

Presented pursuant to Museums and Galleries Act 1992 (c.44) S.9(8)

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2007

Ordered by The House of Commons to be printed 12 July 2007

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Trustees' and Accounting Officer's Annual Report

The Trustees of the British Museum have pleasure in submitting their Annual Report and Accounts for the year ended 31 March 2007.

Chairman's Foreword

In a complex world, the topic of identity is becoming central to an increasing range of public discussions. What are the sources of our selves as individuals and as communities? In the past, answers were fairly easy to give. Family, religion and country gave clear, common reference points. Not any more. In Britain perhaps more than anywhere, all three are in different ways open to question and debate. We need to find different resources if we are to construct meaningful communities at home and abroad, resources that identify essential human affinities across apparent cultural differences. Together with the Director and staff, the Trustees of the British Museum are determined to put the collection to work as one such cross-cultural resource, making the BM a junction-box for London, Britain and the world.

The Trustees are keenly aware that their beneficiaries comprise the citizens of the world. This means that publics in China and Africa have just as much right to benefit from the BM's activities as people in Britain. They are determined to extend the BM's reach by sending the collection on loan around Britain and the world, and by sharing the BM's expertise worldwide, especially with partners in Africa. We are clear that one of the BM's top priorities for programming and advocacy in the coming years will be the increasing inclusion of African institutions within the world's cultural exchange. Our ongoing partnership in Kenya, supported by the British government, together with major new initiatives with museums in west Africa, for which we aim to attract external support, are particularly important. In 2006/7 the Trustees were delighted to welcome the Presidents of Mozambique and Ghana to the BM, where we have developed key partnerships.

The Trustees are very pleased that the BM's reputation for scholarship and access continues to attract major gifts to the collection. Highlights from last year included an important anonymous gift of modern Italian prints which transformed the BM's collection in this area and enabled it to stage the first ever UK exhibition of this material. Substantial funding was received for the Gallery Improvement Programme together with the continued support from our Patrons and Friends for a wide range of BM activities

The collections of the BM speak to the entire world. Plans to develop a new World Conservation Centre and special exhibition space on site here in London embody a sustained commitment to fulfilling our extraordinary responsibility towards the cultural heritage of humanity. As a diverse group who themselves represent a wide variety of national origins and cultural traditions, the Trustees are determined to realise the astonishing potential of the collection to help our audiences create the new understandings of the world and of themselves that we will need to meet the global challenges of the 21st century.

Niall FitzGerald KBE

Director's Foreword

According to the first director of the British Museum, Gowin Knight, the BM's public was divided into 'natives' and 'foreign'. The collection was to be available to both equally, as a resource to help people understand the expanding world within which they found themselves.

Knight was above all famous as a scientist whose advances transformed traditional compasses into precise instruments, improving navigation techniques and contributing to the rise of the first age of globalisation. Partly as a result, London quickly became the mercantile centre of the world with an ever more diverse population to match. At the same time, the collection of the BM grew to encompass objects from the new worlds encountered by seafaring Europeans in the late 18th century.

London is still a city of immense diversity. The links Londoners maintain with their countries of origin put the capital at the centre of a worldwide conversation with all humanity. The BM aims to be a key partner in this international dialogue, and provide Britain's complex communities with a cohesive sense of local identity, something which is arguably now only achievable within the global context.

In 2006/7, the BM's focus on the cultures of the Middle East, Bengal, and modern Ghana allowed us to tell stories that were as much about Britain as about Baghdad, Kolkata or Accra, not just because of the existence of significant communities from all these regions, but because of the continuing exchange of people and ideas between diasporas and their homelands which shape the cultures of both.

This is why the BM needs to be supported to act internationally, because what we do 'there' immediately feeds back into what happens 'here'. Working with partners across Africa to build the continent's museum capacity has necessarily engaged us with Britain's African communities in London and beyond, as indispensable partners in the project and as a key audience. Similarly, the BM's international curatorial training programme allows young museum professionals from all over the world to meet and learn together in London, and form a new network for their global future.

None of this could be achieved without the extraordinary efforts of the BM staff, whose work benefits from a growing sense of being part of a world community. Their shared vision of bringing the collections to a local and worldwide public reached new audiences across the globe, including the more than 4.9 million who visited the BM itself in 2006/7.

The BM was established in 1753 as a place of enlightened recognition of the boundlessness of human culture and curiosity. Moving beyond the old fixed borders of narrow nationhood, the BM offers a different route to constructing identities for the new century, through complexity and difference – and tolerance. This is challenging territory, but it is where the BM was always meant to be.

Neil MacGregor

Operating environment

The British Museum was founded in 1753 and is now governed in accordance with the British Museum Act 1963, which requires Trustees to keep the collection within authorised repositories and so far as practicable to make them available for public inspection. It prohibits disposal of collection objects unless they are duplicates, unfit or useless but permits the loan of objects for public exhibition.

