

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2012

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Trustees' and Accounting Officer's Annual Report

Chairman's Foreword

For the fifth year running, the BM was the UK's most popular visitor attraction, with 5.8 million visitors. Accolades included winning the 2011 Art Fund Prize for *A History of the World* – a great honour for the staff, all of whom contributed to the project, and for the many UK partners involved. To date there have been 27.5 million downloads of the radio programmes worldwide. The BM will use the £100,000 prize to fund 'spotlight tours' around the UK from 2012–15. Star objects will be loaned to regional museums to help them attract larger audiences and draw attention to their own collections in new ways.

The BM now raises about half of its income from fundraising and other revenue-generating activity, with the balance coming from the government. It continues to receive this public funding to enable it to fulfil its public mission, and growing numbers of philanthropic supporters allow it to do so even more effectively.

Exhibitions at the BM drew thousands of new visitors. *Haji: Journey to the Heart of Islam* attracted a very different audience from previous exhibitions. Of its 140,000 visitors, two thirds were from Black and Minority Ethnic (BME) audiences, with 84% coming from within the UK. The largest groups were British Pakistani (16%), British Indian (10%), British Bangladeshi (7%) and Other British Asian (7%). Nearly 32,000 people took part in education and learning programmes and 13,450 schoolchildren visited the exhibition. A hugely diverse audience also attended community events, including Chinese, Turkish, Moroccan, Somali, Iraqi and Afghani visitors. The exhibition was generously supported by HSBC Amanah.

Grayson Perry: The Tomb of the Unknown Craftsman, supported by AlixPartners, with Louis Vuitton, was one of the year's artistic successes. The artist took a radical approach to the BM collection, lifting objects out of their historical or cultural categories, presenting them in a completely fresh way and creating new artworks to comment on them. The exhibition won the 2012 South Bank Sky Arts Award for visual arts.

We are grateful to BP for renewing its longstanding partnership with the BM. The result is a stimulating five-year programme of special exhibitions, starting in 2014. BP is also supporting the BM's Shakespeare exhibition to coincide with the London 2012 Festival for the Olympics and the World Shakespeare Festival. In *As You Like It*, Shakespeare called the world 'this wide and universal theatre' – it was how he saw his own plays on stage at the appropriately named Globe Theatre, and it is a fitting description of the BM itself, where the BP Special Exhibition *Shakespeare: Staging the World*, in collaboration with the Royal Shakespeare Company, will be staged this summer. BP is also supporting the BM's international work, including an exhibition tour of *Mummy: The Inside Story* to Mumbai.

With over two million objects accessible online, the BM collection is reaching more people than ever before. An outstanding gift to the collection in 2011 was the *Vollard Suite* by Picasso, generously donated by Hamish Parker and presented in a special exhibition in 2012 – the first time the complete set of 100 prints, by common consent the most important graphic suite of the 20th century, has been shown in a public museum in Britain.

Major developments within the Museum include the new Citi Money Gallery. Opened in June 2012, it tells the 4000-year history of money. The BM's major building development, the World Conservation and Exhibitions Centre, received additional support, with a generous award of £10 million from the Heritage Lottery Fund in January 2012.

National spotlight tours are one of a number of BM initiatives to support museums across the UK. As the sector faces particular challenges with cuts in local authority funding, the BM has expanded its joint programmes to include loans, touring exhibitions, partnership galleries and working together with regional museums to increase their visitor numbers, train staff, share skills and potentially attract new sources of income. Nearly one million additional people visited museums around the country thanks to their partnership activities with the BM. Touring exhibitions alone, with support from the Dorset Foundation, saw BM objects viewed by around half a million people in the UK outside London, and the BM's largest ever tour, *Pharaoh: King of Egypt*, led to a 333% increase in visitors to the Dorset County Museum.

Internationally the BM was invited to advise on the preservation of cultural heritage in Iraq and Libya, worked with museums in Africa, and participated in a variety of international research projects: from rescue archaeology in Sudan to collaborations and conservation from Denmark to China. Among the year's new programmes were the East Africa Programme, funded by the Getty Foundation, and a cultural leadership training scheme in India, launched in January 2012 in Delhi, with further courses of study in London and Mumbai.

None of this would be possible without the generous support of government, our sponsors and donors, as well as the commitment and enthusiasm of the staff and volunteers. On behalf of all the Trustees and the public in the UK and abroad, I would like to thank them.

Niall FitzGerald KBE

Chairman of the Trustees

Structure, governance and management

Constitution and operating environment

The British Museum was founded in 1753. Its aim is to hold for the benefit and education of humanity a collection representative of world cultures (“the collection”), and ensure that the collection is housed in safety, conserved, curated, researched and exhibited¹.

The Museum is now governed in accordance with the British Museum Act 1963 and Museums and Galleries Act 1992². The Museum is an exempt charity under schedule 3 of the Charities Act 2011. The Secretary of State for Culture, Olympics, Media and Sport is the principal regulator under the Charities Act 2006.

The Museum is also a Non-Departmental Public Body funded by a combination of grant-in-aid allocated by DCMS and income secured through commercial, fundraising, sponsored and charging activities.

It has a wide range of stakeholders, including DCMS, HM Treasury, Camden Borough Council, English Heritage, Arts Council England, national and international visitors, other London museums, regional museums, international museums, universities, sponsors, donors and people and communities from current and future generations across the globe.

Governance statement

The governing body of the Museum is the Board of Trustees whose members are appointed for fixed terms of service. They are non-executive and unpaid. The Board may consist of up to 25 members, of which 15 are appointed by the Prime Minister, one by the Sovereign, one each by the Secretary of State on the nomination of the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society, and five by the Museum’s Trustees. The Chairman is appointed by the Board from its members. The names of Trustees serving during the year are listed on page 24.

The induction of new Trustees is primarily through a programme of department visits and meetings with the Director, Deputy Director, and members of the senior management team. An introductory pack of key documents and publications including the Governance Policies and Principles, the Museum Strategy and Operating Plan, the Annual Report and Accounts, and the organisation chart is provided. Induction programmes and training are further tailored to the individual needs and interests of the Trustee.

The corporate governance framework; matters for the Board’s decision; and the respective responsibilities of the Board, Trustees’ Committees and Management are clearly defined in the Museum’s Governance Policies and Principles, which is available on the Museum’s website.

The Museum follows governance best practice for public service and charitable bodies, and insofar as it applies, the Museum complies with the principles of the Corporate Governance in Central Government Departments: Code of Good Practice.

A register of Trustees’ interests is maintained and is available for public inspection on request; this is reviewed by all Trustees at least once a year. Trustees are required to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a Trustee to leave the meeting, or not take part in a discussion or decision on a particular issue. During the year, two Trustees declared potential conflicts of interest in relation to items discussed at Standing Committee meetings, and one Trustee declared an actual conflict of interest at a Standing Committee meeting and withdrew from the meeting.

¹ This statement represents a modern expression of the objectives of the Museum set out in the British Museum Act 1753.

² In the fulfilment of its aim, other legislation extends the powers of the Museum for specific purposes related to its collection.

Board/Committee	Hierarchy	Remit
Board of Trustees	Board	Statutory duties under the British Museum Act 1963 and Museums and Galleries Act 1992 for the general management and control of the Museum. The Board appoints the Director with the approval of the Prime Minister, defines the strategic direction of the Museum, and approves its execution in an operating plan drawn up in consultation with the Director.
Standing Committee	Board Committee	To discharge the functions of the Board between quarterly Board meetings, including monitoring achievement of the plan.
Director	Accounting Officer	All Board authority granted to the management and staff of the Museum is delegated through the Director. The Director attends Board meetings. The Director as the Accounting Officer is accountable to parliament for the stewardship of the resources within the Museum's control.
Audit Committee	Board Committee	To support the Board and the Accounting Officer in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness, reliability and integrity of assurances provided to them.
Nominations and Governance Committee	Board Committee	To advise on succession planning for Trustees and the Director, recommend candidates as Trustees for appointment, and provide assurance on governance.
Investment Sub-Committee	Sub-committee of the Standing Committee	To advise the Standing Committee on the investment of the Museum's funds and the performance of investment managers, and set and implement the investment strategy.
World Conservation & Exhibitions Centre Committee	Sub-committee of the Standing Committee	To monitor, on behalf of the Standing Committee, the new building project on the north-west corner of the main site.
International Strategy Committee	Sub-committee of the Standing Committee	To provide advice on the Museum's international strategy, and to monitor and report on the Zayed National Museum project to the Standing Committee.
Directorate Group	Executive Committee	To lead the Museum's planning process, manage risk and oversee operational activity. Its membership during the year comprised the Director, the Deputy Director, the Director of Collections, the Director of Public Engagement, the Director of Operations & Projects, the Director of Administration, and the Managing Director of the British Museum Company Limited.
Museum Management Group	Executive Committee	Raises and discusses current and emerging issues relating to Museum activity and external developments; and acts as an information sharing group for heads of department. Its membership is drawn from the Directorate Group and the heads of Museum departments. During the year this comprised of the following: <ul style="list-style-type: none"> • <i>Collections</i>: Africa, Oceania & the Americas; Ancient Egypt & Sudan; Asia; Coins & Medals; Collections Services; Conservation & Scientific Research; Greece & Rome; Middle East; Portable Antiquities & Treasure; Prehistory & Europe; Prints & Drawings • <i>Public Engagement</i>: Exhibitions; Learning & Audiences; Press & Marketing • <i>Operations & Projects</i>: Building Services; Capital Projects & Estates; Facilities; Security; Visitor Services; Zayed National Museum Project • <i>Administration</i>: Commercial; Development; Finance; Human Resources; Information Services; Legal Services and from the British Museum Company Limited.

Trustees also attend certain staff meetings, such as the Research Board.

Board effectiveness

The Board reviews its effectiveness annually through a questionnaire completed by each Trustee which assesses performance in five areas:

- Vision, mission and strategic direction
- Performance and corporate behaviour
- Legal and regulatory compliance
- Guardian of the Museum's assets
- Capacity to govern

A report of findings is considered by the Nominations and Governance Committee and action points agreed by the Board. At least every three years, the review includes an element of independent assessment. The last independent assessment was in 2010.

The 2011 review found that the Board was "highly effective" or "effective" in all areas and that there were no major weaknesses.

The Board defines the strategic direction of the museum. A review of the Museum's performance against the Board's objectives is included below in the section 'Strategic direction and performance against objectives'.

The Board has high standards in terms of the data it expects to receive to support it in discharging its duties. Data relating to the delivery of the Museum's objectives, including financial control and the management of risk, is regularly reviewed by the Board and its committees. The 2011 review Board performance showed that the Trustees agreed unanimously that they received an appropriate level of information and that there were effective mechanisms in place to measure performance.

Reports from board committees

- *Audit committee:* in addition to its ongoing review of the risk register, during 2011/12 the Committee considered in detail the management of risks around reputation, significant projects, income and expenditure, and the Museum's Financial Sustainability Programme. It received regular updates on security, operations and collections management. Representatives from the National Audit Office and the Head of Internal Audit attended each meeting and the Committee considered the work undertaken.
- *Nominations & Governance:* in 2011/12, the Committee recommended five candidates to the Prime Minister for appointment as Trustees; it made recommendations on the reappointment of four Trustees; and invited the Royal Society to nominate candidates to replace a retiring Trustee. The Committee considered the skills needs and diversity of the Board, and identified potentially suitable candidates for future vacancies. The Committee also considered the 2011 Board Performance Review and made recommendations for action to the Board.

Reports from the Standing Committee, Audit Committee and Nominations and Governance Committee are recorded in the minutes of Board meetings which are published on the Museum's website. Sub-committee business is reported to the Standing Committee.

Attendance at meetings of the Board and its committees is noted in the section 'Reference and administrative details' below.

Risk management framework and risk assessment

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the Museum is therefore to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk ("The Orange Book") with reference as appropriate to best practice guidance from the National Audit Office and risk management standards.

The Museum assesses risk through consideration of the likelihood of something happening, and the impact which would arise if the risk were actually to occur. Risk management within the Museum includes:

- identifying and assessing risks (the "inherent risks"). The most significant inherent risks relate to the collection, both in store and on display; international activity; future income; the World Conservation and Exhibitions Centre; visitors and staff; and the Bloomsbury building.
- assigning each of those risks to an individual risk owner;

- setting an agreed risk appetite (the “risk targets”);
- evaluating the effectiveness of relevant mitigating controls;
- assessing the risks remaining given the controls in place (the “residual risks”); and
- agreeing, implementing and monitoring controls to reduce the variance between residual and target risks.

Body	Nature	Role in risk management
Director	Executive	The Director, Neil MacGregor, is the Accounting Officer for the purposes of reporting to the Department for Culture, Media and Sport, and has overall responsibility for the Museum’s risk management framework.
Directorate Group	Executive	Reviews risks, and receives and considers reports or recommendations for action or decision.
Internal Controls Committee	Executive	Oversees the implementation of risk management principles and practice throughout the Museum with the objective of eliminating, transferring, mitigating or accepting risks. It seeks to co-ordinate activities to obtain a more effective risk management process from existing resources and ensure the dissemination of good practice throughout the Museum.
Budget-holders	Executive	All budget-holders provide the Accounting Officer with annual assurance statements. The Accounting Officer and the Audit Committee also receive annual reports on security and health & safety and biannual reports on stewardship of the collection.
Internal Audit	Internal Audit	Acts as an independent review of the internal control framework, including risk management. In addition to reports on individual reviews, Internal Audit produces an annual report that contains the Head of Internal Audit’s opinion of the overall adequacy and effectiveness of the risk management, control and governance processes. The Head of Internal Audit has a primary reporting line to the Chair of the Audit Committee and to the Director, with a structural reporting line to the Director of Administration.
Audit Committee	Board Committee	<p>The Audit Committee’s membership covers a wide range of skills, vital for an institution with a scope as broad as the Museum’s. Members collectively have experience and knowledge of accounting; risk management, governance and control; audit; management of organisations of equivalent size and profile; the wider environment in which the Museum operates; business and commerce; and safeguarding the collection.</p> <p>The Audit Committee reviews the risk register and actions taken at each of its meetings. In addition to a rolling programme of review, the committee focuses on the highest rated residual risks in terms of their likelihood and impact taken together, and topical risks.</p> <p>The Audit Committee challenges the Museum’s officers for evidence of good management and routinely requires managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.</p>

During the year the Museum’s risk management framework was reviewed with reference to best practice standards, including the NAO’s *Managing risks in government good practice guidance*, issued June 2011.

In general, the framework was found to be effective and appropriate. Some adjustments were made, including revisions to the risk management policy, changes to the annual report of the Audit Committee to the Board and improvements to the format of risk registers to highlight progress, and formalising the role of risk management in the development of the Museum’s operating plan.

The Museum has suffered no significant losses or thefts of personal or other protected data during 2011/12 and has made no report to the Information Commissioner's Office.

The Museum continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, is strengthening controls operating around site access, and object processing and databases. Further work is scheduled to update and test business continuity and disaster recovery plans.

Neil MacGregor
Accounting Officer

5 July 2012

Niall FitzGerald KBE
Chairman

Subsidiaries

The main retailing, off-site trading and publishing activities of the Museum are carried out by the British Museum Company Limited, a company wholly owned by the Trustees, together with its subsidiary, British Museum Ventures Limited.

Conferences, education and other income generating activities were carried out during the year within the British Museum Great Court Limited, also a company wholly owned by the Trustees.

Friends' organisations

The work of the Museum is supported by two 'friends' associations. British Museum Friends is a registered charitable trust that furthers collecting, public services and conservation, and services its membership. The American Friends of the British Museum (AFBM) supports the Museum's development by raising funds in the United States. Each is separately administered and independent of the Museum.

Strategic direction and performance against objectives

The Operating Plan for 2011/12 set out the priorities for the Museum in pursuit of its strategic objectives to 2012. The Strategy to 2012 (published on the Museum's website) identifies four key objectives that the Museum will need to deliver to further develop its world-class status:

- To manage and research the collection more effectively
- To enhance access to the collection
- To invest in our people
- To increase self-generated income

During 2011/12 the Museum made significant progress in working towards these objectives.

To manage and research the collection more effectively

Collection

The BM collection of around eight million objects is the subject of study and science, display and engagement. Invigorating the collection each year are many new acquisitions and gifts, filling in gaps, addressing new topics and ensuring that a record of mankind's past is kept and the future needs of audiences worldwide are addressed.

Among the year's outstanding additions to the collection was a Cycladic figurine from the 3rd millennium BC, acquired with major support from the Art Fund and private donations. Such figures are among the oldest in Europe, and this hunter-warrior wearing his baldric (shoulder-strap) and belt is one of only four well-preserved examples worldwide.

The BM has been fortunate enough to acquire a complete set of Picasso's celebrated Vollard Suite. Worth nearly a million pounds and presented by the Hamish Parker Charitable Trust in memory of Major Horace Parker, the Vollard Suite can be seen in a special free exhibition throughout the summer of 2012.

In 2011, the BM was able to acquire, with the support of the Art Fund, a rare example of metalwork from Kashmir, in northwest India. The censer is in the form of a four-armed flying male figure bearing a pierced vessel above his head, from which incense smoke once issued. Very few ritual bronze objects survive from medieval India, so this is an important acquisition for the BM, as well as being of outstanding quality.

The BM's unparalleled collection of seals from the Middle East charts the development of power relations, trade and religion over six millennia. With support from the BM Friends and the American Friends of the BM, 45 seals collected in the region by a British officer in the 1920s were recently acquired for the collection. Carved from semi-precious stones, they range from the Early Dynastic period (2600 BC) to the Neo-Babylonian period (500 BC).

A wealth of other objects were acquired during the year, including a pen and wash drawing by Domenico Tiepolo depicting café life in the early 1800s; a unique British Iron Age coin, purchased with support from the Art Fund; Korean calligraphy, Japanese bamboo baskets and two exquisite porcelain bowls by Kawase Shinobu, purchased with the support of the R and S Cohen Foundation; 41 of David Oxtoby's portraits of jazz, blues and

rock musicians; over 500 17th-century tokens from Middlesex, purchased with support from the BM Friends; and a print showing three ancestral figures by Torres Strait Islander Alick Tipoti.

