

ENGLISH HERITAGE

ANNUAL REPORT & ACCOUNTS

2005/06

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July 2006
Product code: 51247

NATIONAL HERITAGE ACT 1983
Presented pursuant to National Heritage Act 1983 c.47, Sch 3 s.13(4)

English Heritage

Annual Report and Accounts 2005/06

Ordered by the House of Commons to be printed on 20 July 2006

Introduction

I am pleased to present English Heritage's Annual Report and Accounts. This report contains our statement of accounts for 2005/06 and presents our progress against our Funding Agreement targets as agreed with our sponsoring department, the Department for Culture, Media and Sport (DCMS), as well as the Department for Communities and Local Government (DCLG) and the Department for Environment, Food and Rural Affairs (Defra). We have also included a key facts section which provides at a glance information on a selection of the year's achievements.

English Heritage launched its first five year Strategy this year. The Strategy for 2005-10, *Making the Past Part of our Future*, will guide and direct an organisation which has been refreshed and refocused by its modernisation programme. My thanks go to the Chief Executive, Dr Simon Thurley, for providing a steady hand at the helm and to all English Heritage's staff for their hard work, dedication and commitment. As this is my last Annual Report and Accounts as Chairman, I would like to add as a personal note that following a challenging seven years, I leave an organisation fit for purpose and firm in its determination to protect the extraordinary treasure that is the historic environment of England.

This year the Annual Report and Accounts is primarily being published electronically. Therefore if you require additional copies, please use our website at www.english-heritage.org.uk. If you would like further information about English Heritage, please visit the website or contact our customer services team on 0870 333 1181.

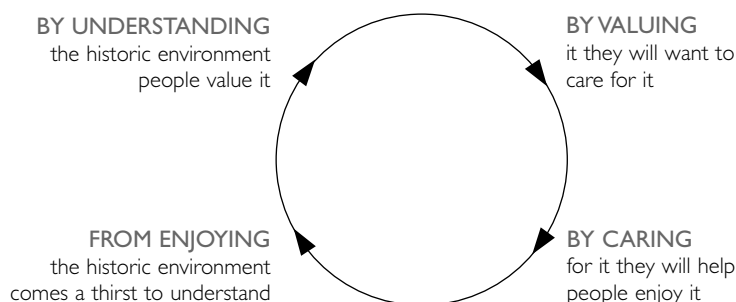


Sir Neil Cossons
Chairman

Chief Executive's Introduction and Management Commentary

English Heritage is on the move. This year the organisation took advantage of an opportunity to vacate its Savile Row offices early and is implementing a phased relocation of its head office, London region and other London based teams. The plan to move a considerable proportion of staff outside London fits well with a more streamlined, efficient organisation as well as with Government guidelines following the Lyons Review.

English Heritage's extensive modernisation programme came to an end in 2005. The organisation's new focus and new ways of working are set out in its first five year Strategy, *Making the Past Part of our Future*, which was launched in June 2005. The Strategy is a commitment to providing a high quality service for people today; an historic environment legacy which will enrich the quality of life for future generations; and an organisation which is efficient and effective, and which provides value for the public money it receives. The strategy for making the past part of our future is to engage the public and national and local government in a cycle of understanding, valuing, caring for and enjoying the historic environment. English Heritage aims to increase the number and diversity of people who actively engage with and support the historic environment, allowing it to focus on a more strategic and less hands-on role.



For each part of the cycle the organisation has adopted specific aims; these are underpinned by another – to make the most effective use of the assets in our care:

UNDERSTANDING	VALUING	CARING	ENJOYING
<p>AIM 1 Help people develop their understanding of the historic environment</p>	<p>AIM 2 Get the historic environment on other people's agendas</p> <p>AIM 3 Enable and promote sustainable change to England's historic environment</p>	<p>AIM 4 Help local communities to care for their historic environment</p>	<p>AIM 5 Stimulate and harness enthusiasm for England's historic environment</p>
<p>AIM 6 Make the most effective use of the assets in our care</p>			

Chief Executive's Introduction and Management Commentary (continued)

We have achieved much in our first year of the Strategy. The building blocks to help develop understanding of the historic environment have been put in place with the publication of a new Research Strategy and a new Learning Strategy. The awareness of the public and Government have been raised through campaigns, for example, to highlight the urgency of the country's crafts skills shortage and through the extensive groundwork for the Inspired! campaign. *Heritage Counts 2005* focused on the issues around rural heritage and reached some 500,000 people in the country. We also secured a Heritage Lottery Fund Stage One Pass for £7.9 million for the Chiswick House and Gardens project to restore and recapture the landscape for the community and wider public.

The administration of listing transferred to us from DCMS on 1 April 2005 and the publicity surrounding the transfer led to an almost 100% increase in requests. At the same time, turnaround time for handling listing requests was reduced from six to three months. In June 2005 we launched English Heritage's new approach to heritage protection. Known as constructive conservation, it is designed to ensure that our historic environment is valued as a positive asset rather than a potential barrier to progress, that decisions about its management are made against consistent standards and that decision-makers receive effective guidance and advice to help them achieve the best for the country's historic assets. Constructive conservation incorporates three main strands of work:

- a reformed legislative framework on which we are working in partnership with Government
- the development of a set of Conservation Principles to improve transparency and consistency in decision-making
- a Historic Environment Local Management (HELM) programme of guidance and training for Local Authorities

We continue to build capacity in Local Authorities and in the voluntary and community sectors. This year we trained over 1,000 Local Authority experts and increased our funding package for the amenity societies to equip them to handle electronic notifications.

English Heritage outreach activities this year have attracted nearly 54,000 participants from priority groups as a direct contribution to meeting the DCMS PSA target. Heritage Open Days and National Archaeology Days attracted nearly a million people between them and the Images of England project continues to capture people's imagination, with over 60 new volunteers joining the project since January 2006 and over 328,000 buildings now recorded.

Significant investment has been made in our sites and in improving the visitor experience. This has brought improved presentation and interpretation, including new guidebooks, as well as major infrastructure works as part of the Property Development Programme such as those at Kenilworth Castle and at Osborne House. In return, membership peaked at 595,000 this year.

The Performance Against Targets section of this report sets out how we are doing against our Funding Agreement targets. It provides an overview of key areas of our work and is supplemented by a range of key facts about our achievements over the past year.

Chief Executive's Introduction and Management Commentary (continued)

Management Commentary

Description of business, objectives and strategy

The Historic Buildings and Monuments Commission for England (HBMCE) is a body corporate established on 1 April 1984 by the National Heritage Act 1983. It has up to 17 Commissioners appointed by the Secretary of State for Culture, Media and Sport and is an Executive Non-Departmental Public Body sponsored by DCMS. 'English Heritage' is its informal name.

English Heritage is the lead body in England concerned with the conservation of England's built environment and its principal activities include the management and conservation of over 400 ancient monuments and historic properties. It awards conservation grants to assist owners of ancient monuments and historic properties and provides advisory and education services, including giving statutory advice to Government.

English Heritage's strategic direction is overseen by its Board of Commissioners which delegates operational management to a Chief Executive appointed by them. The Chief Executive also serves as Accounting Officer on behalf of DCMS. The Chief Executive is supported by an Executive Board comprising the Directors of the 5 groups: Planning and Development, Policy and Communications, Properties and Outreach, Research and Standards, and Resources.

This year English Heritage has signed a new Funding Agreement with DCMS, DCLG (formerly ODPM) and Defra for the period 2005-08, the second to be prepared with the three Departments. The Funding Agreement along with our Management Statement and Financial Memorandum and our Strategy, *Making the Past Part of our Future*, provide the context and framework for our work.

Resources, financial position and financing implications of significant changes to objectives, activities, investment strategy and long term liabilities

In its role as the Government's statutory adviser on the historic environment, English Heritage receives around 75% of its funding from DCMS to carry out its responsibilities to champion and care for the historic environment; the remainder of its funding is self-generated. In 2005/06 this translated into approximately £125 million in grant-in-aid and £35 million of earned income. The recent modernisation and restructuring programme has created efficiency savings which have allowed the organisation to do more with less. Our efficiency savings have totalled £12.8 million over the three years 2003/04 to 2005/06. English Heritage's move from its Savile Row offices and the relocation of the majority of its staff outside of London by summer 2008 will be part financed by extra income received as a result of the early surrender of the Savile Row lease.

There are a number of developments on the horizon which will, to a lesser or greater degree, have an impact on English Heritage and our ability to deliver our longer term goals. For example, the relocation of our London office is a phased project and whilst the first stage has been completed successfully, later stages will involve the relocation of significant numbers of staff out of London and there are risks associated with this, particularly relating to staff retention. The outcomes of the Heritage Protection Review will have a major impact on the way we carry

Chief Executive's Introduction and Management Commentary (continued)

out our work. The forthcoming Comprehensive Spending Review will set our grant-in-aid for 2008/09-2010/11. Any significant change would have a direct impact on the range of services and support we are able to provide. The satisfactory presentation of the Stonehenge site remains a core challenge for the organisation. Another major priority is our Property Development Programme which, whilst carefully planned, is reliant on English Heritage being able to obtain the relevant consents.

English Heritage's investment strategy is linked to the organisation's overall strategy, *Making the Past Part of our Future* and this summer an initiative called Costing the Strategy will ensure that all budgeting is brought consistently into line with the Strategy's aims and objectives. English Heritage's financial investments are shown in note 26 to the accounts. Its grant and contractual commitments are shown in note 36 to the accounts. Its only long term liabilities relate to restructuring and modernisation provisions as shown in note 29 to the accounts.

Key relationships with stakeholders

English Heritage's key stakeholders are the Government departments for Culture, Media and Sport, Communities and Local Government, and Environment, Food and Rural Affairs; the Local Authorities across England; the historic environment community; and the voluntary and community sectors. We also have relationships with the Departments for Education and Skills, Transport, Trade and Industry and with the Treasury, as well as with the development sector. Continuing to develop and strengthen these relationships is critical to the achievement of our long term goals.

For English Heritage to take a more strategic role, others must take on more and so a big part of our work involves building capacity to enable this to happen. We do this with local government, for the historic environment sector and amongst those whose aims are not primarily heritage based but who nevertheless contribute to the management of the historic environment.

English Heritage commissioned an independent market research company to carry out stakeholder surveys in 2004 and 2005 and plans to do so again this year. The findings in 2005 showed a clear pattern of improvement in perceptions of English Heritage's strategic focus, its management, its accessibility and openness, and in the proactivity and responsiveness of its communications. Overall, the picture is of an organisation which has made much positive change and must now convince that it can meet the challenges it faces and deliver on its core task of protecting the historic environment.

Policy and achievement of policy on social and community issues

English Heritage is committed to identifying projects and partnerships which increase access to the historic environment, particularly for those who traditionally have not participated. We continue to research ways of delivering a more inclusive past and promote educational opportunities to acknowledge, respect and celebrate the cultural diversity of England's heritage in all our activities.

Chief Executive's Introduction and Management Commentary (continued)

During the year, English Heritage has contributed towards the DCMS 'Taking Part' survey which is providing, for the first time, national data on people's engagement with the historic environment. Survey results from the period October 2005 to March 2006 show that 69.7% of all adults made at least one visit to a designated historic environment site in the past 12 months. However only 57.5% of adults from lower socio-economic groups, 58% of adults with a limiting disability and 47.3% of adults from black and minority ethnic groups made a similar visit. This is an under-representation that English Heritage will be continuing to address through its work. For example, we grant aid the Black Environment Network to provide strategic support to the sector as a whole on engaging with black and minority ethnic communities and to provide relevant services for a diverse audience. We have also allocated £400,000 per annum in National Capacity Building Grants for the period 2006-8 for historic environment organisations to develop their ability to engage with under-represented groups.

Our Heritage Open Days and outreach programmes have continued to demonstrate the potential of the historic environment for supporting social inclusion. For example, the Community Arts Festival at Chiswick House attracted over 10,000 people for a weekend of music, dance and performance from many cultures, and the Wolverhampton Faith Buildings Trail and the Greater Manchester Black History Trail highlighted hidden heritage.

The Disability Discrimination Act 2005 has focussed the historic environment sector on its responsibilities to promote disability equality. English Heritage is committed to improving and encouraging access to the historic environment for people with disabilities. We work with and learn from other agencies, organisations and individuals who have adopted creative and sensitive solutions in the adaptation and presentation of their properties and other activities.

We reissued our guidance for the sector, *Easy Access to Historic Buildings*, in 2004 and following extensive consultation, published *Easy Access to Historic Landscapes* in 2005. Our own implementation strategy for our properties is being delivered. English Heritage chaired a series of seminars across the country this year on behalf of the Regional Historic Environment Fora and in conjunction with the National Trust and the Disability Rights Commission to consult users and share best practice. We also chair a cross-sectoral group which considers access issues for visitors with disabilities.

Policy & achievement of policy relating to employees

English Heritage is actively committed to promoting equal opportunities and respect for diversity. Achievements and results across the workforce are regularly reviewed with a view to improving further.

English Heritage signed up to the 'Double Tick' Positive About Disabled People employer commitments in 2003. We welcome the new Disability Equality Duty which will come into force in 2006 and will be consulting on the preparation of a Disability Equality Scheme.

Chief Executive's Introduction and Management Commentary (continued)

In March 2006 the gender profile of the permanent staff of English Heritage was 43.4% men and 56.6% women. Part-time staff from within this group comprise 25% men and 75% women. We are working to prepare for the new Gender Equality Duty in 2007. The ethnic breakdown of English Heritage staff is currently 93.8% white to 6.2% non-white.

Increasing effort is being devoted to addressing specialist, professional, management and leadership development needs, especially those identified through English Heritage's staff Performance and Development Review system. Active participation in four relevant Sector Skills Councils will allow English Heritage to influence future strategy across the sector.

Development and implementation of a Reward Strategy will be a major contributor to the recruitment, retention and motivation of employees over the next few years. A major challenge will be the successful relocation of posts from London, which will involve innovative working practices as well as support to staff over the physical moves.