The Museum is a visitor attraction operating within a growing British tourist market. Visit Britain reported record foreign visitor numbers in 2006 (7% up on 2005), despite strengthening of the pound against other currencies. Further growth of short haul economy air travel and recovery from the bombing incidents of July 2005 were contributing factors.

The Museum is an exempt charity under schedule 2 of the Charities Act 1993 and sections 505 and 507 of the Income and Corporation Taxes Act 1988.

It is also a Non-Departmental Public Body subject to a Management Statement and Financial Memorandum with its sponsoring department, the Department for Culture, Media and Sport (DCMS).

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. The grant-in-aid, which represents some 60% of the total incoming resources, is provided subject to a three year funding agreement with the DCMS, which sets out targets for the Museum's contribution to delivery of key DCMS objectives:

- to further enhance access to culture and sport for children
- to increase and broaden the impact of culture and sport, specifically by increasing by 2% in England the number of lower socio-economic groups, black and ethnic minorities and disabled people visiting museums and galleries collections and attending museum outreach services
- to maximise the contribution which the tourism, creative and leisure industries can make to the economy
- to modernise delivery, achieving at least 2.5% efficiency savings in each year of the Spending Review 2004 (i.e. 2005/06, 2006/07, 2007/08).

The Museum's funding agreement targets for 2005/06 and the actual results for the last five years are as follows:

	Actual 2002/03	Actual 2003/04	Actual 2004/05	Actual 2005/06	Target 2006/07	Actual 2006/07	Page ref.
Total number of physical visits to the Museum	4,623,000	4,622,000	4,778,000	4,485,000	4,500,000	4,903,000	14
No of unique users visiting the website	6,851,000	7,751,000	7,566,000	8,755,000	7,800,000	7,674,000	18
Number of children aged 15 and under visiting the Museum	858,000	902,000	943,000	873,000	900,000	570,000	15
No of children aged 15 and under in on and off-site organised educational sessions	166,000	194,000	202,000	175,000	190,000	171,000	15
No of UK adults aged 16 and over from lower socio-economic groups attending the Museum	218,000	186,000	203,000	190,000	192,700	179,600	15
Net income from trading (including corporate hire)	£1.3m	£1.4m	£1.9m	£1.7m	£1.26m	£1.8m	13
Efficiency Savings		N/A	£6.8m	£7.2m	£7.8m	£8.1m	13

Note that the Museum's sampling methodology for obtaining visitor statistics was changed from twice-yearly to weekly samples as from the end of 2005/6. This has resulted in greater accuracy and the reflection of seasonal variations in the reported proportions of visitors who are children, who are from the UK and who come from ethnic minorities but which, as a result, differ significantly from previously reported figures. Prior year comparatives and targets have not been restated.

The Museum's operations are conducted with further regard to:

- section 47 of the Human Tissue Act 2004, which confers a power to de-accession human remains that are more than 1,000 years old
- the Freedom of Information Act 2000, for the purposes of which the Museum is a designated public body
- restitution claims arising from Nazi spoliation during the years 1933 – 1945
- the Code of Practice from section 11 of the Treasure Act 1996, which requires the Museum to record all English finds believed to be Treasure and to assist the Treasure Evaluation Committee with any finds in England declared Treasure by a coroner
- the Portable Antiquities Scheme: a voluntary scheme for recording archaeological objects found by members of the public in England and Wales.

It has a wide range of stakeholders, including the British public, DCMS, HM Treasury, Camden Borough Council, English Heritage, national and international visitors, other London museums, regional museums, international museums, universities, sponsors, donors (including the Heritage Lottery Fund, the Art Fund and the Millennium Commission) and representatives of source communities from across the globe.

Strategy and structure

Aim and objective

The Museum's aim is to hold for the benefit and education of humanity a collection representative of world cultures and ensure that the collection is housed in safety, conserved, curated, researched and exhibited.

Further to this aim, the Museum's objective is to be:

- a museum of the world for the world
- a place for the 'curious and studious'
- a collection held for the benefit of the world, present and future, free of charge
- a forum for the expression of many different cultural perspectives
- a place to embrace the whole world and to increase understanding of the links between and influences across different societies
- a place where the UK's different communities can explore their inheritances. The Museum's collection is drawn from all over the world and so the Museum is uniquely placed to demonstrate the continuity and importance of cultural diversity from the time of the earliest human artefacts two million years ago right up to the present day.