Conservation and research

Conservation and research underpin all the BM's work, from the primary task of ensuring the collection remains in the best possible condition, to support for the BM's array of national and international programmes. In between lies a full compendium of activities involving scientific investigation, archaeology and historical research.

Work on the World Conservation and Exhibitions Centre (WCEC), which will house the BM's new state-of-the-art laboratories and conservation studios, stores, loans hub and exhibitions suite, has continued. The site on the BM's north side celebrated its 'bottoming out' ceremony, and since then 12,000m of piles have been laid and 37,000m³ of soil excavated – the equivalent to 15 Olympic-sized swimming pools.

The building process has been linked to public activity. Artist-in-residence Liam O'Connor has been exploring the WCEC with students from Camden, who have been recording the site using photograms, etchings and photography. Further outreach is planned with schools and colleges to raise interest in the WCEC among local residents.

The architects are Rogers Stirk Harbour + Partners, and the BM has appointed Building Design Partnership for the interior and technical spaces. The WCEC is due to open in 2014 with a special exhibition on the Vikings. Funding for the building in 2011/12 included the award of £10 million from the Heritage Lottery Fund.

Preparations for the new centre include a major programme of collection relocations. The logistics of moving large parts of the collection into the new building requires attention to almost every aspect of conservation care, due in large part to the diversity and varying fragility of the materials. Hazards are being studied that range from the effects of vibration to the volatility of materials now deemed dangerous, both those that make up objects from around the world and those applied in past treatments. Preparations for the WCEC have also been an opportunity to ensure that processes such as disinfestation by freezing can be systematically applied to entire sections of the collection, ensuring that when they are placed in their upgraded stores, the artefacts carry the lowest risk of contamination possible.

Other significant projects during the year included a collaboration with the National Gallery to conserve and analyse four Ancient Egyptian funerary portraits; a major three-year research project with funding from the Leverhulme Trust on the under-studied history of shunga: erotic Japanese paintings, prints and book illustrations; experiments to judge the influence of materials used in display cases on the objects they support, for example the effect of certain foams on sterling and pure silver; the reconstruction of fragments of a classical statue of the god Hermes; an exploration, with funding from the Arts and Humanities Research Council (AHRC), of the origins and development of Spanish prints and drawings; detailed study of the Museum's collection of Omani silver jewellery; and research into Andean textiles and in particular, the natural dyes used to produce them.

To enhance access to the collection

Exhibitions

Spiritual journeys have been the focus of a series of popular exhibitions at the BM in recent years: the afterlife in Ancient Egypt, the veneration of saints in medieval Europe, a tomb for the relics of unknown craftsmen, and most recently, the Islamic pilgrimage to Mecca. Such displays use the collection and loans to tell stories through things, in all their rich particularity.

The Times awarded five stars to *Treasures of Heaven: Saints, Relics and Devotion in Medieval Europe*, sponsored by John Studzinski, in association with William and Judith Bollinger, Singapore; Betsy and Jack Ryan; Howard and Roberta Ahmanson; and The Hintze Family Charitable Foundation. For three months, relics and medieval reliquaries of Christian saints were brought together in the Round Reading Room. As the *Evening Standard* concluded, 'the British Museum's summer exhibition *Treasures of Heaven* is an astonishing accumulation of these things, beautifully displayed, the soaring dome of the Reading Room seeming suitably ecclesiastical.' Over 75,000 visitors attended.

Winner of the 2012 South Bank Sky Arts Award for Visual Arts, the exhibition *Grayson Perry: The Tomb of the Unknown Craftsman*, supported by AlixPartners, with Louis Vuitton, was a tribute to the world's unknown makers – those artists we cannot name, but who for thousands of years have created some of the most potent artefacts known to mankind, works which fill the BM. 'A walk around my head' was how Perry described the exhibition,

and 118,000 visitors were happy to walk alongside him. For Howard Jacobson writing in the *Independent*, it was quite simply: 'The best exhibition by a contemporary artist I've seen in years.'

'An exhibition of profound cultural importance has just opened at the British Museum,' announced the *Evening Standard*. The newspaper was reviewing *Hajj: Journey to the Heart of Islam*, presented in partnership with King Abdulaziz Public Library. The exhibition was generously supported by HSBC Amanah. The exhibition caught hold of a hunger in the public to know more about the Hajj. BBC Radio 3's Night Waves remarked that 'the star of the show is an idea' – what it means to make the holy pilgrimage to Mecca that all Muslims must try to do at least once in their lifetime, if they are able. Archaeological material, textiles and manuscripts, historical photographs and contemporary artworks, gifts taken as offerings and souvenirs brought home – all were brought together to convey the routes, rituals and richness of an experience that draws together Muslims from across the world, regardless of nationality or sect. The exhibition also incorporates the experiences of UK Muslims, recorded with funding from the AHRC. *Hajj* attracted 20,000 visitors in its first month. When it closed, 140,000 people had attended, including over 13,000 school visits.

The Forecourt in front of the BM was the heart of the 2011 *Australian Season*, supported by Rio Tinto. *Australia Landscape: Kew at the British Museum* was the fourth of the annual world landscapes planted in partnership with the Royal Botanic Gardens, Kew. A popular programme of Australian music, films, talks and craft workshops was linked to two exhibitions. *Baskets and Belonging: Indigenous Australian Histories* used a remarkable collection of baskets to trace the history of Aboriginal Australian communities, notably since British settlement. *Out of Australia: Prints and Drawings from Sidney Nolan to Rover Thomas* focused on Australia's major artists of the past 70 years.

Objects in Focus: The Asahi Shimbun Displays are a series of changing displays that explore a single object. *Background Story 7* by renowned Chinese artist Xu Bing was an installation made especially for the BM. Later displays explored a crocodile dance mask from the Torres Strait Islands; Hokusai's print 'The Great Wave'; and an olive-wood model of the Church of the Holy Sepulchre in Jerusalem.

Displays throughout the BM included an intriguing comparison of the cost of living in Roman and modern Britain and (as part of the London 2012 Cultural Olympiad) *Mine to Medals: The London 2012 Olympic and Paralympic Games Medals*, supported by Rio Tinto. *Manga at the BM* was a display of the drawings of leading Japanese manga artist Hoshino Yukinobu, that coincided with the English-language publication of *Professor Munakata's British Museum Adventure*; while *Landscape, Heroes and Folktales: German Romantic Prints and Drawings*, supported by the Samuel H. Kress Foundation, took a visual tour through the age of Goethe, Schubert and Hegel.

Events

An iconic building, an online resource, an authority on history – the BM is many things today. But for many, the BM is a place of activity – of schools programmes and adult learning, of children's sleepovers and hands-on creativity, of public discussion and political debate. All support the BM's aim to bring the past to life and share its importance to how we live today.

From film screenings to political lectures, the platforms to present world culture at the BM attract a variety of audiences. A day of film documentaries ranged from Tunisia to Toxteth. Rashid Khalidi, Professor of Modern Arab Studies at Columbia University, spoke on human dignity in Jerusalem in the annual Edward Said London lecture. Free lunch-hour talks covered topics as diverse as climate change; the spread of HIV; Greek sculpture and the modern male body; and how the science of investigating pigments helps us to date and conserve fragile objects such as the Lindisfarne Gospels. Popular talks held in conjunction with the London Review of Books included writers Michael Ondaatje and Javier Cercas, and leading thinkers discussing the Arab revolutions. Among the year's public debates were a BM/Guardian Public Forum, *Afghanistan: What makes a nation?* and a debate organised with Royal Botanic Gardens, Kew, on the tensions between exploiting and preserving the landscape of Australia.

The BM reaches over 250,000 pupils each year through booked school visits. BM courses are also offered to groups of teachers to support the National Curriculum and train them in inventive approaches to learning through objects. *Cultures in Contact* was a three-year project funded by Deutsche Bank and supported by its staff as volunteers. Working with entire year groups from four London comprehensive schools, the team explored different time periods, using digital and other resources to encourage the students to investigate both the BM and their own singular or mixed cultural heritage.

To mark the 40th anniversary of Bangladesh's independence, over 2,000 people attended a Bangladesh Family Day in September 2011. Many from London's Bangladeshi community were first-time visitors to the BM.

Community events adapt the BM programme to specific groups: the elderly, the vulnerable, the hard-to-reach. Multi-sensory walks through the summer's *Australia Landscape* in the Forecourt were designed for the blind. In association with charity Kids Company, 83 vulnerable children enjoyed a treasure hunt and sleepover at the BM. *Talking Objects*, a BM programme supported by John Lyon's Charity in London and the Esmée Fairbairn Foundation nationally, focuses activities around single BM objects. A Sikh youth group used creative writing to explore a fortress turban, while young people from Sierra Leone worked with a helmet mask. BMuse, the BM's youth panel, celebrated the culmination of *Talking Objects London* with an open day, inviting other youth groups to see films made as part of the programme, which is now extending its reach across the UK.

The BM holds free previews of major exhibitions to build relationships with local communities. Over 300 people attended a community preview for *Grayson Perry* and for *Hajj: Journey to the heart of Islam*, over 870 people responded, the largest community preview ever held at the BM.

Media and publications

The BM's national and international presence is supported by film, radio, television and publications. The BM online is an important focus, providing new types of access to the collection, research and events. With increasing digital participation, the BM is bringing people from around the world into its cultural conversation.

The BM/BBC Radio 4 series *A History of the World in 100 Objects* continued its international success in 2011/12. The overall programme, including events and displays with 550 museums around the UK, won the 2011 Art Fund Prize for 'Museum of the Year'. There have been over 27.5 million downloads of the series worldwide. The book is being published in ten countries including Russia, China, Korea, Japan, Italy and Spain. It has already appeared in the USA, and in Dutch and German translations, earning enthusiastic reviews. The two British editions became the top-selling history book in the UK for the period, selling over 220,000 copies. It has sold over 350,000 copies worldwide.

A new BM/BBC Radio 4 collaboration was recorded for broadcast in April and May 2012. In *Shakespeare's Restless World*, BM Director Neil MacGregor explores the political, religious and social debates at the heart of Shakespeare's world, when the globe was first circumnavigated and public theatres like the Globe in Southwark first emerged.

TV and radio production teams visit the BM from across the world. In 2011/12 the BM reached at least 300 million people through broadcasts by the BBC, Channel 4, ITV, National Geographic, Discovery Channel, HISTORY, NBC America, Munhwa (South Korea), CCTV (China) and companies from across Europe. Location filming for advertisements and feature films saw the BM appear in a popular Chinese romantic comedy, *Dear Enemy*, while the BM's west London storage facility, shared with the V&A and Science Museum, had a starring role in *Tinker Tailor Soldier Spy*.

Television tie-ins included BBC4's *Treasures of Heaven*, with Andrew Graham-Dixon, and a documentary on *The Hidden Art of Islam*. Using footage commissioned by the BM, BBC1's *Imagine* followed artist Grayson Perry as he unearthed extraordinary objects from the collection. These programmes were seen by several million UK viewers.

An increasingly large public is reached via Facebook, Twitter and other social media. Followers on Twitter (94,000) increased by 92%, and 'likes' on Facebook (182,000) doubled, with over half coming from those between the ages of 18 and 34. The website's redesign in 2011 streamlined both its appearance and functionality, particularly for increasing numbers accessing it on smartphones and other mobile devices. The BM blog allows the Museum to speak with a more personal voice about work, whether it's progress on a dig in Sudan or the latest discovery of a Viking hoard, with an opportunity for visitors to comment. The blog receives on average 12,000 views per month.

The BM's collection online now receives on average 1.5 million page views per month – an astonishing resource for public knowledge and communication. On 19 July 2011, the Documentation Section added its two millionth digital record – a tiny silver coin from the Hoxne Hoard, one of 15,000 Roman coins discovered in Suffolk in 1992. New research pages online included two major projects funded by the Leverhulme Trust: Money in Africa and Andean textiles. New research catalogues published on the BM website include ancient Cyprus, Egyptian papyri and a forthcoming catalogue on Asante gold regalia from Ghana.

National

From encouraging the public to report archaeological finds to training young museum professionals, the BM runs a range of nationwide programmes. Objects from the collection are loaned to museums and galleries across Britain and the BM offers support in conservation, research and public programming.

With support from the Heritage Lottery Fund, the BM's Future Curators programme trains high-calibre entrants to the sector. Trainees spend six months on placement at the BM and a further year at a partner museum in Birmingham, Bristol, Glasgow, Manchester or Newcastle. Combining formal training with on-the-job experience, the participants acquire knowledge of collections, a range of curatorial and transferable skills, and a network of valuable professional contacts. For its initial five places, the BM received 700 applications, while phase 2 had more than 1500 applicants.

National tours of BM exhibitions show the collection to audiences around the country. A new BM tour, *Warriors of the Plains*, took pow-wow regalia and medicine shields to Lotherton Hall, Leeds, the first of four UK venues. In Northern Ireland, at the Ulster American Folk Park in Omagh, the Plains Indian display was of particular interest set against the museum's own indigenous material from North America. Longstanding tours met with continuing success. *The Lewis Chessmen: Unmasked* was seen by 20,000 visitors in Stornaway on the Isle of Lewis – a number nearly as large as the entire population of the Outer Hebrides. Ancient Greek pottery showing athletes, heroes and warriors could be seen in Luton; revolutionary Mexican prints in Newcastle; and works by Toulouse-Lautrec in Cardiff, the final venue in a tour viewed by 90,000 visitors. Tours were supported, among others, by the Dorset Foundation and Monument Trust.

The record for attendance at a UK tour for the BM is *China: Journey to the East*, a CHINA NOW legacy project which was supported by BP: 100 objects, 3,000 years of Chinese history, 400,000 UK visitors so far. The hugely popular display was seen in Manchester before continuing to Sheffield in December 2011.

Loans from the BM support permanent galleries and exhibitions across the UK. In total the BM lent 1196 objects to 70 cities and towns across the UK in 2011/12.

The largest UK touring exhibition ever undertaken by the BM is *Pharaoh: King of Egypt*. In partnership with the BM, the show was curated by the Great North Museum, the first of six UK venues. It attracted 55,000 visitors in 21 days in Newcastle, with a final attendance of 155,000. The next venue was the much smaller Dorset County Museum, which was transformed by the show. It attracted new funding and sponsorship, increased its press coverage, and was able to improve its building. Visitor numbers rose from 6,000 to over 26,000, with spending in the museum rising by more than fivefold.

In June 2011, the Roman Frontier gallery was opened in Carlisle by BM Director Neil MacGregor. It tells the story of the Roman Empire's northernmost frontier. Tullie House Museum's historical location near Hadrian's Wall makes it an ideal venue to display loans from the BM collection of material from Ancient Rome. It is hoped the new gallery will boost annual visitor numbers to more than 300,000.

A redisplay of the Buddha Gallery at Birmingham Museum and Art Gallery was launched by BM Trustee Karen Armstrong. BM staff also worked with the Ashmolean Museum, Oxford to advise on the conservation and display of painted wooden coffins from Ancient Egypt.

The BM's Portable Antiquities Scheme (PAS) is a nationwide project to record archaeological finds made by the public. In 2011, there was a 3.7% rise in reported finds, while reported Treasure increased by 13%. Most notable of the year's discoveries was a Viking hoard. It was found at Silverdale in Lancashire in September 2011 and included the coin of a hitherto unknown Viking ruler.

With nearly half a million visitors accessing the PAS database, it won the Best of the Web award for research and online collections at the 2011 Museums and the Web conference. Recording over 750,000 objects, the database is increasingly a resource for research on archaeology in England and Wales, and in 2011, a major grant from the Leverhulme Trust was awarded to study PAS as a tool for archaeological research.

International

The BM maintains ties across the globe. Interpreting and using the collection internationally is part of its cultural project to exchange ideas and expertise worldwide. Work abroad extends to sharing skills with other countries, supporting their cultural work, lending objects, touring exhibitions and undertaking archaeological research.

In January 2012, in partnership with India's Ministry of Culture and National Culture Fund, the BM launched a cultural leadership programme. Twenty participants from across India were selected for intensive training with BM staff, covering the range of museum leadership skills needed today – from strategic planning and change

management to conservation and display. The three modules in Delhi, London and Mumbai will aim to develop future leaders in the museum sector, capable of achieving high cultural impact (with the various social and economic benefits that may bring) in their local areas.

Projects with India are just some of the many international training and research partnerships worldwide. A staff exchange with the Shanghai Museum saw a visiting curator work with a BM curator and conservators to take rubbings from ancient Chinese bronzes in the BM, while a memorandum of understanding signed in December 2011 with the National Museum of Denmark and the Ny Carlsberg Glyptotek saw over 100 scientists and conservators visit the BM to form a unique research consortium combining medieval history, classical archaeology, scientific research and conservation.

The BM's highly successful International Training Programme, funded by a range of private donors, invites museum professionals at various stages of their careers to the UK. They visit the BM and spend time at museums across Britain. The goal is to expose them to the best, most exciting museum practices today, from technical skills in conservation to ideas for access and learning, such as running object-handling events for adults and children. In 2011, 22 trainees from 11 countries took part, from China, Egypt, India, Iraq, Kenya, Nigeria, Palestine, Sudan, Turkey and (for the first time) Afghanistan and Brazil.

The BM is extensively involved with museums in Africa. In June 2011 the BM's Africa Programme received a grant from the Getty Foundation to deliver a three-year training project in East Africa. Workshops in core museum skills – collections care, preventive conservation, exhibitions and education – will be offered to staff in the national museums of Kenya, Tanzania and Uganda. With support from the Ford Foundation, the BM delivered workshops at the Armed Forces Museum in Kumase, Ghana, and at the National Museum Lagos, Nigeria. Other activities in Africa included support for an exhibition at the National Museum of Sierra Leone to celebrate the country's 50th anniversary of independence, and a series of textile training workshops for staff from across museums in Nigeria to support the installation of a major exhibition, *African Lace*.

