expenditure Account and from the need to disclose the historic cost of tangible fixed assets.

I.2 Joint Venture

The Museum holds a 50% share in the National Waterfront Museum Swansea Ltd, the remaining 50% being held by the City and County of Swansea. The results of the joint venture have been included within the consolidated financial statements and are accounted for using the gross equity method of accounting. In NMGW's accounts they are accounted for on the equity method of accounting.

I.3 Subsidiary Undertakings

The Museum operates a wholly owned trading subsidiary Matchtake Ltd. The trading results for the company have been included within the consolidated financial statements. The accounts of Matchtake Ltd for the year to 31 March 2002 received an unqualified audit opinion.

I.4 Incoming Resources

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

I.5 Tangible Fixed Assets and Heritage Assets

Plant, equipment, fixtures and fittings are valued at their depreciated replacement cost. Leasehold and freehold

properties are valued at their depreciated replacement cost, with the exception of the Nantgarw Collection Centre which is valued at open market value. Routine maintenance work in respect of these properties is written off in the year in which it is undertaken.

With effect from 1 April 2001 heritage assets purchased from the specimen grant or donated to the Museum have been capitalised at historic cost. This is a change of accounting policy as a result of Financial Reporting Standard 15.

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

1.6 Depreciation

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

Freehold and long leasehold properties are depreciated over their useful lives from 5 to 125 years. As permitted by The Charities SORP 2000, heritage assets are not depreciated.

Short leasehold properties are amortised over the life of the lease.

Plant, equipment, fixture and fittings are depreciated over 5-10 years. In specific cases e.g. items subject to technological changes or with a high obsolescence factor, a 3 year life is used.

1.7 Funds

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

Public Restricted Funds represent Capital and Specimen Purchase Grants receivable from the National Assembly for Wales and other government bodies.

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

1.8 Stock

The Museum maintains a stock of publications and other items for sale in its Shops. These are valued at the lower of cost and net realisable value. In the opinion of the Council, there is no material difference between the historic cost of stock and current replacement cost.

1.9 Investments

Investments are shown at market value. Gains and losses on disposal are credited or charged to the Statement of Financial Activities. Movements in the market value of investments held at the year end are also reflected in that statement in accordance with the (Charities SORP 2000. Statement of Recommended Practice on Accounting for Charities.)

1.10 Research and Development

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

1.11 Taxation

The Museum has been granted charitable status by the Inland Revenue. Non-recoverable Value Added Tax arising from expenditure on non-trading activities is charged to the Statement of Financial Activities.

1.12 Pensions

Contributions to the National Museum of Wales' Pension Scheme are charged to the Statement of Financial Activities so as to

spread the cost of pensions over employees' working lives. The accounts comply with the transitional arrangements under Financial Reporting Standard 17.

1.13 Cost of Capital

Government Accounting requires the inclusion of a notional cost of capital, calculated by applying a percentage (currently 6%) to the average public capital employed. The cost of capital charge ensures an appropriate return on the taxpayers equity.

1.14 Derivatives

The Museum has no borrowings and relies primarily on departmental grants for its cash requirements, and is therefore not exposed to liquidity risks. It also has no material deposits, and all material assets and liabilities are denominated in sterling, so it is not exposed to interest risk or currency risk.

2. Grants Receivable

	Public Restricted £000's	Public Unrestricted £000's	2001-02 £000's	2000-01 £000's
Revenue Grant in Aid	0	14,753	14,753	12,345
Specimen Purchase Grant in Aid	1,075	0	1,075	1,389
Capital Grant in Aid	1,165	0	1,165	775
National Waterfront Museum Grant	822	0	822	0
Capital Modernisation Fund	0	185	185	218
Grants from other government bodies	<u>498</u>	<u>574</u>	<u>1,072</u>	<u>731</u>
	3,560	15,512	19,072	15,458

The Museum received total Grant from the National Assembly for Wales of £17,178,000 (£14,727,000 in 2000-01) which comprises the Revenue, Specimen Purchase and Capital Grant in Aid and the Capital Modernisation Fund. A temporary transfer of grant of £390,000 from revenue to capital was approved by the National Assembly for Wales which will be reimbursed in 2002-03. In addition the Museum received specific grant of £822,000, which it transferred to the National Waterfront Museum Swansea Ltd.