Strategy

The strategy is being pursued through four programmes:

- the Museum's role in London, both in terms of its physical presence in the heart of London, attracting 4.9m visitors per annum, and in terms of its relationships with the communities of London
- working more widely across Britain, both with and through the museum community and also through the education sector, broadcasting and new media to realise fully its national remit
- moving beyond the UK, engaging in a worldwide programme of sustainable partnerships to be a museum of the world and for the world
- strengthening the Museum's capacity: a programme of ensuring the right people are doing the right jobs at every level, delivering fit for purpose buildings and estate, strengthening the Museum's external relationships, advancing the Museum's registration, documentation and interpretation, using modern technology in support of engagement and implementing efficiencies, generating more income and fundraising to finance the additional activity.

The Museum has laid down the necessary governance, organisation structure and plans and it has built up reserves for advancing this strategy. The priority now is to develop an estate fit for the 21st Century by further consolidation and rationalisation of the Museum's facilities, improving facilities to house the collection, providing better conditions and accommodation for staff and enhancing the visitor experience.

Risks

The main risks to achievement of the Museum's strategy are recognised as:

- a Comprehensive Spending Review 2007 allocation that fails to sustain grant-in-aid in real terms
- the need to raise sufficient funds for the planned estate development
- over-extension of the Museum's staff resources
- restitution issues.

Actions taken to reduce the possibility of any of these occurring and to mitigate the impact in the event that any should, include close liaison with DCMS and HM Treasury, fundraising plans, a project gateway process, an internally shared strategy and prioritised forward plans, strengthened central functions, staff consultation, business process improvements, organisational development, facilities audits, clarity of roles and responsibilities, working with source communities and disaster recovery plans.

Board and Committees

The governing body of the Museum 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. Thirteen are appointed by the Prime Minister, one by the Sovereign, one each by the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society and three by the Museum's Trustees.

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 Guide, Museum Plan, Annual Report and Accounts and organisation chart is provided. Induction programmes are further tailored to the individual needs and interests of the Trustee.

The Board meets quarterly to lead and control the Museum and is aided in this respect by three committees and a sub-committee: the Standing Committee, the Audit Committee, the Nominations and Governance Committee and the Investment Sub-committee. Matters for the Board's decision and the respective responsibilities of the Board, Trustees' Committees and Management are clearly defined. In particular, the Board appoints the Director, establishes policies and strategy, considers and agrees the Museum Plan and monitors the achievement of the Plan.

The Standing Committee discharges the Board's functions between quarterly Board meetings.

The Audit Committee monitors on behalf of the Board that the Director and staff are acting within their authority and remit, that major risks are managed, that resources are being used effectively and efficiently, that the accounting process has integrity and effective internal controls are in place. The Audit Committee reports annually to the Board. Its report for 2006/07 is included on page 21 of this report.

The Nominations and Governance Committee recommends candidates as Trustees and appointments of Trustees to Board Committees and provides assurance on governance.

The Investment Sub-committee advises the Standing Committee on the investment of the Museum's funds and the performance of investment managers and oversees implementation of the investment programme.

Internal structure

The Museum is organised as a directorate department, 12 collections management departments and 14 other functional support departments. The collections management departments are: Africa, Oceania and the Americas; Ancient Egypt and Sudan; Middle East; Asia; Coins and Medals; Conservation, Documentation and Scientific Research; Exhibitions; Greek and Roman; Learning and Audiences; Portable Antiquities; Prehistory and Europe; Prints and Drawings. The functional support departments are: Capital Projects and Estates; Commercial; Communications; Development; Facilities Management; Finance Services; Human Resources; Information Services; Internal Audit; Legal Services; Marketing; Operations; Planning; and Photographic Imaging.

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.

Catering, conferences, education and other non-primary purpose income generating activities are carried out within the British Museum Great Court Limited, also wholly owned by the Trustees.

The Directorate Group, chaired by the Director, leads on strategic development, oversees the Museum's planning process and its implementation and links the management functions of the Museum with the Trustees' governance functions.

The Museum Management Group, chaired by the Director, reviews progress against the plan and budget; considers mitigation for risks, discusses emerging concerns relating to Museum activity or external developments, executes an ongoing policy review and acts as an information sharing group for heads of departments.

The Project Board oversees major projects and authorises their passage through control gateways.

The Public Programme Board oversees the Museum's exhibitions, events, lectures, seminars, adult and other education programmes.

The Research Board reviews the Museum's academic research strategy and oversees all major research projects taking place within the Museum.

The Space Planning Board is responsible for the development of the estate Masterplan and for overseeing the North West Development

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 for the Museum in the United States. Each is separately administered and independent of the Museum.

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

Our operations

The estate

All the Museum's departments are now 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 has recently been leased in Wiltshire to house unregistered material that requires relatively infrequent access.

The Museum is committed to sustainable development throughout all aspects of its operations. Targets are being set for reductions in each environmental impact.

Visitors

33% of visitors to the Museum come from the UK and 67% from overseas. 9% of them are children aged 15 or under. Of the UK visitors, 51% come from the Greater London area, 45% have previously visited the Museum within the last two years, 12% are from lower socio-economic groups and 15% are from ethnic minorities.