Policy & achievement of policy on environmental issues

Management of health and safety issues within English Heritage is led by a director at board level, with a small team to set policy, provide guidance and audit standards and statistics. A safety council of directors, managers and advisors meets three times a year to consider incidents and developments and to prepare an annual report for audit committee to review on behalf of Commission.

The Properties and Outreach group has responsibility for health and safety across our historic estate, with advice and management of health and safety works provided by the Planning and Development group's Estates team. Territorial health and safety co-ordinators have been recruited to assist in ensuring compliance with all health and safety requirements within our historic estate.

The accident rates for English Heritage staff are relatively low compared to the national average. There were 81 staff accidents in 2005/06, 10 more than the previous year's final total. Most were however minor and only 3 were reportable to the Health and Safety Executive under statutory reporting regulations.

There were 187 visitor accidents, 3 more than last year and the rate of accidents per 100,000 visits was up slightly at 3.71 compared to last year's figure of 3.37. More positively, the number of visitor accidents reportable to the Health and Safety Executive continued to decline, down from 20 last year to 12 this year.

English Heritage has established a new Sustainable Development Board to take forward its Sustainable Development Strategy and we are developing a Sustainable Development Action Plan (SDAP) based on the model prepared by the Sustainable Development Commission. Our Sustainable Development Strategy will be updated to include the requirements of the SDAP and is scheduled to be published in summer 2006. We continue to be part of the DCMS Sustainability Forum and are working with other DCMS NDPBs and sponsored bodies on issues of sustainable development.

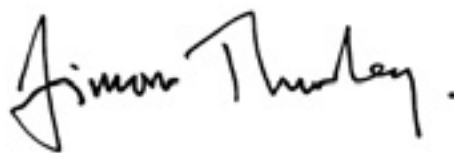
Chief Executive's Introduction and Management Commentary (continued)

In the last twelve months we have published policy statements on *Climate Change and the Historic Environment* and *Wind Energy and the Historic Environment*. Our planned publication to replace our present guidance, *Building Regulations and Historic Buildings*, has been delayed to reflect recent changes to the building regulations concerning conservation of fuel and power. It is now due for publication in summer 2006.

We continue to work with the Carbon Trust. Following assessments of energy use in our regional offices, we are joint-funding an energy assessment for the remainder of our estate.

Open Government and Freedom of Information

English Heritage recognises the important role the FOI Act 2000 plays in serving the public interest by promoting open discussion of public affairs and enhancing government accountability. English Heritage makes a large volume of information available via its website, including minutes of the Commission and major Advisory Committee meetings (www.english-heritage.org.uk).



Dr Simon Thurley
Chief Executive

Performance Against Funding Agreement Targets 2005/06

Aim 1: Help People Develop their Understanding of the Historic Environment

Funding Agreement target 1: Publish a Research Strategy & Research Agenda annually on English Heritage's website and report on progress

In October 2005 English Heritage published its first integrated Research Strategy and launched the Research Agenda which includes a list of projects and will be republished on its website annually. Work is underway with partners to develop a UK-wide agreement on historic environment research needs. A particular milestone this year was the joint English Heritage-Research Councils UK (Engineering & Physical Sciences Research Council, Arts & Humanities Research Council, Economic & Social Research Council and Natural Environment Research Council) symposium in March, Preserving our Past, at which joint themes for academic clusters to undertake multidisciplinary cross-Council research were set.

Target achieved

Funding Agreement target 2: Develop and implement a new learning strategy

English Heritage launched its new Learning Strategy in the autumn. An expanded events programme for children and adult learners has been developed; the 'Tours Through Time' programme now includes three new tours aimed at adult learners. English Heritage hosted 485,000 free educational visits this year and in response to market demand facilitated visits, known as Discovery Visits, have been introduced at 25 sites across the country. Whilst the target for 2005/06 (536,400) has not been met, the new programme of Discovery Visits is expected to enable the 2010 target of 650,000 visits to be achieved.

418 events were staged at our sites of which 20 were new events and a new series of lectures by major historians was launched in London. Development of English Heritage's Educational Publishing Strategy, including online educational resources, is underway, as is the preparation for a new series of *Ghastly Books* for children to be launched in late summer at Dover Castle.

English Heritage's Education Volunteers programme will launch at five sites in September 2006.

Work continues with DCMS and CABE on the creation of a 'one stop shop' website for built environment education. English Heritage and CABE will contribute £40,000 each to the project, known as Engaging Places, and the pilot website will be launched in September 2006.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Aim 2: Get the Historic Environment on Other People's Agendas

Funding Agreement target 3: Develop a relationship with Natural England nationally and in the regions

English Heritage has established a relationship with Natural England including at a regional level and work is underway on a Memorandum of Understanding which, although it has missed the target date of April, should be completed by the time Natural England is vested in October 2006.

Target revised

Funding Agreement target 4: Provide Defra with strategic advice and assistance in the development and monitoring of the Rural Development Regulation (RDR) 2007-13 and on their Sustainable Farming and Food Strategy, including Environmental Stewardship

English Heritage has continued to work closely with Defra this year. At a national level it represented the historic environment sector on the RDR 2007-13 Policy Advisory Group and its regional teams have been involved in the formulation of the Regional Implementation Plans. *Heritage Counts 2005* focused on the state of the rural heritage and farm buildings in particular. The National Monuments Record Centre supplied the Selected National Heritage Dataset to Defra to facilitate the Environmental Stewardship scheme delivery and English Heritage has been heavily involved in the ongoing review of the scheme's targeting.

On target

Funding Agreement target 5: Contribute to the management, enhancement and public enjoyment of the historic environment in National Parks and Areas of Outstanding Natural Beauty (AONBs)

Discussions are ongoing about the historic environment content of National Parks and AONB management plans. English Heritage published this year *Outstanding Beauty: Outstanding Heritage – AONBs and the historic environment* which is informing this work. English Heritage exhibited at the National Association for AONBs conference for the first time this year.

On target

Funding Agreement target 6: Work with ODPM (now DCLG) and DCMS to develop a new Planning Policy Statement (PPS)

At present the development of the new PPS, including revision of PPGs (Planning Policy Guidance) 15 and 16, is on hold pending completion of the Heritage Protection Review.

Target on hold

Performance Against Funding Agreement Targets 2005/06 (continued)

Funding Agreement target 7: Influence regional policies which impact on the historic environment including support for Regional Historic Environment Fora and monitor and review their effectiveness every three years

English Heritage is actively involved with all the regional Historic Environment Fora (HEF), including providing a secretariat and in many cases chairing the meetings. The preparation of action plans for each is well underway and all will be in place by September 2006. English Heritage is driving the work to ensure the historic environment sector, led by the Historic Environment Fora, is seen as a key partner in the delivery of the Olympics in 2012.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Aim 3: Enable and Promote Sustainable Change to England's Historic Environment

Funding Agreement target 8: Provide early advice to planning authorities and developers

English Heritage is increasingly devoting staff time to providing early advice to planning authorities and developers. Time recording is showing that approximately 25% of professional staff time is being put into pre-application work but the number of cases recorded is very low. Whilst the recording is being reviewed to ensure that staff are logging activity correctly and a new pre-application module is being added to English Heritage's casework monitoring system, it is clear that a numeric target is not capturing this activity adequately.

Only 4 planning cases have been determined by public inquiry at English Heritage's request since May 2004 and efforts continue to reduce this further.

On target

Funding Agreement target 9: Work with DCMS to implement the review of heritage protection legislation

Work on the Heritage Protection Review (HPR) has intensified this year with English Heritage making major contributions to detailed policy, in particular on *Principles of Selection*, which culminated in a joint DCMS/ODPM Consultation Paper released in 2005. The administration of listing transferred to English Heritage from DCMS on 1 April 2005 and the publicity surrounding the transfer led to an almost 100% increase in requests. At the same time, turnaround time for handling listing requests was reduced from six to three months.

English Heritage set up and ran a series of 25 pilot projects aimed at testing all the major components of HPR, in particular, the production of new designation information which will relate to the unified designation base and unified Register of Historic Assets, and the creation of Heritage Partnership Agreements, which will bring owners and other stakeholders into the proactive management of historic sites. A number of the pilots were ecclesiastical sites and were designed to also inform the way forward on Ecclesiastical Exemption. This first tranche of pilots was completed in December 2005 and the results of their evaluation formed part of the extensive advice given to DCMS on the design of the new system and the content of the forthcoming White Paper.

English Heritage's commitment to improving the efficiency of the system was also demonstrated by continued high turnaround times for statutory planning advice with 97% being returned within the target date.

The first phase of consultation on English Heritage Conservation Principles has concluded and preliminary feedback has been largely positive.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Funding Agreement target 10: Promote characterisation as a tool within spatial planning to help manage change throughout the historic environment, both terrestrial and marine, and rural and urban

English Heritage's national programmes of assisting Local Authorities' landscape and townscape characterisation continues. This year Historic Landscape Characterisation projects commenced to cover the counties of Northumberland, Durham, Warwickshire and Leicestershire and approximately three-quarters of the country has now been completed. Urban characterisation is underway in Dorchester, Chichester, Carlisle and Hereford and the programme is expanding into seascapes and cities. A publication, *Using Urban Characterisation*, is planned to complement the successful *Using Historic Landscape Characterisation* published in 2004.

Work is progressing well with partners to establish an agreed framework and exemplars that promote characterisation and strategic management planning as effective mechanisms for managing change. The delivery date is likely to be spring 2007. A training programme for Local Authorities on characterisation started with two events this year and more are planned.

On target

Funding Agreement target 11: Advise Government on the historic environment aspects of sustainable development

A study of the socio-economic value of traditional farm building repair in the Lake District National Park was completed this year and was published in summary as *Building Value: Public benefits of historic farm building repair in the Lake District (Executive Summary)*. In 2006/07 a similar project will be conducted in the Yorkshire Dales National Park.

Preparations are at an advanced stage for the publication of a series of web-based guidance notes on the historic environment and micro-renewable energy technology, starting with small scale solar and small scale wind energy. Additional guidance on small scale bio-fuels, heat pumps, small combined heat and power and possible hydro power and fuel cells is planned.

On target

Funding Agreement target 12: Work with Defra to develop the Adaptation Policy Framework, produced to provide better understanding and stronger strategic direction on the impact of climate change across the UK

Following the publication of the University College London report *Climate Change and the Historic Environment* which was funded by English Heritage, initial scoping of potential climate change impacts that may effect the historic environment has been undertaken to guide future research. The scoping exercise identified 18 predicted impacts from temperature change through to pests and diseases, human comfort and health and safety. From this, five main themes have also been identified (higher temperatures, extreme weather, wind, water shortages, coastal/storm surge) which will form the basis of further research and advice guidance.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Funding Agreement target 13: Promote better management of the public realm

This year English Heritage distributed eight regional *Streets for All* manuals endorsed by the Department for Transport, held training events in five regions for 350 highway engineers, planning and conservation specialists and spoke at five events on public realm issues. The dialogue with the Department for Transport on changes to regulations continues.

Target achieved

Performance Against Funding Agreement Targets 2005/06 (continued)

Aim 4: Help Local Communities to Care for their Historic Environment

Funding Agreement target 14: In partnership with National Heritage Training Group (NHTG) and Heritage Lottery Fund (HLF), establish strategies to develop traditional building craft skills including developing a new Training the Trainers programme

The National Heritage Training Group *Traditional Building Craft Skills: Assessing the Need, Meeting the Challenge* report was launched this year and its action plan has laid the foundations for reducing the shortage of craftspeople. A partnership between English Heritage, The National Trust, Cadw (Welsh Assembly Historic Environment Division), CITB-ConstructionSkills and the NHTG has made a successful bid for £900,000 from the HLF to support 80 work-based bursaries for the traditional crafts and built heritage sector. English Heritage is also a partner in two other bursary schemes: historic and botanical gardens and conservators, which have also received HLF funding under this scheme. A Training the Trainers programme was successfully piloted this year which generated considerable interest in delivering heritage skills training within construction colleges, and a second phase of training and supporting teaching material is being developed. Sector Skills Agreements with the sector skills councils for construction and the built environment (CITB-ConstructionSkills), and for land-based industries for historic parks and gardens (LANTRA), have been signed this year.

The increase in the number of traditional building craftspeople since the publication of the NHTG report of June 2005 will be quantified by repeating the NHTG Skills Needs Analysis between December 2006 and April 2007. This will be done using the same research methodology as before and will assess the effectiveness of the NHTG and English Heritage strategic and tactical activities.

On target

Funding Agreement target 15: Provide training and advice for Local Authority decision makers

English Heritage continues to build capacity within Local Authorities through the growth of the Historic Environment Local Management (HELM) website – it attracted 127,000 visitors this year – and through training, for example, for Local Authority conservation staff. More than 1,000 people attended 31 planning-related training events which were facilitated by English Heritage.

On target

Funding Agreement target 16: Encourage and support the appointment of Historic Environment Champions

185 Champions were in post by 31 March 2006, providing coverage in 48% of Local Authorities, and whilst achieving 50% coverage is imminent, reaching the target of 75% by 2008 will be much harder. Training was arranged for the Champions in all nine regions in conjunction with CABE and regional architecture centres this year.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Funding Agreement target 17: Use grant aid to invest in building capacity and capability in Local Authorities, helping regeneration agencies promote and exploit the historic environment in regeneration projects and invest directly in conservation areas most at risk of irreversible decline

English Heritage has continued to invest in heritage-led regeneration projects such as historic settlements in the Derwent Valley Mills World Heritage Site. The organisation has conducted a high level review this year of its strategy for investing public funds in the historic environment. The emphasis will shift to building the capacity of the sector. Work to provide base data to assist with the identification of Conservation Areas at risk is underway and the findings will direct future investment in Conservation Areas.