3. Donations & Bequests

	2001-02 £000's	2000-01 £000's
Donated Assets		
'Rocky Wooded Landscape' - Thomas Gainsborough	2,500	0
MWL- 'House of the Future'	120	0
Other	<u>45</u>	<u>0</u>
	2,665	0
Other donations	<u>236</u>	<u>470</u>
	2,901	470

With effect from 1 April 2001 donated heritage assets have been capitalised as a result of Financial Reporting Standard 15.

4. Shop Operations

	NMGW £000's	Subsidiary £000's	2001-02 £000's Total	2000-01 £000's Total
Sales	913	197	1,110	597
Cost of Sales:				
Purchases	(481)	(100)	(581)	(344)
Increase in Stock	19	10	29	13
	(462)	(90)	(552)	(331)
Net Shop Sales:	451	107	558	266

Included within the staff costs (Note 7) under Public Funds (Unrestricted) are £259,000 (£206,000 2000-01) for shop staff costs (£217,000 for NMGW and £42,000 for the subsidiary, Matchtake Ltd) and within other direct costs are £26,000 (£16,000 2000-01) for shop operating costs. Total Shop contributions to Public Funds (Unrestricted) was £273,000 (£44,000 2000-01).

5. Other Income

	Public Funds		Private Funds		2001-02 £000's	2000-01 £000's
	Restricted £000's	Unrestricted £000's	Restricted £000's	Unrestricted £000's		
Education, Schools Income & Grants	0	24	0	0	24	108
Copyrights & research income	0	79	0	0	79	178
Sponsorship	0	44	0	48	92	72
Corporate Functions, Rents & Facility fees	1	672	0	0	673	279
Bank Interest	0	23	9	1	33	27
Demonstrating crafts & contributions to Museum costs	3	184	0	0	187	86
Contributions from the City & County of Swansea for the Waterfront Project	0	82	0	0	82	172
	4	1,108	9	49	1,170	922

6. Share of Joint Venture

The Museum holds a 50% share in the National Waterfront Museum, Swansea (NWMS) Ltd (Charity No 1090512). The principal objective of NWMS Ltd is to establish for the benefit of the public a museum in Swansea to house and display (inter alia) the industrial and maritime collection of NMGW and the City and County of Swansea. In the event of the windup or dissolution of the NWMS Ltd, its articles and memorandum of association state that any property belonging to or vested in the charity shall be transferred to some other charity or charities having similar objectives.

The Museum's share of the net assets of the Joint Venture comprises:

	2002 £000's
Fixed Assets	434
Current Assets	374
Current Liabilities	(305)
Net Assets	503

During 2001-02 the Museum made transfer grant payments to NWMS Ltd of £822,000 from the National Assembly for Wales and £137,500 from receipts held from the sale of the Welsh Industrial and Maritime Museum.

7. Total Resources Expended

	Staff Costs £000's	Other Direct Costs £000's	Waterfront Transfer £000's	Depreciation £000's	2001-02 £000's	2000-01 £000's
Direct Expenditure						
Charitable Expenditure						
Collection & Preservation	2,325	1,263	480	191	4,259	4,729
Research	651	408	0	53	1,112	1,138
Exhibition & Education	<u>638</u>	<u>1,860</u>	<u>480</u>	<u>53</u>	3,031	<u>2,766</u>
	3,614	3,531	960	297	8,402	8,633
Support Expenditure	<u>7,370</u>	<u>1,346</u>	<u>0</u>	<u>606</u>	9,322	<u>7,176</u>
Total Direct Expenditure	10,984	4,877	960	903	17,724	15,809
Other Expenditure						
Fund Raising and Publicity	484	620	0	40	1,144	1,061
Management and Administration	<u>943</u>	<u>265</u>	<u>0</u>	<u>77</u>	1,285	<u>1,044</u>
	1,427	885	0	117	2,429	2,105
Total Resources Expended before Notional Costs	12,411	5,762	960	1,020	20,153	17,914

Waterfront Transfer expenditure comprises payments made by the Museum to the National Waterfront Museum, Swansea Ltd. (Note 6 refers)

Expenditure is allocated across the above six expenditure heads on the basis of staff apportionment, floor space or by direct allocation as appropriate.