Staff

The British Museum employs some 1,034 full time equivalent staff. It 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 holds 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.

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 increasingly from the diverse communities in London and nationally. It has a published human resources 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. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 1(m) to the financial statements.

A health and safety awareness programme has contributed to a reduction in the number of recorded public and staff accidents (91 compared with 104 in 2005/06). The number of contractor accidents has risen slightly from 13 to 18, mainly reflecting a rise in the number of projects taking place in the Museum involving contractors. Slips, trips and falls remains the main category of accident, particularly for the public. A significant proportion of these accidents involves unsupervised children. Wherever possible, staff endeavour to discourage overly exuberant behaviour by children, particularly when in groups.

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.

Volunteers

Some 350 volunteers freely contribute their time to supporting the Museum's activities. They contribute to most areas of the BM, in the departments where they provide valuable help with general administration or library work, on projects where they help with collating and recording vital collection information, in the Round Reading Room where they help the staff and with the visiting public, for whom they run the free Hands On handling programme and the free eyeOpener tours and for whom they ensure that events, lectures and talks run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

Suppliers

The Museum abides by the Better Payment Practice Code and aims to settle bills within 30 days or by the due date. In 2006/07 it paid 66% of all invoices within the target (70% in 2005/06). Invoice approval processes are being strengthened to improve on this.

Performance against strategy

Financial performance – Revenue

	2006/07	2005/06
	£000s	£000s
Incoming Resources		
Voluntary Income		
Grant-in-aid	38,679	37,780
Donations and legacies	3,677	2,249
Activities for generating funds		
Commercial trading activities	12,458	14,173
Investment income and rent receivable	1,945	2,585
Incoming resources from charitable activities	4,928	4,599
Total incoming resources	61,687	61,386
Resources Expended		
Charitable activities	50,243	44,767
Costs of generating voluntary income	678	704
Commercial trading activities	10,868	14,451
Investment management costs	213	–
Governance costs	259	254
Total resources expended	62,261	60,266
Net incoming resources before transfers	(574)	1,120
Transfers between funds	(4,364)	(3,591)
Gains on investment assets	2,448	2,239
Actuarial gain/(loss) on defined benefit pension scheme	770	(420)
Net movement in funds	(1,720)	(652)
<i>Of which:</i>		
Unrestricted funds	(3,415)	(731)
Restricted funds	1,695	79

A number of generous voluntary donations were received during 2006/07 helping to fund activities including the collection on tour, working with regional partners, developing a pictorial library, awarding conservation research fellowships, holding a major exhibition and running the Portable Antiquities Scheme.

The change in catering arrangements from an agency to a commission basis served to reduce both the Museum's commercial turnover and costs by some £2.8m. Underlying commercial returns remained firm with some growth from international loans and corporate partners. Completion of the sublease of a property led to substantial reduction in an existing onerous lease provision held in the British Museum Company.

The Trustees are developing a broader investment portfolio to get maximum benefit from the unrestricted reserves. Short-term investments are being reinvested on a longer-term basis with the initial consequences of reduced interest income and increased investment management fees but with the expectation of increased future investment returns.

Income from charitable activities was boosted in the year by commercial sponsorships of major exhibitions. The £1.4m costs of running the Portable Antiquities Scheme, the enhanced exhibition programme and the Museum's significant investments in bringing its plans for estates and gallery developments to an advanced stage led to a £5.5m increase in revenue expenditure on charitable activity for the year.

The Museum is applying part of its unrestricted reserves towards its 'Building for the Future' programme and earmarked £6m of its unrestricted reserves for the purpose. In the event, the Museum contained its call on those reserves to £3.4m in 2006/07, despite applying an increased amount of its revenue towards capital expenditure and acquisitions.

Financial performance – Capital and Endowments

Expenditure on the Museum's gallery improvement plan and improvements including storage, the building fabric and catering facilities amounted to £8,897,000, compared with £6,930,000 in 2005/06. This is a medium term development programme to bring the Museum's main buildings and facilities up to the required standard ahead of the North West development.

Acquisitions for the collection were valued at £2,888,000 (£2,320,000 in 2005/06).

The investment gain on the Museum's £11m permanent endowment funds was £1.054m (£1.986m in 2005/06).

Reserves

At 31 March 2007 the Museum's reserves were as follows

	£m
Collection items acquired since 31 March 2001	33
Land, buildings, plant and equipment	430
Permanent endowment trust funds	14
Restricted capital funds	8
Restricted revenue funds	9
Unrestricted capital reserves	49
Unrestricted revenue reserves	<u>22</u>
Total	565

The collection items, the fixed assets and the permanent endowment trust funds are fully employed in the operation of the Museum and are not available for any other purposes. The restricted capital and revenue funds represent disposal proceeds and donations, the permitted uses of which are limited, depending on the fund concerned, to specific capital projects, the acquisition of specific types of object for the collection or to funding staff for specific activities.