On target

Funding Agreement target 18: Gather evidence on the present condition of places of worship and possible future use

Considerable progress has been made this year in support of places of worship including the development of templates to assess the value and adaptability of places of worship and to help dioceses write statements of need and significance. This work is being channelled through the *Inspired!* campaign launched in May 2006. English Heritage will financially support the Society for the Protection of Ancient Buildings' training for churchwardens and fabric officers from summer 2006, while the *Inspired!* campaign has bid for new funding from DCMS for guidance and training programmes from 2007.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Aim 5: Stimulate and Harness Enthusiasm for England's Historic Environment

Funding Agreement target 19: Increase visits from priority groups to English Heritage sites

English Heritage hosted a wide range of popular activities for the public this year and has pursued an extensive programme of outreach projects directed towards specific communities and groups. A total of 78 outreach projects were delivered this year, attracting nearly 54,000 participants from priority groups as a direct contribution to meeting the DCMS PSA3 target. 28 Heritage Open Days outreach projects took place in partnership with the Civic Trust; 200 new buildings took part and, together with National Archaeology Days, attracted nearly a million visitors between them. A Community Arts Festival took place at Chiswick House over a weekend in September. Several months of work with community groups and schools across Hounslow created a spectacular event enjoyed by over 10,000 people, with music, dance, performances, art and family activities bringing the site to life.

Target achieved

Funding Agreement target 20: Support the rest of the historic environment sector to increase visits from priority groups to historic sites

English Heritage chairs the historic environment sector's Broadening Access Group and is organising, in partnership with the National Trust, the 'Your Place or Mine? – Engaging New Audiences with Heritage' cross-sectoral conference being held in November 2006. The conference will provide an opportunity for people in community engagement and heritage work to share good practice and learn practical skills, as well as to influence policy makers, practitioners and communities to develop more active and diverse community participation in the historic environment.

English Heritage grant aids the Black Environment Network – £135,000 over 2006-08 – to provide strategic support to the sector as a whole on engaging with black and minority ethnic communities and providing relevant services for a diverse audience. English Heritage has also offered £400,000 per annum in National Capacity Building Grants for 2006-08 to historic environment organisations to develop their ability to engage with priority groups.

Following the success of *Easy Access to Historic Buildings*, English Heritage has published *Easy Access to Historic Landscapes* to provide advice on good practice to the sector.

On target

Performance Against Funding Agreement Targets 2005/06 (continued)

Funding Agreement target 21: Support the DCMS participation survey

The DCMS 'Taking Part' Survey this year has established a process for measuring participation in the historic environment by people from priority groups and it will be repeated for the next two years. English Heritage contributed £100,000 this year and will give £80,000 towards it in each of the next two years. The first results showed that approximately 70% of all respondents and 47% of respondents from black and ethnic minority groups visited at least one type of historic environment site in the previous 12 months.

On target

Funding Agreement target 22: Continue to advise Defra on the historic environment aspects of its access agenda, including coastal access

Broadening access and enjoyment drives English Heritage's participation in the Defra Access Management Group. English Heritage was closely involved in the final stages of the roll-out of Defra's new open access regime, completed in late 2005, and in early 2006 was invited to join the new Coastal Land Access Group.

On target

Funding Agreement target 23: Improve facilities for visitors at English Heritage sites

English Heritage's flagship capital investment programme has had a very successful first full year. Projects completed include the Barrack Block at Pendennis Castle, the Petty Officers' Quarters development at Osborne House and extensive work at Kenilworth Castle. This year has also seen the launch of English Heritage's self catering holiday cottages at six of its sites.

On target

Whilst progress has been made in reducing the operating deficit on our properties despite the general downturn in the UK economy and the July 7th terrorist activity, the target of £3.5 million has not been achieved. The operating deficit currently stands at £5 million and the organisation is considering a raft of measures to address this.

Target not achieved

Performance Against Funding Agreement Targets 2005/06 (continued)

Aim 6: Make the Most Effective Use of the Assets in our Care

Funding Agreement target 24: Implement an Efficiency Delivery Plan

Against a target of £3 million set by DCMS English Heritage identified £6.5 million of efficiency savings. £4.7 million (72%) of the efficiency savings were used in absorbing inflation. The remaining £1.8 million has contributed to funding the national outreach programme, work arising from the Heritage Protection Review, and improving digital access to archives.

On target

Funding Agreement target 25: Implement a Sustainable Development Strategy

English Heritage's Sustainable Development Strategy will be published by late summer 2006, delayed from late 2005, to reflect the new Funding Agreement for 2005/06-07/08. Later publication will also allow for a more detailed Action Plan to be prepared. Key Performance Indicators for energy use, water consumption and waste generated on the English Heritage estate are being developed and an internal website for staff to raise awareness of sustainable development issues will go live during summer 2006.

On target

Key Facts for 2005/06

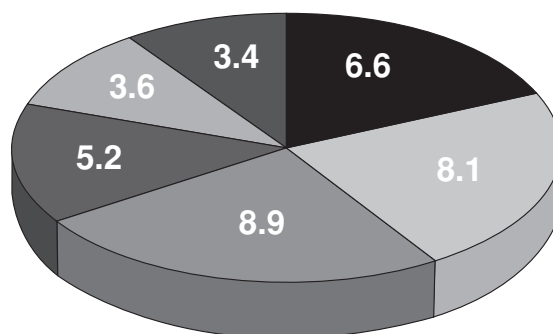
- 78 outreach projects were developed across the country with nearly 54,000 new participants from priority groups
- New family learning resources were introduced at a further 10 sites this year
- Major projects at Pendennis Castle, Osborne House and Kenilworth Castle were completed to improve site presentation and visitor experience. 16 smaller site presentation projects were also completed
- 4.7 million people visited English Heritage staffed properties and an estimated 5 million visited our unstaffed sites
- The number of English Heritage members grew from over 555,000 in 2004/05 to over 595,000
- The English Heritage visitor satisfaction rating again achieved 8.9 out of 10
- Heritage Open Days attracted more than 800,000 visitors and 200 new properties took part
- The number of applications for licensed diver visits and investigations on England's Designated Historic Wreck sites, managed on behalf of the Secretary of State, increased from 70 to 84
- We advised and managed the re-designation of three Designated Historic Wrecks and the protection of one new Designated Historic Wreck in English Territorial Waters, bringing the total to 42
- We made 425 recommendations to the Government to spot-list buildings of historical or architectural interest; 152 recommendations were made to upgrade or amend buildings already on the statutory list and 66 recommendations to de-list
- We advised on 15,484 applications for planning, listed building and scheduled monument consent, a reduction of 574 on 2004/05
- This year 4.1% of the buildings at risk entries were removed from the baseline 1999 Register. This brings the percentage of buildings and scheduled monuments removed from the 1999 Register to 40.5%
- There were 127,000 visitors to the Historic Environment Local Management (HELM) project website
- The total number of National Monuments Record Centre records available to the public electronically was increased this year from 1.1 million to 1.2 million

Key Facts for 2005/06 (continued)

- The blue plaques scheme was extended to the East Midlands in summer 2005. In London, 22 plaques were erected, including those to the last ruler of Lahore Maharajah Duleep Singh, King Haakon VII of Norway, American broadcaster Edward R Murrow, and campaigners for women's suffrage Emmeline Pankhurst and Dame Christabel Pankhurst
- We published 38 commercial titles aimed at the popular market, 6 new guidebooks, 142 technical and academic titles and 25 policy statements and guidance notes. In addition, we produced 2 national and 9 regional *Heritage Counts* reports on behalf of the sector, co-published over 50 titles with outside partners and contributed over 100 papers to journals, conferences and lectures
- We increased income from trading to over £34 million, an increase of over £1 million
- We secured over £308,000 in income from legacies, and have increased the number of legacy pledgers to over 330
- We invested £35.8 million in grants for the historic environment and the conservation of historic buildings and monuments. These included:

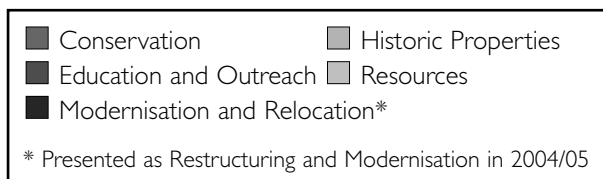
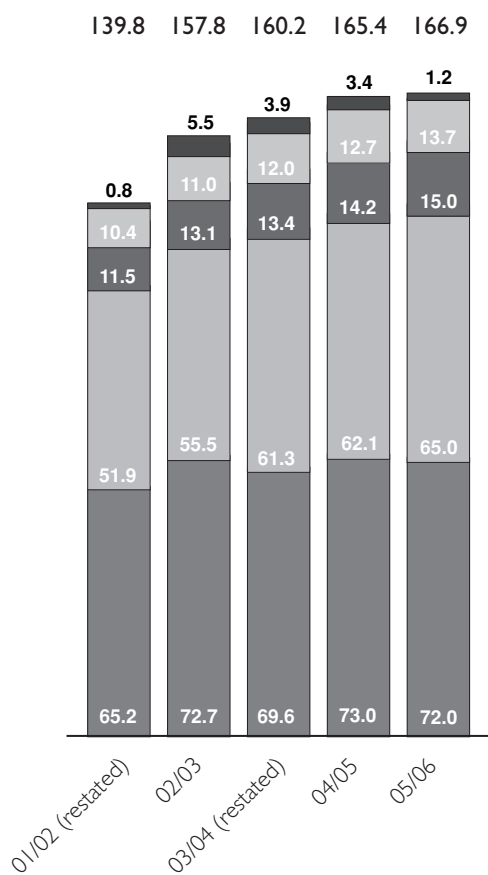
Grant Expenditure (£m)

■ Secular Buildings and Monuments	6.6
■ Conservation Areas	8.1
■ Cathedrals and Places of Worship	8.9
■ Historic Environment Enabling Programme	5.2
■ Aggregates Levy Historic Environment	3.6
■ Other	3.4
<hr/> Total	<hr/> 35.8

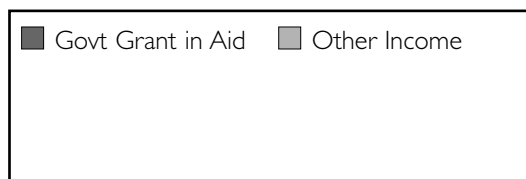
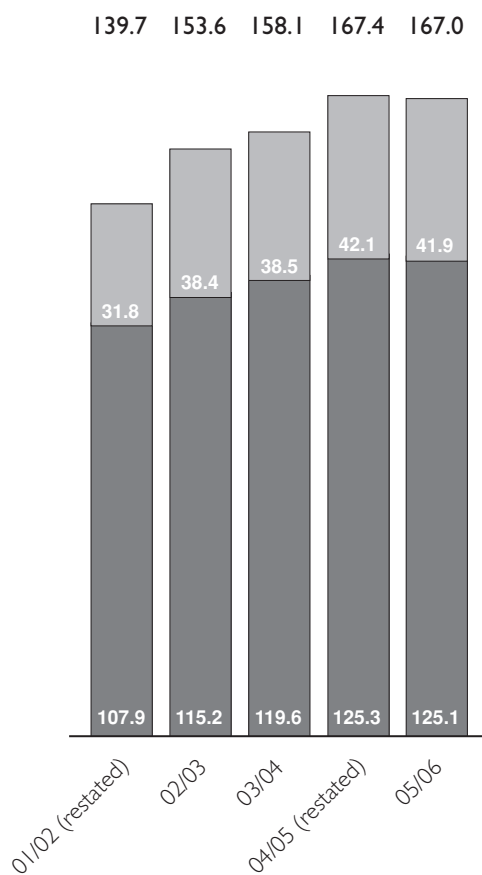


Key Facts for 2005/06 (continued)

Total Expenditure (£m) (Notional cost of capital excluded)

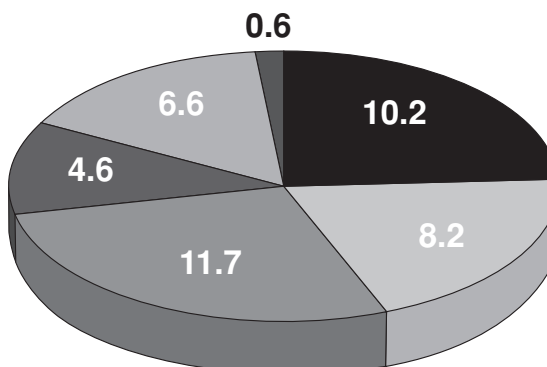


Total Income (£m)



Earned, Operating and Investment Income (£m)

Admissions	10.2
Retail and Catering	8.2
Membership	11.7
Other Earned Income	4.6
Donations, Grants and Other Operating Income	6.6
Interest	0.6
Total	41.9



Directors' Report

Background Information

The Historic Buildings and Monuments Commission for England (HBMCE) is a body corporate established on 1 April 1984 by the National Heritage Act 1983. HBMCE consists of up to 17 Commissioners appointed by the Secretary of State for Culture, Media and Sport. HBMCE is an Executive Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS). 'English Heritage' is the name of the consolidation of HBMCE, English Heritage Trading Limited and the Iveagh Bequest.

English Heritage is the lead body in England concerned with the conservation of England's built environment. Its principal activities include the management and conservation of over 400 ancient monuments and historic properties in its direct care, the awarding of conservation grants to assist owners of ancient monuments and historic properties and the provision of advisory and education services, including statutory advice to Government.

Organisational Structure

English Heritage's strategic direction is overseen by its Board of Commissioners who delegate operational management to a Chief Executive appointed by themselves. The Chief Executive also serves as Accounting Officer on behalf of the DCMS. The Chief Executive is supported by an Executive Board comprised of the Group Directors.

For operational purposes, English Heritage is divided into 5 groups; Research and Standards, Properties and Outreach, Planning and Development, Policy and Communications and Resources.

Commissioners and Senior Employees

The persons who served as Commissioners between 1 April 2005 and 29 June 2006 are detailed in note 13. Details of senior employees are given in the Remuneration Report.