The amount of £29,500 (£27,000 in 2000-01) is included in Management and Administration for auditors' remuneration, £26,000 for the audit fee and £3,500 for other work.

8. Staff Costs

(a) Staff Costs during the year :

	2001-02 £000's	2000-01 £000's
Salaries and Wages	9,621	8,483
Social Security Costs	607	595
Other Pension Costs	2,149	1,018
Severance Costs	<u>34</u>	<u>41</u>
	12,411	10,137

(b) The average monthly number of employees comprised :

	2001-02 Number	2000-01 Number
Collection & Preservation	100	104
Research	28	29
Exhibition & Education	28	29
Support	317	268
Fund Raising & Publicity	21	19
Management & Administration	<u>41</u>	<u>37</u>
	535	486

(c) The salary and pension entitlements of the directors of the Museum were as follows :

	Age	Salary	Real Increase in pension at age 60	Total accrued Pension at age 60 at 31 March 2002
		£	£	£
Ms Anna Southall, Director, NMGW	53	66,263	800	5,000
Dr Eurwyn Wiliam, Deputy Director, NMGW	53	59,219	800	22,600
Mr John Williams-Davies, Director, Museum of Welsh Life	52	51,210	700	18,300
Mr Mike Tooby, Director, National Museum and Gallery	45	48,400	600	1,400
Mr Mark Richards Director of Resoure Planning	43	48,197	700	1,900
Mr Robin Gwyn Director of Strategic Communications	43	42,000	500	600

The Director is employed on a 5 year fixed term contract which is renewable (appointed 1 November 1998) The Director's emoluments consisted of basic salary of £66,263, (£64,333 in 2000-01) a bonus payment of £4,182 (£3,814 in 2000-01) and pension contributions of £9,741 (£9,457 in 2000-01) bringing the total package to £80,186 (£77,604 in 2000-01). The Director is an ordinary member of the pension scheme.

(d) Council members do not receive any emoluments. The total amount of travel, subsistence and hospitality expended by the Museum for its committee members was £17,000 (£20,000 in 2000-01).

9. Tangible Fixed Assets

	Freehold Land & Buildings £000's	Leasehold Properties £000's	Plant & Vehicles £000's	Fixtures, Fittings & Equipment £000's	Total £000's
Cost or Valuation					
At 1 April	13,173	45,879	428	1,761	61,241
Additions in Year	1,030	134	59	371	1,594
Disposals in Year	0	0	0	0	0
Revaluation	<u>336</u>	<u>1,083</u>	<u>6</u>	<u>16</u>	<u>1,441</u>
At 31 March	14,539	47,096	493	2,148	64,276
Depreciation					
At 1 April	0	0	267	736	1,003
Charge for the Year	199	371	48	402	1,020
Revaluation	<u>5</u>	<u>9</u>	<u>4</u>	<u>8</u>	<u>26</u>
At 31 March	204	380	319	1,146	2,049
Net Book Value					
At 31 March 2002	14,335	46,716	174	1,002	62,227
At 1 April 2001	13,173	45,879	161	1,025	60,238

The Museum's tangible fixed assets were professionally valued at 31 March 2001 by Cooke and Arkwright, Chartered Surveyors, in accordance with the Guidelines issued by the Royal Institution of Chartered Surveyors.

10. Heritage Assets

Heritage Assets acquired in year comprise:

	£000s'
Art	
'Rocky Wooded Landscape' - Thomas Gainsborough	2,500
'A Good View of Snowdon' - Thomas Girtin	300
Other	<u>111</u>
	2,911
A&N Medieval Excavations	
Facial Reconstruction	17
Domestic & Rural	
Ganllwyd Table	8
Library	
Manuscript - Sara Anne Wilmot	7
Welsh Slate Museum	
Waterwheel	67
Fron Cottages	<u>27</u>
	94
Historic Buildings	
House of the Future	140
St Teilos Church	19
Taffs Well PS	26
Boathouse	<u>26</u>
	211
Total Additions in year	3,248

11. Fixed Asset Investments

	NMGW		Consolidated	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
At 1 April	1,708	1,721	1,708	1,721
Net Gain/(Loss) on Revaluation	3	(13)	3	(13)
Market Value at 31 March	1,711	1,708	1,711	1,708

The historic cost of investments at 31 March 2002 was £951,000 (£951,000 at 31 March 2001).

