

MUSEUMS AND GALLERIES ACT 1992

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The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2005

LONDON: The Stationery Office

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Trustees' and Accounting Officer's Annual Report

Introduction

- 1 The Trustees of the British Museum have pleasure in submitting their Annual Report and Accounts for the year ended 31 March 2005.

Overview of financial performance 2004-05

- 2 2004-05 marked success in bringing the Museum's finances back onto a sound financial footing. Actions had been put in train in 2001-02 to reduce annual costs by £6m, by reducing staffing levels, bringing three departments back onto the Bloomsbury site, disposing of surplus properties and improving cost efficiency in the use of resources. A target was set for the Museum to return to break even in 2004-05.

The actions have all been completed and the target of returning to break even in 2004-05 has been met. The operating surplus of £2.5m on the consolidated income and expenditure account is taken after deducting £3.2m from income to fund capital expenditure. Taking one year with another, the Museum expects to need to spend between £5m and £6m per annum on capital expenditure to replace or extend the life of its assets. The operating surplus is sufficient to fund capital expenditure at this level.

The future

- 3 The task now is to sustain the balance of operating income and expenditure while realising the Museum's plans for the future and addressing the effects of past underinvestment through the judicious application of newly rebuilt reserves.

At the 31 March 2001 the Museum's unrestricted reserves stood at £12m. Over the past four years they have been built up through property disposals and other actions to stand now at £73m. £15m must be reserved at all times to provide continuing assurance that the solvency of the Museum will not be put at risk by unforeseen short term income and expenditure variances. The balance of £58m provides a good starting point for taking the Museum forward.

Investments

- 4 It is the Trustees' policy to invest the Museum's permanent endowment trust funds so as to maximise the income earned on them while maintaining their real capital value over the long term. The investment policy for other trust funds is to maximise overall returns. The trust funds were reinvested in common investment funds in January 2004 with the aim of improving returns and simplifying management and monitoring.

Both of these aims were met in 2004-05 with the permanent endowment funds recording capital gains of 12.3% while generating income of 5.0% and other Trust Funds achieving combined gains of 17.8%. The FTSE 100 index increased by 9.7% over the same period

A subcommittee of the Trustees has been established to advise on the investment of the Museum's funds and to review the performance of the investments.

Performance Indicators

- 5 The Three Year Funding Agreement between the Museum and the Department for Culture, Media and Sport establishes six core targets for the Museum. In common with other museums and galleries, the Museum has agreed a number of other indicators with the Department for Culture, Media and Sport. These indicators are set out below and achievement against the specific targets is described in the following narrative:

Performance Indicator	2001-02 Actual	2002-03 Actual	2003-04 Actual	2004-05 Actual
Museum in London				
no. of visitors:	4,813,000	4,623,500	4,622,169	4,778,200
% of repeat visitors:	43%	40%	37%	37%
% of Greater London visitors:	20%	22%	21%	21%
no. of children in educational programmes:	142,000	165,900	193,510	201,898
% of ethnic minority visitors:	6.5%	6.8%	7.2%	7.6%
no. of child visitors:	951,000	858,000	902,353	943,072
no of C2DE socio-economic visitors:	555,000	580,000	527,000	530,000
% of over 60's visitors:	11%	11%	14%	14%
no. of major gallery & exhibition sponsorships:	4	4	6	3
special exhibition visitors:	324,000	159,591	36,097	245,844
membership numbers:	14,364	15,234	15,974	14,205
Museum in Britain				
outreach learners:	3,234,000	4,713,000	5,468,492	4,953,840
no. of British loan venues:	86	95	94	161
off-site visitors UK:	121,000	130,768	84,100	290,025
no. of Treasure Act cases processed:	397	422	530	584
Museum in the World				
no. of international visitors to the Museum:	2,647,000	2,404,220	2,495,971	2,389,100
no. of foreign loan venues:	89	114	117	127
no. of visitors to international exhibitions:	563,000	611,104	1,289,000	1,221,957
no. of web site visits:	4,491,000	6,850,818	7,751,329	7,565,805
Capacity				
% of collection stored at correct environmental conditions:	71%	71%	66%	67%
% of collection documented to stated international electronic standards:	31%	31%	33.2%	36.2%
% of display collection internet-accessible:	8%	9.7%	10.3%	10.5%
% time open (museum):	69%	69%	69%	69%
% of visitors very satisfied:	75%	72%	79%	79%
growth in income per visitor:	36%	-3%	-2%	1.1%
G-I-A per visitor (actual and virtual):	£3.60	£2.99	£2.72	£2.73
average days lost sick per employee:	8.8	8.1	7.2	6.9

The number of visitors to the Museum increased by 3% in 2004-05 and is well ahead of the 4,400,000 target. Nearly a half of these visitors are from overseas, representing every continent on the globe.

The school visits are very popular and are all pre-booked to ensure they fit in with the flow of other visitors. Despite this limitation on numbers, 9% more children (201,898) visited under this programme in 2004-05, ensuring that the 150,000 target was fully met. The combination of more schoolchildren and more visitors in general ensured that the 943,072 total for child visitors was also ahead of its 930,000 target.

Considerable effort has been put into bringing the Museum's collection to a wider geographical audience and social profile. Links with regional museums have been very successfully strengthened: 161 loans were made to British venues in 2004-05, 71% more than in the previous year and more than double the target of 80. The number of visitors to these loans exceeded all expectations and is reflected in a tripling of the reported figure for off site visitors in the UK.

Treasure – Finding Our Past toured Cardiff, Manchester and the Hancock Museum, Newcastle. The Queen of the Night was displayed at Birmingham and Cardiff. The Radiant Buddha went to Birmingham and Bradford and the Across the Board exhibition was staged at Segendum Fort at Wallsend. This large programme of loans and exhibitions shared with regional museums across Britain has gone a long way towards widening the profile. The very successful Mummy: *the inside story* exhibition achieved its aim of bringing in new visitors and the forward marketing plan is focusing on activities, of which the Ground Force Africa Garden is an example, that will attract new audiences.

The reported growth in visitors to the Museum in socio economic groups C2DE does not do justice to this activity and the indicated number of 530,000 remains below the target of 600,000. In part this reflects a 1% reduction in their share of the British population but the confidence level in this indicator is also limited by the sampling and voluntary questionnaires used for gathering the data.

International links were also strengthened by further activity in international loans and touring exhibitions. As well as increasing the number of venues, the exceptional number of visitors to exhibitions in 2003-04 was nearly matched for a second year. Over 2,000,000 people have visited the Eternal Egypt exhibition in the course of its four year tour of the USA and Canada. Comparable numbers have seen the Treasures of the World's Cultures exhibition in Japan, Malaysia and Korea.

Further Ancient Civilisations websites were launched during the year: Ancient China, Mughal India and Imperial China and an umbrella site. Together with the existing Ancient Egypt and Mesopotamia sites, they have been extensively visited and represent the channels for 4,953,840 outreach learners. When the main Museum and COMPASS sites are further taken into account we received 7,565,805 visits to all our websites, well ahead of the 5,500,000 target.

The Museum is implementing plans for improvements to its storage of some 7 million objects. Minor improvement projects were completed during the year and major projects to deliver more significant improvements in the quality of collection storage have commenced.

210,000 new electronic object records of items were logged on the collection management system in 2004-05. Some 2,500,000 are now completed. The Museum's forward plans include the improvement of the quantity and quality of electronic documentation of the collection and making more of these images and information available on the website as priorities.

The continuing reduction in sickness and absenteeism reflects improving management skills, staff training and welfare policies across the Museum and substantial recent investment in organisational development.

Report of the Audit Committee

6. The task of the Audit Committee is:

- to monitor on behalf of the Board that:
 - the Director and staff are acting within the terms set down by law, regulation, other guidance and within the authority given by the Board, with efficiency and probity;
 - major risks to the strategy are identified and are being managed;
 - resources are being used effectively and efficiently;
 - the accounting process has integrity and effective internal controls are in place;
 - reports received under the Museum's policies are investigated and acted upon.

- to review and recommend to the Board and the Accounting Officer the acceptability of the Museum's annual accounts for signature and their laying before Parliament in accordance with the Acts;
- to review and provide assurance to the Board and the Accounting Officer concerning the Statement on the System of Internal Control.

The Audit Committee reports to the Board and during the year met four times, covering a range of topics including the following:

- approval of the forward internal audit plan;
- the results of internal audit reviews;
- security of the collection;
- the Museum's risk register;
- testing of assurance arrangements with managers;
- resourcing of the Museum's internal audit function;
- the Museum's response to the introduction of the Freedom of Information Act;
- the Museum's response to consultation on the proposed new Charity accounting SORP.

Foreword to the Accounts

Basis of Preparation of Financial Statements

The Financial Statements follow the form directed by the Secretary of State with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992; in essence to meet the requirements of the accounting standards issued by the Accounting Standards Board and the Statement of Recommended Practice *Accounting and Reporting by Charities* (SORP) in so far as those requirements are appropriate. A copy of the Accounts Direction may be obtained by contacting the Director of Finance at the British Museum.

Accounting Policies and Practices

The Museum is complying with the requirements of the Charities SORP. It has chosen to expand the normal Statement of Financial Activity and distinguish revenue from capital funds, in order to provide a clear expression of its accountability as an organisation providing services to the public. An Income and Expenditure Statement is also provided to remove further anomalies created by timing differences between related income and expenditure.