Responsibilities of Commissioners

The key responsibilities of Commissioners are to ensure that the statutory responsibilities of English Heritage are undertaken; to provide expert advice and guidance on heritage matters; to establish the overall strategic direction of English Heritage; to oversee and monitor the planned performance against strategic objectives and targets; to ensure the highest standards of probity are used in the administration of funds and to maximise the economical, efficient and effective use of resources for the public good; to ensure the highest standards of corporate governance and to ensure the Commission acts within all statutory and regulatory requirements; to ensure, through the Chief Executive, that the Commission, as employer, acts in accordance with all relevant legislation and best practice; and to ensure that English Heritage conducts its dealings with the community in an open, responsive and accountable manner.

Register of Interests

English Heritage maintains a record of declarations of interest made by Commissioners. A copy of the Register of Interests is available from the Commission Secretariat Manager, English Heritage, 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST.

Result for the Year

The result for the year ended 31 March 2006, after the transfer to the Development and Restricted Funds of £323,000 (2005: £1,353,000) was a deficit of £245,000 (2005 restated: £716,000 surplus), increasing the accumulated deficit to £15,472,000 (2005 restated: £15,227,000).

Pensions

English Heritage is a member of the Principal Civil Service Pension Scheme (PCSPS), note 17.

Fixed Assets

The movements in Fixed Assets are set out in notes 18 and 19.

Directors' Report (continued)

Financial Instruments

English Heritage's policy relating to Financial Instruments is set out in note 26.

Post Balance Sheet Events

English Heritage has agreed to vacate its offices at Savile Row, central London, on 30 June 2006 and relocate most of the staff to alternative offices in central London, pending relocation of the majority of these staff outside of London by summer 2008. The cost of these relocations will be part financed by extra income received as a result of the early surrender of the Savile Row lease.

Charitable Donations

English Heritage made the following charitable donations totalling £200 during the financial year ended 31 March 2006 (2005: nil).

– Cystic Fibrosis Trust	£100
– Child Hope UK	£100

Disabled Employee Policy

The average number of disabled employees in the year was 18.

English Heritage aims to go beyond legal compliance on diversity issues to support awareness of the value of diversity in our workforce. This is achieved through training and the promotion of equal opportunities in recruitment, development and reward of staff in both policy and practice. English Heritage continues to use the Employment Service's disability user's symbol "Double Tick" for recruitment.

Communications with Employees

English Heritage recognises the importance of employee involvement and participation in our activities. Formal consultation with employees takes place through meetings of the English Heritage Whitley Council.

Confederation of British Industry Better Payment Practice Code

English Heritage is a member of the Confederation of British Industry scheme and has established a payment policy which complies with the principles of the Confederation of British Industry Better Payment Practice Code. Invoices received but not paid at 31 March 2006 equated to 3 creditor days (2005: 10 days).

Corporate Governance

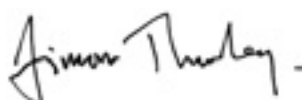
English Heritage complies with all the relevant requirements of HM Treasury guidance relating to corporate governance.

Audit Arrangements

The National Audit Office have been auditors since 1 April 2004. Mazars LLP have been auditors for English Heritage Trading Limited since 1 April 2004 as the National Audit Office are currently unable to audit limited companies. Saffery Champness have been Independent Examiners of the Iveagh Bequest since 1997.

Disclosure of Relevant Audit Information

As Accounting Officer, I have taken all the steps that ought to have been taken to make myself aware of any relevant audit information and to establish that the National Audit Office is aware of that information. So far as I am aware, there is no relevant audit information of which the National Audit Office is unaware.



Dr Simon Thurley
Chief Executive
29 June 2006

Remuneration Report

Remuneration Committee

The objective of the Remuneration Committee is to review the reward and remuneration packages of English Heritage's staff, within the pay remit laid down by HM Treasury and determine the reward and remuneration of members of the Executive Board and the Chief Executive so as to:

- demonstrate that reward and remuneration is considered by a Committee which has no personal interest in the outcome of its advice and which gives due regard to the interests of the public and the financial health of the organisation; and
- ensure that senior managers, members of the Executive Board and the Chief Executive are fairly rewarded for their individual contributions to the organisation's overall performance.

The Committee provides a medium of public accountability, which is external to English Heritage management.

The Remuneration Committee meets at least once a year and comprises no fewer than 4 members, including the Chairman of the Audit Committee. The current Chairman of the Remuneration Committee is Mr Michael Jolly, a Commissioner.

Remuneration Policy

English Heritage Senior Managers, below the Chief Executive, are in 3 pay bands; 1,2 and 3.

By agreement with the DCMS, English Heritage has authority to create senior management posts and to appoint to them, subject to a cost ceiling, expressed as a percentage of the total pay bill. The current cost ceiling is 4.65 per cent. Creation of posts or making appointments which would breach this ceiling need DCMS approval. DCMS approval is specifically required for the appointment of a new Chief Executive or the re-appointment of a Chief Executive without competition.

The pay of senior staff is also subject to annual pay awards, in the same way as other staff. Since senior managers are on individual personal contracts, their annual pay award is agreed individually outside the collective bargaining procedure which applies to other staff. However, by agreement with the DCMS the pay award for senior staff is governed by the same percentage of the paybill that applies to other staff and agreed as part of the annual pay remit.

Contracts

All senior staff are employed on continuous contracts and are required to give 3 months notice of termination of employment by resignation. The Chief Executive is also on a continuous contract and is required to give 6 months notice of termination of employment by resignation. Early terminations of contract by English Heritage are dealt with in accordance with the rules of the Principal Civil Service Pension Scheme. The only employee with a contractual performance bonus arrangement is the Chief Executive. The bonus is payable for the achievement of specific performance targets and objectives and is a maximum of 20 per cent of basic salary (2005: 15 per cent). Following the end of each financial year, the Remuneration Committee assess the Chief Executive's performance against his annual targets and objectives and determine the rate of his performance related bonus taking into account the Chairman of the Commission's recommendation.

Remuneration Report (continued)

Emoluments of the Executive Board

	Emoluments		Total accrued pension	Total lump sum	Real annual increase in	Real annual increase in	CETV		Real annual increase in
	2006	2005	at age 60	at age 60	increase in	increase in	2006	2005	increase in
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Simon Thurley Chief Executive	137	126	24	71	1	4	347	241*	20
Steven Bee Director of Planning and Development	92	88	25	-	2	-	431	34*	33
Michael Crich Director of Resources	103	99	16	47	1	4	283	201*	21
Edward Impey Director of Research and Standards	80	75	5	-	1	-	57	29	15
Deborah Lamb Director of Policy and Communications	82	78	37	96	1	-	552	393*	16
Mark Pemberton Director of Properties and Outreach	108	100	40	120	2	5	766	585*	32

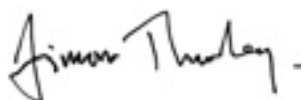
*These individuals' CETV figures for 2005 have been amended from those previously published as a result of a recalculation by Paymaster; English Heritage's pension administrator.

Emoluments include gross salary and bonuses.

The Chief Executive was the highest paid employee. His total emoluments for the year of £137,000 (2005: £126,000) comprise; basic salary of £114,000 (2005: £109,000) and a performance related bonus of £23,000, 20 per cent of basic salary (2005: £17,000, 15 per cent). £6,000 of the Chief Executive's performance bonus was consolidated for pay and pension purposes (2005: nil).

Pension benefits to English Heritage staff are provided through the PCSPS. The value of the annual pension and lump sum at 60 and the real increases thereon and the cash equivalent transfer values (CETV) shown above, include accumulated pension benefits from English Heritage service, plus benefits resulting from any additional contributions and any sums transferred in from other pension schemes in respect of previous employment. The real annual increase in CETV excludes the cash value of accumulated pension benefits transferred from previous employment but does include the benefits resulting from such transfers. During the year ended 31 March 2006, Steven Bee transferred accumulated pension benefits from previous employment into the scheme.

The total annual pension is calculated as either one-sixtieth or one-eightieth of pensionable pay for every year of service, depending on the pension option chosen by the employee. Employer's contributions into the PCSPS in respect of the above employees totalled £143,000 (2005: £100,000). Further details of the PCSPS scheme are included in note 17.



Dr Simon Thurley
Chief Executive
29 June 2006

Statement of Commissioners' and Chief Executive's Responsibilities

Under paragraph 12(2) of Schedule 3 of the National Heritage Act 1983, the Commissioners are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State, with the consent of HM Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of English Heritage's state of affairs at the year end and of its income and expenditure and cash flows for the financial year.

In preparing the accounts the Commissioners are required to:

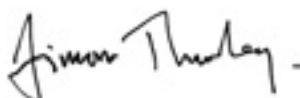
- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, and disclose and explain any material departures from these in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Commission will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport designated the Chief Executive of the Historic Buildings and Monuments Commission for England as the Accounting Officer for English Heritage. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by HM Treasury and published in Government Accounting.

A copy of the Accounts Direction is available from English Heritage, 1 Waterhouse Square, 138-142 Holborn, London, EC1N 2ST.



Sir Neil Cossons
Chairman
29 June 2006



Dr Simon Thurley
Chief Executive

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of English Heritage's policies, aims and objectives, as set out in statute and by Ministers from the Department for Culture, Media and Sport (DCMS), whilst safeguarding the public funds and departmental assets for which I am personally responsible, and ensuring compliance with the requirements of our Financial Memorandum and the Funding Agreement, in accordance with the responsibilities assigned to me in Government Accounting.

Accountability within English Heritage is exercised through:

- a governing body, the Commission, as explained in the Directors' Report;
- an Executive Board, comprising 5 Group Directors and myself, as the Accounting Officer. Each Group Director is personally accountable to me for the management of the risks relating to their group and for the management of one or two corporate risks. There are delegated authorities from the Chief Executive to Group Directors, and within each group, to make decisions and incur costs as specified in the Financial Memorandum and the Finance Manual; and
- the Audit Committee, which is an advisory body with no executive authority. The Committee comprises a Chairman who is an independent appointee, and 2 members, who are non-executive Commissioners, appointed to the Committee by the Chairman of the Commission. The Committee's terms of reference include responsibility for advising on and monitoring the adequacy of risk management in English Heritage and the Committee receives reports on risk management at each of its meetings. The Committee carries out its work by testing and challenging the assurances I receive on the effectiveness of internal controls and risk management, the way in which these assurances are developed, and the management priorities on which they are based. The Committee may also seek contributions from others when it considers that its work can be enhanced by other specialist support.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of 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 is maintained through an established framework of corporate management, planning, review, monitoring and established policies and procedures. Staff development, performance reporting, accountability and communication frameworks also contribute to an effective system.

The system of internal control has continued in place in English Heritage for the financial year ended 31 March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with Treasury guidance.

Capacity to Handle Risk

Responsibility for managing risk lies with Group Directors who, in turn, assign day to day responsibility to managers in their areas at operational level. All staff must understand and accept responsibility for the recognised risks associated with their area of authority.

The Executive Board is committed to providing staff with support and assistance to enable them to manage their risks effectively. This includes regular review and dissemination of the corporate risk register. In January 2006 senior managers carried out a review of the corporate risk register with the aim of aligning it more closely with English Heritage's new 5 year strategy and with horizon-scanning activities. A revised corporate risk register was produced, reducing the number of risks managed directly by the Executive Board. Some high profile projects which had previously been monitored by the Executive Board were moved to group risk registers where responsibility lies for the day to day management of projects. Steps have also been taken to improve the presentation of risk reports and to strengthen the monitoring system. Further refinements are being made to the methodology for recording and presenting information on risk using a new computerised Management Information System which will be piloted during 2006. This will simplify the process for gathering information on risk and make this information more accessible to managers in order to aid effective risk management.

Statement on Internal Control (continued)

Capacity to Handle Risk (continued)

Responsibility for risk management policy and coordination lies with the Head of Corporate Governance to ensure that risk management is linked to corporate planning and performance monitoring.

Risk management guidance is available and it includes a statement of English Heritage's Risk Management Policy (see below), procedures to be followed and supporting guidance to aid the understanding of risk management principles. Training is currently provided via financial management training. Work to develop a dedicated risk management training programme for staff has been deferred until later in 2006 pending finalisation of changes to the way in which risk is reported and monitored.

Examples of developments in best practice in the management of risk are sought through liaison and networking with HM Treasury and other government departments, private sector organisations and our external auditors and participation in appropriate training and seminars.

The Risk Environment

English Heritage seeks to adopt best practices in the identification, evaluation and control of risks to ensure that risks are well managed and either eliminated or reduced to an acceptable level, recognising that some risks will always exist and can never be eliminated. The main processes which we have in place for identifying, evaluating, and managing risk are:

- A risk management policy based on a risk appetite for taking only carefully calculated risks, where the potential benefits are judged to outweigh any negative impact that may occur if the risks were to materialise. Risk has been defined as 'the threat or possibility that an action or event will adversely or beneficially affect the organisation's ability to achieve its objectives.'

The policy defines our risk management objectives, which are to:

- manage risk in accordance with best practice and encourage a culture of risk management across English Heritage;
 - anticipate and meet changing social, environmental and legislative requirements that enable us to champion England's historic environment; and
 - safeguard our assets and minimise opportunities for injury and damage and promote awareness of the need for risk management.
- A corporate risk register and 5 supporting individual group risk registers, which provide information on significant risks, their management control arrangements and views on their current effectiveness. Each Group Director's risk reporting framework provides for periodic in year monitoring of risk registers to seek assurances on the management of risks identified and to identify any new risks to be included in the group and/or corporate risk registers as appropriate. I will receive reports 3 times a year from Group Directors on the management of the corporate risks.
 - A cycle of risk and control identification, linked to group plans, ownership recognition and reports on the effectiveness of the control arrangements. This process starts at Executive Board level and progresses through the Group Directors to the appropriate operational levels in each of the 5 groups and feeds back into the Executive Board reports.
 - Risk monitoring through the Audit Committee, which at each of its 3 meetings a year receives reports on the development and implementation of English Heritage's risk management arrangements.
 - Monitoring all mission critical projects and their associated risks. This is carried out quarterly by Executive Board.
 - Stewardship reporting has been adopted as part of our risk management procedures, in addition to the internal audit opinion on internal control. Designated managers at various levels of the organisation are required to report on the work they have done to keep risk and control procedures up to date and appropriate to the circumstances within their particular area of responsibility, providing an upward and downward exchange of assurances between operational managers and the Executive Board.