The portfolio consists of Collective Investments (Unit Trusts) authorised by the Securities and Investments Board. (SIB)

12. Stock

	NMGW		Consolidated	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Shop Goods for Sale	269	251	304	276
Publications stock held separately	169	161	169	161
	438	412	473	437

13. Debtors

	NMGW		Consolidated	
	2002 £000's	2001 £000's	2002 £000's	2001 £000's
Amounts falling due within 12 months:				
Trade Debtors	70	147	70	147
Amount due from subsidiary	0	7	0	0
Sale of Welsh Industrial & Maritime Museum	1,363	200	1,363	200
Other Debtors	1,066	355	1,066	355
Prepayments	85	64	85	64
	2,584	773	2,584	766
Amounts falling due after 12 months:				
Sale of Welsh Industrial & Maritime Museum	2,500	4,000	2,500	4,000
	5,084	4,773	5,084	4,766

The balance of sale proceeds from the Welsh Industrial & Maritime Museum held by the National Assembly for Wales on behalf of the Museum at 31 March 2002 was £3,862,500 (£4,200,000 at 31 March 2001). The Museum anticipates drawing down £1,362,500 within the next 12 months (£337,500 was drawn down in 2001-02) and the balance over the next two years to help finance the development/construction costs of the new National Waterfront Museum, Swansea.

14. Current Asset Investments

These comprise a Private Fund balance of £132,000 (£250,000 at 31 March 2001) held in a 14-day notice account.

15. Creditors

	NMGW		Consolidated	
		(Restated)		(Restated)
	2002	2001	2002	2001
	£000's	£000's	£000's	£000's
Amounts falling due within one year:				
Trade Creditors	649	522	649	522
Amount due to subsidiary	11	0	0	0
Other Creditors and Accruals	849	566	849	566
	1,509	1,088	1,498	1,088

Creditors figures at 31 March 2001 have been restated to exclude severance costs now disclosed in Provisions for Liabilities and Charges (Note 16).

16. Provisions for Liabilities and Charges

	NMGW		Consolidated	
		(Restated)		(Restated)
	2002	2001	2002	2001
	£000's	£000's	£000's	£000's
Severance Scheme				
Balance at 1 April	167	241	167	241
Amount transferred to SOFA	(84)	(74)	(84)	(74)
Balance at 31 March	83	167	83	167

As a result of changes in accounting treatment, the total provision figure is now disclosed under Provisions for Liabilities and Charges. Previously it was shown partly within creditors for that part of the provision due within 12 months. There is no change to the total provision/creditor figure.

17. Pension Costs

The Museum operates a defined benefits scheme. A full actuarial valuation was carried out as at 31 March 2002 by a qualified independent actuary. The major assumptions used by the actuary for the valuation were:

At 31 March 2002	
Rate of increase in salaries	4.5%
Rate of increase in deferred pensions (excess over GMP)	3.0%
Rate of increase in pensions in payment (excess over GMP)	3.0%
Discount Rate	6.0%
Inflation Assumption	3.0%

The assets in the plan and the expected rate of return were:

	Long-term rate of return expected at 31 March 2002	Value at 31 March 2002 £000's
Equities	7.50%	28,561
Bonds	5.25%	10,118
Other	4.00%	<u>294</u>
Total market value of assets		38,973
Present value of plan liabilities		<u>41,834</u>
Net pension deficit		<u>(2,861)</u>

If the above pension assets were recognised in the financial statements, the Museum's net assets and funds would be as follows:

	At 31 March 2002 £'000's
Net Assets excluding pension deficit	72,434
Pension deficit	<u>(2,861)</u>
Net assets including pension deficit	<u>69,573</u>

Using the information supplied by the actuary, the Museum has made a one-off contribution of £1,000,000 to the fund and increased its contribution rate from 14.7% to 16.8%, with effect from 1 April 2002.