Results for the Year

The Museum achieved an operating surplus of £2,517,000 (£1,729,000 in 2003-04), investment gains of £1,554,000 (£690,000 in 2003-04), exceptional income of £8,241,000 and incurred early retirement costs of £1,138,000.

The operating surplus is stated after deducting £3,223,000 of income to fund capital expenditure (£3,786,000 in 2003/04). A further £1,632,000 capital expenditure has been funded by donors or from reserves.

Reserves

At the 31 March 2005 the Museum's total reserves were £509m. They were employed as follows:

	£m
Collection items acquired since 31 March 2001	28
Land, buildings, plant and equipment	383
Permanent endowment trust funds	11
Restricted capital funds	6
Restricted revenue funds	8
Unrestricted reserves	73
Total	509

The collection items, the fixed assets and the permanent endowment trust funds are fully employed for the operation of the Museum and are not available for any other purposes. The restricted capital funds represent donations and disposal proceeds which may only be used for specific capital projects.

The restricted revenue funds may only be used for the acquisition of specified types of object for the collection or for funding staff for specified activities.

Subject to Trustees' policies and Government resource accounting constraints, the unrestricted reserves are available for investing in the Museum's future. Of the £73m unrestricted reserves at 31 March 2005, £45m is available for capital expenditure and £28m may be used either for revenue or capital expenditure.

Trustees have directed that unrestricted revenue reserves should not be allowed to fall below £5m nor unrestricted capital reserves fall below £10m. This is to provide continuing assurance that the solvency of the Museum will not be put at risk by unforeseen short term income and expenditure variances.

Going Concern

The British Museum receives grant-in-aid from the Department for Culture, Media and Sport. The Department has confirmed the level of funding it will make available for the year ending 31 March 2006. It is the budgetary policy of the Board to maintain adequate reserves and to budget over a period of years so as to balance income with expenditure and to fund capital expenditure in full, so that the Museum is able to present a continuing programme of work consistent with its aims and resources.

The Trustees are confident they can ensure forward compliance with the budgetary policy for the foreseeable future. Accordingly, the Trustees consider it appropriate to prepare the Museum's financial statements on the going concern basis.

The British Museum

The British Museum was founded by Act of Parliament in 1753 to care for the collection of Sir Hans Sloane and is now governed in accordance with the British Museum Act 1963. The Museum's principal activity is to hold for the benefit of humanity a collection representative of world cultures and ensure that the collection is housed in safety, conserved, curated, researched and exhibited. It is one of the most popular museums in the world, receiving 4.8 million visitors in 2004-05. It holds for the nation a collection of antiquities, prints and drawings, ethnography, and coins and medals that is amongst the finest in the world. The collection derives from all continents and over 2 million years of human history. Responsibilities and activities flow from the custodianship both of the collection and of the building in which they are housed. The collection is exhibited for the visiting public in London and, more widely, through loans to other museums, both in the UK and abroad and through the Museum's websites. It is enhanced by means of purchases and gifts, through excavation and fieldwork undertaken by Museum staff. The Museum acts as an international centre for scholarly activity, making the collection available for research and discussion. It aims to fulfil its functions efficiently, effectively, economically and in a friendly and accessible manner.

Departments

The Museum comprises a directorate and 19 other departments split between collection and resources. The collections departments are: Africa, Oceania and the Americas; Ancient Egypt & Sudan; Ancient Near East; Asia; Coins & Medals; Conservation, Documentation & Science; Exhibitions; Greek & Roman Antiquities; Learning and Information; Prehistory & Europe; Prints & Drawings. The resources departments are: Communications; Development Office; Facilities Management; Finance; Human Resources; Information Services; Marketing; Operations; Photographic Imaging; Projects.

Housing the Collection

Custodianship of the Museum's collection and main building is vested in the Trustees. The Museum's main site is at Bloomsbury where all its departments are now based. Two buildings in Hoxton provide additional workshops and storage. Textiles and archaeological and general materials are stored at a property in Hammersmith shared between the British Museum, the Science Museum and the Victoria and Albert Museum.

Finance and Support for the Museum – Connected Entities

The Museum is a Non-Departmental Public Body subject to a Management Statement and Financial Memorandum agreed with its sponsoring department, the Department for Culture, Media and Sport (DCMS). It is an exempt charity under schedule 2 of the Charities Act 1993. The Museum is funded by a combination of grant-in-aid allocated by DCMS and income secured through a range of commercial and fund-raising activities, sponsorship and activities for which a charge is made. Since its foundation, gifts have been received from private sources in the form of objects for the collections, property for housing the collections and financial support for the Museum's objectives. The Trust Funds established with financial donations are directed towards the general purposes of the Museum or towards specific areas of its activities in accordance with the wishes of the benefactors.

The British Museum Company Ltd, a limited company wholly owned by the Trustees, is an exempt charity that furthers the educational objectives of the Museum through publishing curatorial activities and research and, through its subsidiary British Museum Ventures Ltd, acts as its main retailing and off-site trading arm. It is separately administered and three Trustees of the Museum and the Museum's Director and Deputy Director (Resources) are directors of the company. The company made an operating profit of £731,000 in 2004-05 (£543,000 in 2003-04) and made a Gift Aid donation of £630,000 (£668,000 in 2003-04) to the Museum.

The British Museum Great Court Ltd is a limited company wholly owned by the Trustees, acts as the Museum's trading arm within the Museum estate for catering and income generating activities other than retailing. Its Directors are senior employees of the Museum. During the year the company made an operating profit of £1,139,000 (£847,000 in 2003-04) and made a Gift Aid donation of £1,225,000 (£910,000 in 2003-04) to the Museum.

The British Museum Development Trust (BMDT), an exempt charitable trust, acts as the Museum's fundraising arm. It was separately administered until 1 April 2005. Three Trustees of the Museum are on its Board of Trustees. During the year, the development department raised income of £2,940,000 for the Museum (£8,934,000 in 2003-04) and the Museum made a grant to the Trust of £592,000 (£699,000 in 2003-04) to cover running costs. A list of the BMDT Trustees can be found in *Appendix 1*. On 1 April 2005, the operations, staff and assets of the Trust were transferred to the British Museum, continuing the process of integrating fundraising activities within the Museum.

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 the needs of the Friends. It is separately administered and independent of the Museum and a majority of its Council are not Trustees or senior employees of the Museum or of other connected entities. During the year it made grants of £515,000 to the Museum (£654,000 in 2003-04).

The American Friends of the British Museum (AFBM) is committed to supporting the Museum's development by raising funds for the Museum in the United States. It is administered in New York. It is independent of the Museum and a majority of its Board Members are not Trustees or senior employees of the Museum or of the BMDT. During the year it made grants of £504,000 to the Museum (£333,000 in 2003-04).

Some curatorial departments are also supported by groups of supporters: the Caryatids (Greek & Roman Antiquities), the Friends of the Near East (Ancient Near East), and the Patrons of Old Master Drawings (Prints and Drawings).

The Board of Trustees

The governing body is the Board of Trustees whose members are appointed for fixed terms of service and are listed in *Appendix 1*. They are non-executive and unpaid. The Board meets quarterly to lead and control the Museum and is aided in this respect by three subcommittees of the Board: the Standing Committee, the Audit Committee and the Nominations and Governance Committee. Matters for the Board's decision and the respective responsibilities of the Board, Trustees' Committees and Management are clearly defined. The Board has access to independent financial advice and the Governance Manager ensures that Board procedures are followed.

In particular, the Board:

- appoints the Director, subject to the approval of the Prime Minister and determines his contract of employment. The Board reviews the Director's performance annually
- seeks to give a full account of the Museum's affairs in this Report and Financial Statements which it publishes annually;
- takes due cognisance of the Financial Memorandum and Management Statement agreed with the DCMS and of the Three Year Funding Agreement;
- establishes policies and strategy covering the major aspects of the Museum's work;
- considers and agrees the Plan to fulfil the policies;
- monitors the achievement of the Plan.

The Accounting Officer

Mr Neil MacGregor is the nominated Accounting Officer for the Museum. The Accounting Officer is responsible under the Board for the overall organisation, management and staffing of the Museum and its procedures in financial and other matters, including conduct and discipline. The Accounting Officer is responsible to Parliament and to the Accounting Officer of DCMS for resources under his control. The essence of the role of Accounting Officer is a personal responsibility for the propriety and regularity of the public finances for which he is answerable, for the keeping of proper accounts, for prudent and economic administration, for the avoidance of waste and extravagance and for the efficient and effective use of all resources under his charge. The Accounting Officer has a responsibility to see that appropriate advice is offered to the Board on all these matters. These include the provision of assurances contained in the Report and Financial Statements.

Internal Control

Both the Board and the Accounting Officer have ultimate responsibility for the system of internal control applied at the Museum. The system employed is designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The main components of the system are: a defined Trustees' Board and Committee structure, a defined Directorate, Management Group and task force structure, a set of policies agreed by the Board, a risk management process, a financial reporting and monitoring process and an internal audit function.