The Zayed National Museum (ZNM) will tell the story of Abu Dhabi, the history of the United Arab Emirates and the legacy of their founding statesman, Sheikh Zayed. Part of the new Saadiyat Island complex, ZNM is a completely new museum, and the BM is advising on many aspects of its operations, from collections and acquisitions to gallery development and public programming. Other work in the region included support for Iraq, where the Lakeside Palace is being refurbished to house the Basra Museum.

BM touring exhibitions allow people around the world to see the collection. *The Body Beautiful in Ancient Greece* had over 400,000 visitors in Kobe and Tokyo, before travelling to Mexico City. *Fantastic Creatures* took griffins, sphinxes, unicorns and other mythical creatures from different cultures to Korea and China. *Splendours of Mesopotamia* was the most popular exhibition ever held in the United Arab Emirates. To mark the meeting of the Commonwealth Heads of Government, the BM sent *Extraordinary Stories: Commonwealth Objects from the British Museum* to the Western Australian Museum in Perth.

The BM sent 1294 objects to 102 venues outside the UK in 2011/12. Most widely reported of the year's loans was the return of the Cyrus Cylinder from Iran. As Jon Snow reported on his Channel 4 blog: 'the entire cultural exchange has proved vastly important ... The Cyrus Cylinder has ignited a new debate in Iran about the country's culture and history.'

BM staff engage in fieldwork across the globe – from South America to north Wales, the Far East to Sudan's Amara West. Excavations in south-east Turkey at the Neolithic site of Domuztepe are rewriting our understanding of the origins of the first cities. BM staff also explored rock tombs at Hagr Edfu and dynastic animal burials at an Upper Egyptian cemetery at Hierakonpolis. An interdisciplinary collaboration at Amara West has thrown up fascinating finds, and work continued on the BM's international project aiming to unlock the enormous potential of the Naukratis site, a Greek trading post in the Nile Delta and a gateway for cross-cultural contact from the 7th century BC.

To invest in our people

Employees

The Museum's current and future success can only be achieved through the commitment of its staff, and the Trustees would like to record their gratitude for the hard work of staff throughout the year.

As set out in note 6 to the accounts, the British Museum employs over a thousand people. The Museum endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited and

retained, that they are appropriately trained, and that they are well managed and work in an environment in which they can give of their best. Regular communication with staff occurs in a number of ways:

- the British Museum Consultative Committee meets quarterly to allow management and union representatives to discuss issues raised by staff; employees are encouraged to raise relevant matters with their representatives. The Director and a trustee attend one meeting each year;
- information from the Museum Management Group is disseminated through departmental meetings and informal briefings. A quarterly Management Report is published on the intranet;
- the Museum holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues;
- Office Notices were issued twice a week during the year to advise staff of events, job opportunities, organisational changes, common procedures and where to find information;
- the Museum runs an Employee Opinion Survey on a biennial basis to encourage feedback on a range of areas;
- the intranet was re-launched in March 2012, with a new format and improved content. The new site reflects the results of consultation across the Museum;
- during 2011/12 the Director held a number of open meetings to discuss the impact of the Spending Review with staff, and regularly updates staff through the intranet.

The British Museum acknowledges its responsibility for, and commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, and contractors, will receive due priority for action at all times.

Responsibility also lies with individual members of staff, their representative unions and all contractors to give their full attention and co-operation to the implementation of this policy so that the Museum can provide a safe and healthy environment at all times. The Museum employs a Health and Safety Adviser and has developed and implemented a number of health and safety training initiatives during the year. A confidential employee assistance programme offers independent professional help on personal issues whether work related or otherwise. It is available to all staff and has a steady uptake.

In 2011/12, the average number of days lost for sickness and absenteeism was 5.87 days per person, compared with 6.99 in 2010/11.

The pay and grading system based on job families and market rates, an appraisal process, and a forward programme of learning and development activities are fully deployed across the Museum. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 19 to the financial statements.

Diversity

Central to the Museum's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The British Museum is an equal opportunities employer. It recruits people based on merit and endeavours to recruit from the diverse communities in London and nationally. It has a published policy on the recruitment, employment and the development of staff regardless of their gender, ethnicity, sexual orientation, age or disability. The current ethnic profile of staff is: 80% white, 8% black, 4% Asian, 2% mixed, 1% Chinese, 3% other and 2% unstated. The gender profile is 52% female and 48% male.

The Museum continues to identify diversity as one of its core values. Resource has been allocated to a number of initiatives that develop the organisation's understanding of, and response to, its diverse audiences:

- A wide range of community programmes are now in place working with more than 300 community partner organisations. Programmes include privileged access to exhibitions and events, training for community leaders, and tailored projects for individual audiences that find the Museum hard to access.
- The Museum's access services continue to expand with notable increased attendance of blind and partially sighted audiences resulting from the Museum's successful curator led handling programme. Visits by deaf audiences have also dramatically increased in 2012 as a result of the Hajj exhibition. The exhibition attracted tremendous interest from the deaf Muslim community, with over 150 deaf Muslims attending curator talks and exhibition private views.

- Equality and access training has developed significantly, with new training for Visitor Services staff, new deaf awareness staff training and a programme of training around the Equality Act 2010 all in place or in development.
- The Museum ran a major national conference on equality, Cultural Equality Now, in December 2011 – placing the BM at the centre of a sector-wide conversation about diversity.

Volunteers

Nearly 900 volunteers freely contribute their time to support the Museum's activities. They contribute to almost every area of the BM, in the departments, where they provide valuable assistance with administration, library or scanning work, on projects where they help with collating and recording vital collection information; they deliver the free Hands On handling programme and the free eye-opener tours and they ensure that events, lectures and family activities run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

To increase self-generated income

The Museum continues to rely on the generosity of a large number of private donors, sponsors, trusts and foundations.

The "Fundraising and finance" section below provides more detail of the Museum's success in building strong partnerships with a range of supporters.

Plans for future periods

The Museum faces some major financial challenges over the next three years, the main ones being the completion and commissioning of the World Conservation and Exhibitions Centre and the need to address a significant reduction in funding from government announced as part of the 2010 Spending Review. At the same time, the Museum will ensure that priority is given to the care of the collection, to delivering a lively public programme and continued investment in its people. The activities set out in the Museum's Operating Plan for 2012/13 seek to achieve these aims and ensure that the Museum's unique standing as a museum of the world for the world is maintained.

Following a reduction of 3% in the government grant for 2010/11, it was announced in 2010 that resource grant-in-aid for the Museum will be cut by a further 15% in real terms over the four years beginning in 2011/12. Without action, the Museum would face a significant structural deficit by 2015. In order to ensure a balanced budget the Museum has established a Financial Sustainability Programme to prioritise income generation and efficiency savings, ensure tight control of the operating cost base, and establish a sustainable operating model for the Museum in the longer term.

The key priorities for the Museum in 2012/13 will be:

- A programme of exhibitions and events to celebrate the Olympics, the Queen's Diamond Jubilee and the World Shakespeare Festival, part of the London 2012 Cultural Olympiad;
- The World Conservation and Exhibitions Centre;
- The Financial Sustainability Programme;
- The Research Programme;
- Membership; and the
- Zayed National Museum.

Fundraising and finance

British Museum benefactors

Since the BM was founded in 1753, its collection has been continually enriched by a wide range of benefactors. The Museum's supporters, like its collection and visitors, come from all over the world and their generosity enables the BM to fulfil its international mission.

The American Friends of the British Museum have supported many global projects and have recently played an important role in securing the acquisition of an important collection of cylinder seals from the Middle East and a rare male Cycladic figurine. The International Training Programme, which welcomes museum professionals from dozens of countries, is entirely funded by donors. Their support ensures that the BM remains truly a museum of the world by helping to create an international network of highly trained future cultural leaders. The BM's new World Conservation and Exhibitions Centre will support global loans and exhibitions and has already attracted extraordinary benefaction.

The Museum is fortunate to have secured support for its activities in London and throughout the UK. This funding has come from corporations, private individuals, trusts and foundations. The Asahi Shimbun *Object in Focus* displays are a popular feature of the BM's regular exhibitions programme. The Museum's work with families and young audiences has received ongoing support from Samsung Electronics through the Samsung Digital Discovery Centre. Research on and care for the collection also attracts vital funding. The Trustees are grateful to the Leverhulme Trust and the Arts & Humanities Research Council for research grants which recognise the BM as a centre of excellence. Major long-term commitments to funded research posts were made possible by the Henry Ginsburg Bequest and the Tabor Foundation. The Farjam Curator of Islamic Art has been appointed and this year will see work on Japanese ceramics funded by Ms Claire Enders, Mr and Mrs William Arah and Robert and Catherine White.

Other supporters give vital general funding to the Museum. The British Museum Friends is one of the fastest growing membership groups in the UK arts sector. Over 40,000 Friends – whose benefits include free entry to exhibitions – now support the BM's mission. The Global Partners scheme has a number of benefits for the staff of corporate members, as well as the opportunity to entertain at the BM. A number of firms, including Ernst & Young and Slaughter and May, have provided valuable support for the Museum's work. Patrons are private members who enjoy special 'behind the scenes' access and invitations. Some of the Museum's annual subscribers have an interest in adding to particular aspects of the collection. The recently launched Vollard Group supports the acquisition of modern and contemporary works on paper and the Contemporary and Modern Middle Eastern Art Acquisitions Group recently travelled with a BM curator to the Middle East to purchase new works. This growing community of supporters underpins many aspects of the work of the BM. A list of the Museum's corporate partners and philanthropic supporters appears at the end of the BM Review, available on the Museum's website.

Grant-in-Aid

The British Museum received £44.5 million revenue and £11.6 million capital grant-in-aid from the Department for Culture, Media and Sport in 2011/12 (£43.4 million and £2.9 million in 2010/11). For the first time, revenue funding included a ring-fenced allocation of £1.4 million for the Portable Antiquities Scheme, previously drawn down from the Museums, Libraries and Archives Council. Capital funding included an allocation of £8.9 million for the World Conservation and Exhibitions Centre.

The Department has confirmed the level of revenue funding it is making available for the four years of the current Spending Review period, ending 31 March 2015; although grant levels for the final two years may be subject to change. See the section "Plans for future periods" above for further details.

Trading

Retail activity benefited from the flourishing onsite exhibitions programme and strong visitor numbers. Consultancy work and a run of successful international exhibitions continue to cement relationships with other museums across the world, as well as providing funding. Overall trading income at the end of the year was £12.3 million (2010/11: £11.2 million).

Capital expenditure

Capital expenditure, mainly on the World Conservation and Exhibition centre but also on plant, building fabric and gallery refurbishments, amounted to £20.1 million, compared with £12.6 million in 2010/11.

Grants

The British Museum made grants totalling £29.5 million during the financial year (£17.4 million in 2010/11). This consisted of grants to regional museums to support the work of find liaison officers working on the Portable Antiquities Scheme, the only proactive mechanism in England and Wales for recording archaeological finds made by the public; grants to the British Museum Trust Limited, an independent registered charity (registration number: 1140844); and grants to a range of other institutions.

Reserves

At 31 March 2012 the Museum's reserves were as follows:	£m
Collection items acquired since 31 March 2001	54
Museum and, buildings, plant and equipment	458
Permanent Endowment	11
Restricted funds	25
Designated funds	36
Investment estate	3
Unrestricted trust funds	8
Unrestricted funds	4
Total	599

The collection items and the fixed assets are fully employed in the operation of the Museum and are not available for any other purposes.

The permanent endowment funds are restricted funds where the Trustees do not have the power to convert the capital to income.

The restricted funds represent disposal proceeds and donations over which there are specific conditions or legal restrictions relating to their application. Note 15 to the accounts summarises the value and purposes of the Museum's principal restricted funds.

Reserves policy

During the year, and with reference to guidance from the Charity Commission, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of between one and three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at March 2012 represents cover of just less than one and a half months.

Monitoring levels of reserves

The Standing Committee monitors the levels of reserves at the Museum on a quarterly basis as part of their review of the Management Accounts. During the year, the total level of reserves was affected by the upward revaluation of the Museum's tangible fixed assets (£13 million), losses on investments (£0.3 million) and losses on the defined benefit scheme (£1.4m).

Maintaining reserves

The operating plan ensures adequate levels of reserves are maintained.

Reviewing the reserves policy

The Board of Trustees reviews the reserves policy when circumstances change and at least annually.

Designations

Note 15 to the accounts sets out the Trustees' designation of funds, including the quantity, purpose and likely timing of expenditure from the funds.

Investments and financial risks

During the year the Trustees continued to manage the Museum's restricted and unrestricted funds as two separate portfolios. The Investment Sub-committee (ISC) considered the level of risk appropriate for each portfolio, together with future cash flows, and recommended asset allocations for each.

Restricted portfolio: the overriding objective for donors is to fund specific areas of activity at the Museum. The investment portfolio is managed to maximise the long-term total return consistent with this aim.

Unrestricted portfolio: the objective is to fund general activity at the Museum, and projects for which designations are made by the Trustees. The investment portfolio is managed to maximize the long-term total return consistent with this aim.

The return objective for each portfolio is to preserve and if possible enhance the purchasing power of its funds, net of costs and approved withdrawals. The allocations are reviewed regularly by the ISC and modified as needed in light of experience and changing circumstances, based on research and discussion involving the ISC members and outside experts and with due consideration to the Charity Commission guidance about ethical investments. Such discussion focuses on the Museum's liquidity needs and perceived risk tolerance, as well as the projected behaviour of asset classes.

The financial risks relating to investments are managed by:

- containing portfolio return variability through careful portfolio construction, for example by restricting the proportion of the portfolio allocated to asset classes that have had high historical variability in returns;
- protecting funds from significant foreign exchange rate fluctuations through the deployment of appropriate hedging strategies;
- setting limits on the proportion of funds that can be held within illiquid assets, and monitoring liquidity levels on a quarterly basis; and
- monitoring investment performance of both total portfolio and individual assets against agreed and relevant benchmarks on a quarterly basis.

In 2011/12, the Museum made total net returns on its investments, including investment properties, of £1.9 million, of which £0.3 million represented net realised and unrealised losses (shown on the face of the SOFA) and £2.2 million net interest, dividends and investment management fees. During the year the ISC revisited asset allocations and made a number of adjustments in the light of changes in the wider economic environment and the Museum's likely future cash flow requirements.

Further information on the Museum's financial risk management, including quantitative disclosures, is included in note 21 to the accounts.

Public benefit, sustainability, social and community issues

Public benefit

The British Museum today continues its tradition of responsibility to the public. It first opened its doors to the public on 15 January 1759. The British Museum Act six years earlier had ensured that the founding collection of Hans Sloane – over 71,000 objects, as well as his library and herbarium – be 'preserved and maintained, not only for the Inspection and Entertainment of the learned and the curious, but for the general Use and Benefit of the Public'. A building was found, Montagu House on Great Russell Street, and the Sloane collection gradually moved in under the supervision of the 'Officers of the House' and the Board of Trustees.

The stewardship of the Trustees stipulated in Sloane's will has been an essential ingredient in making the BM the cosmopolitan institution it is. Operating on behalf of the government, but at one remove from it, the Board ensured that the BM was neither an arm of state nor a royal prerogative (as in other countries) but a genuinely public museum – the world's first encyclopaedic museum on such a scale. The number and variety of Trustees

from that earliest group in the 1750s have always ensured that the institution has been governed by a plurality of opinions and ideas.

The BM is one of the marvels of the Enlightenment. Access to the greatest achievements of humanity was made free to all, and what was once the preserve of privilege became the right of everyone. Annual visitors grew from 5,000 to 12,000 in the 18th century; there were nearly 300,000 a year by the mid-1830s; 5.8 million visited in 2011/12.

The BM is a world collection for the world – for experts and the general public, for anyone who chooses to enter its doors. And those doors are not merely a gateway in Bloomsbury. Beyond the BM's popularity in London, it is accessed online by millions of visitors annually. Their presence increasingly redefines the BM today as an international online space where records of more than two million objects can be freely seen and downloaded by anyone at any time. The collection is also taken across the UK and the globe.

The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission in defining the strategic direction of the Museum.

Estates management

All the Museum's departments are based on its main site at Bloomsbury. Two buildings in Hoxton provide additional workshops and storage. Textiles and archaeological and general materials are stored at a property in Hammersmith shared with the Science Museum and the Victoria and Albert Museum. Additional off-site storage is leased in Wiltshire to house unregistered material that requires relatively infrequent access.

Sustainability report

The British Museum recognises that its activities impact on society and on the environment at local, regional and global levels through the energy and water used, the waste it produces, the travel and work patterns it encourages amongst its staff and the products it buys. The Museum is committed to sustainable development throughout all aspects of its operations. A sustainable development strategy complements the policy which was approved by the Trustees in 2007.

Greenhouse gas emissions		2011/12	2010/11	2009/10	2008/09
Non-financial indicators (tonnes CO ₂)	Emissions: scope 1 and 2	9,261	9,724	10,039	10,373
	Emissions: scope 3	201	~	~	~
Energy consumption (thousand kWh)	Total gas & electricity consumption	25,240	27,198	27,091	28,476
Financial indicators (£ million)	Total gas & electricity cost	£1.4	£1.3	£1.4	£1.8

Since the baseline year of 2009/10, the Museum has achieved a 7.7% reduction in scope 1 and 2 carbon emissions from estate buildings and a 6.8% reduction in energy consumption. This compares favourably with the target reductions in carbon emissions of 3% per annum set out in the Museum's Bloomsbury Site Outline Carbon Strategy.

The reduction in carbon emissions and energy use is attributable to a number of initiatives including:

- Close monitoring of energy consumption using an automatic monitoring and targeting system;
- Connecting the main boilers to the Building Energy Management System; and
- Installing inverter drives to the primary heating pumps and connecting these to the Building Energy Management System.

The Museum intends to take part in the Carbon Trust Public Sector Carbon Management Programme and will draw up a revised energy strategy. The Museum's role requires its staff to travel within the UK and internationally, although the Museum has for example invested in tele-conferencing facilities to reduce the number of flights required.