The most significant risks during 2005/06 related to ensuring that the organisation's structure and resources were properly aligned to support the new English Heritage strategy. Other major risks arose from the Heritage Protection Review and the commencement of a project that will lead to the relocation of the bulk of our head office staff to Swindon by the summer of 2008. This could have particular implications for recruitment and retention and for the maintenance of effective internal systems.

Statement on Internal Control (continued)

Review of Effectiveness

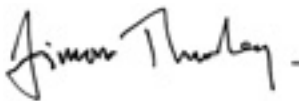
As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the managers within English Heritage who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The effectiveness review process comprises; the assurances gained from an annual programme of internal audit reviews and advice which is agreed with myself, Executive Board and the Audit Committee; the assurances provided to me by each Executive Board member through the risk management reporting framework and their individual accountability reports; assurances gained from the work of specific committees including Finance Committee and the Safety Council.

The results from my ongoing review of effectiveness are discussed by me with Executive Board and the Audit Committee, and the Chairman of the Audit Committee provides assurances based on these reports to the Commission, and arrangements exist to address weaknesses and ensure continuous improvement of the systems.

I am satisfied from the results of my review of the effectiveness of the system of internal control, including the assurances provided by managers, that the risk management processes and corresponding controls systems are in place and give me reasonable assurance of their effectiveness. Members of the Commission support this statement.

Risk management is an ongoing process and will continue to be integral to strategic and operational planning, and to the delivery of the objectives and targets set out in our Funding Agreement. Risk management procedure and practice will also continue to be reviewed and developed in order to ensure effective control, good management and accountability.



Dr Simon Thurley
Chief Executive
29 June 2006

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

I certify that I have audited the financial statements of English Heritage for the year ended 31 March 2006 under the National Heritage Act 1983. These comprise the group's Income and Expenditure Account, the Balance Sheets, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective Responsibilities of the Commissioners, the Chief Executive and Auditor

The Commissioners and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Commissioners' and Chief Executive's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if English Heritage 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 on pages 28 to 30 reflects English Heritage's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of English Heritage'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. This other information comprises only the Management Commentary, the Directors' Report and the unaudited part of the Remuneration Report. 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 judgements made by the Commissioners and the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to English Heritage'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 and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament 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 and the part of the Remuneration Report to be audited.

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament (continued)

Opinion

In my opinion:

- the financial statements give a true and fair view in accordance with the National Heritage Act 1983 and directions made thereunder by the Secretary of State, of the state of English Heritage's affairs as at 31 March 2006 and of its deficit 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 National Heritage Act 1983 and directions made thereunder by the Secretary of State; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

7 July 2006

The maintenance and integrity of English Heritage's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

English Heritage Consolidated Income and Expenditure Account for the Year Ended 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Income			
Earned Income	2	34,688	33,145
Other Operating Income	3	6,610	8,389
Investment Income	4	647	623
Government Grant in Aid	5	125,039	125,288
Total Income		166,984	167,445
Expenditure			
Conservation	6	72,010	73,013
Managing our Historic Properties	7	65,037	62,085
Education and Outreach	8	15,019	14,201
Resources	9	13,636	12,670
Notional Cost of Capital	1.g	842	598
Total Expenditure		166,544	162,567
Surplus for the Financial Year Before Exceptional Items		440	4,878
Modernisation and Relocation	10	(1,204)	(3,407)
(Deficit)/Surplus for the Financial Year After Exceptional Items		(764)	1,471
Notional Cost of Capital	1.g	842	598
Adjusted Surplus for the Financial Year		78	2,069
Transfer to the Development and Restricted Funds	33	(323)	(1,353)
Income and Expenditure Account (Deficit)/Surplus		(245)	716
Accumulated Deficit at 1 April	30	(15,227)	(15,943)
Accumulated Deficit at 31 March	30	(15,472)	(15,227)

English Heritage Consolidated Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Adjusted Surplus for the Financial Year		78	2,069
Unrealised Surplus on the Revaluation of Tangible Fixed Assets	19	5,289	733
Unrealised Gains on the Revaluation of Investment Assets	23	83	56
Total Recognised Gains and Losses Relating to the Year		5,450	2,858
Prior Year Adjustment	41	(2,422)	
Total Gains and Losses Recognised since last Annual Report and Accounts		3,028	

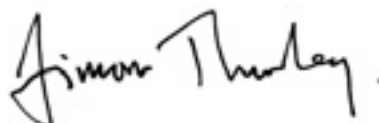
English Heritage Consolidated Balance Sheet as at 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Fixed Assets			
Intangible Assets	18	283	164
Tangible Assets	19	46,296	36,132
Investments	23	586	503
		47,165	36,799
Current Assets			
Stocks	24	3,224	3,104
Debtors	25	14,317	12,677
Short Term Investments	26	10,700	13,000
Cash at Bank and in Hand	35	287	543
		28,528	29,324
Creditors: Amounts Falling Due Within One Year			
Bank Overdraft	35	(4,062)	(5,852)
Creditors	27	(28,620)	(24,959)
		(32,682)	(30,811)
Net Current Liabilities			
		(4,154)	(1,487)
Total Assets Less Current Liabilities			
		43,011	35,312
Creditors: Amounts Falling Due After More Than One Year			
Provisions	28	(2,177)	(2,045)
	29	(3,847)	(6,543)
Total Assets Less Liabilities			
		36,987	26,724
Reserves			
Capital Reserves	31	46,398	36,296
Capital Fund	32	586	503
Development and Restricted Funds	33	5,475	5,152
Income and Expenditure Account	30	(15,472)	(15,227)
Total Reserves			
		36,987	26,724

The financial statements, which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 42, were approved by the Commissioners of English Heritage and signed on their behalf by:



Sir Neil Cossons
Chairman
29 June 2006



Dr Simon Thurley
Chief Executive

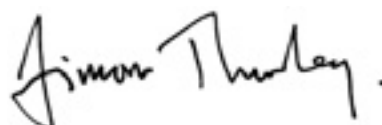
HBMCE Balance Sheet as at 31 March 2006

	Note	2006 £'000	2005 Restated £'000
Fixed Assets			
Intangible Assets	18	283	164
Tangible Assets	19	46,296	36,132
Investments	23	2,028	2,028
		48,607	38,324
Current Assets			
Stocks	24	391	363
Debtors	25	15,684	14,233
Short Term Investments	26	10,200	12,500
Cash at Bank and In Hand	35	287	543
		26,562	27,639
Creditors: Amounts Falling Due Within One Year			
Bank Overdraft	35	(4,062)	(5,852)
Creditors	27	(28,682)	(25,302)
		(32,744)	(31,154)
Net Current Liabilities			
		(6,182)	(3,515)
Total Assets Less Current Liabilities			
		42,425	34,809
Creditors: Amounts Falling Due After More Than One Year			
Provisions	28	(2,177)	(2,045)
	29	(3,847)	(6,543)
Total Assets Less Liabilities			
		36,401	26,221
Reserves			
Capital Reserves	31	46,398	36,296
Development and Restricted Funds	33	5,475	5,152
Income and Expenditure Account	30	(15,472)	(15,227)
Total Reserves			
		36,401	26,221

The financial statements, which comprise the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the Cash Flow Statement and the related notes 1 to 42, were approved by the Commissioners of English Heritage and signed on their behalf by:



Sir Neil Cossons
Chairman
29 June 2006



Dr Simon Thurley
Chief Executive

English Heritage Consolidated Cash Flow Statement for the Year Ended 31 March 2006

		2006	2005
	Note	£'000	Restated £'000
Operating Activities			
Government Grant in Aid	5	129,136	127,905
Cash Outflow from Operating Activities		<u>(129,479)</u>	<u>(129,191)</u>
Net Cash Outflow from Operating Activities	34	<u>(343)</u>	<u>(1,286)</u>
Returns on Investments and Servicing of Finance			
Investment Income		<u>647</u>	<u>618</u>
Capital Expenditure			
Payments to Acquire Tangible Fixed Assets		(9,699)	(4,921)
Payments to Acquire Intangible Fixed Assets		(234)	(66)
Proceeds from the Sale of Tangible Fixed Assets		5	833
		<u>(9,928)</u>	<u>(4,154)</u>
Management of Liquid Resources			
Payments into Short Term Investments		(202,770)	(204,182)
Withdrawals from Short Term Investments		205,070	199,586
	35	<u>2,300</u>	<u>(4,596)</u>
Financing			
Grants received credited to the Capital Reserves		<u>8,858</u>	<u>4,864</u>
Increase/(Decrease) in Cash	35	<u>1,534</u>	<u>(4,554)</u>

Notes to the Financial Statements

I. Statement of Accounting Policies

a) Accounting Convention

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention, as modified by the inclusion of land and buildings at current value (note I, i).

English Heritage Trading Limited, a subsidiary undertaking of HBMCE, continued trading throughout the year ended 31 March 2006. English Heritage Commissioners are the Trustee of the Iveagh Bequest.

Hence the financial statements include a consolidation of HBMCE, English Heritage Trading Limited and the Iveagh Bequest.

b) Income

Income is shown net of Value Added Tax.

c) Membership Income

Annual membership income is recognised in the Income and Expenditure Account to match the benefit provided to the member. Income received that relates to benefits to be provided in the following year is treated as deferred income on the Balance Sheet.

Life membership income is released to the Income and Expenditure Account over 25 years.

d) Government Grant in Aid Receivable

Parliamentary grant is voted to meet English Heritage's cash payments falling due during the financial year. English Heritage accounts for its expenditure on an accruals basis, thus incurring liabilities during a year which may not need to be satisfied by cash payments until future financial years.

Government Grant in Aid used to purchase, enhance or create fixed assets is held on the Balance Sheet as part of the Government Grant Reserve and is released to the Income and Expenditure Account as the assets are depreciated.

e) Other Grants Receivable

Other Grants Receivable are recognised in the Income and Expenditure Account and Balance Sheet when the conditions of grant have been fulfilled and the grant is claimable.

Non Government Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the Non Government Grant Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

Lottery Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the Donated Asset Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

European Union Grants used to purchase, enhance or create Fixed Assets are held on the Balance Sheet as part of the European Union Grant Reserve and are released to the Income and Expenditure Account as the assets are depreciated.

f) Grants Payable

Grants payable to individuals and bodies by English Heritage in accordance with its statutory powers and duties are accounted for when the grant recipient carries out the specific activity which forms the basis of entitlement.

Grant offers made yet to become payable are quantified at note 36 a.

g) Notional Costs

The Income and Expenditure Account result for the year is arrived at after charging a notional cost of capital calculated at 3.5 per cent (2005: 3.5 per cent) of the average total assets less liabilities during the year, excluding assets funded by non Government Grant, donations including lottery funding, and historic artefacts and archives.

Notes to the Financial Statements (continued)

I. Statement of Accounting Policies (continued)

h) Intangible Fixed Assets

Licences to use software purchased from third parties with a life of more than one year are shown on the Balance Sheet as Intangible Fixed Assets and amortised over the life of the licence or the life of the related asset where there is no licence expiry date. Annual licences to use software are charged to the Income and Expenditure Account as they are incurred.

Purchased goodwill is amortised over its useful economic life of 20 years.

Expenditure on developing the English Heritage brand is charged to the Income and Expenditure Account as it is incurred.

i) Land and Buildings

Land and buildings owned by, or in the guardianship of, English Heritage are treated as Fixed Assets in accordance with the Government Financial Reporting Manual and are classified as either:

- Pure heritage assets (non-operational heritage assets);
- Operational heritage assets; or
- Operational (non-heritage) assets.

In accordance with the Government Financial Reporting Manual, pure heritage land and buildings held by English Heritage, in pursuit of its overall objectives in relation to the enjoyment and preservation of the heritage, are included as Fixed Assets in the Balance Sheet where a reliable valuation is possible, otherwise they are not treated as Fixed Assets.

Expenditure on these assets, where it does not result in the creation of a new operational heritage asset, is charged to the Income and Expenditure Account as it is incurred.

Operational heritage land and buildings, which in addition to being held by English Heritage in pursuit of its overall objectives are also used for revenue generating or other non-heritage purposes, are professionally valued and held on the Balance Sheet. The valuation method used depends upon the type of the building, its use and any conditions attached to its disposal.

Operational (non-heritage) land and buildings are professionally valued and held on the Balance Sheet. The valuation method used depends upon the type of the building, its use and any conditions attached to its disposal.

Mixed use buildings are classified according to the majority use. Classification and valuations of vacant properties are informed by the type of the building and its intended future use.

All land and buildings held on the Balance Sheet are subject to a full professional valuation every five years.

A full revaluation was undertaken as at 31 March 2006 by professionally qualified internal valuers, and the following external valuers; Ash & Co, Bidwells, Boulton & Cooper Stephensons, Brownill Vickers & Platts, Capita Symonds, Drivers Jonas, DTZ Debenham Tie Leung, Humberts Leisure, Edward Prentice, Storeys: SSP, Strutt & Parker, Edwin Thompson, Youngs, and the Valuation Office Agency, in accordance with Royal Institute of Chartered Surveyors guidance. Interim valuations are carried out only where a material change in value is suspected. The values of the land and buildings held as Fixed Assets are reviewed annually using relevant indices published by the Office of National Statistics. Any change in value is reflected in the relevant Capital Reserve. None of the land and buildings held on the Balance Sheet are leasehold.

Any unrealised gain on revaluation at the Balance Sheet date is taken directly to the Capital Reserves, as follows:

- Assets funded by Government Grant in Aid: Government Grant Reserve
- Assets funded by European Union grant: European Union Grant Reserve
- Assets funded by lottery grants or donations: Donated Asset Reserve
- Assets funded by other grants: Non Government Grant Reserve
- Assets funded by restricted funds: Restricted Fund Asset Reserve

Unrealised losses at the Balance Sheet date are written off against the proportion of the credit balance on the relevant Capital Reserve which relates to the assets concerned. Any other unrealised losses are charged to the Income and Expenditure Account.