Trustees and Senior Staff Transactions 2004-05

None of the Trustees, members of key management, staff or persons connected with them has undertaken any material transactions with the Museum in 2004-05. The Museum reimbursed Churchill College Cambridge £11,406 towards the costs of secretarial support for the Chairman. The full register of interests of the Trustees is held at the Museum, where it may be seen by application to the Governance Manager.

Staff Policies

The British Museum endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited, that they are well trained and that they are well managed and work in an environment in which they can give of their best. Regular communications with staff are effected by a number of means:

- the British Museum consultative committee meets quarterly to allow matters raised by staff to be aired between management and union representatives; employees are encouraged to discuss with their representatives any matters about which they are concerned and factors affecting the Museum. The Chairman and Director attend one meeting each year;
- minutes of Management Group meetings are placed on the Museum intranet;
- the Directorate holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues;
- the Museum Plan is made available in summary form on the Museum's intranet and the Directorate held open meetings with staff to explain the principles underlying it;
- office notices are regularly issued to advise staff of events, job opportunities, organisational changes, common procedures and where to find information.

The British Museum is an equal opportunities employer. It recruits people based on merit and seeks to recruit from the diverse communities in London and nationally. It has a published HR policy on the recruitment, employment and development of staff regardless of their gender, ethnicity, sexual orientation or disability. The Museum also has procedures to adjust work or the environment if appropriate when a person's circumstances or abilities change.

The Health and Safety manager has maintained awareness in the organisation and continues to achieve improvements in health and safety practice. A health and safety committee meets quarterly, acting as a forum to consider accident records and for health and safety issues to be aired between management and staff representatives.

A confidential employee assistance programme, offering independent professional help on personal issues whether work related or otherwise, is available to all staff and continues to have a steady uptake.

Payment Policy

The Museum aims to abide by the Better Payment Policy and to settle bills within 30 days or by the due date. In 2004-05 it paid 71% of invoices within the target.

Changes in Fixed Assets and Future Developments

There were no significant changes in fixed assets during the year. The Museum is developing a programme of improvements to the buildings and the care of the collections.

Neil MacGregor
Accounting Officer

Sir John Boyd
Trustee

David Lindsell
Trustee

13 July 2005

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, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at its year end.

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

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply them on a consistent basis
- make judgements and estimates that are reasonable and prudent
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on the 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. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting.

Neil MacGregor
Accounting Officer

Sir John Boyd
Trustee

David Lindsell
Trustee

13 July 2005

Statement on Internal Control

1 Scope of responsibility

As Accounting Officer I, Neil MacGregor, have responsibility for maintaining a sound system of internal control that supports the achievement of the British Museum's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting.

As Chairman of the Audit Committee of the Board of Trustees I, David Norgrove, have delegated responsibility from the Board of Trustees for satisfying myself and the Board that such a sound system of internal control is maintained within the British Museum.

The Museum has a three-year Funding Agreement with its sponsor department, the Department for Culture, Media and Sport, which includes targets in support of the Department's own Public Service Agreement targets and which identifies the most significant risks to achievement of the Museum's objectives. Progress against the Funding Agreement targets is monitored at least twice a year.

2 The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

3 Capacity to handle risk

The Accounting Officer has overall responsibility for the Museum's risk management framework. The Directorate Group, which meets to receive and consider reports or recommendations for action or decision to the Accounting Officer, co-ordinates the management of risk within the Museum's departments and ensures that the Museum's risk register is kept up-to-date. It is supported for this purpose by the Director of Finance, with advice from Internal Audit. Risk management within departments is supplemented by risk assessments and monitoring by project managers for cross-departmental projects.

4 The risk and control framework

The Museum Management Group and the Directorate Group notify new risks as they arise to the Director of Finance, who maintains the Museum's risk register. The Directorate Group regularly reviews the risks on the risk register, reassesses their likelihood of occurrence and potential impact and considers indicators for monitoring the risk, actions to reduce the likelihood and appropriate responses should the risk materialise. The responsibility for managing each risk is assigned to a senior manager in the Museum.

The Audit Committee of the Board of Trustees reviews the risk register and actions taken at each of its meetings. It focuses on the risks scored highest for combined likelihood and impact and challenges the Museum's officers for evidence of good management. It holds meetings with the Museum's middle management to assure itself that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

The risk management priorities for the Museum during 2004-05 have been to establish structures and responsibilities for implementing the Plan, to modernize processes to improve outputs, to build public support, to develop effective space planning, to address security issues and to invest in organisational development.

Risk management is embedded within the organisation through established business planning and project management processes, which ensure that risks to achieving business plan initiatives are identified as the initiatives are developed and project risks are considered at each project gateway. Significant progress has been made in designing, documenting and implementing a comprehensive approach to managing emergency situations. Further attention will be paid in 2005-06 to the development of business continuity & recovery plans and ensuring that risk management is applied appropriately to the Museum's operational activities.

5 Review of effectiveness

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors, who issue an annual report that includes the Head of Internal Audit's opinion of the overall adequacy and effectiveness of the risk management, control and governance processes;
- the Directorate Group, which reports on the effectiveness of risk management and the Museum's system of internal controls to the Accounting Officer, who reports to the Audit Committee four times each year;
- the Audit Committee, which has oversight of the internal audit function. The Chairman of the Audit Committee reports to the Board of Trustees annually for its approval on the effectiveness of risk management and the Museum's system of internal control, quarterly to provide updates on progress against action points on the risk register, and as required for emerging issues related to risk management;
- the executive managers within the Museum, represented by the Museum Management Group, who have responsibility for the development and maintenance of the internal control framework and who advise the Directorate on risks and risk management;
- quarterly reports from the Head of Security to the Directorate Group;
- comments made by the external auditors in their management letter.

In addition, all budget-holders provide the Accounting Officer with annual Assurance Statements.

We have been advised on the implications of our review of the effectiveness of the system of internal control, by the Board and the Audit Committee. We plan to address weaknesses and ensure continuous improvement of the system is in place.

The system of internal control has been in place in the British Museum for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance. We will ensure that there is continuous improvement to the system.

Neil MacGregor
13 July 2005

David Norgrove
13 July 2005

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

I certify that I have audited the financial statements on pages 15 to 35 under the Museums and Galleries Act 1992. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 20 and 22.

Respective responsibilities of the Trustees, the Accounting Officer and Auditor

As described on page 10, the Trustees and the Director of the British Museum, as the Accounting Officer, are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions funded via Parliament. The Trustees and the Director are also responsible for the preparation of the Foreword and Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder, and whether in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the other contents of the Foreword are not consistent with the financial statements, if the British Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 11 to 12 reflects the British Museum's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the British Museum's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Audit opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the British Museum and Group at 31 March 2005 and of the incoming resources, application of resources and cash flows of the group for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

15 July 2005

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

Consolidated Income and Expenditure Account For the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Income			
Grant-in-aid	2	37,893	37,355
Donations and legacies		1,069	1,064
Activities in the furtherance of the Charity's objectives		4,436	4,250
Activities for Generating Funds			
Sponsorship		533	293
Commercial Trading Activities	10(c)	14,732	15,850
Investment income and rent receivable	3	2,337	1,897
Less Income allocated to Capital Expenditure		(3,223)	(3,786)
		57,777	56,923
Expenditure			
Costs in furtherance of the Charity's Objectives		47,451	45,902
Costs of Generating Funds			
Fund raising and publicity		645	724
Commercial Trading Activities	10(c)	14,169	15,654
Investment Management Costs		0	13
Management and administration of the Charity		429	464
Less depreciation allocated to Capital Funds		(7,434)	(7,563)
	5(b)	55,260	55,194
Surplus before gain on investments and exceptional items		2,517	1,729
Gain on investments		1,554	690
Actuarial Gain on defined benefit scheme		0	470
Exceptional item: VAT settlement	6	7,374	0
Exceptional Item: Rates renegotiation	6	867	0
Exceptional Item: Early Retirement Costs	6,13	(1,138)	0
Surplus for the year		11,174	2,889
Transfers:			
From Permanent Endowment Funds		1,065	0
From Restricted Capital Funds		447	435
(To)/From Designated Capital Funds		525	993
Surplus for the year after transfers		13,211	4,317
Deferred Restricted Income		(425)	(386)
Revenue Reserves at 1 April 2004		23,070	19,139
Revenue Reserves at 1 April 2005	15	35,856	23,070

The above figures do not reflect an increase in value of £27,889,000 arising from a revaluation of the Museum's fixed assets at 31 March 2005 (2004: £50,690,000) as it is credited to capital funds and has no impact on the Museum's operating costs. The revaluation is reflected in the Statement of Financial Activities and hence no Statement of Total Recognised Gains and Losses is presented. Full details are given in Note 8(c).

The notes on pages 20 to 22 form part of these accounts.

All amounts relate to continuing operations.