Waste		2011/12	2010/11	2009/10	2008/09
Non-financial indicators (tonnes)	Total waste arising	317	396	~	~
	Waste sent to landfill	31	~	~	~
	Waste recycled/reused	286	~	~	~
	Waste incinerated	Nil	~	~	~
Financial indicators (£k)	Total disposal cost	£72	£70	~	~
<p>The Museum is working to the Greening Government Commitments (GGC) targets, which are to reduce waste arisings by 25% by 2020 and increase recycling to 75% by 2020, based on 2004/5 figures. It is regularly achieving a monthly recycling figure of 89% or above, with a reduction this year from last in total waste arisings.</p>					

Finite resource consumption		2011/12	2010/11	2009/10	2008/09
Non-financial indicators ('000 m ³)	Total water consumption	102	99	110	103
Financial indicators (£k)	Total water cost	£153	£159	£138	£188
<p>Water consumption across the Museum estate in 2011/12 was 7.3% lower than the baseline year of 2009/10. This can be attributed to continual monitoring of consumption and repairing a number of small leaks. The Museum has, for example, initiated a programme to refurbish public and private toilet facilities, which includes the installation of water-saving devices.</p> <p>The Museum has focused on reducing its scope 2, purchased water consumption in 2011/12 as this is significant. The forthcoming Energy Strategy will identify areas where the Museum can engage with suppliers to reduce its scope 3 other indirect water consumption. This includes embodied water emissions in products and services (upstream) as well as the products, services and policies that the Museum contributes to water use (downstream).</p>					

Biodiversity action planning
<p>The Museum's new WCEC building has been designed with energy efficiency and sustainability issues in mind, helping to contribute to the Museum's site wide energy reduction plans, with the project team aiming for a BREEAM 'Excellent' rating for the new building. The Museum has agreed a series of specific measures with the London Borough of Camden such as local procurement and local employment initiatives, as well as a series of biodiversity measures including green roofs, landscaping, bee hives and nesting boxes for swifts. Further information is available on the Museum's website.</p>

Sustainable procurement
<p>The Museum policy on Sustainable Development states that the procurement of goods and services which have the least environmental impact in terms of their production, delivery, installation, use and disposal will be considered wherever practical and appropriate. Contractors and suppliers are encouraged to develop environmentally preferable goods and services and to be aware of sustainability issues. The Museum has sought to actively implement the Department for Environment, Food and Rural Affairs (Defra) Government Buying Standards for specifying sustainable goods and services across its departments since Summer 2011, and the standards are applied for procurement relating to the WCEC project.</p>

Notes:

1. This report has been prepared in accordance with guidelines laid down by HM Treasury in *Public Sector Sustainability Reporting* published at www.financial-reporting.gov.uk.
2. The data relate to consumption on the main Museum site in Bloomsbury, its perimeter properties, and at off-site workshops and storage in Hoxton. They do not include the shared storage in Hammersmith or the off-site storage in Wiltshire. Certain historic data are not available; these are marked with a '~'.
3. Emissions accounting includes Scope 1 and 2 emissions along with separately identified emissions related to official travel.

- a. Scope 1 reflects direct emissions, and only include fuels combustion, for which Defra/Carbon Trust conversion factors have been used. Emissions from owned transport, physical or chemical processing and fugitive emissions have not been included; robust estimates are not possible at this point, but the Museum does not consider the values to be material. A plan to improve data collection is under development.
 - b. Scope 2 reflects indirect emissions, and includes purchased electricity. The British Museum does not have any purchased heat, steam and cooling.
 - c. Scope 3 emissions relate to official business travel directly paid for by the Museum. They are estimated on the basis of information from the Museum's major suppliers and using the Defra/Carbon Trust conversion factors, and do not include international air or rail travel, in line with GGC.
4. Waste data are based on information from the Facility Services provider, who is responsible within the contract for disposal of all site waste with the exception of catering waste and Information Systems (IS) waste electrical and electronic equipment (WEEE). The Museum is currently re-procuring its Facilities Management provision, and it is envisaged that the new contract will include management of catering waste. IS WEEE disposal figures are included from 2011/12 onwards.

Suppliers

The Museum aims to settle bills within 30 days or by the due date. In 2011/12 it paid 70% of all invoices within the target (67% in 2010/11). In January 2012 the accounting system was upgraded to allow the electronic approval of purchase orders and invoice authorisation, which is expected to improve payment statistics further.

Activity under immunity from seizure

On 12 June 2008 the Secretary of State granted the British Museum "approved status" under Part 6 Tribunals, Courts and Enforcement Act 2007 entitling it to confer protection from judicial seizure on objects loaned from abroad for temporary public exhibitions, provided the conditions set out in section 134 of the Act are met when the objects are brought into the UK.

Since 31 March 2011 the British Museum has granted protection under Part 6 Tribunals, Courts and Enforcement Act 2007 to objects brought into the UK for the following exhibitions:

<i>Treasures of Heaven: Saints, Relics & Devotion in Medieval Europe</i>	23/6/11 – 9/10/11	46
<i>Hajj: journey to the heart of Islam</i>	26/1/12 – 15/4/12	227

A wide variety of objects have been protected, including stone sculpture, textiles, paintings, manuscripts, metalwork, and archaeological materials, from museums, libraries, private galleries and in some cases private individuals.

The due diligence process has been conducted primarily by exhibition curators. In most cases, the objects borrowed were previously published, and establishing provenance presented few difficulties.

In the case of unpublished objects, lending institutions and individuals were asked to provide information about the circumstances in which objects were acquired or excavated, and where appropriate, copies of export licences were requested. Searches were made on the Art Loss Register where provenance history appeared incomplete (particularly during the period 1933-45 or where objects were excavated after 1970).

During the period from 1 April 2011 to 31 March 2012 the British Museum received no requests for the provision of information from potential claimants pursuant to article 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Reference & administrative details

The Board of Trustees³

Mr Niall FitzGerald KBE (Chair) (C)	4/4	Ms Penny Hughes CBE (A) (reappointed 01/07/11)	4/4
Chief Emeka Anyaoku (B)	2/4	Sir George Iacobescu CBE (A) (reappointed 01/07/11)	2/4
Ms Karen Armstrong (A)	3/4	Dr Olga Kennard OBE (F) (retired 31/03/12)	3/4
Professor Sir Christopher Bayly (D)	4/4	Baroness Kennedy of the Shaws, QC, FRSA (A)	3/4
Lord Broers of Cambridge FEng, FRS (C)	2/4	Sir Richard Lambert (A) (Deputy Chair) (retired 25/06/11)	0/0
Sir Ronald Cohen (A)	1/4	Mrs Edmée P. Leventis (C) (retired 27/11/11)	3/3
Mr Francis Finlay (A)	3/4	Mr John Micklethwait (A) (appointed 01/08/11)	3/3
Dame Liz Forgan OBE (A) (Deputy Chair 01/01/12)	3/4	Mr David Norgrove (A) (Deputy Chair 26/06/11-22/03/12)	4/4
Professor Clive Gamble (E)	3/4	Professor Amartya Sen (C)	2/4
Ms Val Gooding CBE (A) (Deputy Chair) (retired 31/12/11)	3/3	Sir Martin Sorrell (C) (appointed 01/04/11)	1/4
Mr Antony Gormley OBE (G) (reappointed 01/04/11)	3/4	Lord Stern of Brentford, Kt, FBA (A) (Deputy Chair 23/03/12)	3/4
Ms Bonnie Greer OBE (A) (Deputy Chair)	4/4	Baroness Wheatcroft of Blackheath (A)	3/4

(A) 15 Trustees are appointed by the Prime Minister.

The remaining Trustees are appointed by:

- (B) the Sovereign;
- (C) the Trustees; or
 - the Secretary of State on the nomination of:
 - (D) the British Academy
 - (E) the Society of Antiquaries of London
 - (F) the Royal Society
 - (G) the Royal Academy

A register of Trustees' interests is maintained by the Governance Manager and is open to inspection at the Museum on application to him. Details of related party transactions are disclosed at note 17 to the accounts.

³ Note that the fractions reflect attendance at eligible meetings during the year.

Trustees' committees and membership

<i>Standing Committee</i>		<i>Nominations and Governance Committee</i>	
Mr Niall FitzGerald KBE (Chair)	8/8	Ms Val Gooding CBE (retired 31/12/11)	2/2
Mr Francis Finlay	6/8	Mr Niall FitzGerald KBE (Chair 01/01/12)	3/3
Dame Liz Forgan OBE	8/8	Chief Emeka Anyaoku	1/3
Ms Val Gooding CBE (retired 31/12/11)	4/6	Baroness Kennedy of the Shaws, QC, FRSA	3/3
Ms Bonnie Greer OBE	5/8	Dame Liz Forgan OBE (appointed 01/03/12)	0/1
Sir Richard Lambert (retired 25/06/11)	1/1	Ms Bonnie Greer (appointed 01/03/12)	1/1
Mr David Norgrove (retired 22/03/12)	6/8	Dr Olga Kennard (retired 31/03/12)	2/3
Lord Stern of Brentford, Kt, FBA	6/8	Mr David Norgrove (appointed 01/03/12, retired 22/03/12)	1/1
Professor Clive Gamble (appointed 01/10/11)	5/5		
Ms Penny Hughes CBE (appointed 19/01/12)	1/2	<i>World Conservation & Exhibitions Centre Committee</i>	
		Dame Liz Forgan OBE (Chair)	7/7
<i>Audit Committee</i>		Sir George Iacobescu CBE	3/7
Mr David Norgrove (Chair)	4/4	Dr Olga Kennard OBE	5/7
Lord Broers	4/4	Mr David Lindsell (co-opted)	5/7
Professor Clive Gamble	3/4	Mr David Norgrove	5/7
Sir Ian Johnston (co-opted)	3/4		
Sir Richard Lambert (co-opted)	2/4		
Mr David Lindsell (co-opted)	4/4	<i>Investment Sub-committee</i>	
Mr John Micklethwait (appointed 27/10/11)	0/3	Mr Francis Finlay (Chair)	2/2
Mr Francis Plowden (co-opted)	3/4	Sir Richard Lambert (retired 25/06/11)	0/1
Baroness Wheatcroft	3/4	Mr John Micklethwait (appointed 01/08/11)	0/1
		Baroness Wheatcroft	2/2
<i>International Strategy Committee</i>			
Mr Niall FitzGerald KBE (Chair)	2/2		
Chief Emeka Anyaoku	1/2		
Ms Karen Armstrong	2/2		
Professor Sir Christopher Bayly	2/2		
Mr Antony Gormley	2/2		
Lord Stern of Brentford, Kt, FBA	2/2		
Sir Richard Lambert (co-opted 26/06/11)	1/2		

Trustee membership of related Councils and Boards

The British Museum Company Limited: Board of Directors

Ms Penny Hughes CBE (Chair)

Ms Bonnie Greer OBE

The British Museum Company Limited: Audit Committee

Ms Penny Hughes CBE

The British Museum Friends: Council

Mr David Norgrove (Chair)

Ms Penny Hughes CBE

Professor Clive Gamble (appointed 5/3/12)

The American Friends of the British Museum

Mr Francis Finlay (Chair)

Mr Niall FitzGerald KBE (ex officio)

Official addresses as at 31 March 2012

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
The British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
The British Museum Company Limited:	38 Russell Square, London WC1B 3QQ
Auditors:	
The Museum, Trust Funds and the group	The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
The British Museum Company Limited	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
The British Museum Great Court Limited	
Bankers:	
	Government Banking Service, Southern House (7th Floor), Wellesley Grove, Croydon, CR9 1WW
	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum
Investment advisers:	Partners Capital LLP, 5 Young Street, London W8 5EH.

DCMS' performance indicators

The Museum signed a Funding Agreement for 2008-11 with DCMS in June 2008, which introduced a new set of standard performance indicators to facilitate consistent reporting across national museums and galleries. 2008/09 is the baseline year for reporting these indicators.

	2011/12	2010/11	2009/10	2008/09
Number of visits to the Museum (excluding virtual visits)	5.8m	5.9m	5.7m	5.5m
Number of unique website visits	23.8m	21.5m	15.0m	10.7m
Number of visits by children under 16	561k	851k	831k	724k
Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8	167k	142k	102k	159k
Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	327k	289k	208k	242k
Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity	181k	71k	52k	73k
Number of overseas visitors	3.5m	3.6m	3.5m	3.2m
Number of facilitated and self-directed visits to the Museum by children under 16 in formal education	251k	231k	221k	219k
Number of instances of children under 16 participating in on-site organised activities	111k	127k	128k	82k
Number of instances of children under 16 participating in outreach activities outside the Museum	3.0k	3.4k	3.7k	1.4k
Number of instances of adults aged 16 and over participating in organised activities at the Museum	187k	270k	258k	232k
Number of instances of adults aged 16 and over participating in outreach activities outside the Museum	4.9k	4.5k	1.9k	1.8k
% of visitors who would recommend a visit	97%	96%	97%	85%
Admissions income	£2.2m	£2.4m	£2.2m	£3.4m
Trading income ⁴	£12.3m	£11.2m	£5.4m	£4.2m
Fundraising ⁵	£16.5m	£16.6m	£15.2m	£8m
Number of UK loan venues	162	178	151	152

⁴ Net profit from activities which involve selling a product or service to a customer, including international touring exhibitions, consultancy and retail.

⁵ Defined as activities which involve seeking financial support, e.g. from sponsors, private benefactors, charitable trusts.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

The financial statements follow the form directed by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992; in essence the financial statements must meet the requirements of the accounting standards issued by the Accounting Standards Board the Government Financial Reporting Manual and the Statement of Recommended Practice 2005, Accounting and Reporting by Charities, (the Charities SORP) in so far as those requirements are appropriate. A copy of the Accounts Direction may be obtained by contacting the Department for Culture, Media and Sport.

So far as the Accounting Officer and Board are aware, the Museum has disclosed all relevant information to its auditors. The Accounting Officer believes he has taken all the steps that he ought to make himself aware of any information relevant to the audit and to establish that the auditors are aware of that information.

Remuneration Report

In accordance with the Financial Reporting Manual the Museum has prepared this Remuneration Report containing certain information about directors' remuneration. "Directors" is interpreted to mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the Museum. In the Museum's opinion the Trustees and the Director are responsible for directing and controlling the major activities of the British Museum.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2010/11: £Nil). The emoluments and pension details of the Director are disclosed below.

As additional disclosure, the details of the emoluments and pension of the Deputy Director and Director of Administration are also presented below.

The disclosures in this table have been audited.

	Salary ⁶	Real increase in pension and related lump sum at pension age	Accrued pension at age 65 as at 31/3/12 and related lump sum	CETV ⁷ at 31/3/12	CETV at 31/3/11 ⁸	Real increase in CETV ⁹
Neil MacGregor Director	£180-185k (2010/11: £180-£185k)	£2.5-5.0k plus £7.5-10k lump sum	£95-100k plus £295-300k lump sum	£2,117k	£2,109k	£61k
Andrew Burnett Deputy Director	£140-145k (2010/11: £140-145k)	£0-2.5k plus £2.5-5.0k lump sum	£70-75k plus £215-220k lump sum	£1,615k	£1,525k	£42k
Christopher Yates Director of Administration	£100-105k (2010/11: £100-105k)	£0-2.5k plus £0-2.5k lump sum	£15-20k plus £50-55k lump sum	£248k	£224k	£4k

None of these senior managers received other cash or non-cash benefits of value, and no severance or compensation payments were made to senior managers during the year (2010/11: £Nil). All were members of the Principal Civil Service Pension Scheme as at 31/03/12 and, as such, early termination of their contract would have resulted in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No amounts were payable to third parties for services of a senior manager. The Director and Deputy Director opted out of the Civil Service Pension Scheme from 1 April 2012.

The banded remuneration of the Director in the current financial year was £180-185k (2010/11: £180-185k). This was 7.5 times the median remuneration of the workforce (2010/11: 7.3 times). The median total remuneration of the workforce in the current financial year was £24,431. This compares to £24,865 in 2010/11. Total remuneration

⁶ Salary includes gross salary payable during the year. None of these senior managers received bonuses, overtime, or allowances during the year.

⁷ A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

⁸ The actuarial factors used to calculate CETVs were changed in 2011/12. The CETVs at 31/03/11 and 31/03/12 have both been calculated using the new factors, for consistency. The CETV at 31/03/11 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

⁹ This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

includes salary, performance related pay, and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

The Nominations and Governance Committee, whose members are listed above, assesses the performance of the Director, Neil MacGregor, each year. His salary is agreed with the Chairman. His contract commenced in 2002 and expires in 2012/13, and specifies a notice period of three months. The Committee will discuss a possible extension to this contract in July 2012.

Andrew Burnett and Christopher Yates have permanent contracts commencing 1974 and 2008 respectively, with no expiry date and specifying three month notice periods. Neither received performance related pay in the year.

The Museum has a job family pay structure. Members of staff are allocated to clusters within each job family according to their responsibilities and competencies.

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short term projects are employed on contracts which match the duration of the projects concerned.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (Classic, Premium or Classic Plus); or a whole career scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2012. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos members build up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is updated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos.

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

5 July 2012

Statement of Trustees' and Accounting Officer's Responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Trustees of The British Museum 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 for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Museum and of its net incoming resources, recognised gains and losses, and cash flows for the financial year.

In preparing the Museum's accounts, the Trustees and Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

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

The Accounting Officer for the Department for Culture, Media and Sport designated Neil MacGregor as the Accounting Officer for the Museum.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which he is answerable, for keeping proper records and for safeguarding the Museum's assets, are set out in Managing Public Money issued by the Treasury.