Subject to Trustees' policies and Government resource accounting constraints, the unrestricted reserves are available for investing in the Museum's future. Of the £71 million unrestricted reserves at 31 March 2007, £52million (£42m capital, £10m revenue) is designated for the development of the North West corner of the Bloomsbury site into a new special exhibition space and a world conservation centre and research laboratory, while £2m represents balances on designated unrestricted revenue trust funds. The Museum's unrestricted and undesignated reserves at 31 March 2007 consequently totalled £17 million, of which £10 million was revenue.

The Trustees' policy for reserves is that total unrestricted and undesignated reserves should not be allowed to fall below £15 million, of which at least £5 million should be in the form of revenue reserves. 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 and that, in the absence of commercial insurance, there are sufficient reserves for business continuity in the event of building or other fundamental infrastructure failure. Levels of unrestricted and undesignated reserves, both current and forecast, are kept under close scrutiny to ensure they will not fall below these minima. The reserves policy is reviewed annually.

Grant-in-Aid

The British Museum received £38,679,000 revenue and £4,250,000 capital grant-in-aid from the Department for Culture, Media and Sport (£37,780,000 and £2,014,000 in 2005/06). The Department has confirmed the level of funding it is making available for the year ending 31 March 2008 but will not be in a position to advise the funding available under the three year Comprehensive Spending Review for the years ending 31 March 2009, 2010, and 2011 until later this year.

Income generation

The very successful exhibitions during the year generated excellent admissions income.

The British Museum Company delivered relatively healthy operating profits during the year (£787,000 compared with £653,000 in 2005/06). Merchandising in support of the international exhibitions and retail and publishing sales at home in support of the Michelangelo and subsequent exhibitions were particular areas of strength. The Company has sublet its vacated offices so that £594,000 of last year's provision for the full residual lease commitment on the premises has been released. An actuarial gain on the defined benefit pension scheme has also contributed to a further improvement in the company's reserves.

At £1,186,000, the operating profit from trading activities in the British Museum Great Court Ltd was comparable to that of 2005/06 (£1,138,000), as additional contributions from commercial services more than compensated for small reductions in catering and visitor services.

Total net income from trading amounted to £1.8m in 2006/07 (£1.7m in 2005/06), comfortably ahead of the £1.26m performance target.

A run of successful international exhibitions, in addition to cementing relationships with other museums in countries such as China, Japan, Taiwan, Spain and the USA, continues to generate useful income to fund new activities at home.

Fund Raising

During the year pledges for donations, sponsorship and grants of £8,750,000 were received (£7,608,000 in 2005/06). In addition, objects valued at £1,168,000 (£763,000 in 2005/06) were donated or bequeathed in kind to the Museum's collection.

Private income continues to be crucial to the future development of the Museum. But for support from private individuals, charitable trusts and foundations and the corporate sector, the Museum would not be able to carry out the range of activities and projects that it does provide and the Museum is deeply appreciative of all the support it has received from all sources.

This support included major gifts for capital works to fund the Ancient Iran and Roman Britain Galleries. Major sponsorships were secured for British Museum exhibitions in London from BP for *Michelangelo Drawings: Closer to the Master* and Dubai Holding for *Word into Art*, and from the Robert H N Ho Family Foundation for the *Britain meets the World* exhibition in Beijing.

Important grants were received from a number of statutory bodies, including the Department for Culture, Media and Sport towards learning and information; the Heritage Lottery Fund towards acquisitions of artefacts; the National Heritage Memorial Fund towards acquisitions of artefacts and the DCMS/Wolfson Fund for gallery improvements. The Art Fund also made significant grants towards acquisitions.

The Museum's Global Partnership scheme, whose members include Goldman Sachs, Linklaters, Bloomberg, Reuters, BUPA, Watson Wyatt, Deutsche Bank, Apax Partners, Omniyat Properties, Dubai Holding, Asahi Shimbun and Credit Suisse, continues to flourish and attract new partners.

Efficiency Savings

Over the course of the last four years the Museum has achieved efficiency savings of over £8m, primarily from the actions taken to reduce annual operating costs by £6m, which included reducing staffing levels, consolidating curatorial activities back onto the Bloomsbury site and disposing of surplus properties. Process improvements such as introduction of an on-line photographic library, improved management of Facilities Management through contracting out hard services and modernising cleaning service practices, contracting out the payroll, improved sickness and absentee management, reducing the use of consultants and implementing a procurement strategy to reduce the number of low value invoices and rationalise the number of suppliers have all contributed to additional efficiencies. Forward plans for further savings are in hand.