Consolidated Statement of Financial Activities

For the year ended 31 March 2005

	Notes	Revenue Funds			Capital Funds			Total Funds			Total 2004 £000
		Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Collection Acquisitions £000	Total Unrestricted £000	Restricted Endowment £000	Permanent £000	
Incoming Resources											
Grant-in-aid	2	35,229		35,229		2,664		2,664		0	37,893
Donations and legacies		1,034		1,034	111	1,715		1,826		0	2,860
Activities in the furtherance of the Charity's objectives		2,408	1,571	3,979				0	2,408	0	3,979
Activities for Generating Funds											
Sponsorship		40	560	600				0	40	560	600
Commercial/Trading Activities	10(c)	14,732		14,732				0	14,732	0	14,732
Investment income and rent receivable	3	2,106	231	2,337	1,588	54		1,642	3,694	285	3,977
		55,549	2,362	57,911	1,588	2,829	1,715	6,132	57,137	6,906	64,041
Resources Expended											
Costs in furtherance of the Charity's Objectives		37,526	2,521	40,047		7,404		7,404	37,526	9,925	47,451
Costs of Generating Funds								0			
Fund raising and publicity		643		643		2		2	643	2	645
Commercial/Trading Activities	10(c)	14,169		14,169				0	14,169	0	14,169
Investment/Management Costs				0				0	0	0	0
Management and administration of the charity		398	3	401		28		28	398	31	429
	5(a)	52,736	2,524	55,260	0	7,434	0	7,434	52,736	9,958	62,694
Net incoming resources	4	2,813	(162)	2,651	1,588	(4,605)	1,715	(1,302)	4,401	(3,052)	1,347
Gains on investment assets		1,079	475	1,554				0	1,079	475	2,900
Actuarial Gain on defined benefit scheme				0				0	0	0	0
Revaluation of fixed assets	8(a)			0		27,889		27,889	0	27,889	51,206
Exceptional item: VAT settlement	6	7,374		7,374				0	7,374	0	7,374
Exceptional item: Rates renegotiation	6	867		867				0	867	0	867
Exceptional item: Early Retirement Costs	6,13	(1,138)		(1,138)				0	(1,138)	0	(1,138)
Net movement in funds	15	10,995	313	11,308	1,588	23,284	1,715	26,587	12,583	25,312	39,239
Transfers between funds	15	595	883	1,478	(541)	680	(552)	(413)	54	1,011	0
Fund balances brought forward at 1 April	15	16,675	6,395	23,070	44,050	365,557	26,663	436,270	60,725	398,615	400,467
Fund balances carried forward at 31 March	15	28,265	7,591	35,856	45,097	389,521	27,826	462,444	73,362	424,938	509,349

The notional cost of capital is reported in note 7.

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 20 to 22 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2005

	Notes	2005 £000	2004 £000
Fixed Assets			
Tangible assets	8(a)	412,714	388,106
Investments	9(a)	22,383	19,482
		435,097	407,588
Current Assets			
Stock-goods for resale		2,191	2,171
Debtors	11	4,776	5,259
Short term investments	9(b)	73,500	64,000
Cash at bank and in hand		7,017	5,919
		87,484	77,349
Creditors: amounts falling due within one year	12	(9,635)	(11,159)
Net current assets		77,849	66,190
Total assets less current liabilities		512,946	473,778
Provision for liabilities and charges:			
Early retirement provision	13	(1,814)	(2,068)
Liability on defined benefit pension scheme		(1,600)	(1,600)
Liability on surrender of lease		(183)	0
Net Assets		509,349	470,110
Represented by:			
Capital Funds			
Permanent Endowments	15	11,049	10,770
Restricted Funds		417,347	392,220
Unrestricted Funds		45,097	44,050
		473,493	447,040
Revenue Funds			
Restricted Funds	15	7,591	6,395
Unrestricted Funds		28,265	16,675
		35,856	23,070
Total Funds		509,349	470,110

The notes on pages 20 to 22 form part of these accounts.

Neil MacGregor
Accounting Officer

Sir John Boyd
Trustee

David Lindsay
Trustee

13 July 2005

Museum Balance Sheet as at 31 March 2005

	Notes	2005 £000	2004 £000 <i>Restated</i>
Fixed Assets			
Tangible assets	8(b)	411,147	386,180
Investments	9(a)	22,383	19,482
Investment in subsidiaries	10(a)	1,250	1,250
		434,780	406,912
Current Assets			
Debtors	11	6,565	6,901
Short term investments	9(b)	71,500	62,000
Cash in bank and in hand		4,689	3,987
		82,754	72,888
Creditors: amounts falling due within one year	12	(8,214)	(9,848)
Net current assets		74,540	63,040
Total assets less current liabilities		509,320	469,952
Provision for liabilities and charges			
Early retirement provision	13	(1,814)	(2,068)
Net assets		507,506	467,884
Represented by:			
Capital Funds			
Permanent Endowments	15	11,049	10,770
Restricted Funds		417,347	392,220
Unrestricted Funds		43,530	42,124
		471,926	445,114
Revenue Funds			
Restricted Funds	15	7,591	6,395
Unrestricted Funds		27,989	16,375
		35,580	22,770
Total Funds		507,506	467,884

The Museum balance sheet has been restated to reflect the investment in the British Museum Company Limited.

The notes on pages 20 to 22 form part of these accounts.

Neil MacGregor
Accounting Officer

Sir John Boyd
Trustee

David Lindsell
Trustee

13 July 2005

Consolidated Cash Flow Statement for the year ended 31 March 2005

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	16(a)	11,153	4,559
Returns on investments and servicing of finance:			
Interest received		3,422	2,591
Dividends received		224	627
Rents Receivable		306	309
		<u> </u>	<u> </u>
Net cash inflow from returns on investments and servicing of finance		3,952	3,527
Investing Activities:			
Capital expenditure and financial investments:			
Purchase of tangible assets		(4,507)	(11,790)
Proceeds from sales of tangible assets		0	23
Purchase of fixed asset investments		0	(26,089)
Receipts from sale of fixed asset investments		0	25,835
		<u> </u>	<u> </u>
Net cash outflow from investing activities		(4,507)	(12,021)
Management of liquid resources			
Net (purchase) sale of short term investments		(9,500)	1,743
		<u> </u>	<u> </u>
Increase/(Decrease)in cash	16(c)	1,098	(2,192)

The notes on pages 20 to 22 form part of these accounts.

Notes to the Accounts

1 Accounting Policies

Accounting Conventions

The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Director of Finance at the British Museum.

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.

Without limiting the information given, the accounts meet the requirements of the Companies Act 1985, accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate including the Statement of Recommended Practice (Revised 2000) *Accounting and Reporting by Charities* issued by the Accounting Standards Board.

Consolidated accounts include the Museum's operating statement, trust funds owned and administered by the Museum, the British Museum Development Trust which fundraises for the Museum, and its trading companies The British Museum Company Limited and The British Museum Great Court Limited. The form of control exercised by the British Museum over these entities is set out under Connected Entities in the Foreword to these Accounts.

Statement of Financial Activities (SOFA)

- (i) This statement discloses the totality of the resources receivable by the Museum during the year and their disposition. Resources are allocated to particular funds according to their purpose. Capital and revenue elements are shown separately.

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes.

The purpose and use of the designated funds are set out in the notes to the financial statements.

Restricted funds are funds subject to specific restriction imposed by sponsors and donors.

Permanent endowment funds are funds which the donors have stated are to be held as capital.

- (ii) All 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. Sponsorship receipts and donations are recognised as incoming resources when the conditions for their receipt have been met.
- (iii) Resources expended are classified in the SOFA under the principal categories of charitable and other expenditure rather than under the type of expense.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributable, they have been allocated to activities on a basis consistent with use of the resources. Fundraising and publicity costs are those incurred in seeking voluntary and sponsored contributions for the Museum. Management and administration costs are those incurred in connection with the management of the Museum's assets, and compliance with constitutional and statutory requirements.

Income and Expenditure Account

- (i) The Museum substantially achieves its objectives through current operations, the majority of which are revenue-generating. The Income and Expenditure Account measures current operating results.
- (ii) All income is accounted for on a receivable basis. Grant-in-aid is taken into account in the year in which it is received. Income in relation to sponsorship and restricted donations is accounted for in the year in which funded activities take place.
- (iii) Current expenditure is classified under the relevant headings as set out in (iii) above.

Collection Acquisitions

Acquisitions for the collection since 1 April 2001, whether donated or purchased, are capitalised and recognised in the balance sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Such items are not depreciated or revalued as a matter of routine.

Tangible Fixed Assets

Assets with an economic life of more than one year and value greater than £5,000 are capitalised.

All assets are carried at current cost valuations unless the trustees consider that this is not materially different from historic cost.

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, as follows:

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	25 years
Plant and Machinery	10 to 15 years
Furniture, fit out and equipment	3 to 20 years

No residual value is assumed for any asset at the end of the period of depreciation.

It is the policy of the Trustees of the British Museum to plan the maintenance and refurbishment of the buildings on an even basis and at a level designed to maintain and preserve the buildings for the foreseeable future. The cost of such works is written off to the SOFA and the Income and Expenditure Account in the year incurred.

Investments

Investments are stated at market value as at 31 March 2005. Realised and unrealised gains and losses on investments relating to revenue funds are reflected in both the Statements of Financial Activities and the Income and Expenditure Account whilst realised and unrealised gains and losses on investments relating to the permanent endowment funds are recognised in the Statement of Financial Activities only.

Freehold investment properties have been brought into the accounts at open market value and are not depreciated. This is in accordance with SSAP 19.

Stock

Stock is stated at the lower of cost and net realisable value.