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

5 July 2012

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 the British Museum for the year ended 31 March 2012 under the Museums and Galleries Act 1992. The financial statements comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the British Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Museum; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' and Accounting Officer's Annual Report, Remuneration Report and Statement of Trustees' and Accounting Officer's Responsibilities to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects the incoming resources and resources expended recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the British Museum's affairs as at 31 March 2012 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder with HM Treasury's consent.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury's consent under the Museums and Galleries Act 1992; and
- the information given in the Structure, governance and management. To invest in our people, Plans for future periods, Fundraising and finance, Public benefit, sustainability, social and community issues; and Reference and administrative details sections of the Trustees' and Accounting Officer's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C. E. Morse
Comptroller and Auditor General

10 July 2012

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

Consolidated Statement of Financial Activities for the year ended 31 March 2012

	Notes	Revenue Funds				Capital Funds				Total Funds					
		Unrestricted		Restricted	Total	Unrestricted		Restricted	Total	Unrestricted		Restricted	Total		
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s		
Incoming resources															
Voluntary income															
Grant-in-aid	2	43,102	1,387	0	44,489	0	11,562	0	11,562	43,102	12,949	0	56,051	46,343	
Donations and legacies		1,199	4,633	0	5,832	0	5,186	1,709	6,895	1,199	11,528	0	12,727	12,046	
Activities for generating funds															
Commercial trading activities	10(c)	25,304	0	0	25,304	0	0	0	0	25,304	0	0	25,304	24,930	
Investment income and rent receivable	3	2,182	167	0	2,349	0	134	0	134	2,182	301	0	2,483	2,364	
Incoming Resources from charitable activities															
	4	8,259	1,537	0	9,796	0	50	0	50	8,259	1,587	0	9,846	9,408	
Total Incoming Resources		80,046	7,724	0	87,770	0	16,932	1,709	18,641	80,046	26,365	0	106,411	95,091	
Resources expended															
Charitable activities															
Costs of generating Funds															
Costs of generating voluntary income	6	69,548	5,132	935	74,680	935	9,423	0	10,358	70,483	14,555	0	85,038	73,967	
Commercial trading activities	10(c)	962	0	0	962	0	17	0	17	962	17	0	979	929	
Investment management costs		15,320	0	0	15,320	0	5	0	5	15,320	5	0	15,325	14,864	
		211	29	0	240	0	26	0	26	211	55	28	294	203	
Governance costs															
	6	344	0	0	344	0	5	0	5	344	5	0	349	360	
Total resources expended	6(a)	86,385	5,161	935	91,546	935	9,476	0	10,411	87,320	14,637	28	101,985	90,323	
Net incoming resources before transfers	5	(6,339)	2,563	(935)	(3,776)	(935)	7,456	1,709	8,230	(7,274)	11,728	(28)	4,426	4,768	
Transfers between funds	15	8,328	(475)	(13,807)	7,853	(13,807)	3,730	2,224	(7,853)	(5,479)	5,479	0	0	0	
Net incoming resources before other recognised gains and losses		1,989	2,088	(14,742)	4,077	(14,742)	11,186	3,933	377	(12,753)	17,207	(28)	4,426	4,768	
Gain on revaluation of fixed assets for the Museum's own use	7(a)	0	0	0	0	0	13,079	0	13,079	0	13,079	0	13,079	725	
Unrealised/realised investment (loss)/gain	21	(629)	85	117	(544)	117	8	0	125	(512)	93	73	(346)	938	
Actuarial (loss) on defined benefit pension scheme	19	(1,370)	0	0	(1,370)	0	0	0	0	(1,370)	0	0	(1,370)	(380)	
Net movement in funds		10	2,173	(14,625)	2,163	(14,625)	24,273	3,933	13,581	(14,635)	30,379	45	15,589	6,051	
Fund balances brought forward at 1 April	15(a)	11,196	13,587	54,463	24,783	54,463	443,049	49,592	547,104	65,659	506,228	11,207	583,094	577,043	
Fund balances carried forward at 31 March	15(a)	11,186	15,760	39,838	26,946	39,838	467,322	53,525	560,685	51,024	536,607	11,252	598,883	583,094	

All operations of the Museum continued throughout both periods and none were discontinued in either period. The British Museum has no recognised gains and losses other than those above and consequently no separate Statement of Total Recognised Gains and Losses has been presented. The notes on pages 38 to 67 form part of these accounts

Consolidated Balance Sheet as at 31 March 2012

	Notes	2012 £000s	2011 £000s
Fixed asset			
Tangible assets	7(a)	459,708	436,261
Heritage assets	8	53,525	49,592
Investments	9(a)	99,279	93,523
		612,512	579,376
Current assets			
Stock-goods for resale	10(c)	1,926	1,582
Debtors	11	26,605	13,538
Short term investments	9(b)	10,205	6,875
Cash at bank and in hand	9(c)	20,947	27,716
Total current assets		59,683	49,711
Creditors: amounts falling due within one year	12	(68,451)	(42,135)
Net current assets		(8,768)	7,576
Total assets less current liabilities		603,744	586,952
Provision for liabilities and charges	13	(291)	(468)
Net assets excluding pension liability		603,453	586,484
Liability on defined benefit pension scheme	19	(4,570)	(3,390)
Net assets including pension liability		598,883	583,094
Represented by:			
Permanent endowments		11,252	11,207
Restricted funds		536,607	506,228
Unrestricted funds			
Designated funds		36,503	50,899
General funds		14,717	15,420
General funds held in subsidiaries		(196)	(660)
		51,024	65,659
Total funds	15(a)	598,883	583,094

The notes on pages 38 to 67 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

5 July 2012

Museum Balance Sheet as at 31 March 2012

	Notes	2012 £000s	2011 £000s
Fixed assets			
Tangible assets	7(b)	458,231	434,427
Heritage assets	8	53,525	49,592
Investments	9(a)	99,279	93,523
Investment in subsidiaries	10(a)	1,250	1,250
		612,285	578,792
Current assets			
Debtors	11	26,341	24,277
Short term investments	9(b)	10,200	6,870
Cash in bank and in hand	9(c)	17,270	23,550
		53,811	54,697
Creditors: amounts falling due within one year	12	(66,726)	(49,267)
Net current assets		(12,915)	5,430
Total assets less current liabilities		599,370	584,222
Provision for liabilities and charges			
	13	(291)	(468)
Net assets		599,079	583,754
Represented by:			
Permanent endowments		11,252	11,207
Restricted funds		536,607	506,228
Unrestricted funds			
Designated funds		36,503	50,899
General funds		14,717	15,420
		51,220	66,319
Total funds	15(a)	599,079	583,754

The notes on pages 38 to 67 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

5 July 2012

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Notes	2012 £000s	2011 £000s
Net cash inflow from operating activities	16(a)	22,549	30,157
Returns on investments and servicing of finance:			
Interest received		2,227	1,809
Dividends received		180	309
Rents receivable		76	246
Net cash inflow from returns on investments and servicing of finance	3	2,483	2,364
Investing activities:			
Capital expenditure and financial investments:			
Sale of fixed asset investments	9	78,675	25,645
Purchase of tangible fixed assets	7	(20,067)	(12,591)
Receipts from sale of tangible fixed assets		0	4
Purchase of heritage assets	8	(2,224)	(3,579)
Purchase of fixed asset investments	9	(84,846)	(36,759)
Net cash outflow from investing activities		(28,462)	(27,280)
Management of liquid resources			
(Increase)/decrease in short term investments		(3,330)	130
Increase in cash	16(c)	(6,760)	5,371

**The 2011 figures have been revised to reflect a reanalysis of interest receipts and sales associated with fixed income investments.*

The notes on pages 38 to 67 form part of these accounts

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting Conventions

- (a) The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Department for Culture, Media and Sport.
- (b) The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the treatment of investments, which have been included at market value. The financial statements are prepared in accordance with the Statement of Recommended Practice (Revised 2005) *Accounting and Reporting by Charities*, the Government Financial Reporting Manual and generally accepted accounting practice so far as considered appropriate or as modified by Treasury guidance.

Consolidated accounts include the Museum's operating statement, trust funds owned and administered by the Museum, and the British Museum Development Trust, a dormant charity, which together make up the Museum. Also consolidated are the Museum's trading companies The British Museum Company Limited and The British Museum Great Court Limited. The consolidation has been carried out on a line by line basis.

The accounts have been prepared on a going concern basis. Although it is expected that the Museum will have a 15% resource grant-in-aid reduction in real terms over the four years of the current spending review period, the Museum receives funding from a wide variety of sources (during the year 47% of funding came from sources other than grant-in-aid), and the Museum has put in place a Financial Sustainability Programme to prioritise income generation and efficiency savings, ensure tight control of the operating cost base, and establish a sustainable operating model for the Museum in the longer term.

(c) *Statement of Financial Activities (SOFA)*

- (i) This statement discloses the totality of the resources receivable by the Museum during the year and their disposition. The Museum provides enhanced disclosure in the Statement of Financial Activities beyond the requirements of the SORP in order to allow readers of the accounts to distinguish between the ongoing revenue income and costs of operating the Museum, and the impact of donations in support of capital expenditure and collection acquisitions. The value of such donations is often material, and can vary significantly from year to year. While donations and grants in support of capital expenditure and collections acquisitions are recognised in the SOFA on a receivable basis, the associated capital expenditure is depreciated over the expected useful life of the asset, and heritage assets are not depreciated at all. The mismatch between the treatment of funding and expenditure gives the misleading appearance of an increase in funds during the year, and of a consequent reserve carried forward to the future, when in reality the funding has already been used to acquire an inalienable asset. Aggregation of capital and revenue funding therefore disguises the funding of running costs, limiting any assessment of future financial performance.
- (ii) In general, incoming resources are accounted for on a receivable basis. Grant-in-aid is taken to the SOFA in the year in which it is received. Grants for fixed assets are recognised in the SOFA when they are receivable. Donations are recognised as incoming resources when the conditions for their receipt have been met. Legacies are recognised as incoming resources when there is certainty that the conditions have been met and there is certainty as to the amount. Income from endowment funds is restricted.

Contractual and trading income is recognised as incoming resources to the extent that the Museum has provided the associated goods or services. Where income is received in advance and the Museum does not have entitlement to these resources until the goods or services have been provided, the income is deferred.

The turnover and profit on long term contracts are accounted for in accordance with SSAP 9 Stocks and Long-Term Contracts. Attributable profit is calculated on a prudent basis, and the amount recognised in the accounts reflects the proportion of work carried out at the accounting date. Turnover included in the SOFA is calculated on the basis of time spent as a proportion of total time spent to fulfill the contract. The costs incurred in reaching the stage of completion are matched with the turnover. The difference between the amount recognised in the SOFA and the cash received is disclosed in either debtors or creditors as payments receivable on long term contracts or payments received on account respectively.

- (iii) Expenditure is recognised in the financial statements on an accruals basis. Resources expended are classified in the SOFA under the principal categories of costs of generating funds, charitable activities and governance costs rather than the type of expense.

Grants payable are recognised when a grant has been approved and this has been communicated to the recipient.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they are allocated to activities according to the method described in note 6(b). Costs of generating funds are those incurred in seeking voluntary and sponsored contributions for the Museum. Governance costs are those costs incurred in connection with the general governance of the British Museum including compliance with constitutional and statutory requirements.

The Museum is covered by the provisions of the VAT Act 1994 s 33a, which allows it to recover the majority of VAT which is borne. Irrecoverable VAT is treated as an overhead cost and apportioned over the activities of the Museum as described in note 6.

(d) *Gifts in Kind*

Heritage Assets

The Museum accounts for the objects in its collection as heritage assets, in accordance with FRS 30. A heritage asset is defined under FRS 30 as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.” The Museum’s archives, digital records and libraries are not treated as heritage assets.

Heritage assets acquired since 1 April 2001

The Museum includes donated or purchased heritage assets acquired since 1 April 2001 on the balance sheet at cost or valuation at the time of acquisition. Valuations are performed during the year of acquisition by internal curatorial experts based on their expert knowledge and, where appropriate, with reference to recent sales of similar objects. The cost or valuation is not subject to revaluation because the cost of revaluation is not considered to be commensurate with the benefits to users of the financial statements.

Capitalised heritage assets are not depreciated because they are deemed to have indefinite lives, but are subject to impairment reviews where damage or deterioration is reported.

Heritage assets acquired before 1 April 2001

The Museum has not capitalised heritage assets acquired prior to 1 April 2001. This is because comprehensive valuation, as illustrated below, would not provide a meaningful figure for users of the financial statements and the cost of doing so is not commensurate with the benefits to users of the financial statements.

Historic cost – while it may be possible to assign a cost to items purchased within a financial year, historic cost quickly becomes obsolete and meaningless, not only because of general price movements where markets for similar items do exist, but also because of changing opinions about attribution and authenticity, subsequent research into objects that reveals new value, the emergence of new information about the provenance of an item or changes in taste.

Valuation – attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic through their association with a person, event or collection; there are a very limited number of buyers; no homogeneous population of assets on the market; and imperfect information about the items for sale. In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations impossible to achieve for many heritage assets.

Donated Services

Donated services, where required by the Statement of Recommended Practice (Revised 2005) Accounting and Reporting by Charities, are included as income and expenditure in the year in which the service is used by the Museum. The service is valued at the price the Museum would have paid in the open market for a service of equivalent utility.

(e) Tangible Fixed Assets

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All the Museum's land, properties and plant and machinery are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets every five years. A full valuation of the Museum's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009. The valuation included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House. The Museum is valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties are valued on an existing use basis. Between the quinquennial valuations, Gerald Eve undertakes a desktop valuation to update the values of land, buildings and plant and machinery,

Exhibitions and galleries are revalued annually using relevant indices provided by the Office of National Statistics.

Furniture, fit out and equipment are carried at historic cost because the Trustees consider that this is not materially different from current cost valuation.

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the value of each asset evenly over its expected useful life with no residual value assumed:

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	10 to 25 years
Plant and machinery	10 to 28 years
Furniture, fit out and equipment	1 to 15 years

A full year of depreciation is charged in the year of acquisition and no depreciation is charged in the year of disposal. Impairment reviews are carried out at the end of each reporting period in accordance with FRS11 to ensure that the carrying values of the assets do not exceed their recoverable amounts.

*(f) Financial instruments**Recognition, measurement and impairment*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the Museum's balance sheet when the Museum becomes a party to the contractual provisions of the instrument. They are derecognised when the rights to receive cash flows from the financial assets have expired or where the Museum has transferred substantially all risks and rewards of ownership.

The Museum's investments are measured at fair value, with any gains or losses reflected in the SOFA in the period in which they arise. Other financial instruments (notably trade debtors, short-term investments, cash at bank and in hand, and trade creditors) are initially recognised at fair value plus or minus material transaction costs directly attributable to their acquisition or issue; and subsequently measured at amortised cost, less impairment where material.

The Museum uses foreign exchange forward contracts to hedge its exposure to currency fluctuations on investment and cash balances denominated in foreign currencies. The use of financial derivatives is governed by the Investment Sub-committee's policies. The Museum does not use directly held derivative financial instruments for any other purposes. The Museum has not treated its derivative financial instruments as designated and effective hedging instruments, and has not therefore applied hedge accounting. All of its derivative financial instruments are measured at fair value with any gains or losses reflected in the SOFA in the period in which they arise.

An assessment of whether there is objective evidence of impairment is carried out for material financial assets at the balance sheet date. Objective evidence includes, for example, significant financial difficulty of the issuer or debtor, disappearance of an active market for the financial asset because of financial difficulties, or data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition.

Where there is objective evidence that a financial instrument is impaired, its loss is reflected in the SOFA.

Investment properties

Freehold investment properties continue to be treated in accordance with SSAP 19: they are carried at open market value and are not depreciated. A formal valuation of the investment properties is carried out every five years by independent valuers in accordance with the RICS Appraisal and Valuation manual. Between these quinquennial valuations the same independent valuers perform a desktop valuation.

Investments in subsidiaries

The investments in subsidiaries are carried at cost less any provision for impairment. The Museum carries out an annual impairment review of the investment in each subsidiary.

(g) Stock

Stock is stated at the lower of cost and net realisable value. All stock relates to retail stock held by BMCo.

(h) Liabilities

Liabilities are recognised where legal and constructive obligations mean that it is more likely than not that a transfer of economic benefits will be made.

(i) Provisions

The Museum provides for legal or constructive obligations which are of uncertain timing or amount on the balance sheet date on the basis of best estimate of the expenditure required to settle the obligation.

Provisions are recognised where there is a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

(j) Liquid resources

Liquid resources, as referred to in the cash flow statement, are current asset investments that are disposable without curtailing or disrupting the Museum's business and are either readily convertible to known amounts of cash at or close to their carrying value or traded in an open market.

(k) Leases

The British Museum has no finance leases. Costs relating to operating leases are charged on a straight line basis over the life of the lease.

(l) Foreign Currencies

Transactions denominated in foreign currencies are translated at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the exchange rate ruling at that date. Foreign exchange differences arising on translation are reflected in the SOFA.

(m) Pensions

Present and past employees of the British Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The PCSPS is an unfunded multi-employer defined benefit scheme but the British Museum is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details may be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The British Museum has, in the past, operated an early retirement scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Civil Service Pension Scheme. The British Museum bears the costs of these benefits until normal retirement age of the employees concerned. Future payments of these benefits have been discounted at a rate of 2.2%.

The British Museum Company Limited operates both defined benefit and defined contribution pension schemes. The defined benefit scheme is subject to a full actuarial valuation every three years by an independent qualified actuary. Pension liabilities are disclosed in accordance with FRS No 17 Retirement Benefits in note 19.

(n) *Taxation*

The British Museum is eligible under Part 11 Corporation Tax Act 2010, section 25 Inheritance Tax Act 1984, and section 271 Taxation of Chargeable Gains Act 1992 to exemption from taxes on income, donations and capital gains arising from the pursuit of its charitable objectives. The British Museum Company Limited and British Museum Great Court Limited donate their profits to the British Museum and therefore do not expect to pay capital gains or corporation tax.

(o) *Funds Structure*

The Museum has the following categories of funds:

- restricted permanent endowment funds which the donors have stated are to be held as capital.
- restricted funds whose investment or usage is subject to specific restriction imposed by sponsors and donors.
- designated funds which have been set aside at the discretion of the Trustees for specific purposes.
- general funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

The major funds comprising each category, the summary results for the year and a description of the movements between the funds are described in Note 15.