Notes to the Financial Statements (continued)

I. Statement of Accounting Policies (continued)

j) Historic Artefacts and Archives

In accordance with the Government Financial Reporting Manual, additions to historic collections and archives purchased after 1 April 2001 are recorded in the Balance Sheet at cost.

k) Plant, Vehicles, Equipment and Fixtures

Plant, vehicles, equipment and fixtures are initially recorded in the Balance Sheet at cost. Subsequent expenditure is recorded on the Balance Sheet if the expenditure enhances the economic benefits of the asset.

These assets are reviewed annually to ensure that the carrying value remains appropriate. Revaluation and impairment adjustments are made where the adjustment is material.

l) Assets Under Construction

Assets under construction comprise expenditure on the creation or enhancement of Fixed Assets not brought into use at the Balance Sheet date. Transfers are made from assets under construction to the relevant category of Fixed Asset when the asset is brought into use.

m) Donated Assets

Assets donated by third parties, either by gift of the asset or by way of funds for the asset, will be treated as Fixed Assets and held at current value on receipt.

Donated assets will only be treated as Fixed Assets if the asset would have been subject to this treatment had it been purchased by English Heritage from its own resources.

Donated assets are revalued in the same way as other Fixed Assets.

n) Depreciation

Depreciation is provided on Tangible Fixed Assets, excluding land and assets under construction, in equal amounts each year in order to write down their cost to their estimated residual value over their anticipated useful economic lives. These are as follows:

Non-heritage buildings	
– Dwellings	50 years
– Other brick/stone buildings	50 years
– Non brick/stone; visitor centres, shops, museums, exhibition buildings	25 years
– Other non brick/stone structures	20 years
Refurbishments	10 years
Plant and machinery	5 years
IT, furniture and fittings	4-5 years

When considering anticipated useful economic lives, regard is had to the Financial Reporting Standard 15 requirement to identify assets which have distinct major components with substantially different useful economic lives. Where such assets are identified, separate useful economic lives for component assets are considered.

Operational heritage buildings and historic artefacts and archives are not depreciated, as the length of their anticipated useful economic life is such that depreciation is not considered to be material.

Notes to the Financial Statements (continued)

I. Statement of Accounting Policies (continued)

o) Fixed Asset Investments

Fixed Asset Investments, other than those in subsidiary undertakings are held at current market value. Any unrealised gain at the Balance Sheet date is taken directly to reserves.

Unrealised losses at the Balance Sheet date are written off against the proportion of credit balance on the Capital Reserve which relates to the investment concerned. Any other unrealised losses are charged to the Income and Expenditure Account.

Investments in subsidiary undertakings are held at cost.

p) Stocks

Goods held for resale are stated at the lower of current replacement cost and net realisable value. Origination costs of internally produced publications for resale are written off over the first print run.

Land and buildings held for resale under the 'Revolving Fund' arrangements agreed with the Department for Culture, Media and Sport are treated as current assets. These are shown at the lower of cost and net realisable value. Properties purchased under the 'Revolving Fund' comprise buildings of architectural or historical interest otherwise at risk. These properties are held with the intention of resale once their future has been safeguarded.

q) Operating Leases

Operating lease costs are charged as incurred.

r) Financial Instruments

Cash surplus to immediate cash flow requirements is placed on short term deposit at fixed rates of interest for periods of up to one month in accordance with English Heritage's treasury policy (note 26).

s) Pension Costs

English Heritage is a member of the Principal Civil Service Pension Scheme (PCSPS). This is a multi employer defined benefit scheme. English Heritage also operates a by-analogy scheme to the PCSPS for the current and previous Chairmen. Both schemes satisfy the requirements of applicable accounting standards (note 17).

t) Restricted Funds

Funds held by English Heritage that can only be applied for particular purposes imposed by donors and grant givers are held as restricted funds.

u) Segmental Reporting

No segmental reporting disclosures have been made as all services are inter-related and contiguous and have the single objective to further the heritage aims stated in the National Heritage Act.

Notes to the Financial Statements (continued)

	2006 £'000	2005 Restated £'000
2. Earned Income		
Admission Income	10,233	10,281
Retail and Catering Income	8,148	7,656
Membership Income	11,722	10,811
Other Earned Income	4,585	4,397
Total Earned Income	34,688	33,145

	2006 Capital £'000	2006 Revenue £'000	2005 Capital £'000	2005 Revenue Restated £'000
3. Other Operating Income				
Grants Receivable				
European Community	220	378	528	156
Heritage Lottery Fund	523	321	716	609
Aggregates Levy	-	4,116	-	4,157
Other	150	358	25	1,165
Total Grants Receivable	893	5,173	1,269	6,087
Transfer (to)/from Capital Reserves	(893)	598	(1,269)	567
Total Grants	-	5,771	-	6,654
Donations	65	396	1,966	517
Transfer (to)/from Capital Reserves	(65)	121	(1,966)	979
Other Operating Income	-	322	-	239
Total Other Operating Income	-	6,610	-	8,389

	2006 £'000	2005 Restated £'000
4. Investment Income		
Interest Receivable	622	599
Dividends Receivable	25	24
Total Investment Income	647	623

Notes to the Financial Statements (continued)

	2006	2005
	£'000	£'000
5. Government Grant in Aid		
Baseline Grant receivable from the Department for Culture, Media and Sport	129,136	122,942
Specific Grants receivable from the Department for Culture, Media and Sport	-	2,663
2003/04 End of Year Flexibility claim	-	2,300
Total Grant received from the Department for Culture, Media and Sport	129,136	127,905
Transfer to Capital	(7,900)	(5,200)
Release from the Government Grant Reserve	3,803	2,583
Total Government Grant in Aid	125,039	125,288
	2006	2005
	£'000	£'000
6. Conservation Expenditure		
Grants Payable		
Buildings and Monuments	6,600	6,034
Conservation Areas	8,075	8,298
Cathedrals	935	1,981
Other Places of Worship	8,013	6,548
Historic Environment	5,247	4,656
Aggregates Levy Historic Environment	3,591	3,894
Other	3,381	3,585
Total Grants Payable	35,842	34,996
Major Rescue Projects	1,361	3,797
Listing, Scheduling and Surveys	9,645	9,405
Archaeology	7,160	7,364
Regional Conservation and Administration of Grants	11,581	10,926
Central Conservation Policy and Advisory Work	6,421	6,525
Total Conservation Expenditure	72,010	73,013
	2006	2005
	£'000	£'000
7. Managing Our Historic Properties Expenditure		
Visitor Services	37,923	34,756
Property Management	19,305	16,639
Development and Preservation Projects	7,809	10,690
Total Managing our Historic Properties Expenditure	65,037	62,085

Notes to the Financial Statements (continued)

	2006 £'000	2005 £'000
8. Education and Outreach Expenditure		
Public Affairs and Communications	2,813	2,722
Membership Services	2,635	2,329
Education and Publications	4,057	4,247
National Monuments Record	5,514	4,903
Total Education and Outreach Expenditure	15,019	14,201

	2006 £'000	2005 £'000
9. Resources Expenditure		
Finance and Procurement	3,588	2,810
Information Systems	4,970	4,966
Legal and Secretariat	2,518	2,210
Human Resources	2,560	2,684
Total Resources Expenditure	13,636	12,670

10. Modernisation and Relocation Costs

Total modernisation costs charged to the Income and Expenditure Account for the year were £735,000 (2005: £3,407,000). These costs mainly relate to redundancy and severance payments to staff leaving English Heritage as a result of the programme of initiatives formulated by the Chief Executive, announced in June 2002 and completed during 2005/06. There was no expenditure charged to Fixed Assets during the year (2005: nil).

English Heritage has commenced a project to relocate the majority of its Headquarters staff to Swindon by the summer of 2008. Expenditure in relation to this project totalled £469,000 (2005: nil).

11. Taxation

HBMCE enjoys the status of a charity for taxation purposes. No taxation liability is expected on its operations for the year ended 31 March 2006 (2005: nil). English Heritage Trading Limited transferred all its profits for the year ended 31 March 2006 to HBMCE under the Gift Aid rules. Hence, it suffered no taxation charge as it had no taxable profits.

	2006 £'000	2005 £'000
12. Auditors' Fees		
Auditors' remuneration and expenses for statutory audit work:		
English Heritage and HBMCE	52	51
English Heritage Trading Limited	6	6
Total Auditors' Fees	58	57

Notes to the Financial Statements (continued)

13. Commissioners

Commissioners' emoluments totalled £141,000 (2005: £147,000) and wholly related to basic fees in respect of their duties as Commissioners and as members of Advisory Committees and Panels. Emoluments also includes any income tax payable on home to office travel expenses which English Heritage pays on the Commissioners behalf. No Commissioner received any performance related fees. The emoluments of the Chairman Sir Neil Cossons, the highest paid Commissioner, were £67,000 (2005: £65,000) and related wholly to basic fees. His annual accrued pension and retirement lump sum for his years service with English Heritage as at 31 March 2006 totalled £20,000 (2005: £17,000). The cash equivalent transfer value (CETV) of his pension entitlement was £80,000 (2005: £68,000). The real increase in CETV in the year was £9,000 (2005: £13,000) and the real increase in pension and retirement lump sum at age 60 was £3,000 (2005: £3,000).

	2006	2005
	£'000	£'000
The emoluments of the other Commissioners were as follows:		
Miss Maria Adebowale	4	4
Mrs Joyce Bridges	8	7
Mr Bill Bryson	4	4
Mr Michael Cairns	6	4
Professor David Cannadine	5	5
Mr Manish Chande	4	4
Professor Barry Cunliffe (appointed 15 February 2006)	-	-
Lord Douro	4	4
Mrs Gilly Drummond	5	6
Mr Andrew Fane (Deputy Chairman, term of appointment ended 8 June 2004)	-	4
Mr Piers Gough	4	4
Dr Jane Grenville	5	5
Mr Michael Jolly	4	4
Ms Jane Kennedy (appointed 15 February 2006)	-	-
The Earl of Leicester	5	5
Mr Richard Morris (term of appointment ended 15th July 2005)	3	9
Mr Les Sparks	9	9
Ms Elizabeth Williamson	4	4

The emoluments shown above for Dr Jane Grenville are paid to the University of York who are her employers, in lieu of her working time spent on English Heritage business. The emoluments for Mr Richard Morris were paid to the University of Leeds who are his employers, in lieu of his working time spent on English Heritage business.

Sir Neil Cossons' contract term was extended on 1 April 2005 for a fixed term of 2 years until 31 March 2007. All other current Commissioners have been appointed for fixed terms of 4 years. Except for the Chairman, the appointments are non pensionable. Commissioners' emoluments are set by the Department for Culture, Media and Sport.

14. Advisory Committee and Panel Members

English Heritage has a number of Advisory Committees and Panels which report directly to Commission. Advisory Committee and Panel Members who were not Commissioners received no emoluments during the year (2005: nil).

Notes to the Financial Statements (continued)

15. Related Party Transactions and Connected Bodies

English Heritage is sponsored by the Department for Culture, Media and Sport (DCMS) which is regarded as a related party. The only material transactions with the DCMS were in respect of the receipt of Grant in Aid (note 5) and receipts of: £15,000 in respect of Commissioners training, £38,000 for 2 Heritage projects and £125,000 in rent. English Heritage made a payment of £863,000 in lieu of rent and a £100,000 contribution to a participation survey. In addition there were staff on secondment between the 2 bodies.

There were also material transactions with the following entities for which the DCMS is regarded as the parent Department:

Arts Council England	National Heritage Memorial Fund
British Library	National Museums Liverpool
Commission for Architecture and the Built Environment (CABE)	New Opportunities Fund
Heritage Lottery Fund	Royal Armouries Museum
Museums, Libraries and Archives Council	Visit Britain

During the year English Heritage had material transactions with the following Government Departments and Central Government Bodies:

Cabinet Office	Environment Agency
Construction Industry Training Board	Government News Network
Countryside Agency	Meat and Livestock Commission
Department for Environment, Food and Rural Affairs (Defra)	Office of the Deputy Prime Minister
Department for Transport	One North East
East Midlands Development Agency	Valuation Office Agency
English Nature	

During the year English Heritage had the following material transactions in which there was a related interest:

- Sir Neil Cossons, the Chairman, is a trustee of the National Museums Liverpool which received historic environment grant payments of £23,000.
- Miss Maria Adebawale, a Commissioner, has worked on various projects for Defra. English Heritage received income from Defra of £4,142,000, comprising aggregates levy historic environment grants totalling £4,115,000, £17,000 in respect of a secondment and a £10,000 grant towards an environmental project.
- Mr Bill Bryson, a Commissioner, is the Chancellor of the University of Durham. The University of Durham received payments of £204,000 including historic environment grant payments of £114,000 and other payments totalling £90,000 which included funding for University posts of £87,000.
- Professor David Cannadine, a Commissioner, is a Professor of British History and Ms Elizabeth Williamson, a Commissioner, is an Architectural Editor, at the Institute of Historical Research, University of London. The Institute of Historical Research received a payment of £17,000 in respect of services provided in relation to the Survey of London.
- Professor David Cannadine, a Commissioner, is a member of the National Trust Eastern Regional Committee and Dr Jane Grenville, a Commissioner, is a member of the National Trust Archaeological Panel. English Heritage has numerous transactions with the National Trust including: the payment of the annual National Trust maintenance deficit grant of £1,145,000, conservation grant payments totalling £1,042,000 and various other payments totalling £143,000. English Heritage also received income of £56,000 from the National Trust.
- Lord Douro, a Commissioner, resides in private apartments in Apsley House, a property managed by English Heritage. Apsley House was transferred to the Crown in 1947 under the terms of the Wellington Museum Act and the Duke and his family retained the right to occupy private apartments within the house. Under the Act the cost of maintaining the external fabric of the whole building is met by public funds. The part of the house open to the public is maintained as the Wellington Museum. The total cost of operating the museum and maintaining the fabric of Apsley House in 2005/06 was £726,000, net of income received. Lord Douro is also Chairman of the Textile Conservation Centre Foundation which is a charitable trust assisting the Textile Conservation Centre. The Textile Conservation Centre received payments for conservation services totalling £8,000.