Leases

The British Museum has no finance leases. Costs relating to operating leases are charged in the Income and Expenditure Account and Statement of Financial Activities over the life of the lease.

Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Income and Expenditure Account and Statement of Financial Activities.

Pensions

Pension contributions of British Museum employees are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury.

The British Museum Company Limited has both defined benefit and defined contribution pension schemes

The British Museum has 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 retiring age of the employees retired under the Early Retirement Scheme.

Notional Costs

In accordance with Treasury instructions, the notional cost of capital is calculated and details given in Note 7.

Taxation

The Museum and the British Museum Development Trust are exempt from Income, Capital Gains and Corporation Tax as Exempt Charities.

The British Museum Company Limited and the British Museum Great Court Limited gift aid their profits to the British Museum and therefore do not pay Capital Gains or Corporation Tax.

2 Grant-in-aid

£37,893,000 of Grant-in-aid has been received in the year (2004: £37,355,289) from the Museum's sponsor, the Department for Culture, Media and Sport, including £2,500,000 capital for building improvements (2004: £700,000) and £164,000 from the Capital Modernisation Fund for the Timelines project (2004: £236,289).

3 Investment Income and Rent Receivable

	SOFA Capital	SOFA Revenue	I & E	SOFA Capital	SOFA Revenue	I & E
	2005	2005	2005	2004	2004	2004
	£000	£000	£000	£000	£000	£000
Interest Receivable	1,640	1,782	1,782	1,442	1,437	1,398
Dividends Receivable	0	249	249	221	190	190
	<u>1,640</u>	<u>2,031</u>	<u>2,031</u>	<u>1,663</u>	<u>1,627</u>	<u>1,588</u>
Rents Receivable	0	306	306	0	309	309
	<u>1,640</u>	<u>2,337</u>	<u>2,337</u>	<u>1,663</u>	<u>1,936</u>	<u>1,897</u>

4 Net Incoming Resources

is stated after charging:

	2005	2004
	£000	£000
Auditors' remuneration: Comptroller and Auditor General	43	38
Auditors' remuneration: Subsidiary Auditors	34	33
Auditors' remuneration: Other	0	3
Operating lease rentals: Hire of plant and machinery	3	16
Operating lease rentals: Land and buildings	247	889

5 Total Resources Expended

5(a)	Staff Costs	Other Costs	Depreciation	Support Costs	2005 Total	2004 Total
	£000	£000	£000	£000	£000	£000
Care, research and conservation	14,215	8,957	3,477	1,045	27,694	26,855
Public access and education	10,048	3,189	3,035	933	17,205	15,876
Trading – Charitable Objectives	597	1,022	892	41	2,552	3,171
	<u>24,860</u>	<u>13,168</u>	<u>7,404</u>	<u>2,019</u>	<u>47,451</u>	<u>45,902</u>
Fundraising and publicity	452	191	2	0	645	724
Commercial Trading Operations	4,866	6,719	353	2,231	14,169	15,654
Investment Management Costs	0	0	0	0	0	13
Management/admin of the charity	253	139	28	9	429	464
	<u>30,431</u>	<u>20,217</u>	<u>7,787</u>	<u>4,259</u>	<u>62,694</u>	<u>62,757</u>

5(b) Reconciliation of Statement of Financial Activities and Income and Expenditure Account

	2005	2004
	£000	£000
Income Account		
Income on revenue funds per the Statement of Financial Activities	57,911	9,387
Add Income restricted for capital	2,664	936
	60,575	60,323
Income used for capital expenditure	(3,223)	(3,786)
Deferred Income recognised this year in the Income and Expenditure Account	425	386
Income as per the Income and Expenditure Account	57,777	56,923
Expenditure Account		
Expenditure on revenue funds per the Statement of Financial Activities	55,260	55,194
Expenditure as per the Income and Expenditure Account	55,260	55,194

5(c) Staff Costs

	2005	2004
	£000	£000
Wages and salaries	24,440	24,917
Social security costs	1,916	1,973
Pension costs	2,974	3,062
Agency staff costs	1,101	659
Redundancy Costs	0	39
	30,431	30,650

The number of employees, including the Director referred to below, whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows:

	2005	2004
£50,001 – £60,000	13	14
£60,001 – £70,000	13	12
£70,001 – £80,000	2	3
£80,001 – £90,000	2	1
£110,001 – £120,000	1	1

5(d) Senior Staff Remuneration

The following staff occupied the roles of senior managers within the Museum during the year, as defined by HM Treasury:

	Remuneration for year 2005 £000	Remuneration for year 2004 £000	Real pension increase and related lump sum at age 60 2005 (£2.5k)-£0 [lump sum (£2.5k)-£0]	Total accrued pension at 60 at 31.03.2004 and related lump sum 2005 £50-£55k [lump sum £160-£165k]	CETV* at 31.03.04	CETV* at 31.03.05	Real increase in CETV after adjustments for inflation and changes in market investment factors (£4,224)
Neil MacGregor Director and Accounting Officer	120	120			£879,000	£923,000	
Andrew Thatcher, Director of British Museum Co Ltd	115	94	N/A	N/A	N/A	N/A	N/A

The Director of The British Museum Company Limited received pension contributions of £8,539 in the year (2004, £8,400).

He is not a member of the PCSPS nor of a final salary pension scheme.

The Trustees have approved that Mr Neil MacGregor's retirement age can be deferred to age 65.

* Cash Equivalent Transfer Value

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

2005	Senior Management	Staff	Agency and contract staff	Total
Care, research and conservation	1	480	9	490
Public access and education	0	373	5	378
Trading – Charitable Objectives	0	16	5	21
Fundraising and publicity	0	11	0	11
Commercial Trading Activities	0	124	2	126
Management and administration of the Museum	0	3	0	3
	<u>1</u>	<u>1,007</u>	<u>21</u>	<u>1,029</u>

2004

Care, research and conservation	1	447	32	480
Public access and education	0	385	16	401
Trading – Charitable Objectives	0	28	3	31
Fundraising and publicity	0	13	0	13
Commercial Trading Activities	1	117	0	118
Management and administration of the Museum	0	2	2	4
	<u>2</u>	<u>992</u>	<u>53</u>	<u>1,047</u>

5(f) Trustees:

The Trustees neither received nor waived any emoluments during the year (2004: £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2005 these amounted to £10,913 (2004: £4,916). The Museum reimbursed Churchill College £11,406 (2004: £11,024) towards the costs of secretarial support for the Chairman.

6 Exceptional items

Income	£000
Settlement with Customs and Excise of VAT recoverable for prior years	7,374
Renegotiation of rateable value of the Museum's premises	867
	<u>8,241</u>
Expenditure	
Provision for costs of early retirements	1,138

7 Notional Cost of Capital

	2005	2004
	£000	£000
Cost of capital	7,878	6,829

The cost of capital is calculated as 3.5% of the average capital employed by the Museum in the year excluding the capitalised value of collection items and any assets funded by donations or the public lottery.

8 Tangible Fixed Assets

8(a) Consolidated Tangible Fixed Assets

	Freehold Land and Buildings £000	Assets in the Course of Construction £000	Exhibitions and Galleries £000	Collection £000	Plant & Machinery £000	Fit out and Equipment £000	Total £000
Current Cost							
At 1 April 2004	269,401	301	18,529	26,663	43,573	35,519	393,986
Additions during the year	0	3,338	0	1,163	0	354	4,855
Disposals during year	0	0	0	0	0	(1,112)	(1,112)
Transfer	0	(2,787)	121	0	2,055	611	0
Revaluation Adjustment	<u>23,652</u>	<u>0</u>	<u>983</u>	<u>0</u>	<u>1,443</u>	<u>1,811</u>	<u>27,889</u>
At 31 March 2005	293,053	852	19,633	27,826	47,071	37,183	425,618
Depreciation							
At 1 April 2004	0	0	3,502	0	0	2,378	5,880
Disposals during year	0	0	0	0	0	(763)	(763)
Provided during the year	<u>1,971</u>	<u>0</u>	<u>758</u>	<u>0</u>	<u>2,936</u>	<u>2,122</u>	<u>7,787</u>
At 31 March 2005	1,971	0	4,260	0	2,936	3,737	12,904
Net Book Value							
At 31 March 2005	291,082	852	15,373	27,826	44,135	33,446	412,714
At 31 March 2004	269,401	301	15,027	26,663	43,573	33,141	388,106
Net book value at 31 March 2005 represents fixed assets for							
Directly Charitable Objectives	289,816	848	15,307	27,826	43,943	33,308	411,048
Other Activities	<u>1,266</u>	<u>4</u>	<u>66</u>	<u>0</u>	<u>192</u>	<u>138</u>	<u>1,666</u>
	<u>291,082</u>	<u>852</u>	<u>15,373</u>	<u>27,826</u>	<u>44,135</u>	<u>33,446</u>	<u>412,714</u>