2. Grant-in-aid

	SOFA Total 2012 £000s	SOFA Total 2011 £000s
Unrestricted revenue	43,102	42,463
Restricted revenue (Portable Antiquities Scheme)	1,387	0
Restricted revenue (World Collections Programme)	0	970
Restricted capital (core)	2,692	2,910
Restricted capital (WCEC)	8,870	0
	56,051	46,343

In the prior year the Portable Antiquities Scheme was funded by the Museums, Libraries and Archives Council. Funding for the World Collections Programme was not renewed after 2011/12.

3. Investment income and rent receivable

	SOFA Total 2012 £000s	SOFA Total 2011 £000s
Income from UK bank deposits	115	87
Income from overseas bank deposits	0	0
Income from UK fixed interest investments	2,031	1,711
Income from overseas fixed interest investments	10	12
Income from UK investment funds	43	35
Income from overseas investment funds	137	273
Other interest receipts	71	0
	2,407	2,118
Rents receivable	76	246
	2,483	2,364

4. Analysis of incoming resources from charitable activities

	Total 2012 £000s	Total 2011 £000s
Care, research and conservation	2,206	4,025
Public access and events	919	1,402
Charitable trading	6,721	3,981
	9,846	9,408

Care, research and conservation includes research grants, grants for acquisitions and, in 2011 only, funding for the Portable Antiquities Scheme from the Museums, Libraries and Archives Council. Public access and events income arises from sales of guides, lectures and recovery of costs relating to loans of the collection and includes grants for programmes to promote and assist access. Charitable trading includes admission fees and sponsorship of the exhibitions programme.

There is no EU funding included in income. Last year £361k was included within care, research and conservation.

5. Net incoming resources

is stated after charging:

	2012	2011
	£000s	£000s
Auditors' remuneration: Comptroller and Auditor General audit fee	49	56
Auditors' remuneration: Subsidiary companies audit fee	37	37
Auditors' remuneration: Other audit work	0	1
Operating lease rentals: Hire of plant and machinery	4	4
Operating lease rentals: Land and buildings	283	331
Loss on disposal of fixed assets	224	252
Movement on bad debt provision	(32)	61

6. Total resources expended

6(a)	Direct Costs £000s	Grants £000s	Depreciation £000s	Support Costs £000s	2012 Total £000s	2011 Total £000s
Care, research and conservation	25,886	29,351	4,582	2,942	63,761	52,106
Public access and events	12,454	135	4,124	1,103	17,816	18,232
Charitable trading	3,987	0	238	236	4,461	3,629
Charitable activities	42,237	29,486	8,944	4,281	85,038	73,967
Costs of generating voluntary income	864	0	17	98	979	929
Commercial trading activities	14,289	0	501	535	15,325	14,864
Investment management costs	288	0	0	6	294	203
Governance costs	321	0	4	24	349	360
	58,089	29,486	9,466	4,944	101,985	90,323

The main elements of the grant figure are as follows:

- A grant of £28,000,000 (2010/11: £15,200,000) to the British Museum Trust Limited, restricted for furtherance of the British Museum's charitable objectives;
- Grants of £1,100,000 (2010/11: £1,100,000) under the Portable Antiquities Scheme. The scheme is the only proactive mechanism in England and Wales for recording archaeological finds made by the public. The grants are made to local authorities to support the work of Find Liaison Officers. Details of these grants are obtainable from the Portable Antiquities Scheme administrator at the British Museum; and
- Grants of £153,000 (2010/11: £69,000) from restricted funding as part of research in the field of bioarchaeology.

6(b) Costs that cannot be directly attributed to one of the Museum's objectives are allocated to activities on a basis consistent with the use of resources. Finance costs, including irrecoverable VAT, are allocated using the proportion of direct expenditure spent on each of the objectives. Human resources and legal services costs are allocated based on staff numbers. Information service costs are allocated using staff numbers adjusted for non-computer based roles. Depreciation has been allocated according to the proportion of space occupied by each activity.

	Finance Information Services £000s	Human Resources £000s	Legal Services £000s	2012 Total £000s	2011 Total £000s
Care, research and conservation	577	1,496	708	2,942	3,117
Public access and events	254	273	469	1,103	1,121
Charitable trading	87	94	45	236	199
Charitable activities	918	1,863	1,222	4,281	4,437
Costs of generating voluntary income	19	50	24	98	86
Commercial trading activities	88	277	139	535	551
Investment management costs	6	0	0	6	4
Governance costs	7	11	5	24	23
	1,038	2,201	1,390	4,944	5,101

6(c) Governance costs

Analysis of direct governance costs:

	2012	2011
	£000s	£000s
Staff costs	116	115
British Museum auditor's remuneration	49	56
Subsidiary charities auditor's remuneration	37	37
Other audit work	0	1
Internal audit costs	94	91
Cost of meetings	24	32
Reimbursement of trustee expenses	1	1
	321	333

6(d) Staff costs

	2012	2011
	£000s	£000s
Wages and salaries	29,844	30,175
Social security costs	2,390	2,366
Pension costs	5,088	5,112
Agency staff costs	1,367	1,472
Early retirement and redundancy costs	1,003	156
	39,692	39,281

The number of employees, including Senior Managers referred to below, whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	2012	2011
£60,001 – £70,000	13	15
£70,001 – £80,000	5	8
£80,001 – £90,000	3	2
£90,001 – £100,000	1	2
£100,001 – £110,000	2	1
£110,001 – £120,000	0	1
£120,001 – £130,000	1	0
£130,001 – £140,000	0	0
£140,001 – £150,000	1	1
£170,001 – £180,000	0	0
£180,001 – £190,000	1	1

22 staff (2010/11: 26) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 5 staff (2010/11: 5) are members of a defined contributions scheme. Contributions of £43k (2010/11: £41k) were paid on behalf of the members of the defined contribution scheme.

Senior Managers' remuneration is disclosed in the remuneration report on page 29.

6(e) The average number of employees, analysed by function was:

2012	Agency and contract		Total
	Staff	staff	
Care, research and conservation	455	14	469
Public access and events	300	30	330
Charitable trading	30	0	30
Generating voluntary income	15	2	17
Commercial Trading Activities	216	13	229
Governance	3	0	3
	<u>1,019</u>	<u>59</u>	<u>1,078</u>

2011	Agency and contract		Total
	Staff	staff	
Care, research and conservation	479	11	490
Public access and events	305	26	331
Charitable trading	26	0	26
Generating voluntary income	14	2	16
Commercial trading activities	212	18	230
Governance	3	0	3
	<u>1,039</u>	<u>57</u>	<u>1,096</u>

6(f) Reporting of Civil Service and other compensation schemes – exit packages

The number of exit packages by cost band are shown in the table below:

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages for 2011/12	Total number of exit packages 2010/11*
0 – 24,999	1	18	19	4
25,000 – 49,999	0	3	3	1
50,000 – 99,999	0	4	4	0
100,000 – 149,999	0	1	1	0
Total	<u>1</u>	<u>18</u>	<u>27</u>	<u>5</u>
Total cost (£000s)	<u>11</u>	<u>675</u>	<u>686</u>	<u>72</u>

Where applicable redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the Museum has agreed early retirements under the Civil Service Compensation Scheme, the additional costs are met by the Museum and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table. Six departures were made under other arrangements with DCMS/HM Treasury approvals as required.

*All redundancies in 2010/11 were agreed departures apart from one which was compulsory and included in cost band £0 – £24,999

6(g) Trustees:

The Trustees neither received nor waived any emoluments during the year (2010/11: £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2011/12, 2 Trustees (2010/11: 3) were reimbursed £1,191 (2010/11: £846). The costs borne by the Museum associated with trustee meetings are disclosed under governance costs at note 6(c).

7. Tangible fixed assets

7(a) Consolidated tangible fixed assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Current Cost							
At 1 April 2011	126,364	219,530	22,398	27,712	47,890	10,003	453,897
Additions during the year	0	75	18,031	0	744	1,217	20,067
Disposals during year	0	0	0	(576)	0	(156)	(732)
Transfer	0	0	(1,075)	0	738	337	0
Revaluation adjustment	740	5,325	0	276	418	0	6,759
Impairment	0	0	(9)	0	0	0	(9)
At 31 March 2012	127,104	224,930	39,345	27,412	49,790	11,401	479,982
Depreciation							
At 1 April 2011	0	0	0	11,444	0	6,192	17,636
Disposals during year	0	0	0	(305)	0	(119)	(424)
Provided during the year	0	2,728	0	1,392	3,790	1,556	9,466
Revaluation adjustment	0	(2,728)	0	114	(3,790)	0	(6,404)
Impairment	0	0	0	0	0	0	0
At 31 March 2012	0	0	0	12,645	0	7,629	20,274
Net Book Value							
At 31 March 2012	127,104	224,930	39,345	14,767	49,790	3,772	459,708
At 31 March 2011	126,364	219,530	22,398	16,268	47,890	3,811	436,261

Fixed assets were revalued by £13,163k in 2011/12 (2010/11: £756k). This movement is offset by transfers through the revaluation reserve totalling £84k (2010/11: £31k) to give a total movement on the revaluation reserve of £13,079k (2010/11: £725k) as shown on the face of the SOFA.

7(b) Museum tangible fixed assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Current Cost							
At 1 April 2011	126,364	219,530	22,340	27,712	47,890	6,969	450,805
Additions during the year	0	75	18,031	0	744	1,073	19,923
Disposals during year	0	0	0	(576)	0	(156)	(732)
Transfer	0	0	(1,017)	0	738	279	0
Revaluation adjustment	740	5,325	0	276	418	0	6,759
Impairment	0	0	(9)	0	0	0	(9)
At 31 March 2012	127,104	224,930	39,345	27,412	49,790	8,165	476,746
Depreciation							
At 1 April 2011	0	0	0	11,444	0	4,934	16,378
Disposals during year	0	0	0	(305)	0	(119)	(424)
Provided during the year	0	2,728	0	1,392	3,790	1,055	8,965
Revaluation adjustment	0	(2,728)	0	114	(3,790)	0	(6,404)
Impairment	0	0	0	0	0	0	0
At 31 March 2012	0	0	0	12,645	0	5,870	18,514
Net Book Value							
At 31 March 2012	127,104	224,930	39,345	14,767	49,790	2,295	458,231
At 31 March 2011	126,364	219,530	22,340	16,268	47,890	2,035	434,427

For asset valuation purposes, buildings and their fit-out are treated as one category.

7(c) A full valuation of the Museum’s land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009 and an update valuation was carried out on 31 March 2012. The valuations included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House.

Blythe House is occupied by the British Museum, the Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. Because of this, Gerald Eve only valued the space occupied by the British Museum and it is this value which is included in the Museum’s balance sheet. The value of Blythe House land and buildings is £1,774k (2010/11: £1,774k) and £2,590k (2010/11: £2,510k) respectively.

The historic cost of the land and buildings is not known

8. Heritage assets – Group and Museum

8(a) Nature and scale of the collection

The British Museum is a universal museum holding an encyclopaedic collection of material from across the world and all periods of human culture and history. Although the collections is sometimes estimated to contain about seven million objects, the question of what constitutes a single object often does not have a definitive answer, for example does the Museum’s eighteenth century pack of circular ganjifa playing cards count as one object, forty-one objects being the cards themselves or forty-three objects including the painted box and lid?

The Museum records its collection on a database that includes a description of the objects and often image, age, location and other information. Currently, just under two million objects are available to review online at:

http://www.britishmuseum.org/research/search_the_collection_database.aspx.

The Museum continues to enhance the database to expand the information recorded on each asset, add objects not yet included and improve functionality of the database.

The collection is a truly global one, and its great strength is the way it records the interrelated histories of humanity as a whole. To that extent, any attempt to break the collection into categories is necessarily reductive. However, for illustrative purposes, the following table gives information about the collection by Museum department:

Africa, Oceania & the Americas	The collection consists of objects that represent the cultures of the indigenous people of the four continents. The scope of the collection is contemporary, archaeological and historical. It includes most of Africa (outside of Ancient Egypt, Sudan and the Mediterranean) the Pacific and Australia as well as the Americas.
Ancient Egypt & Sudan	The collection illustrates every aspect of the cultures of the Nile Valley, from the Neolithic period (about 10,000 BC) until the late nineteenth century AD. Highlights include the important collection of the Book of the Dead papyri, coffins, mummies and monumental sculptures such as the colossus of Rameses II. The Rosetta Stone, inscribed with hieroglyphics, demotic and Greek, provided the key to decipher hieroglyphs.
Asia	The collection includes material from a vast geographical area embracing Japan, Korea, China, Central Asia, Afghanistan, South Asia and South East Asia and spans the Neolithic from about 4000 BC to the present day. The collection includes a large and comprehensive collection of sculpture from the Indian subcontinent, including the celebrated Buddhist limestones reliefs from Amaravati, Japanese antiquities, Japanese graphic art and Chinese ceramics, porcelain, jade and bronzes. The Chinese collection is most famous for the Buddhist paintings from the Dunhuang caves in central Asia.
Coins & Medals	The collection includes coinage from its origins in the seventh century BC to the present day and related material such as coin weights, tokens and money boxes, the national collection of paper money ranging from one of the earliest century Chinese banknotes to the euro, and a world-class collection of commemorative art medals from the Italian Renaissance to the present.

Greece & Rome	This is one of the most comprehensive collections of antiquities from the Classical world which range in date from the beginning of the Greek Bronze Age (about 3200 BC) to the reign of the Roman emperor Constantine in the fourth century AD. The Cycladic, Minoan and Mycenaean cultures are represented and the Greek collection includes important sculpture from the Parthenon in Athens as well as elements of two of the Seven Wonders of the Ancient World; the Mausoleum at Halikarnassos and the Temple of Artemis at Ephesos. The collection also includes ancient jewellery and bronzes, Greek vases and Roman glass and silver.
Midde East	The collection includes a wide range of archaeological material and ancient art from Mesopotamia (Iraq), Iran, the Levant (Syria, Jordan, Lebanon, Palestine and Israel), Anatolia (Turkey), Arabia and the Gulf, Central Asia and the Caucasus. Highlights of the collection include the Assyrian reliefs, treasures from the cemetery of Ur, the Oxus Treasure, Phoenician ivories from Nimrud, the Cyrus Cylinder and the library of cuneiform tablets from Nineveh.
Prehistory & Europe	This department is responsible for collections that cover a vast expanse of time from human tools in Africa and Asia two million years ago to the art and archaeology of Europe from the earliest times to the present day including the history of Britain under the Roman occupation.
Prints & Drawings	This is the national collection of Western prints and drawings dating from the beginning of the fifteen century to the present day. The collection covers the history of drawing and print making as fine arts with large holdings of the works of important artists such as Durer, Michelangelo, Rembrandt, Goya and Picasso, large documentary collections of historical, satirical and topographical prints and important collections of printed ephemera such as trade and visiting cards, fans and playing cards.

8(b) Museum policies on acquisitions, preservation, management and disposal

Acquisition

The Museum is committed to sustaining and improving its collection for the benefit of its audience now and in the future. Acquisitions are made in accordance with the policy which can be found on the Museum's website at: http://www.britishmuseum.org/the_museum/management_and_governance/museum_governance.aspx

Preservation and Management

The Museum has a dedicated Conservation & Scientific Research department and Collection Services department.

The Conservation & Scientific Research department works alongside other departments in the Museum to care for and preserve the collection. The team of conservators work to clean, repair and stabilise the objects in the collection. The study of objects while they are being conserved contributes to better understanding of the collections and the mechanisms by which they deteriorate. This information is important to the development of new conservation techniques and allows advice to be given on the best conditions for the display and storage of objects to prevent further decay.

The Collection Services department provides advice and expertise on storage of the collection, coordinating loans and collection documentation. The storage aspect of the department's work involves implementing a rolling programme of improvements to storage of the collection and ensuring compliance with Museum storage guidelines.

The Museum has a policy on storage, conservation and documentation. The key features of this policy are:

- The collection will be conserved to internationally recognised standards using both passive and interceptive techniques. All conservation treatments carried out on objects are documented as part of the object documentation record.
- The Museum aims to restrict storage to rooms or buildings that meet security requirements, are structurally sound, and where suitable environmental conditions can be maintained for the objects in question. The environmental conditions will normally reflect those to which the objects have been exposed since they were collected. Their stability is monitored and the cause of any change in stability is investigated and the environmental conditions modified accordingly.

The new World Conservation and Exhibitions Centre is due to open in 2014. It will provide state of the art conservation and storage facilities to enhance the current Museum facilities.

The Museum has a statutory obligation to make the collection available to members of the public. Members of the public can view objects online using the Museum database or request to inspect objects in person. Paper and/or digital records ensure that the objects can be located.

When complete, the database will contain a record of every object in the Museum collection with associated conservation and scientific reports. The current database is the result of 30 years work but it is still in its early stages. Currently just under 2 million objects are available to view on the database. The database can be found on the Museum website at:

http://www.britishmuseum.org/research/search_the_collection_database.aspx

Disposal

Objects vested in the Trustees as part of the Collection of the Museum cannot be disposed of by them except in circumstances allowed by the British Museum Act 1963. Therefore the Trustees' power to de-accession from the Collection whether by sale, exchange, or gift (including response to any third party claim for the restitution or repatriation) is limited and there is a strong legal presumption against this. The detail of the Museum's policy on de-accession can be found on the Museum's website at:

http://www.britishmuseum.org/the_museum/management_and_governance/museum_governance.aspx

8(c) Heritage assets capitalised

As detailed in the accounting policy, heritage assets acquired before 1 April 2001 are not included on the balance sheet because information on value is not readily available and cannot be obtained at a cost commensurate with the benefits to users of the financial statements. Acquisitions since 1 April 2001 have been capitalised and are held at historic cost for purchased assets and valuation for donated assets; valued at the time of acquisition. The table shows the details of additions for the current and previous four years.

	2011/12 – £000s		Total
	Donated	Purchased	
Opening balance	13,646	35,946	49,592
Additions	1,858	2,224	4,082
Disposals	0	0	0
Adjustment*	(149)	0	(149)
Impairment	0	0	0
Closing balance	15,355	38,170	53,525

* During the year it was identified that certain collection items on loan to the British Museum were incorrectly capitalised. This has been corrected in the adjustment line above.