Notes to the Financial Statements (continued)

15. Related Party Transactions and Connected Bodies (continued)

- Mrs Gilly Drummond, a Commissioner, is the President of the Association of Gardens Trusts which received conservation grant payments of £13,000. She is also a Patron of Greenspace, a charity related to the use of public parks and open spaces which received payments totalling £5,000 for promotional research. Mrs Gilly Drummond's husband is the Chairman of the Hampshire and Isle of Wight Trust for Maritime Archaeology which received historic environment grant payments of £121,000.
- Dr Jane Grenville, a Commissioner, is the Head of the Archaeology Department at the University of York, which received payments of £189,000 including payments for archaeological services of £85,000 and funding for posts of £85,000. She is also Chair of the Casework Committee of the Council for British Archaeology. The Council for British Archaeology received payments of £279,000, including historic environment grant payments totalling £178,000, conservation grant payments totalling £76,000 and various other payments totalling £25,000.
- The Earl of Leicester, a Commissioner, is a major shareholder in Coke Estates Limited which received a conservation grant payment of £21,000.
- Mr Richard Morris, a Commissioner until 15 July 2005, is the Chairman and a Director of Bede's World, which is an educational charity operating as a museum that has a Local Management Agreement with English Heritage. Payments under this Management Agreement during the year totalled £14,000. In addition Bede's World received grant payments of £30,000 relating to work for the World Heritage candidacy of Wearmouth-Jarrow. He was also a trustee of York Archaeological Trust. The York Archaeological Trust received historic environment grant payments totalling £175,000.
- Mr Les Sparks, a Commissioner, is a special advisor to the Crown Estate. The Crown Estate received a conservation grant payment of £5,000. He is also a Commissioner with CABE. CABE received payments totalling £32,000 in respect of a joint training project.
- Dr Martin Cherry, the Director of Research until July 2005, is a Trustee of the Victorian Society which received grant payments totalling £39,000.
- Mr Philip Davies, the Planning and Development Director, South Territory, is a Board Member of the Central London Partnership which received a subscription payment of £5,000.
- Mr Philip Hackett, the Visitor Operations Director, East Territory is a member of the Attingham Trust which received payments totalling £11,000 in respect of study fees.
- Dr Edward Impey, the Director of Research and Standards, is a Trustee of the Ancient Monuments Society which received conservation grant payments of £45,000.
- Dr Adrian Olivier, the Strategy Director, is Chair of the Bradford Advisory Board at the University of Bradford. The University of Bradford received historic environment grant payments of £29,000.
- Mr Henry Owen-John, the Planning and Development Director, North West Region, is a Board Member of Culture North West which received a conservation grant payment of £15,000.
- Mr Mark Pemberton, the Director of Properties and Outreach, is a Director of the Association of Leading Visitor Attractions (ALVA) which received payments of £6,000.
- Miss Carol Pyrah, Planning and Development Director North East Region's partner runs a research consultancy business which has received payments totalling £47,000 for consultancy services in respect of research projects.
- Mr Jeffery West, the Policy Director until July 2005, is the Vice Chairman of the Cotswolds Area of Outstanding Natural Beauty Conservation Board which received a payment of £10,000 for conference sponsorship.

No other Commissioners, key managerial staff or other related party has undertaken any material transactions with English Heritage during the year.

Notes to the Financial Statements (continued)

16. Employees

a) Employee Numbers	2006	2005
The average number of persons employed during the year expressed as full-time equivalents was:		
Conservation	584	607
Managing our Historic Properties	870	845
Education and Outreach	223	222
Resources	203	206
Total Average Employee Numbers	1,880	1,880

Employee numbers include 36 agency staff (2005: 45) and 24 staff working on projects shown as Fixed Assets (2005: 20), (note 19).

b) Employee Costs	2006	2005
	£'000	£'000
Salaries	48,255	47,625
Social Security Costs	3,814	3,761
Pension Costs	8,456	5,918
Redundancy and Severance Costs	1,677	3,380
Agency Staff Costs	1,131	1,289
Total Employee Costs	63,333	61,973

Those Redundancy and Severance costs related to modernisation included within the above are shown within the exceptional item in the Income and Expenditure Account.

Included within the above costs are £721,000 salaries costs (2005: £640,000), £82,000 social security costs (2005: £59,000) and £103,000 pension costs (2005: £62,000) that have been capitalised within Fixed Assets (Note 19). There are no redundancy and severance costs (2005: nil) and £32,000 agency staff costs (2005: nil) that have been capitalised.

Notes to the Financial Statements (continued)

17. Pension Costs

English Heritage gained admission to the PCSPS on 30 September 2002. As the PCSPS is an unfunded multi-employer defined benefit scheme, English Heritage is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For the year ended 31 March 2006, employers' contributions were payable to the PCSPS at 1 of 4 rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (2005: 12 to 18.5 per cent). Rates for next year have been increased to between 17.1 and 25.5 per cent and the salary bands revalorised. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Total employer contributions to the PCSPS were £8,301,000 (2005: £5,836,000).

Employees joining English Heritage after 1 October 2002 can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £145,000 were paid to a panel of 3 appointed stakeholder pension providers (2005: £133,000). Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £10,000 (2005: £9,000), 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the Balance Sheet date were nil (2005: nil). Contributions prepaid at that date were nil (2005: nil).

English Heritage operates a by-analogy scheme to the PCSPS for the current and previous 2 chairmen. The scheme liability at 31 March 2006 was £212,000 (2005: £187,000). This scheme has been valued by the Government Actuary's Department in accordance with Treasury guidelines and Financial Reporting Standard 17 principles.

18. Intangible Fixed Assets

English Heritage and HBMCE	Software Licences £'000	Goodwill £'000	Total £'000
Cost or Valuation			
At 1 April 2005	493	-	493
Additions	59	175	234
Disposals	-	-	-
At 31 March 2006	552	175	727
Amortisation			
At 1 April 2005	329	-	329
Charge for the Year	106	9	115
Eliminated on Disposals	-	-	-
At 31 March 2006	435	9	444
Net Book Value			
At 31 March 2006	117	166	283
At 31 March 2005	164	-	164

The Goodwill above has arisen as a result of the purchase in the year of the Abbey Inn at Byland.

Notes to the Financial Statements (continued)

19. Tangible Fixed Assets

English Heritage and HBMCE	Land & Buildings £'000	Artefacts & Archives £'000	Plant & Machinery £'000	IT, Furniture & Fittings £'000	Assets under Construction £'000	Total £'000
Cost or Valuation						
At 1 April 2005	29,732	3,219	3,281	9,599	2,116	47,947
Revaluations	5,289	-	-	-	-	5,289
Additions	1,197	69	459	23	8,661	10,409
Disposals	(592)	-	(61)	(104)	-	(757)
Transfer of assets brought into use	2,309	753	154	881	(4,097)	-
At 31 March 2006	37,935	4,041	3,833	10,399	6,680	62,888
Depreciation						
At 1 April 2005	3,240	-	2,312	6,263	-	11,815
Charge for the Year	1,408	-	389	2,092	-	3,889
Backlog Depreciation	1,164	-	-	-	-	1,164
Eliminated on Disposals	(111)	-	(61)	(104)	-	(276)
At 31 March 2006	5,701	-	2,640	8,251	-	16,592
Net Book Value						
At 31 March 2006	32,234	4,041	1,193	2,148	6,680	46,296
At 31 March 2005	26,492	3,219	969	3,336	2,116	36,132

The transfers from Assets under Construction to other fixed asset categories represent the transfer of Assets under Construction which have been completed in the year. The additions and transfers for the year mainly comprise capital projects at our trading sites, the largest projects being at Kenilworth Castle, Pendennis Castle and Osborne House.

20. Pure Heritage Land and Buildings

English Heritage manages over 400 historic properties throughout England providing a diverse portfolio that includes World Heritage Sites, industrial monuments, castles, historic houses, abbeys, forts, stone circles and a large part of Hadrian's Wall. They range from prehistoric ruins to the lavishly furnished Osborne House. In age they range from neolithic burial chambers dating from 3500-2600BC to twentieth century houses.

All of the land and buildings at these properties have been classified as either pure heritage (non-operational heritage), operational heritage or operational (non-heritage), (note 1, i). Over 550 pure heritage assets have been identified and encompass the vast majority of what would be recognised as the main buildings at these properties.

These properties are held by English Heritage under various arrangements, with the majority being in the guardianship of the Secretary of State for Culture, Media and Sport with the freehold being retained by the owner. The remaining properties are either in the ownership of English Heritage, other government departments or the Crown Estate.

There were no additions or disposals of pure heritage assets in the year (2005: nil).

Notes to the Financial Statements (continued)

21. Historic Artefacts

English Heritage possesses in the region of 500,000 historic artefacts, ranging from environmental remains and archaeological artefacts, to pottery, fine art and furnishings. They are an integral part of our historic properties. As well as being of significance in their own right, they assist in interpreting and presenting our properties to the public and they provide a valuable research resource for heritage professionals and our own staff.

These collections were formed by the past owners of historic houses and castles or by archaeologists excavating sites and by curators recovering former contents. They come from many sources; some were transferred from the Department of the Environment on 1 April 1984, some from the Greater London Council in 1986, some have been donated, some are the results of archaeological excavations on our properties and others have been purchased as part of our ongoing work to restore and enhance our properties.

Total expenditure of £82,000 was incurred on historic artefacts (including replicas) during the year ended 31 March 2006 (2005: £115,000). £69,000 of this expenditure was charged to Fixed Assets (2005: £93,000) and £13,000 was charged to the Income and Expenditure Account (2005: £22,000). No donated artefacts received during the year had a value (2005: £250,000).

22. Archives

English Heritage's extensive archives comprise maps, plans, photographs, reports and books. Our National Monuments Record holds 10 million historic and modern photographs, texts and documents, and is the national record of England's heritage. Our archives are used by members of the public, professional researchers, other heritage organisations and our own staff.

We are continually adding to the stock of archives. During the year ended 31 March 2006 expenditure on archive production of £753,000 has been charged to Fixed Assets (2005: £871,000). This relates to Images of England, a project substantially financed by a Heritage Lottery Fund grant which will result in a photographic archive of all listed buildings in England as at 31 December 2000.

Expenditure on archive purchases charged to the Income and Expenditure Account during the year ended 31 March 2006 totalled £7,000 (2005: £30,000).

23. Fixed Asset Investments

	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
a) HBMCE			
At 1 April 2005 and 31 March 2006	2,028	-	2,028
Details of the subsidiary undertakings are given in note 39.			
b) English Heritage			
		2006	2005
		£'000	Restated £'000
Market Value at 1 April		503	447
Additions		-	-
Disposals		-	-
Net Investment Gains		83	56
Market Value at 31 March		586	503
Historical Cost at 31 March		434	434

At 31 March 2006 the investments were held in two Common Investment Funds managed by M&G Securities Ltd and comprised 33,714 units in Charifund and 65,252 units in Charibond. The market value shown is net of investment management fees, 0.46 per cent per annum of the value of the fund for Charifund, 0.3 per cent per annum for Charibond.

Notes to the Financial Statements (continued)

	English Heritage		HBMCE	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
24. Stocks				
Goods for Resale	3,224	3,104	391	363

	English Heritage		HBMCE	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
25. Debtors				
Trade Debtors	1,616	5,013	1,616	5,013
Value Added Tax	2,602	1,622	2,602	1,622
Prepayments and Accrued Income	9,010	4,923	9,009	4,892
Other Debtors	1,089	1,119	1,089	1,119
Amount Owed by Subsidiary Undertaking	-	-	1,368	1,587
Total Debtors	14,317	12,677	15,684	14,233

26. Financial Instruments

As English Heritage has a 3 year funding agreement with the Department for Culture, Media and Sport (DCMS), the Office of the Deputy Prime Minister which was replaced by the Department for Communities and Local Government (DCLG) on 5 May 2006, and the Department for Environment, Food and Rural Affairs, English Heritage is not exposed to the degree of financial risk normally faced by business entities. Financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which Financial Reporting Standard (FRS) 13 mainly applies. English Heritage has no powers to borrow and its only investments are fixed asset investments related to the Iveagh Bequest held in common investment funds and of surplus funds on short term fixed interest rate deposit with institutions with low risk credit ratings.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the Balance Sheet date have not been disclosed as financial instruments.

a) Liquidity Risk

Owing to the nature of its funding and pattern of expenditure, English Heritage does not have any significant liquidity risk.

b) Interest Rate Risk

English Heritage's long term financial liabilities relate solely to provisions (note 29) none of which are interest bearing and are mainly due within 1 year. The only disclosable financial assets are cash, short term investments and fixed asset investments which are not exposed to significant interest rate risk.

c) Currency Risk

All financial assets and liabilities are held in sterling.

d) Valuation

There is no material difference between the carrying values and fair values of financial assets and liabilities.

Notes to the Financial Statements (continued)

26. Financial Instruments (continued)

e) Financial Assets

The financial assets consist of cash (note 35), fixed asset investments held in common investment funds (note 23) and short term investments held on fixed rate deposit:

	English Heritage		HBMCE	
	2006 £'000	2005 Restated £'000	2006 £'000	2005 Restated £'000
Fixed Asset Investment – Common Investment Funds	586	503	-	-
Short Term Investment – Cash on Short Term Deposit	10,700	13,000	10,200	12,500
	11,286	13,503	10,200	12,500

The short term deposits above mature within 1 month of the Balance Sheet date, interest rates on these deposits range between 4.49 per cent and 4.59 per cent.