8(b) Museum Tangible Fixed Assets

	Freehold Land and Buildings £000	Assets in the Course of Construction £000	Exhibitions and Galleries £000	Collection £000	Plant & Machinery £000	Fit out and Equipment £000	Total £000
Current Cost							
At 1 April 2004	269,401	301	18,529	26,663	43,573	32,552	391,019
Additions during the year	0	3,338	0	1,163	0	11	4,512
Disposals during year	0	0	0	0	0	(901)	(901)
Transfer	0	(2,787)	121	0	2,055	611	0
Revaluation Adjustment	<u>23,652</u>	<u>0</u>	<u>983</u>	<u>0</u>	<u>1,443</u>	<u>1,811</u>	<u>27,889</u>
At 31 March 2005	293,053	852	19,633	27,826	47,071	34,084	422,519
Depreciation							
At 1 April 2004	0	0	3,502	0	0	1,337	4,839
Disposals during year	0	0	0	0	0	(901)	(901)
Provided during the year	<u>1,971</u>	<u>0</u>	<u>758</u>	<u>0</u>	<u>2,936</u>	<u>1,769</u>	<u>7,434</u>
At 31 March 2005	1,971	0	4,260	0	2,936	2,205	11,372
Net Book Value							
At 31 March 2005	291,082	852	15,373	27,826	44,135	31,879	411,147
At 31 March 2004	269,401	301	15,027	26,663	43,573	31,215	386,180
Net book value at 31 March 2005 represents fixed assets for							
Directly Charitable Objectives	289,816	848	15,307	27,826	43,943	31,741	409,481
Other Activities	<u>1,266</u>	<u>4</u>	<u>66</u>	<u>0</u>	<u>192</u>	<u>138</u>	<u>1,666</u>
	<u>291,082</u>	<u>852</u>	<u>15,373</u>	<u>27,826</u>	<u>44,135</u>	<u>31,879</u>	<u>411,147</u>

8(c) The historic cost of the land and buildings is not known.

All the Museum's properties have recently been revalued for accounting purposes by chartered surveyors in accordance with Guidance Notes issued by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets. Valuations of the main Museum building at Great Russell Street and its perimeter buildings and of two properties used for storage at Orsman Road were carried out by Gerald Eve as at 31 March 2004. Valuations of investment properties (see note 9(a)) in Bloomsbury and of operational properties at 1/2 Montague Place were carried out by Kinney and Green as at 31 March 2004. Valuation of Blythe House was carried out by Chestertons on 19 January 2004. The Museum was valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties were valued on an existing use basis.

The valuation adjustment of £27,889,000 arises from the the application of relevant indices provided by the Office of National Statistics to Exhibitions and Galleries, Plant and Machinery and Fit Out and Equipment, and the Department of Trade and Industry to Freehold Land and Buildings. This has not been included in the Income and Expenditure Account as it has no impact on the operating costs of the Museum.

Blythe House is currently occupied by the British Museum, Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. It has accordingly been included in the Museum's balance sheet at one third of the valuation.

Depreciation is calculated on the revalued amounts.

8(d) Collection item additions came from a variety of sources in the year

	£000
Purchased from Museum resources	49
Items purchased by the Museum Trust Funds	285
Items purchased from donations	288
Items donated or bequested	541
	<u>1,163</u>

9 Investments

9(a) Fixed Asset Investments – Group and Museum

Investments comprised the following:

	2005	2004
Investment assets in the UK:		
Listed Common Investment Funds	20,500	17,599
Investment Properties	1,883	1,883
	<u>22,383</u>	<u>19,482</u>

Investments are revalued at market value at the year end.
There were no purchases or sales of investments in the year.

9(b) Current Asset Investments

	Group		Museum	
	2005	2004	2005	2004
	Cost	Cost	Cost	Cost
	£000	£000	£000	£000
Short Term Cash Deposits	<u>73,500</u>	<u>64,000</u>	<u>71,500</u>	<u>62,000</u>

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 £100 of British Museum Ventures Limited, which is incorporated in England.

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

10(b) Results of Trading Subsidiaries

	BM Co	BMGC	Total	Total
	2005	2005	2005	2004
	£000	£000	£000	£000
Turnover	9,334	5,956	15,290	16,503
Cost of sales	(3,694)	(4,691)	(8,385)	(9,612)
Gross profit	5,640	1,265	6,905	6,891
Selling and distribution costs	(2,795)	0	(2,795)	(2,740)
Administrative expenses	(2,420)	(126)	(2,546)	(2,879)
Other operating income	306	0	306	118
Operating profit	731	1,139	1,870	1,390
Interest receivable	82	86	168	97
Loss on disposal of 46 Bloomsbury Street	(557)	0	(557)	0
Actuarial Gain on defined benefit scheme	0	0	0	470
Exceptional item: write off of leasehold improvements	0	0	0	(547)
Contribution to the Trustees of the British Museum	(630)	(1,225)	(1,855)	(1,578)
Surplus/(deficit) retained in the Company	(374)	0	(374)	(168)

The operating profit of The British Museum Company Limited is stated after charging staff costs of £3,253,000 (2004: £3,188,000) and depreciation of tangible fixed assets of £353,000 (2004: £413,000) and has been adjusted for consolidation purposes to include the application of FRS 17 Retirement Benefits which has not affected the loss for the year (2004: decreased the loss for the year by £383,000).

The two subsidiaries have made Gift Aid contributions to the British Museum in the year of £1,855,000 (2004: £1,578,000).

10(c) Amounts as shown in the SOFA and Income and Expenditure account are as follows:

	2005	2005	2004	2004
	Turnover	Costs	Turnover	Costs
	£000	£000	£000	£000
From The British Museum Company Limited	9,334	9,476	10,973	11,095
Other Operating Income	306	0	118	0
From The British Museum Great Court Limited	5,956	4,817	5,530	4,683
less transactions with the British Museum	(864)	(124)	(771)	(124)
	<u>14,732</u>	<u>14,169</u>	<u>15,850</u>	<u>15,654</u>

Net assets at 31 March 2005 comprise:

	BM Co	BMGC	BM Co	BMGC
	2005	2005	2004	2004
	£000	£000	£000	£000
Tangible fixed assets	1,567	0	1,915	0
Current assets	4,613	2,962	4,485	2,572
Creditors due within one year	(1,788)	(2,478)	(1,817)	(2,088)
Creditors due after one year	(1,783)	0	(1,600)	0
Net assets	<u>2,609</u>	<u>484</u>	<u>2,983</u>	<u>484</u>

11 Debtors

	Group		Museum	
	2005	2004	2005	2004
	£000	£000	£000	£000
Trade debtors	602	543	119	253
Other debtors	1,643	1,063	1,293	1,031
Prepayments and accrued income	2,531	3,653	2,356	4,784
Amount due from subsidiaries	0	0	2,797	833
	<u>4,776</u>	<u>5,259</u>	<u>6,565</u>	<u>6,901</u>

12 Creditors

	Group		Museum	
	2005 £000	2004 £000	2005 £000	2004 £000
Amounts falling due within one year:				
Trade creditors	2,361	3,047	1,724	2,657
Other creditors	2,889	2,678	2,406	2,417
Provision for legal fees	0	30	0	30
Early retirement	1,492	2,109	1,492	2,109
Accruals and deferred income	2,893	3,295	2,543	2,635
Amount due to subsidiaries	0	0	49	0
	<u>9,635</u>	<u>11,159</u>	<u>8,214</u>	<u>9,848</u>

13 Provisions and Charges – Group and Museum

Early retirement commitments at 31 March 2005 are as follows:

	2005 £000	2004 £000
Pension provision brought forward	4,177	7,485
Provision made in year	1,138	39
Payments in year	(2,009)	(3,347)
	<u>3,306</u>	<u>4,177</u>
Less current portion – included in creditors amounts falling due within one year	(1,492)	(2,109)
	<u>1,814</u>	<u>2,068</u>

The £1,814,000 represents the provision for annual compensation payments for those employees who retire under an approved redundancy scheme aged 50 years or over until they reach the normal retirement age of 60 years.

14 Financial Commitments

At 31 March 2005 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2005 £000	2004 £000	2005 £000	2004 £000
Leases which expire: within one year	0	0	1	9
in the second to fifth year	77	34	1	3
over five years	180	175	0	0
	<u>257</u>	<u>209</u>	<u>2</u>	<u>12</u>