Investments and financial risks

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 the other trust funds is to maximise overall returns while limiting the risk of capital loss. Both these aims were met in 2006/07 with the permanent endowment funds recording capital gains of 7.5% while generating income of 4.5% and other trust funds achieving combined gains of 13.5%. The Museum's benchmark index increased by 7.7% over the same period. Trustees are satisfied with the performance of the portfolio.

As the trust funds are invested for the most part for the long-term, the risks of short-term price volatility are acceptable. As they are quoted units the liquidity risk is low.

The Investment Sub-committee is considering a wider investment allocation which should be capable of providing a higher long term target return at lower risk than at present, for the Museum's total invested reserves. The process of subscribing to appropriate funds to achieve the allocation for unrestricted reserves is in hand.

The financial risks relating to investments are managed by:

- a broad asset allocation which minimises the exposure to adverse factors which may affect one or more classes of assets
- a policy of hedging the currency exposure where the value of underlying assets in any one currency is material
- maintaining a relatively high liquidity level
- regularly monitoring investment performance
- maintaining the asset allocation in the light of medium term cash flow projections.

The Museum is not exposed to significant trading credit risks as most major customers are familiar. Appropriate credit checks are carried out on proposed investment funds. Term deposits are only placed with UK clearing banks and building societies with assets over £1 billion and are spread across several institutions.

Exposure to wider price risks, such as energy costs, is reduced by competitive tendering and securing two or three year fixed price contracts, where appropriate.

Museum in London

The Museum received 4.9 million visitors in the year, 7% more than last year, reflecting the growth in the tourist market and the great success of the Michelangelo exhibition.

The pace of investment in gallery and other capital improvements was sustained. The refurbished Prints and Drawings gallery opened in June 2006 and the Japanese gallery in October 2006. The new Iran, Birth of Agriculture and Roman Britain galleries have opened and work is planned to start shortly on the Time, Mediaeval and Clocks galleries. The front forecourt has been resurfaced and renovation of the Victorian cast iron main gates is almost complete.

Several successful exhibitions were staged including:

- *Michelangelo Drawings – Closer to the Master* traced the long career of the Italian Renaissance sculptor, painter, and architect, Michelangelo Buonarotti (1475 – 1564) through his drawings. 152,000 visitors
- *Word into Art – Artists of the Modern Middle East* brought together the work of over 80 contemporary artists from across the Middle East and North Africa who turn words into art. 87,000 visitors
- *Power and Taboo – Sacred Objects from the Pacific* displayed objects of art and artefacts from this region covering the period 1760 to 1860 and explored the Polynesian understandings of the world of the gods. 123,000 visitors
- *The Past from Above – Through the lens of Georg Gerster* offered the evocative aerial photography of this Swiss photographer and took visitors on a 'world tour' of the great monuments of human civilisation. Flying over 111 countries in 5 continents and over 40 years, an epic portfolio has been captured of archaeological and heritage locations. 39,000 visitors
- *A New World – England's First View of America* offered the extraordinary watercolours of John White which gave the Elizabethan World its first glimpse of America, ultimately shaping its view of the New World. Some 40,000 visitors.

The *Middle East Now* season, which ran from May to September 2006, accompanied the *Word into Art* exhibition. The season featured a wide range of events, debates, performances and displays, including:

- a debate in partnership with *The Guardian*, entitled *Religion, politics and sexuality: what can history tell us about the boundaries of expression in the Middle East now?*
- two extremely successful debates with the *London Review of Books*, *Literature and the conflict in the Middle East* and *Orientalism Now: the legacy of Edward Said*.
- an evening of Middle Eastern food with Fay Maschler and guests.

In the autumn of 2006, the *Voices of Bengal* season explored the rich cultural heritage of Bengal through the exhibitions *Myths of Bengal*, *The Art of Peace: Paintings by the poet Tagore* and *Durga: Creating an image of the goddess*, and an extremely varied programme of events including:

- the construction of the goddess Durga and her entourage in the Great Court by craftsmen from West Bengal, in collaboration with the London Durga Puja Dusserah Committee
- a debate with *The Guardian* featuring Nobel Prize winner Amartya Sen, entitled 'Faith, nation, culture: what Bengal's history tells us about living with multiple identities'
- a Bengal food evening
- family and community activities and performances.

The *Past from Above* and *Power and Taboo* exhibitions led to the following events:

- *A view of Iraq and archaeology*, a lecture by guest speaker, Dr Donny George, formerly President of State Board of Antiquities and Heritage in Iraq and Director of the National Museum, Iraq
- a debate with the *London Review of Books* called *Taboo and the West*.