Pension costs for 2001-02

	2001-02 £000's	2000-01 £000's
In 2001-02 pension costs consisted of:		
Superannuation	1,066	936
One-off capital injection from the Assembly	1,000	0
Severance Scheme (note (a) below)	<u>83</u>	<u>82</u>
	<u>2,149</u>	<u>1,018</u>

(a) Severance Scheme

The future cost of funding the enhanced pensions is now £83,000. This resulted from the Actuary's advice that in order to meet the costs of the severance scheme in 1994-95 the contribution from the Museum needed to be increased from 6% (the Museum's contribution prior to 1999-00) to 7.1% for seven years commencing 1 April 1995. This increase of 1.1% is to fund the enhanced periods of pensionable service, calculated at a cost of £600,000, which resulted from the Museum's early severance scheme. This will be subsumed within the future change in the employer's contribution increases.

18. Statement of Funds

(a) Total Funds

	1 April 2001 £000's	Incoming Resources £000's	Resources Expended £000's	Other Movements in Year £000's	31 March 2002 £000's
Public Funds					
Restricted - Capital	63,965	2,917	(2,024)	1,415	66,273
Restricted - Specimens	<u>263</u>	<u>3,815</u>	<u>(539)</u>	<u>0</u>	<u>3,539</u>
Total Restricted	64,228	6,732	(2,563)	1,415	69,812

(a) Total Funds (continued)

	1 April 2001	Incoming Resources	Resources Expended	Other Movements	31 March 2002
Total Restricted (from previous page)	64,228	6,732	(2,563)	1,415	69,812
Unrestricted	<u>372</u>	<u>17,197</u>	<u>(17,390)</u>	<u>0</u>	<u>179</u>
Total Public Funds	64,600	23,929	(19,953)	1,415	69,991
Private Funds					
Restricted	2,167	166	(126)	3	2,210
Unrestricted	<u>182</u>	<u>169</u>	<u>(74)</u>	<u>0</u>	<u>277</u>
Total Private Funds	2,349	335	(200)	3	2,487
Total	66,949	24,264	(20,153)	1,418	72,478

Public Funds Unrestricted attributable to the Museum's own activities at 31 March 2002 was £133,000, with £46,000 attributable to Matchtake Ltd.

(b) The Total Capital Restricted Funds is represented by

	2002 £000's	2001 £000's
Freehold Land and Buildings	14,335	13,173
Leasehold Properties	46,335	45,499
Plant and Vehicles	174	161
Fixtures, Fittings and Equipment	<u>1,002</u>	<u>1,025</u>
Total Fixed Assets	61,846	59,858
Share of Joint Venture	503	0
Debtors	4,076	4,214
Creditors	(155)	(123)
Cash at Bank and in Hand	<u>3</u>	<u>16</u>
	66,273	63,965

(c) The Total Private Funds: is represented by

	2002 £000's	2001 £000's
Fixed Assets	381	380
Fixed Asset Investment	1,711	1,708
Cash at Bank and in Hand	267	11
Current Asset Investments	132	250
Creditors	<u>(4)</u>	<u>0</u>
	2,487	2,349

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

	2001-02 £000's	2000-01 £000's
Net incoming resources for the financial year	4,111	1,420
Loss on Disposal of Fixed Assets	0	18
Donated Assets	(2,665)	0

Share of Joint Venture	(503)	0
Fixed Assets transferred from Big Pit Ltd at Valuation	0	(1,385)
Depreciation	1,020	957
Increase in Stocks	(36)	(32)
(Increase)/Decrease in Debtors	(594)	171
Increase in Creditors	310	312
Decrease in Provisions	(84)	(74)
Net Cash Inflow from Operating Activities	1,559	1,387

20. Capital Expenditure and Financial Investment

	2001-02	2000-01
	£000's	£000's
Payments to acquire Tangible Fixed Assets	(2,139)	(1,234)
Release of receipts from the sale of WIMM	<u>338</u>	<u>200</u>
	(1,801)	(1,034)