15. Statement of Funds

	At 1 April 2004 £000	Income £000	Expenditure £000	Investment gains/loss £000	Movement during year £000	Transfers between funds £000	At 31 March 2005 £000
Capital Funds							
<i>Permanent Endowment Funds</i>	10,770	(2)	0	1,346	1,344	(1,065)	11,049
<i>Restricted Capital Funds</i>							
Collection Acquisition Fund	26,663	1,715	0	0	1,715	(552)	27,826
Collection Purchase Fund	420	0	0	0	0	105	525
Fixed Asset Revaluation Fund	227,543	0	0	27,889	27,889	0	255,432
Estates Proceeds	3,036	0	0	0	0	0	3,036
Construction Projects Fund	2,584	165	0	0	165	(110)	2,639
Fixed Asset Fund	131,974	2,664	7,434	0	(4,770)	685	127,889
	392,220	4,544	7,434	27,889	24,999	128	417,347
<i>Unrestricted Capital Funds: Museum</i>							
Investment Estate	1,883	0	0	0	0	0	1,883
Study Centre proceeds	36,458	1,588	0	0	1,588	0	38,046
Fire Safety Security Fund	2,623	0	0	0	0	0	2,623
Gallery Refurbishment Reserve	660	0	0	0	0	(182)	478
Maintenance Reserve	500	0	0	0	0	0	500
	42,124	1,588	0	0	1,588	(182)	43,530
<i>Unrestricted Capital Funds: Subsidiary</i>							
British Museum Co Ltd Fixed Assets	1,926	0	0	0	0	(359)	1,567
	44,050	1,588	0	0	1,588	(541)	45,097
Group Unrestricted Capital Funds	44,050	1,588	0	0	1,588	(541)	45,097
Revenue Funds							
<i>Restricted Revenue Funds</i>							
Restricted Income Trust Funds	1,435	224	3	475	696	1,065	3,196
Deferred Income Fund	4,960	2,138	2,521	0	(383)	(182)	4,395
	6,395	2,362	2,524	475	313	883	7,591
<i>Unrestricted Revenue Funds: Museum</i>							
Unrestricted Trust Fun	5,973	83	18	1,079	1,144	0	7,117
Oriental Research Fund	74	3	45	0	(42)	(9)	23
General Funds	10,328	47,939	37,663	0	10,276	245	20,849
	16,375	48,025	37,726	1,079	11,378	236	27,989
<i>Unrestricted Revenue Funds: Subsidiaries</i>							
British Museum Co Ltd	317	9,722	10,106	0	(384)	359	292
The British Museum Great Court Ltd	(17)	6,043	6,042	0	1	0	(16)
	300	15,765	16,148	0	(383)	359	276
<i>Unrestricted Revenue Funds: Group</i>	16,675	63,790	53,874	1,079	10,995	595	28,265
Total Funds	470,110	72,282	63,832	30,789	39,239	0	509,349

The Statement of Funds has been restated to reflect the investment in the British Museum Company Limited. The Rootstein-Hopkins Fund and Hamlyn Fund which were valued at £1,065,000 have been reclassified from Endowment funds into Restricted Funds.

Analysis of group net assets between funds

	Permanent Endowments £000	Unrestricted Funds £000	Restricted Funds £000	Total 2005 £000
Fund balances at 31 March 2005 are represented by:				
Tangible Fixed Assets	0	1,567	411,147	412,714
Fixed Asset Investments	11,055	8,388	2,940	22,383
Current Assets	0	76,384	11,100	87,484
Current Liabilities	(6)	(9,380)	(249)	(9,635)
Early retirement provision	0	(1,814)	0	(1,814)
Liability on defined benefit pension scheme	0	(1,600)	0	(1,600)
Liability on surrender of lease	0	(183)	0	(183)
Total Net Assets	11,049	73,362	424,938	509,349

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.

Capital: Permanent Endowment Funds

These consist of funds for which only the income can be used. The major part consists of the Brooke-Sewell Permanent Fund. This was established by Mr Percy Thomas Brooke-Sewell with a series of benefactions made during his lifetime specifically for the purchase of Oriental antiquities and works of art.

Capital Funds: Restricted

These consist of a number of funds largely representing the capitalised value of restricted and inalienable fixed assets, including collection items which have been acquired since 1 April 2001.

Capital Funds: Unrestricted

These consist of funds designated by the Trustees for various purposes and include:

Study Centre Proceeds

Proceeds from the sale of a property, the original purchase of which was partly financed by unrestricted revenue Trust Funds.

Fire Safety and Security

Monies designated for use in carrying out necessary works to ensure that the Museum complies with the statutory requirements needed to make the Museum a safe and secure environment for public and staff, and to renew the electrical infrastructure.

Restricted Trust Funds

These consist of a number of funds where the donors have specified the uses to which they may be put. The major funds are as follows:

Ready Bequest

A bequest from Miss M Ready to be used for the purchase of Greek and Roman antiquities.

Sir Joseph Hotung Research

A donation from Sir Joseph Hotung to support research by the Departments of Ancient Near East and Asia

Sharpe Bequest

A bequest from Dr D Sharpe to be used for the purchase of books concerned with Ancient Greece or Rome.

Unrestricted Trust Funds*Shaw Fund*

A share of the residue of the estate of George Bernard Shaw to be used for the general purposes of the Museum. Equal division of the fund between the British Museum and the British Library was completed in 2003-04.

16 Cash Flow Information

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

	2005		2004
	£000		£000
16(a) Net incoming resources before revaluations	1,347		15,907
Exceptional item: Early Retirement Provision	(1,138)		0
Exceptional item: VAT Settlement	7,374		0
Exceptional item: Rates negotiation	867		0
Donated assets – Blythe House and collection bequests	0		(10,007)
Investment Income	(3,952)		(3,527)
(Decrease)/Increase in Shaw Fund Creditors	0		(829)
Depreciation	7,787		7,966
Decrease/(Increase) in stocks	(20)		59
Decrease/(increase) in non-interest/dividend debtors	483		(673)
(Decrease)/Increase in early retirement creditors	0		(4,061)
(Decrease)/Increase in early retirement provisions	(254)		753
(Decrease)/Increase in non early-retirement creditors	(1,524)		(619)
(Decrease)/Increase in pension fund provision	0		(410)
Increase in surrender of lease provision	183		0
Net cash inflow from operating activities	<u>11,153</u>		<u>4,559</u>
16(b) Reconciliation of net cash flow to movement in net funds			
Increase/(Decrease) in cash in the period	1,098		(2,192)
Cash flow from increase/decrease in liquid resources	9,500		(1,743)
Movement in net funds in the period	10,598		(3,935)
Net funds at 1 April	69,919		73,854
Net funds at 31 March	<u>80,517</u>		<u>69,919</u>
16(c) Analysis of net funds	2005	Cash Flow	2004
	£000	£000	£000
Liquid Resources:			
Short Term Deposits	73,500	9,500	64,000
Cash at bank and in hand	7,017	1,098	5,919
	<u>80,517</u>	<u>10,598</u>	<u>69,919</u>

17 Related Party Transactions

The British Museum is a Non-Departmental Public Body whose parent body is the Department for Culture, Media and Sport. During the year, the British Museum had a number of transactions in the normal course of business and at full arms length with the Department and certain of its subsidiary bodies.

Lord Browne is the Chief Executive of BP plc which is a corporate partner of the Museum. During the year the company made a donation to the Museum. He is also a director of Goldman Sachs Group which is a corporate partner. Lord Powell of Bayswater is a trustee of the Karim Rida Said Foundation which sponsors an Arab world post.

The British Museum has loaned items from the collections to the following organisations during 2004-05 which have the Department for Culture, Media and Sport or other Government Departments as a parent organisation:

National Museum of Science and Industry	Natural History Museum, London
National Gallery, London	Imperial War Museum
British Library, London	Historic Royal Palaces
National Maritime Museum	Victoria and Albert Museum
National Portrait Gallery of Scotland	Tate Gallery, London
National Museums on Merseyside	National Museums of Wales
National Portrait Gallery	Royal Armouries

The British Museum has borrowed items from the collections of the following organisations during 2004-05 which have the Department for Culture, Media and Sport as the sponsoring department:

National Museums of Scotland	National Portrait Gallery
Tate Gallery, London	Natural History Museum, London
Victoria and Albert Museum	British Library, London
National Maritime Museum	Historic Royal Palaces
National Museums of Wales	Royal Armouries

During the year none of the Trustees, members of key management staff or other related parties has undertaken any material transaction with the Museum, except as described above.

18 Capital Commitments

At the balance sheet date, outstanding capital commitments approved amounted to some £1,202,000 of which £326,000 was contracted for.

19 Pensions

Present and past employees of the British Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which is an unfunded multi employee defined benefit scheme. The liability for payment of future benefits is a charge to the PCSPS. The British Museum, and other bodies covered by the PCSPS, meet the cost of pension cover for their staff by payment of charges calculated on an accruing basis.

There is a separate scheme statement for the PCSPS as a whole. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation on the www.civilservice-pensions.gov.uk website.

From 1 October 2002, staff who are members of the scheme can be in one of three statutory based "final salary" schemes, namely, classic, premium, and classic plus. New entrants after 1 October 2002 may choose between membership of the premium scheme or can join a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account). The differences between the schemes can be found at the website address given above.

For 2004-05, contributions of £2,594,746 (£2,674,518 for 2003-04) were paid to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury. For 2004-5 and 2003-04 these rates were as follows: for salaries £17,500 and under, 12%, for salaries between £17,501 and £36,000, 13.5%, for salaries between £36,001 to £62,000, 16.5%, for salaries over £62,001, 18.5%. In 2005-06 rates will increase as follows: for salaries under £18,000, 16.2%, for salaries between £18,001 and £37,000, 18.6%, for salaries between £37,001 and £63,500, 22.3%, for salaries over £63,501, 24.6%.

The British Museum Company Limited operates a defined contribution scheme for the benefit of 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 company operates a defined benefit 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 Trustees appointed by the directors of the company.

A full actuarial valuation of the scheme was carried out on 1 May 2002 and updated to 31 March 2005 by a qualified independent actuary to reflect the difference in actuarial assumptions and the time period elapsed.

Pension costs are assessed in accordance with the advice of a qualified actuary using the attained age method. The assumptions, which have the most significant effect on the results of the valuation, are that, over the long term, investment returns would be at the rate of 8.5% per annum and that this would exceed the rate of salary growth by 2.5%.