The *Atlantic Trade and Identity* season from February 2007 to April 2008, features a series of exhibitions, displays and events exploring transatlantic trade and its relationship to slavery, resistance and diasporas:

- *La Bouche du Roi*, an artwork by Romuald Hazoumé, an artist from the Republic of Benin, West Africa.
- *Resistance and Remembrance* on 25 March, a major day to mark the 200th anniversary of the Parliamentary abolition of the transatlantic slave trade, featured a wide range of activities across the Museum culminating in a Ceremony of Remembrance, featuring the telecast of a special message from Nelson Mandela and testimonies by a variety of guest speakers
- *Fabric of a Nation: Textiles and identity in modern Ghana*, a display of wax-printed cloths celebrating the 50th anniversary of Ghana's independence, which was visited by the President of Ghana during his state visit
- a lecture on culture and politics since Independence and perspectives on the future for Ghana from Ghana's High Commissioner to the UK, H.E. Mr Annan Arkyin Cato.

171,000 children in school parties (175,000 in 2005/06) and 51,000 adult learners (55,000 in 2005/06) attended a wealth of structured and informal events. The total number of children aged 15 and under visiting the Museum in 2006/07 was 570,200. Visitor statistics are now obtained through regular weekly sampling across the year, rather than just at Easter and Summer. This has led to recognition of lower proportion of children in groups than had previously been reported – from 16% to 9% – and consequently a reduction on the reported figure of 873,000 in 2005/06 and a shortfall against the target of 900,000 children that was set in the context of previously reported data.

Although the proportion of UK adult visitors reported as being from lower socio-economic groups increased slightly from 11% to 12%, the weekly sampling also led to recognition of a lower proportion of visitors from the UK than had previously been reported, from 50% to 33%. The absolute numbers of UK adult visitors reported as being from lower socio-economic groups consequently fell from 190,000 to 179,600. Conversely, the reported proportion of UK visitors from ethnic minorities has been marked up from 8.5% to 15%.

Primary schoolchildren from Lambeth experienced African maths, students from Newham, Camden and Hounslow came to see contemporary Middle Eastern art, other primary schoolchildren enjoyed creative activities, GCSE science students from Lewisham looked at HIV and AIDs issues as part of their citizenship course and others enjoyed theatre pieces.

Families and community groups participated in storytelling, the Big Draw, the Chinese New Year celebrations, Resistance and Remembrance Day, Voices of Bengal activities and object handling. Others people came for courses and lectures on topics such as Arab calligraphy, Renaissance drawing techniques, Michelangelo, modern Turkey or to meet artists from across the world.

Offsite learning activity included workshops in schools, an art project with Pentonville prison, a Camden film project with children in care, and distance learning through the Ancient Civilisations websites.

Visitor satisfaction remained high during the year with 98% of sampled visitors responding that they were satisfied or very satisfied with their experience (98% in 2005/06).

The Museum's catering concessions were contracted to Do and Co in May 2006 in a partnership designed to improve significantly the quality and range of catering on offer to visitors. Do and Co has been successfully integrated as the Museum's foodservice partner. This first year has been very positive with an increase in visitor penetration in most areas and a significant uplift in quality of both the food offer and service. The family offer and the exhibition menus have proved particularly popular.

Five small exhibitions were staged in room 3:

Rembrandt: The Three Crosses

The Warren Cup: Sex and Society in Ancient Greece and Rome

The Royal Game of Ur: Play the oldest board game in the World

Tagore: The Art of Peace

Ghana: Cloth of a Nation

These exhibitions were designed to try out different ways of displaying and interpreting common types of objects in the Museum's collections, as well as to support the Museum's programme. This allows the Museum to build on audience response for subsequent exhibitions.

Research remains a central activity of the Museum, and underpins many different areas of the Museum's activities. Over 100 distinct research projects are running at any one time, based in the UK and internationally. The Museum has been successful in raising external funding for its research. In conjunction with the Natural History Museum, the Museum has received further substantial funding from the Leverhulme Trust for the second stage of *Ancient Human Occupation of Britain* project. Other collaborative applications to the Arts and Humanities Research Council have been successful in the last 12 months, including *Indian Temple: Production, Place and Patronage* with the School of Oriental and African Studies and University of Cardiff and *Inca Ushnus: Landscape, site and symbol in the Andes* with Royal Holloway College. In the past 12 months members of staff have also been awarded a *Leverhulme Fellowship* and the first *Leverhulme National Portrait Gallery Fellowship*.

The high quality of research can be measured by the output of research publications (c.130 per year) and the number of memberships of national and international committees, councils and editorial positions held by staff members.