	2010/11 – £000s		Total
	Donated	Purchased	
Opening balance	9,659	32,367	42,026
Additions	3,987	3,579	7,566
Disposals	0	0	0
Impairment	0	0	0
Closing balance	13,646	35,946	49,592

	2009/10 – £000s		Total
	Donated	Purchased	
Opening balance	7,440	30,364	37,804
Additions	2,219	2,003	4,222
Disposals	0	0	0
Impairment	0	0	0
Closing balance	9,659	32,367	42,026

	2008/09 – £000s		Total
	Donated	Purchased	
Opening balance	6,155	28,828	34,983
Additions	1,285	1,536	2,821
Disposals	0	0	0
Impairment	0	0	0
Closing balance	7,440	30,364	37,804

	2007/08 – £000s		Total
	Donated	Purchased	
Opening balance	5,221	27,813	33,034
Additions	934	1,015	1,949
Disposals	0	0	0
Impairment	0	0	0
Closing balance	6,155	28,828	34,983

Details of significant acquisitions during the year can be found on page 10.

9. Investments

9(a) Fixed asset investments – Group and Museum
Investments comprised the following:

	<i>*Reanalysed</i>	
	2012	2011
	£000s	£000s
Investment assets in the UK:		
Investment funds	7,452	22,165
Listed equities	0	1,488
Fixed income	52,037	33,537
Cash held as part of investment portfolio	17,992	18,085
Commodity funds	0	542
Investment assets outside the UK:		
Investment funds	15,053	7,495
Listed equities	0	2,652
Unlisted equities	4,034	3,123
Fixed income	0	1,756
Commodity funds	0	86
Investment properties	2,711	2,594
	99,279	93,523
Investments at 1 April	93,523	81,807
Additions	84,846	36,759
Disposals	(78,675)	(25,645)
Gain in value	(415)	602
Investments at 31 March	99,279	93,523

* The 2011 additional and disposal figures have been revised to reflect a reanalysis of interest receipts and sales associated with fixed income investments.

All investments are stated at fair value at 31 March 2012. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date, adjusted as appropriate to reflect any material changes in market conditions. Valuations for investments where there is no active market have been estimated with reference to recent transaction prices and market data for similar instruments.

The Museum has entered into a long term commitment to invest a further \$4m (£2.5m) in unlisted equities outside the UK under subscription agreements with two companies.

The valuations of 89 Great Russell Street, 50/54 Bloomsbury Street, 1A Montague Place and 1B Montague Place which are investment properties in Bloomsbury were carried out by Kinney Green at 31 March 2012 in accordance with the RICS Appraisal and Valuation manual. The remaining twenty-six properties are carried at their value on 31 March 2011 and account for £464,900 of the total balance.

9(b) Current Asset Investments

	Group	Group	Museum	Museum
	2012	2011	2012	2011
	Cost	Cost	Cost	Cost
	£000s	£000s	£000s	£000s
Short term cash deposits	10,205	6,875	10,200	6,870

9(c) Cash at bank and in hand

	Group	Group	Museum	Museum
	2012	2011	2012	2011
	£000s	£000s	£000s	£000s
Balance with the Government Banking Service	5	9,085	5	9,085
Balance with commercial banks and in hand	20,929	18,631	17,252	14,465
	20,934	27,716	17,257	23,550

10. Subsidiaries

10(a) The Museum owns 100% of the issued share capital of the British Museum Company Limited (BM Co) and of the British Museum Great Court Limited (BMGC). The Museum incorporates their results in the consolidated accounts.

The British Museum Company Limited has capital consisting of 750,000 £1 shares all of which have been issued at par. The British Museum Company Limited owns the whole of the issued share capital of British Museum Ventures Limited which consists of 1 million ordinary shares at £1 each.

The British Museum Great Court Limited has an authorised share capital of 10 million ordinary shares at £1 each, 500,000 of which have been issued at par.

10(b) Results of trading subsidiaries

	BM Co	BMGC	Total	Total
	2012	2012	2012	2011
	£000s	£000s	£000s	£000s
Turnover	12,359	14,052	26,411	26,111
Cost of sales	(4,559)	(3,399)	(7,958)	(7,704)
Gross profit	7,800	10,653	18,453	18,407
Selling and distribution costs	(3,428)	0	(3,428)	(3,174)
Administrative expenses	(3,028)	(687)	(3,715)	(3,769)
Other operating income	591	0	591	563
Operating profit	1,935	9,966	11,901	12,027
Finance cost	(30)	0	(30)	0
Interest receivable	22	57	79	44
Actuarial (loss) on defined benefit scheme	(1,370)	0	(1,370)	(380)
Taxation payable	0	0	0	0
Contribution to the Trustees of the British Museum	(78)	(10,038)	(10,116)	(12,141)
Surplus/(deficit) retained in the Company	479	(15)	464	(450)

The operating profit of the British Museum Company Limited is stated after charging staff costs of £4,283,000 (2010/11: £4,184,000) and depreciation of tangible fixed assets of £483,000 (2010/11: £466,000).

The operating profit of the British Museum Great Court Limited is stated after charging depreciation of tangible fixed assets of £19,000 (2010/11: £11,000). The two subsidiaries made cash payments during the year to the British Museum for the 2010/11 contribution of £11,824,118 (2009/10: £4,641,489)

10(c) Amounts as shown in the SOFA are as follows:

	2012	2012	2011	2011
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From the British Museum Company Limited	12,359	11,123	11,422	12,107
Other operating income	591	0	563	0
Interest	79	0	44	0
From the British Museum Great Court Limited	14,052	14,124	14,689	14,681
less transactions with the group	(1,698)	(10,389)	(1,744)	(12,410)
	25,383	14,858	24,974	14,378
Plus allocated support costs	0	535	0	550
Less interest	(79)	0	(44)	0
Less governance costs	0	(68)	0	(64)
Total in Commercial Trading lines	25,304	15,325	24,930	14,864

Net assets at 31 March 2012 comprise:

	BM Co	BMGC	BM Co	BMGC
	2012	2012	2011	2011
	£000s	£000s	£000s	£000s
Tangible fixed assets	1,366	111	1,712	122
Current assets	6,252	18,238	4,977	11,973
Creditors due within one year	(2,559)	(17,784)	(3,289)	(11,515)
Creditors due after one year	(4,570)	0	(3,390)	0
Net assets	489	565	10	580

The current assets of BM Co include £1,926k (2010/11: £1,582k) of stock which comprises £25k (2010/11: £55k) of work in progress and £1,901k (2010/11: £1,527k) of finished goods and goods for resale.

11. Debtors

	Group		Museum	
	2012	2011	2012	2011
	£000s	£000s	£000s	£000s
Trade debtors	12,501	3,299	1,923	2,092
Other debtors	346	282	285	259
Prepayments and accrued income	11,437	8,318	11,288	8,127
Taxation and social security	2,270	1,424	2,473	1,796
Derivative financial instruments	51	0	51	0
Payments receivable on long term contracts	0	215	0	0
Amount due from subsidiaries	0	0	10,321	12,003
	26,605	13,538	26,341	24,277

Payments receivable on long term contracts are accounted for in accordance with SSAP9 as detailed in the accounting policy.

The debtors include £3,346k with central government (2010/11: £2,713k), £36k balances with local government (2010/11: £nil) and £58k with public corporations (2010/11: £14k).

12. Creditors

Amounts falling due within one year:

	Group		Museum	
	2012	2011	2012	2011
	£000s	£000s	£000s	£000s
Trade creditors	5,979	5,473	4,831	4,614
Other creditors	1,299	816	1,258	773
Derivative financial instruments	0	102	0	102
Taxation and social security	754	761	665	678
Early retirement	476	553	476	553
Other provisions falling due within one year	150	365	150	365
Accruals	30,431	16,726	29,488	16,342
Deferred income	29,362	17,339	21,770	16,298
Amount due to subsidiaries	0	0	8,088	9,542
	68,451	42,135	66,726	49,267

The creditors include £1,155k with central government departments (2010/11: £909k), £302k with local government (2010/11: £87k), £21k with NHS Trusts (2010/11: £nil) and no balances with public corporations (2010/11: £nil).

The movement on the deferred income account is as follows:

	Group		Museum	
	2012 £000s	2011 £000s	2012 £000s	2011 £000s
Deferred income at 1 April	17,339	7,587	16,298	6,263
Released in year	(5,016)	(2,587)	(4,475)	(1,263)
Deferred in year	17,039	12,339	9,947	11,298
Deferred income at 31 March	<u>29,362</u>	<u>17,339</u>	<u>21,770</u>	<u>16,298</u>

13. Provisions and charges – Group and Museum

Early retirement and voluntary redundancy commitments at 31 March 2012 are as follows:

	2012 £000s	2011 £000s
Early retirement provision brought forward	1,021	1,468
Provision made in year	32	67
Payments in year	(286)	(514)
	<u>767</u>	<u>1,021</u>
Less current portion – included in creditors amounts falling due within one year	(476)	(553)
	<u>291</u>	<u>468</u>

The £767,000 represents the provision for annual compensation payments to those employees who retire under an approved redundancy scheme aged 50 years or over for the period until they reach the normal retirement age of 60 years. £476,000 is payable in the next year. £285,000 is payable between 2013/14 and 2017/18 and £6,000 before 2018/19.

Other provisions for liabilities and charges at 31 March 2012 are as follows:

	£000s
At 1 April 2011	365
Arising during the year	156
Utilised during the year	(88)
Reversed unused	(283)
At 31 March 2012	150
Less current portion - included in creditors amounts falling due within one year	(150)
	<u>0</u>

14. Financial commitments

At 31 March 2012 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2012 £000s	2011 £000s	2012 £000s	2011 £000s
Leases which expire:				
within one year	0	92	1	1
in the second to fifth year	89	89	0	1
over five years	104	104	0	0
	<u>193</u>	<u>285</u>	<u>1</u>	<u>2</u>

15 Statement of funds

15(a) Statement of funds

	At 1 April 2011 £000s	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2012 £000s
<i>Permanent endowment funds</i>	11,207	0	(28)	73	45	0	11,252
<i>Restricted funds</i>							
Collection acquisitions fund	49,592	1,709	0	0	1,709	2,224	53,525
Collection purchase fund	940	1,987	(27)	6	1,966	(1,715)	1,191
Fixed asset revaluation fund	295,426	0	0	13,079	13,079	(2)	308,503
Fixed asset fund	139,001	0	(9,198)	0	(9,198)	19,925	149,728
Estates proceeds	3,179	19	(8)	21	32	0	3,211
Construction projects fund	4,503	14,926	(243)	19	14,664	(14,478)	4,689
Restricted income trust funds	4,414	88	(76)	24	36	(262)	4,188
Deferred income fund	9,173	7,636	(5,085)	61	2,612	(213)	11,572
	506,228	26,365	(14,637)	13,048	24,776	5,479	536,607
<i>Unrestricted funds: Museum</i>							
<i>Designated:</i>							
World Conservation & Exhibition Centre	37,445	0	(484)	0	(484)	(8,461)	28,500
Gallery projects	4,728	0	(13)	0	(13)	(2,515)	2,200
Infrastructure projects	1,862	0	(438)	0	(438)	(974)	450
Capital & maintenance work	6,000	0	0	0	0	(1,500)	4,500
Designated trust funds	864	20	(13)	(6)	1	(12)	853
	50,899	20	(948)	(6)	(934)	(13,462)	36,503
<i>General:</i>							
Investment estate	2,594	0	0	117	117	0	2,711
Unrestricted trust funds	7,549	306	(18)	(53)	235	0	7,784
General funds	5,277	54,337	(71,496)	(570)	(17,729)	16,674	4,222
	15,420	54,638	(71,514)	(506)	(17,382)	16,674	14,717
<i>Unrestricted funds: subsidiaries</i>							
British Museum Co Ltd	(2,452)	12,600	(10,771)	(1,370)	459	366	(1,627)
British Museum Co Ltd fixed assets	1,712	0	0	0	0	(346)	1,366
British Museum Great Court Ltd	(42)	12,783	(4,087)	0	8,696	(8,700)	(46)
British Museum Great Court Ltd fixed assets	122	0	0	0	0	(11)	111
	(660)	25,383	(14,858)	(1,370)	9,155	(8,691)	(196)
<i>Unrestricted funds: group</i>	65,659	80,041	(87,320)	(1,882)	(9,156)	(5,479)	51,024
Total funds	583,094	106,411	(101,985)	11,363	15,789	0	598,883

The British Museum Co Ltd reserve includes a liability on a defined benefit pension scheme of £4.57m (2010/11 £3.39m), see note 19 for further details.

	2012 £000s
Investments at fair value	99,279
Investments at historic cost	93,108
Fair value reserve	<u>6,171</u>

The investment properties (fair value of £2,711k) were acquired in the nineteenth century and have been included at a zero historic cost.

Analysis of group net assets between funds

	Permanent Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	Total 2012 £000s	Total 2010 £000s
Fund balances at 31 March 2012 are represented by:					
Tangible fixed assets	0	458,231	1,477	459,708	436,261
Heritage assets	0	53,525	0	53,525	49,592
Fixed asset investments	9,477	16,503	73,299	99,279	93,523
Net current assets	1,775	8,348	(18,891)	(8,768)	7,576
Early retirement provision	0	0	(291)	(291)	(468)
Liability on defined benefit pension scheme	0	0	(4,570)	(4,570)	(3,390)
Total net assets	<u>11,252</u>	<u>536,007</u>	<u>51,024</u>	<u>598,883</u>	<u>583,094</u>

The Trustees consider that sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restriction imposed.

Permanent endowment funds

These consist of funds for which the income alone can be used for the following purposes:

<i>Brooke-Sewell Permanent</i>	for the purchase of Oriental antiquities and works of art
<i>King's Library Endowment</i>	sponsoring the post of curator of the King's Library
<i>Japanese Cultural Exchange</i>	for travel by scholars and conservators from BM and Japan
<i>Sackler Scholar Prog. for Egypto-Nubian Studies</i>	for post graduate research in the Department of Ancient Egypt & Sudan
<i>Sackler Scholar Prog. for Ancient Iranian Studies</i>	for post graduate research in the Department of the Middle East
<i>Hill</i>	for the purchase of Coins & Medals
<i>Lukonin Memorial Lecture</i>	a series of lectures or seminars on ancient Iranian and Near Eastern studies
<i>Dingwall-Beloe Lecture</i>	to sponsor an annual lecture in horology
<i>Florence</i>	for general capital purposes
<i>Sackler Lecture in Egyptology</i>	for an annual lecture in Egyptology and associated costs
<i>Fuller</i>	wish that it be used for field work by the Department of Africa, Oceania & Americas
<i>Birch</i>	to be used for the salaries of three under-librarians

Restricted funds

A significant proportion of these funds represents the capitalised value of restricted and inalienable fixed assets, including collection items which have been acquired since 1 April 2001.

Restricted income trust funds: these consist of a number of funds where the donors have specified the uses to which they may be put or have placed certain restrictions on the use of capital:

<i>Hamlyn Gift</i>	for maintaining and equipping a reference library at the British Museum
<i>Rootstein-Hopkins</i>	for the acquisition of the works of qualifying artists in the fields of drawing and printmaking
<i>Sharp</i>	wish to be spent on books concerned with ancient Greece or Rome
<i>Sir Joseph Hotung Charitable Settlement – Asia</i>	to support research by the Department of Asia
<i>Governor James Albert Noe and Anna Gray Noe Fellowships</i>	award fellowships in religious traditions of the Middle East
<i>Hamlyn</i>	income only to be used for stock required for the library
<i>Oppenheimer</i>	for the Department of Prints & Drawings
<i>Sir Joseph Hotung Charitable Settlement – Middle East</i>	to support research by the Department of the Middle East
<i>Playfair Bequest</i>	for the acquisition of prints and drawings
<i>Lloyd Bequest</i>	to acquire cabinets or other suitable accommodation for the prints and drawings
<i>Romenuk Bequest</i>	for the purchase of 14/15th century Hebrew manuscripts or Flemish Art
<i>Dennis</i>	for the general purposes of the Department of Africa, Oceania & Americas
<i>Dingwall</i>	for the study of horology and the purchase of time-keeping apparatus
<i>Duthrie Bequest</i>	to be used for acquisitions and/or maintenance
<i>Christy</i>	for purchases for Departments of Prehistory & Europe and Africa, Oceania & Americas
<i>Woodward</i>	for the purchase of further English pottery and porcelain
<i>Ready Bequest</i>	for the purchase of Greek and Roman antiquities

Unrestricted designated funds

These are unrestricted funds which the Trustees have set aside for a specific purpose.

World Conservation and Exhibition Centre: funds designated in support of the World Conservation & Exhibition Centre, expected to be expended over the next five years.

Gallery Projects: funds designated for capital projects to refurbish galleries, expected to be expended over the next five years.

Infrastructure Projects: funds designated for Museum infrastructure projects, expected to be expended over the next five years.

Capital and Maintenance Work: funds designated for essential capital and maintenance work.

Designated Trust Funds: these are funds from which income or capital may be spent and the donors or Trustees designated how they wished them to be used:

<i>B.M. Publications Donations</i>	for BM publications
<i>Brooke-Sewell Bequest</i>	for the purchase of Oriental antiquities and works of art
<i>Michael Bromberg Fellowship</i>	for the promotion of education by the study of prints and their history
<i>Coldwell</i>	for the purchase of Oriental antiquities

Unrestricted general funds

Investment estate: this represents the value of investment properties.

General funds: these are funds that are expendable at the discretion of the Trustees.