27. Creditors: Amounts Falling Due Within One Year

	English Heritage		HBMCE	
	2006 £'000	2005 Restated £'000	2006 £'000	2005 Restated £'000
Trade Creditors	9,702	6,997	9,702	6,997
Income Tax and Social Security	1,244	1,421	1,244	1,421
Pensions	10	10	10	10
Deferred Income	4,061	4,040	3,495	3,623
Capital Government Grant in Aid	-	1,605	-	1,605
Accruals	7,823	10,204	7,818	10,198
Other Creditors	5,780	682	5,780	682
Amount Owed to Subsidiary Undertaking	-	-	633	766
Total Creditors: Amounts Falling Due Within One Year	28,620	24,959	28,682	25,302

28. Creditors: Amounts Falling Due After More Than One Year

	English Heritage		HBMCE	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Pensions	202	177	202	177
Deferred Income	1,975	1,868	1,975	1,868
Total Creditors: Amounts Falling Due After More Than One Year	2,177	2,045	2,177	2,045

Notes to the Financial Statements (continued)

29. Provisions

	Balance at 1 April 2005 £'000	Released in the year £'000	Utilised in the year £'000	Charged in the year £'000	Balance at 31 March 2006 £'000
English Heritage and HBMCE					
Restructuring and Modernisation Costs	5,788	(157)	(4,247)	1,494	2,878
Legal and Constructive Obligations	375	-	(375)	307	307
Claims	380	(20)	(40)	342	662
Total Provisions	6,543	(177)	(4,662)	2,143	3,847

30. Movement in Income and Expenditure Reserve

English Heritage and HBMCE	£'000
Balance at 1 April 2005 (as previously reported)	(12,302)
Prior Year Adjustment (note 41)	(2,925)
Balance at 1 April 2005 (restated)	(15,227)
Deficit for the Year	(245)
Balance at 31 March 2006	(15,472)

31. Analysis of Capital Reserves

English Heritage and HBMCE	Govt Grant Reserve £'000	EU Grant Reserve £'000	Non Govt Grant Reserve £'000	Donated Asset Reserve £'000	Restricted Fund Asset Reserve £'000	Total £'000
Balance at 1 April 2005	27,341	1,750	487	6,271	447	36,296
Movement in Year						
– Assets under Construction	4,587	(351)	149	(2)	-	4,383
– Fixed Asset Additions	4,918	571	-	590	-	6,079
– Fixed Asset Disposals	(481)	-	-	-	-	(481)
– Fixed Asset Depreciation	(4,401)	(88)	(33)	(563)	(83)	(5,168)
– Revaluation of Land and Buildings	4,644	151	29	465	-	5,289
Balance at 31 March 2006	36,608	2,033	632	6,761	364	46,398

32. Capital Fund

English Heritage	2006 £'000	2005 Restated £'000
Balance at 1 April	503	447
Net Investment gains on Fixed Asset Investments	83	56
Balance at 31 March	586	503

Notes to the Financial Statements (continued)

33. Development and Restricted Funds

	Balance at 1 April 2005 £'000	Income £'000	Revenue Expenditure £'000	Capital Expenditure £'000	Balance at 31 March 2006 £'000
English Heritage and HBMCE					
Kenwood House	240	11	-	-	251
Down House and Gardens	1,851	85	(50)	-	1,886
Eltham Palace	1,159	794	(805)	-	1,148
Rangers House (Wernher Foundation)	655	30	(30)	-	655
Ditherington Flax Mill	-	17	-	-	17
London Squares	11	1	-	-	12
Total Restricted Funds	3,916	938	(885)	-	3,969
Development Fund	1,236	414	(144)	-	1,506
Total Funds	5,152	1,352	(1,029)	-	5,475
The Total Funds were held as pooled investments as follows:				2006 £'000	2005 £'000
Cash and Short Term Investments				5,475	5,152

34. Reconciliation of Operating (Deficit)/Surplus to Net Cash Outflow from Operating Activities

	2006 £'000	2005 Restated £'000
Operating (Deficit)/Surplus before Investment Income	(1,411)	848
Depreciation and Amortisation	4,004	3,254
Notional Cost of Capital	842	598
Impairments and loss on disposal of Fixed Assets	511	42
Release from Capital Reserves	(4,522)	(4,130)
Increase in Stocks	(120)	(100)
Increase in Debtors	(1,638)	(4,072)
Increase in Creditors and Provisions	1,991	2,274
Net Cash Outflow from Operating Activities	(343)	(1,286)

Notes to the Financial Statements (continued)

35. Analysis of Net Funds

	2006 £'000	2005 £'000	Change in year £'000
Cash at Bank and in Hand	287	543	(256)
Bank Overdrafts	(4,062)	(5,852)	1,790
Net Bank Overdraft	(3,775)	(5,309)	1,534
Short Term Investments	10,700	13,000	(2,300)
Net Funds	6,925	7,691	(766)

36. Commitments

a) Grant Offers made to Other Bodies and Individuals	£'000
Balance outstanding at 1 April 2005	70,443
Grants paid during the year	(35,842)
New Grant offers made during the year net of lapsed offers	28,237
Commitment Outstanding at 31 March 2006	62,838

In addition to the commitment shown above, English Heritage has an ongoing annual grant liability to the National Trust. The commitment for the year ending 31 March 2007 is £1,175,000 and increases annually by an agreed inflation factor.

b) Contracts

Expenditure contracted for as at 31 March 2006 but not provided for in the financial statements amounted to £33,049,000 (2005: £25,330,000) including capital commitments of £2,902,000 (2005: £326,000).

c) Operating Leases

Operating lease commitments falling due during the next year analysed between the following ranges in which the commitment expires:

	2006 £'000	2005 £'000
Within one year	353	49
Between one and five years	1,497	2,247
After five years	1,897	2,068
Total Operating Lease Commitments	3,747	4,364

The majority of leases relate to property rentals and are subject to rent reviews. During the year ended 31 March 2006 payments under operating leases totalled £4,619,000 (2005: £4,296,000).

Notes to the Financial Statements (continued)

37. Losses and Special Payments

	2006 £'000	2005 £'000
Losses	164	590
Special Payments	53	46
Total Losses and Special Payments	217	636

There were no losses or special payments that exceeded £250,000 (2005: Stock write offs of £391,000).

38. Contingent Liabilities

Various outstanding claims existed at 31 March 2006. Provision has been made in the accounts for the year ended 31 March 2006 for those outstanding liabilities which will probably require settlement by English Heritage and where the amount of the liability can be reliably estimated (note 29). Due to their nature, it is not possible to quantify the exact liability outstanding relating to the remaining claims, where settlement by English Heritage may be required, but it has been estimated that the total liability will not exceed £250,000.

In addition, the DCMS has compulsorily purchased Apethorpe Hall on English Heritage's behalf. The final purchase price is still to be determined by the Lands Tribunal. The objective is for English Heritage to complete the most urgent repairs then dispose of the property to a suitable owner. The building is held as a current asset because of the intention to market and sell the property and has a nil value as at 31 March 2006. This property requires substantial repair; if a buyer cannot be found English Heritage may have to undertake the full repairs itself. English Heritage is committed to an initial programme of repairs. The additional repair cost could be in the region of £6,000,000.

39. Subsidiary Undertakings

a) English Heritage Trading Limited

HBMCE is the sole shareholder of English Heritage Trading Limited, incorporated in 1994. On 1 April 1998, the trading activities and trading stock of HBMCE were transferred to English Heritage Trading Limited in exchange for ordinary shares in the company. English Heritage Trading Limited commenced trading on 1 April 1998.

The following results of English Heritage Trading Limited have been included in the consolidated results:

Income and Expenditure	2006 £'000	2005 £'000
Turnover	10,152	9,289
Expenditure	(9,245)	(8,621)
Operating Profit	907	668
Interest Receivable and Similar Income	23	21
Profit on Ordinary Activities before Gift Aid	930	689
Gift Aid to HBMCE	(930)	(689)
Profit on Ordinary Activities before and after Taxation	-	-

Notes to the Financial Statements (continued)

39. Subsidiary Undertakings (continued)

Net Assets as at 31 March	2006	2005
	£'000	£'000
Current Assets	3,969	4,080
Creditors: Amounts Falling Due Within One Year	(1,941)	(2,052)
Net Assets	2,028	2,028
Share Capital - Ordinary Shares at £1 each	2,028	2,028
Profit and Loss Account	-	-
Shareholders' Funds	2,028	2,028

b) English Heritage Limited

HBMCE is the sole guarantor of English Heritage Limited, a company limited by guarantee incorporated in 1984. English Heritage Limited was dormant throughout the year.

c) The Iveagh Bequest

The Commissioners of English Heritage are also the Trustee of the Iveagh Bequest, a Trust established in 1929 by the Iveagh Bequest (Kenwood) Act for the benefit of Kenwood House. In 1997 Statutory Instrument No 482 transferred Custodian Trusteeship to English Heritage.

The following results of the Iveagh Bequest have been included in the consolidated results:

Statement of Financial Activities	2006	2005
	£'000	£'000
Incoming Resources		
Investment Income: Dividends Receivable	25	24
Resources Expended		
Charitable Expenditure: Distributions to HBMCE	(25)	(24)
Net Outgoing Resources	-	-
Gains on the Revaluation of Investment Assets: Unrealised Gains	83	56
Net Movement in Funds	83	56
Fund balances brought forward 1 April	503	448
Fund balances carried forward 31 March	586	503
Net Assets as at 31 March	2006	2005
	£'000	£'000
Fixed Asset Investments	586	503
Capital Fund Reserves	586	503

Notes to the Financial Statements (continued)

40. Key Financial Targets

There were no key targets set for 2005/06 within English Heritage's Funding Agreement which relate to the financial performance of English Heritage as a whole. The performance against Funding Agreement targets is shown in the Annual Report.

41. Prior Year Adjustment

The comparative figures for the year ended 31 March 2005 have been restated to reflect a change in accounting policy relating to annual membership income. Previously English Heritage's accounting policy was to account for annual membership income fully in the year of receipt. This policy has now been changed to apportion the income over the year of the membership to match the benefit transferred to the customer. Income received that relates to the following year is treated as deferred income on the Balance Sheet.

The comparative figures for the year ended 31 March 2005 have also been restated to consolidate the Iveagh Bequest, a Trust established in 1929 by the Iveagh Bequest (Kenwood) Act.

The impact of the change in accounting policy and the consolidation of the Iveagh Bequest on the comparative figures for the year ended 31 March 2005 is as follows (for both English Heritage and HBMCE unless otherwise stated):

Income and Expenditure Account

a) Notional Cost of Capital

The change in net assets introduced by the prior year adjustment has meant that the Notional Cost of Capital has been recalculated from £677,000 to £598,000.

b) Note 2: Earned Income

The change to the annual membership accounting policy has impacted the membership income figures as follows:

	2005 (as previously reported) £'000	2005 (restated) £'000
Earned Income		
Membership Income	11,174	10,811

c) Note 3: Other Operating Income

The consolidation of the Iveagh Bequest has impacted the donations figure as follows:

	2005 (as previously reported) £'000	2005 (restated) £'000
Other Operating Income		
Donations	541	517

d) Note 4: Investment Income

The consolidation of the Iveagh Bequest has impacted the investment income figure as follows:

	2005 (as previously reported) £'000	2005 (restated) £'000
Dividends Receivable	-	24

Notes to the Financial Statements (continued)

41. Prior Year Adjustment (continued)

Income and Expenditure Account (continued)

e) Income and Expenditure Account Surplus

The effect of the prior year adjustment has meant that the Surplus for the Year has decreased from £1,079,000 as previously stated to £716,000.

Balance Sheet

f) Note 27: Creditors: Amounts Falling Due within One Year

The prior year adjustment has increased deferred income by £2,925,000 at 31 March 2005 which had the following effect:

	2005 (as previously reported) £'000	2005 (restated) £'000
English Heritage - Deferred Income	1,115	4,040
HBMCE - Deferred Income	698	3,623

e) Note 30: Movement in Income and Expenditure Reserve

The effect of the prior year adjustment has meant that the Accumulated Deficit has increased from £12,302,000 to £15,227,000. This was due to the restatement of the balance at 1 April 2004 from £13,381,000 to £15,943,000 and the reduction in the Surplus for the Year from £1,079,000 as previously stated to £716,000.

f) Note 32: Capital Fund

As a result of the Iveagh Bequest consolidation, a Capital Fund has been created to show the value of investments held.

Cash Flow Statement

	2005 (as previously reported) £'000	2005 (restated) £'000
g) Investment Income	594	618

h) Note 34: Reconciliation of Operating (Deficit)/ Surplus to Net Cash Outflow from Operating Activities Operating Surplus before Investment Income

The Operating Surplus before Investment Income has reduced from £1,156,000 to £848,000 as a result of the decrease in the Income and Expenditure Account Surplus for the Financial Year After Exceptional items of £363,000, a reduction in the Notional Cost of Capital of £79,000 and an increase in investment income of £24,000.

Notional Cost of Capital

The Notional Cost of Capital has reduced from £677,000 to £598,000.

Increase in Creditors and Provisions

The movement in Creditors and Provisions has increased from £1,911,000 to £2,274,000 as a result of the increase in deferred income of £363,000.

Notes to the Financial Statements (continued)

42. Landfill Tax Credit Scheme

English Heritage is registered as an Environmental Body with "Entrust", the regulator of environmental bodies under the landfill tax regulations. During the year ended 31 March 2006 there were no projects in progress that were grant funded by landfill tax credits.

There was no income received or expenditure incurred during the year ended 31 March 2006.

Donors, Sponsors and Contributors

English Heritage is very grateful to all the benefactors who made donations, grants and bequests or sponsored its activities during the year ended 31 March 2006. The following have given amounts of £1,000 or more:

DONATIONS

Abercrombie & Kent Europe Ltd
American Express
The Atlas Fund
Bradshaw Asset Management Ltd
Friends of Dover Castle
Friends of Ranger's House
Island Friends of Royal Osborne
The Iveagh Bequest
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