The market value of the scheme assets as at 1 May 2002 was £3,625,618. The actuarial value of those assets was sufficient to cover 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Current and future contributions reflect the deficiency.

With effect from 1 May 2003, a schedule of contributions was put into place to fund the scheme's defined benefits at the rate of 28% per annum of pensionable salary for scheme members. 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 employers' pension contributions for entities adhering to the scheme was £160,000 (2004: £201,000).

The major assumptions used by the actuary for the 31 March 2004 valuation of the British Museum Company Limited defined benefit scheme were as follows:

	% per annum	
	2005	2004
Rate of increase in salaries*	2.25%	2.0%
Rate of increase in inflation*	2.25%	2.0%
Rate of increase of Guaranteed Minimum Pensions (GMP) earned before 6 April 1988	N/A	N/A
Rate of increase of Guaranteed Minimum Pensions (GMP) earned after 6 April 1988	5.0%	5.0%
Rate of increase of pensions in excess of GMP earned before 30 April 1991	3.0%	3.0%
Rate of increase of pensions in excess of GMP earned after 30 April 1991 but before January 2002	5.0%	5.0%
Rate of increase of pensions in excess of GMP earned after 1 January 2002	1.8%	1.8%
Rate of revaluation of GMPs	Fixed Rate	Fixed Rate
Rate of revaluation of deferred pensions in excess of GMP	5.0%	5.0%
Discount Rate	5.5%	5.5%

*chosen by employer

The assets in the scheme and the expected long term rate of return were:

	Long term rate of return expected a 31.03.2005	Value at 31.03.2005	Long term rate of return expected a 31.03.2004	Value at 31.03.2004
	%	£ million	%	£ million
Equities	7.5	3.11	7.5	2.65
Bonds	8.5	1.31	5.5	1.14
Other	4.5	0.01	4.0	0.01
Total market value of assets		4.43		3.80
Present value of scheme liabilities		(6.03)		(5.40)
Surplus (deficit) in the scheme		(1.60)		(1.60)

Analysis of the amount charged to operating profit

	31.03.2005	31.03.2003
	£ million	£ million
Current service cost	0.15	0.20
Past service cost	—	—
Total operating charge	0.15	0.20

Analysis of the amount credited to other financial income

	31.03.2005	31.03.2004
	£ million	£ million
Expected return on pension scheme assets	0.26	0.26
Past service cost	(0.30)	(0.32)
Net Return	(0.04)	(0.06)

Analysis of the amount recognised in Statement of Financial Activities

	31.03.2005	31.03.2004
	£ million	£ million
Actual return less expected return on pension scheme assets	0.18	0.45
Experience gains and losses arising on the scheme liabilities	0.01	0.02
Changes in assumptions underlying the present value of the scheme liabilities	(0.19)	0.00
Actuarial gain recognised in SOFA	0.00	0.47

Movement in surplus during the year	31.03.2005 £ million	31.03.2004 £ million
Surplus (deficit) in scheme at beginning of year	(1.60)	(2.01)
Movement in year:		
Current service costs	(0.15)	(0.20)
Contributions	0.19	0.20
Past service costs		
Other finance income	(0.04)	(0.06)
Actuarial gain		0.47
Surplus (deficit) in scheme at end of year	(1.60)	(1.60)

History of experience gains and losses

	31.03.2005	31.03.2004
Difference between the expected and actual return on scheme assets:		
amount (£ million)	0.18	0.47
percentage of scheme assets	4%	12%
Experience gains and losses on scheme liabilities:		
amount (£ million)	0.01	0.02
percentage of the present value of the scheme liabilities	0%	0%
Total actuarial gains recognised in the SOFA		
amount (£ million)	0.00	0.47
percentage of the present value of the scheme liabilities	0%	9%

20 Contingent Liabilities

The Museum has no contingent liabilities at the year end.

21 Financial Instruments

FRS 13 Derivatives and other financial instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks that the Museum faces in undertaking its role.

Liquidity Risks

In 2004-05 £37,893,000 of the British Museum's income derived from Grant in Aid provided by the Department for Culture, Media and Sport. £3,952,000 of income derived from returns on its investments. £14,732,000 of income came from the Museum's commercial trading activities and £2,885,000 from donations and legacies.

At the Balance Sheet date the Museum had net assets of £492m. Although the Balance Sheet shows that the Museum holds significant reserves, it should be noted that many of these Funds have restrictions on how the money can be applied.

The Museum holds unrestricted revenue reserves of £28m at the year end, and the Trustees believe that the Museum has sufficient unrestricted revenue reserves and budgeted income over the next year not to be exposed to significant liquidity risks.

Interest Rate Risks

The Museum's financial assets are made up of cash and investments. Cash is held in a variety of bank accounts, some of which carry nil rates of interest, some of which carry floating rates of interest and some which carry fixed rates of interest. Returns on investments, such as capital growth, dividends and interest are subject to prevailing stock market conditions and the Museum employs professional fund managers to manage its investments as best it can in light of prevailing market conditions.

Sterling Assets	Floating rate Financial Assets-Cash and Deposits	Fixed rate Financial Assets-Cash and Deposits	Non interest bearing Financial Assets-Cash and Deposits	Common Investment Funds	Total
	£000	£000	£000	£000	£000
As at 31.03.05	5,521	74,500	497	20,500	101,018
As at 31.03.04	2,883	65,643	636	17,637	86,799

The Museum has no financial liabilities such as bank loans

The Trustees believe that the Museum is not exposed to significant interest rate risks.

Foreign Currency Risk

Although the Museum has dealings in foreign currency, the Trustees believe that the Museum is not exposed to any material foreign exchange risks.

22 Restatement of the Prior Year Museum Balance Sheet

The Museum balance sheet has been restated to reflect the investment in the British Museum Company Limited which had been previously written off. Following a review of the British Museum Company's financial position it is considered appropriate to include the investment at cost in the Museum's balance sheet.

For further information about the National Audit Office please contact:

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

Appendix 1

The Board of Trustees

Sir John Boyd KCMG (*Chairman*)
Mr Charles Allen-Jones
(*retired 31 December 2004*)
Mr Hasan Askari
Lord Broers
(*appointed 21 May 2004*)
Lord Browne
Sir Ronald Cohen
(*appointed 1 January 2005*)
Professor Barry Cunliffe ⁽⁴⁾
The Rt Hon Countess of Dalkeith
(*retired 15 September 2004*)
Mr Francis Finlay
(*appointed 1 April 2005*)
Ms Val Gooding
Ms Bonnie Greer
(*Appointed 1 April 2005*)
Sir Joseph Hotung
(*retired 31 July 2004*)

Professor Martin Kemp FBA
Dr Olga Kennard ⁽⁵⁾
Baroness Kennedy QC
(*appointed 1 October 2004*)
Hon Philip Lader ⁽⁶⁾
Mr Richard Lambert
Mrs Edmée Leventis
Mr David Lindsell
Mr David Norgrove
Mr Tom Phillips RA ⁽²⁾
Lord Powell ⁽⁶⁾
Dr Anna Ritchie
(*retired 15 September 2004*)
Mr Eric Salama
Mr Vikram Seth
Sir Keith Thomas FBA ⁽³⁾
Sir John Tusa ⁽⁶⁾

Fifteen Trustees are appointed by the Prime Minister. The remaining Trustees are appointed by:

⁽¹⁾ the Sovereign

⁽²⁾ the Royal Academy

⁽³⁾ the British Academy

⁽⁴⁾ the Society of Antiquaries of London

⁽⁵⁾ the Royal Society

⁽⁶⁾ the Trustees

Trustees' Committees and Membership

The Chairman of the Trustees is an *ex officio* member of all Committees

Standing Committee

Sir John Boyd (*Chairman*)
Lord Browne
Professor Barry Cunliffe
Mr David Lindsell
Lord Powell
Sir Keith Thomas

Audit Committee

Mr David Norgrove (*Chairman*)
Mr Hasan Askari
Professor Martin Kemp
Dr Olga Kennard
Hon. Philip Lader
Mr Richard Lambert

Nomination and Governance

Sir John Boyd (*Chairman*)
Mrs Val Gooding
Baroness Kennedy QC
Mr Tom Phillips
Sir John Tusa

Investment

Sub-committee

Mr Hasan Askari
Sir Ronald Cohen
Mr David Lindsell

Trustee membership of related Councils and Boards

British Museum Company Limited:

Board of Directors

Mr Eric Salama (*Chairman*)

Professor Barry Cunliffe

Sir John Tusa

British Museum Friends:

Council

Mr David Lindsell

Professor Barry Cunliffe

British Museum Development Trust:

Board

Sir John Boyd (*Chairman*)

Hon Philip Lader

Mr Richard Lambert

Official Addresses

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
Study collections/storage:	Franks House, 38-56 Orsman Road, London N1 5QJ Blythe House, 23 Blythe Road, London W14 0PQ
British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Company Limited:	46 Bloomsbury Street, London WC1B 3QQ
British Museum Development Department:	The British Museum, Great Russell Street, London WC1B 3DG
Investment Adviser to the Trustees:	Mr P J Manser CBE DL
Bankers:	The Bank of England, Threadneedle Street, London EC2R 8AH National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX Paymaster (1836) Ltd, Russell Way, Crawley, West Sussex RH10 1UH
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum



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