Unrestricted Trust Funds: these are funds which were donated simply for the general purposes of the Museum: *Smith, Reddan, Shaw, Vallentin, Lawrence, Planelles-Granell and Miscellaneous.*

15(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases from unrestricted capital & revenue funds	374	0	(361)	(13)
Capital assets funded from unrestricted funds	5,460	(5,460)	0	0
Rationalisation of funds	120	0	(114)	(6)
Subsidiary transfers	0	(357)	0	357
Designations of funds	0	(7,990)	0	7,990
	<u>5,954</u>	<u>(13,807)</u>	<u>(475)</u>	<u>8,328</u>

16. Cash flow information

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

	2012	2011
	£000s	£000s
16(a) Net incoming resources before revaluations	4,426	4,768
Actuarial loss on defined benefit scheme	(1,370)	(380)
Gains/(losses) on derivative financial instruments	78	323
Donated assets – collection items	(1,709)	(3,987)
Investment income	(2,483)	(2,364)
Depreciation	9,466	9,476
Loss on disposal of fixed assets	224	252
(Increase)/decrease in stocks	(344)	683
(Increase) in debtors	(13,067)	(3,219)
Increase in creditors	26,316	24,479
(Decrease) in provisions	(177)	(233)
Increase in pension fund liability	1,180	170
Impairment of fixed assets	9	189
Net cash inflow from operating activities	22,549	30,157

16(b) Reconciliation of net cash flow to movement in net funds

	2012	2011
	£000s	£000s
(Decrease)/increase in cash in the period	(6,760)	5,371
Increase/(decrease) in liquid resources	3,330	(130)
Movement in net funds in the period	(3,430)	5,241
Foreign currency exchange rate difference	(9)	13
Net funds at 1 April	34,591	29,337
Net funds at 31 March	31,152	34,591

16(c) Analysis of net funds

	2011	Cash Flow	Foreign Currency Exchange Rate	2012
	£000s	£000s	£000s	£000s
Liquid resources:				
Short term deposits	6,875	3,330	0	10,205
Cash at bank and in hand	27,716	(6,760)	(9)	20,947
	<u>34,591</u>	<u>(3,430)</u>	<u>(9)</u>	<u>31,152</u>

17. Related party transactions

The British Museum is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year the British Museum had a number of material transactions with the Department and with other entities for which the Department is the sponsor, for example; Tate Modern, The National Gallery, National Museums Liverpool, The Victoria and Albert Museum, Tate Britain, The Science Museum, the National Portrait Gallery, The Natural History Museum, National Maritime Museum, The Royal Armouries, Sir John Soane's Museum, Horniman Museum & Gardens, Tyne & Wear Museums, English Heritage and The British Library.

The British Museum also entered into material transactions with other related parties during the year as set out below:

Related party transactions						
Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2012	Expenditure for the year ended 31 March 2012	Creditor balance as at 31 March 2012	Debtor balance as at 31 March 2012
			£000s	£000s	£000s	£000s
The British Museum Friends	Mr David Norgrove served as Chair and Ms Penny Hughes is on the Council of the British Museum Friends. David Norgrove retired as a Trustee from March 2012.	Grants awarded during the year and reimbursement of costs	1,914	1	35	1,289
The American Friends of the British Museum	Mr Francis Finlay is Chairman of the American Friends of the British Museum	Grants awarded during the year and administration costs associated with grant making	918	60	32	0
Leverhulme Trust	Mr Niall FitzGerald KBE is a Trustee of the Leverhulme Trust	Grants and Leverhulme fellowships awarded during the year	327	0	0	893
Pearson	Sir Richard Lambert is a registered shareholder of Pearson. Sir Richard Lambert retired as a Trustee in June 2011.	Royalties income and corporate hire	160	0	0	71
English Heritage	Professor Clive Gamble is an advisor to the English Heritage	Research grants and sundry income	91	0	0	90
British Academy	Professor Sir Christopher Bayly is a Trustee and Mr Clive Gamble and Mr Andrew Burnett are Fellows of the British Academy	Research grants	89	0	0	38
BBC	Ms Val Gooding is a non-Executive Director for the BBC	Commercial and sundry income	133	0	0	47
Apax Partners LLP	Sir Ronald Cohen is a member of Apax partners LLP	Corporate partner income	26	0	0	0
Harvard University	Professor Amartya Sen is a professor at Harvard University	Research grant	19	0	0	0
London Business School	Mr Francis Finlay is a member of the London Business School	Corporate hire	18	0	0	0
Allen & Co	Mr Niall FitzGerald KBE is a senior advisor at Allen & Co	Corporate donation	16	0	0	0
Partners Capital	Sir Ronald Cohen is a registered shareholder of Partners Capital Investment Group	Investment management fee	0	128	44	0
DLA Piper LLP	Baroness Wheatcroft of Blackheath is a consultant to DLA Piper LLP	Training and legal advice	0	56	0	0
University of Oxford	Sir Ronald Cohen is a member of the Oxford University Investment Committee	Expenses associated with the research programme	0	31	0	0

Cambridge University	Professor Sir Christopher Bayly is a Trustee of the University of Cambridge	Grants awarded during the year and printing and material costs	0	38	0	0
The Sudan Archaeological Research Society	Mr Vivian Davies is a Trustee of the Sudan Archaeological Research Society. Mr Vivian Davies retired as a Director of the Museum in December 2011	Grants awarded during the year and recovery of costs	2	19	0	0
University of Southampton	Professor Clive Gamble is a professor at the University of Southampton	Grant for research projects	0	11	0	0

18. Capital commitments

At the balance sheet date the value of capital commitments was £11.2m (2010/11: £11.4-16.4m). The most significant commitment is for the World Conservation and Exhibition Centre.

19. Pensions

British Museum

Details of the Museum's pension arrangements are provided in the Remuneration Report and in the accounting policy note 1(m).

For 2011/12 employer's contributions of £88,352 were paid to the partnership pension scheme (2010/11: £65,449) and employer's contributions of £4,582,173 (2010/11: £4,630,057) were payable to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2011/12 the rates were as follows: for salaries under £21,000, 16.7%, for salaries between £21,001 and £43,500, 18.8%, for salaries between £43,501 and £74,500, 21.8% and for salaries over £74,501, 24.3%. For 2012/13 the rates will be as follows: for salaries under £21,500, 16.7%, for salaries between £21,501 and £44,500, 18.8%, for salaries between £44,501 and £74,500, 21.8% and for salaries over £74,501, 24.3%.

For 2010/11 the rates were as follows: for salaries under £21,000, 16.7%, for salaries between £21,001 and £43,000, 18.8%, for salaries between £43,001 and £74,000, 21.8% and for salaries over £74,001, 24.3%.

British Museum Company Limited

Defined Contribution Scheme

The Company operates a defined contribution pension scheme for the benefit of the employees who commenced their employment after 1 January 2000. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contributions to this scheme during the year was £129,000 (2010/11: £115,000).

Defined Benefit Scheme

The Company operates a defined benefit pension scheme for its employees who commenced their employment prior to 1 January 2000 The British Museum Company Limited Retirement Benefits Plan. The assets of the scheme are held separately from those of the Company and are managed by the BMMCo Pension Trustee Company Limited.

Actuarial Valuation – 31 March 2011

The most recent full actuarial review of the scheme was carried out at 31 March 2011 and updated to 31 March 2012 by a qualified independent actuary, Pope Anderson LLP, to reflect the difference in actuarial assumptions and the time period elapsed. Pension costs are assessed in accordance with the advice of a qualified independent actuary, using the attained age method.

The market value of the scheme assets as at 31 March 2011 was £8,512,097. The actuarial value of those assets was sufficient to cover 81% of the benefits that had accrued to members, after allowing for expected future increases in earnings on a statutory funding objective basis. Current and future contributions reflect the deficiency. With effect from 1 April 2012, a schedule of contributions was put in place to fund the scheme's defined benefits at the rate of 23.5% per annum of pensionable salary for scheme members together with a deficit reduction payment

of £356,000 per annum from 1 April 2012 to 31 March 2016 followed by £141,000 per annum from 1 April 2016 to 31 March 2019. For employees joining the scheme before 1 November 1993, the scheme is non-contributory. Employees joining the scheme with effect from 1 November 1993 pay 5% of pensionable salary towards the total. The cost of insuring the death in service benefits is payable in addition to these amounts.

The total employer's pension contributions for entities adhering to the scheme was £272,000 (2010/11: £278,000).

Full details of the scheme can be obtained by writing to the British Museum Company Limited, 38 Russell Square, London WC1B 3QQ.

Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for 31 March 2011, for the purpose of calculating the Financial Reporting Standard No.17 disclosures for the year ended 31 March 2012.

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£000s	£000s
Fair value of scheme assets	8,980	8,260
Present value of funded obligations	(13,550)	(11,650)
Deficit	(4,570)	(3,390)

The amounts recognised in the balance sheet are as follows:

	2012	2011
	£000s	£000s
Assets	0	0
Liabilities	(4,570)	(3,390)
Net liabilities	(4,570)	(3,390)

The amounts recognised in the SOFA are as follows:

	2012	2011
	£000s	£000s
Current service cost	60	70
Interest cost	640	600
Expected return on scheme assets	(610)	(600)
Total	90	70
Actual return on scheme assets	530	500

Changes in the present value of the defined benefit obligation are as follows:

	2012	2011
	£000s	£000s
Opening defined benefit obligation	11,650	10,860
Current service cost	60	70
Interest cost	640	600
Contribution by scheme participants	10	10
Actuarial losses	1,290	280
Benefits paid	(100)	(170)
Closing defined benefit obligation	13,550	11,650

Changes in the fair value of scheme assets (excluding any AVCs) are as follows:

	2012	2011
	£000s	£000s
Opening fair value of scheme assets	8,260	7,640
Expected return	610	600
Actuarial (losses)/gains	(80)	(100)
Contributions by employer	280	280
Contributions by scheme participants	10	10
Benefits paid	(100)	(170)
Closing value of scheme assets	8,980	8,260

The Company expects to contribute £406,000 to its defined benefit pension scheme in the year ended 31 March 2013.

The major categories of scheme assets as a percentage of total scheme assets are as follows:

	2012	2011
Cash	0%	0%
Bonds	14%	14%
Equities	16%	17%
Property	15%	15%
Target return funds	55%	54%

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2012	2011
Discount rate at 31 March	4.8%	5.5%
Expected return on scheme assets at 31 March	6.8%	7.3%
Future salary increases	3.2%	3.4%
Future pension increases		
Pre 1 May 1991	3.0%	3.0%
1 May 1991 to 31 December 2001	5.0%	5.0%
1 January 2002 to 31 December 2007	3.2%	3.4%
Post 31 December 2007	2.5%	2.5%
Commutation allowance	25.0%	0.0%
Inflation assumption	3.2%	3.4%

The overall expected rate of return on scheme assets has been determined by calculating a weighted total of individual asset returns, net of investment management fees.

The underlying market expected return rates used are 8.2% for equity type investments, 5.2% for corporate bond funds, and 3.3% for cash.

Mortality	2012	2011
	SAPS	SAPS
	CMI	Medium Cohort
Life expectancy of male aged 60 in 2010 (65 in 2009)	85.80	85.40
Life expectancy of male aged 60 in 2030 (65 in 2029)	86.50	86.70
Life expectancy of female aged 60 in 2010 (65 in 2009)	88.30	87.90
Life expectancy of female aged 60 in 2030 (65 in 2029)	89.10	89.00

Amounts for the current and previous four periods are as follows:

<i>Defined benefit pension scheme</i>	2012	2011	2010	2009	2008
	£000s	£000s	£000s	£000s	£000s
Defined benefit obligation	(13,550)	(11,650)	(10,860)	(7,460)	(7,930)
Plan assets	8,980	8,260	7,640	5,690	6,730
Surplus / (deficit)	(4,570)	(3,390)	(3,220)	(1,770)	(1,200)
Experience adjustments on scheme liabilities*	0	0	0	710	0
Experience adjustments on scheme assets**	80	100	1,430	(1,700)	(790)

*Where positive numbers represent increases to liabilities

**Where positive numbers represent increases to assets

The scheme had 106 members at the updated valuation of 31 March 2012.

20. Contingent liabilities

The Museum has no contingent liabilities at the year end.

21. Financial instruments

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 March 2012, together with net gains and losses for each classification.

Group	Measured at		Total £000s
	amortised cost £000s	fair value £000s	
Investments	0	99,279	99,279
Trade debtors	12,501	0	12,501
Short-term investments	10,205	0	10,205
Cash at bank and in hand	20,947	0	20,947
Trade creditors	(5,979)	0	(5,979)
Derivative financial instruments	0	51	51
	<u>37,674</u>	<u>99,330</u>	<u>137,004</u>

Gains/(losses) on investment assets

Gains/(losses) on derecognition of investments	1,219
Gains/(losses) on retranslation of foreign denominated cash and investments	(9)
Gains/(losses) on derivative financial instruments	78
Total investment gains/(losses), recognisable in SOFA	1,288
Net movement in fair value of investments, taken to reserves	(1,634)
	(346)

At 31 March 2012, the Museum held foreign exchange forward contracts with a fair value of £50,664, to hedge its exposure to foreign exchange rate risk on investments and cash balances. The Museum had sold US\$9.5 million at a forward rate of \$1.58, maturing in June 2012. All movements in the fair value are attributable to changes in market conditions, and have been reflected in the Statement of Financial Activities.

Financial risk management

Qualitative information on the Museum's approach to financial risk management is disclosed in the "Reserves" and "Investments and financial risks" sections of the Annual Report, and in the Governance Statement. Quantitative disclosures are included here.

Credit risk

The Museum is not exposed to significant trading credit risks. Most major customers are familiar.

Term deposits and cash holdings, other than cash held as part of the investment portfolio, are placed only with approved UK banks and are spread across several institutions. The Museum has not suffered any loss in relation to cash held by bankers.

The objective of managing credit risk is to minimise counterparty default on the Museum's financial assets causing financial loss to the Museum. The Museum aims to mitigate its counterparty credit risk exposure by monitoring the size of its credit exposure to and the creditworthiness of counterparties, including setting appropriate exposure limits and maturities. Counterparties are selected based on their financial ratings, regulatory environments and specific circumstances. The following details the risk management policies applied to the financial assets exposed to credit risk:

- For interest bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Museum of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk;

- Transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk;
- Direct cash management mandate is limited to the use of selected banks (the credit ratings of which are taken into account to minimise credit risk).

Liquidity risk

Approximately 53% of the Museum's incoming resources before transfers and revaluations is provided by Grant-in-Aid from the Department for Culture, Media and Sport. The Museum's reserves policy is set out in the Annual Report. The Trustees believe that the level of unrestricted reserves at year-end and careful planning based on expected funding levels allows the Museum to be free from unacceptably high liquidity risks.

The Museum monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Museum holds highly liquid assets amounting to £31 million as at 31 March 2012 (2010/11: £35 million), which comprises cash at bank and in hand and short term investments. A further £18 million of cash was held as part of the investment portfolio as at 31 March 2012. The level of highly liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Sub-committee on a quarterly basis. The Museum also mitigates its exposure to liquidity risk through the investment of £88 million (2010/11: £70 million) in funds that are readily realisable.

Market risk: interest rate risk

The Museum's financial assets, excluding short term debtors and creditors, are made up of investments and cash. Information about the Museum's investments is disclosed in the "Fundraising and Finance" section of the Annual Report and at note 9.

Cash and short term investments are held in a variety of bank accounts, split between non-interest bearing, fixed rate and floating rate accounts as follows:

	Floating rate	Fixed rate	Non-interest bearing	2012 Total	2011 Total
	£000s	£000s	£000s	£000s	£000s
Sterling	19,863	10,200	754	30,830	33,902
US \$	68	0	254	322	689
Euro	0	0	0	0	0
	<u>19,931</u>	<u>10,200</u>	<u>1,008</u>	<u>31,152</u>	<u>34,591</u>

The weighted average interest rate on fixed rate financial assets is 0.4% (2010/11: 0.4%) and the weighted average period of deposit is 50 days (2010/11: 45 days). The interest receivable on the floating rate deposits is at a variable rate determined by the Museum's bankers. Non-interest bearing cash includes trades pending settlement of £0.3m.

Interest income for the year made up about 2.1% (2010/11: 1.9%) of the Museum's incoming resources before transfers and revaluations and the Museum does not hold any loans, so exposure to interest rate risk is minimal.

Market risk: foreign currency risk

Approximately 9% of the Museum's financial assets are denominated in currencies other than pounds sterling, the base currency for the Museum's operations. In order to protect funds from exposure to currency risk the Museum reviews underlying investment manager exposure and deploys hedging strategies. Euro exposure is hedged if it constitutes more than 20% of the portfolio, US dollar and Japanese Yen exposures if they represent more than 10% of the portfolio, and all other currencies if they together constitute more than 10% of the portfolio. Unhedged assets will include illiquid private equity investment where the long-term nature of the investment removes the need to hedge short-term fluctuations and the uncertainty surrounding the quantum and timing of distributions makes accurate currency hedging problematic.

The total value considered to be exposed to currency risk at 31 March was:

Currency	Value 2012 £000s	Value 2011 £000s
US\$	13,463	9,833
Japanese Yen	57	0
Euro	302	1,035
Other	3,603	0
	<u>17,425</u>	<u>10,868</u>

Note that this summary reflects the denominations of holdings and does not therefore reflect the underlying investment manager exposure, which is a factor in determining the value to be hedged.

Total value considered to be exposed to US\$ risk before hedging	£000s 21,511	£000s 15,762
Less forward contract:- US\$	(9,500)	(6,570)
Total value exposed to US\$ currency risk	12,011	9,192
Total value considered to be exposed to Euro risk before hedging	-	1,169
Less forward contract:- Euro	-	(940)
Total value exposed to Euro currency risk	-	229

Market risk: other price risk

The Museum is exposed to risks associated with market fluctuations on its investments - details of the investment policy and risk management are disclosed in the "investment and financial risks" section of the Annual Report above. For non-investment transactions, exposure to wider market price risks is reduced by competitive tendering and securing two or three year fixed price contracts, where appropriate.

Concentration of exposure to other price risk

An analysis of the Museum's investment portfolio is shown in note 9(a). This shows that the majority of the investment value is in UK funds, in both quoted and unquoted investments.

22. Post balance sheet events

There were no reportable events between 31 March 2012 and the signing of these accounts. The financial statements were authorised for issue by the Trustees and Accounting Officer on 10 July 2012.



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