21. Movement in Liquid Resources

	2001-02	2000-01
	£000's	£000's
Short Term Investments at 1 April	250	13
Cash at 1 April	<u>805</u>	<u>689</u>
Net Funds at 1 April	1,055	702
Net Cash Inflow/(Outflow)	(124)	116
Net Movements in Short Term Investments	(118)	237
Net Funds at 31 March	813	1,055

(Comprising Short Term Investment of £132,000 and cash of £681,000)

22. Movements in Cash

	2001-02	2000-01
	£000's	£000's
Net Cash at 1 April	805	689
Net Cash Inflow/(Outflow)	<u>(124)</u>	<u>116</u>
Net Cash at 31 March	681	805

23. Capital Commitments

	2001-02	200-01
	£000's	£000's
At the balance sheet date there were capital commitments of :	13	37

24. Contingent Liabilities

The Museum is in negotiation through its solicitors in respect of a number of claims for personal injury occurring at Museum sites. It is possible that the Museum will have to settle should the outcome of any negotiations or litigation be against the Museum. The Museum considers that the maximum potential liability against these claims is £25,000

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

25. Statement of Losses

As required by Government Accounting, the Museum is disclosing losses incurred in the 2001-02 financial year analysed as follows:

	£
Theft	37,400
Personal Injury Claims	21,568
Stock Write Off	11,322
Other Losses	<u>213</u>
	70,503

During 2001-02, internal procedures within the Museum uncovered discrepancies in the accounting records maintained by the shop at the National Museum & Gallery, Cardiff. Senior management commissioned a detailed investigation by the Museum's internal auditors, following which the Police were informed. The Museum co-operated fully with the police enquiries and ensured that both the National Assembly for Wales and the National Audit Office were kept aware of progress throughout the internal audit and police investigations. Two members of staff were subsequently arrested and pleaded guilty at a Crown Court hearing in June 2002 to specimen charges of theft. They were subsequently each sentenced to 200 hours of community service.

In parallel with the police investigation the Museum undertook a disciplinary investigation and while one was dismissed for gross misconduct the other resigned on the eve of the disciplinary hearing.

A full report of the investigation and the actions taken by management to strengthen internal controls in the light of this theft was considered by the Museum's Audit Committee in July 2002. Audit analysis has estimated that the total level of loss that occurred over the six-year period to 2001-02 is some £41,000. The Court proceedings required one defendant to pay a compensation order of £3,600 which will be passed to the Museum and the approval of the National Assembly for Wales to write off the balance as a cash loss was granted on 19 July 2002. This disclosure is made to comply with the requirements of 'Government Accounting'.

26. Related Party Transactions

The National Museum of Wales is an Assembly Sponsored Public Body (ASPB). The National Assembly for Wales is therefore regarded as a related party. During the year the Museum received funding from the Assembly in the form of Revenue, Capital and Specimen Purchase Grant in Aid, and a specific grant for the development of the New Waterfront Museum, Swansea released from the proceeds of the sale of the Welsh Industrial & Maritime Museum. In addition the Museum received funding from the National Assembly for Wales' Capital Modernisation Fund.

During the year the Museum has had various material transactions with other entities for which the National Assembly for Wales is the sponsor, namely: Wales Tourist Board, Countryside Council for Wales, National Library of Wales, Cadw: Welsh Historic Monuments.

The Museum made grant payments to the National Waterfront Museum, Swansea Ltd (in which it holds a 50% share) from the National Assembly for Wales and from receipts held from the sale of WIMM of £959,500. The Museum paid £3,700 to the University of Glamorgan, £19,100 to Cardiff University and £1,700 to Techniquest in 2001-02. Mr R.G. Thomas, Vice President of the Council, is a member of Council at the University of Glamorgan and Cardiff University and a Board member of Techniquest. The Museum paid £3,500 to Gwynedd Archaeological Trust in 2001-02. Dr N.M. Edwards who sits on the Museum's Council and Court of Governors is the Vice Chair of Gwynedd Archaeological Trust.