In addition to a large number of papers published in refereed scholarly journals, many books written by members of the Museum's staff were published in the past 12 months including:

- *A New World: England's first view of America*: Kim Sloan
- *Word into Art: Artists of the Modern Middle East*: Venetia Porter
- *Greek Architecture and its Sculpture*: Ian Jenkins
- *Masterpieces of Ancient Egypt*: Nigel Strudwick
- *Roman Provincial Coinage Volume VII: Gordien I to Gordien III (238-244) Province d'Asie*: Marguerite Spoerri Butcher
- *RP 161: A Researcher's Guide to the Lachish Collection in the British Museum*: Pamela Magrill
- *RP 162: Naukratis: Greek Diversity in Egypt, Studies on East Greek Pottery and Exchange in the Eastern Mediterranean*: Edited by Alexandra Villing and Udo Schlotzhauer
- *RP 163 The Ringlemere Cup : Precious Cups and the Beginning of the Channel Bronze Age*: Ed. Stuart Needham, Keith Parfitt and Gill Varndell.

Museum in Britain

In the wider UK, a series of exhibitions and objects toured around regional museums within the Partnership UK programme to reach new audiences. 2,222 collection objects were lent to 172 UK venues in 2006/07, attracting estimated audiences of 2.5m.

Exhibitions and objects toured included:

- *The Throne of Weapons* toured over 30 venues in 2006/07 and continued to be exhibited nationwide in such places as Ulster Museum, The National Museum, and the National Youth Eisteddfod, Pentonville Prison, Perth Museum and Art Gallery, and Coventry cathedral. This exhibition was the subject of a case study on "The Dynamic Collection" for the Museums Association Conference
- A group of 84 amulets, portraits, papyri and other Egyptian artefacts were lent to Kelvingrove Museum in Glasgow
- *The Emperor's Terrapin* from Mughal India c.1600 to 7 venues
- *Made in Africa*; 3 axe handles from Olduvai Gorge to 6 venues, supported through the generosity of the Dorset Foundation.
- *Across the Board: Around the World in 18 Games* – toured through to end January 2007 over its two year run, and the 6 venues had attracted 135,000 visits. This was funded by DCMS and DfES.

The Museum once again hosted the UK Youth Parliament conference in December, and this time government ministers chaired discussion groups of young people, addressing issues under the theme "Circles of Reconciliation".

The Museum's responsibilities under the Treasure Act have continued to grow. In 2006/07 1,237 cases were handled, compared with 981 in 2005/06. In addition, in March 2007 DCMS transferred those administrative responsibilities that it hitherto exercised in relation to Treasure to the British Museum Great Court Ltd., together with the necessary funding. The Department of Portable Antiquities and Treasure now oversees the entire Treasure process from local reporting to museum acquisition. This includes administering valuations and reward payments for regionally acquired finds, as well as the curatorial and coroner related responsibilities already undertaken. The Museum also continued to administer the Portable Antiquities Scheme, a voluntary scheme to record all archaeological objects found by the public, with its 47 staff on behalf of the Museums, Libraries and Archives Council and 65,712 objects were recorded in 2006-07, bringing the total number of objects recorded on the online database (www.finds.org.uk) to 262,000. Grants to Finds Liaison Officers are approved quarterly.

The Museum's objects, staff, activities and research have featured in a number of television and radio programmes:

- *Masterpieces of the British Museum* – a six part BBC 4 series celebrating specific cultures through objects
- *Michelangelo Drawings: Closer to the Master* – a BBC 4 documentary made in advance of the exhibition opening
- *Durga: The Goddess comes to London* – a Channel 5 documentary tracing the journey of the painted statue from the Ganges to the Thames
- *Codex* – a Channel 4 game show in which contestants were challenged to decode treasures and win a holiday
- *The Museum* – a ten part BBC 2 series taking viewers behind the scenes
- *Uncovering Iran: Ancient and Modern* – a Radio 4 examination of how modern Iranian identity is shaped by its ancient past.

Press coverage has been extensive throughout the last year, most notably with regard to the exhibitions and seasons.

Museum in the World

The Museum signed two Memoranda of Agreement: one with the government of Ghana to foster exchanges and joint projects including exhibitions, field research and collections development, the other with the National Museums and Monuments of Zimbabwe to maintain professional links and a dialogue.

DCMS provided additional funding of £75,000 to help finance the activity in Africa, which also included:

- collaborations with the National Museums of Mali and Senegal, working with contemporary craftsmen
- a workshop in Mombasa
- a training course and conference in Zanzibar
- a West African Museums Programme involving twelve West African countries including Liberia and Sierra Leone to provide workshops for museum professionals
- collaboration with Mozambique colleagues in the Ilha de Mocambique.
- joint training programme and Nile excavations with the National Corporation for Antiquities and Museums in Sudan

Elsewhere, Museum staff participated in fieldwork in Vanuata in the Pacific, on the northwest coast of Canada, in the Andes, in India, Lebanon and collaborative work in Iran and Iraq.

A number of exhibitions were staged abroad including:

- *Treasures of the World's Cultures* to the Capital Museum, Beijing and the National Palace Museum, Taipei
- *Art and Empire: Treasures from Assyria in the British Museum* to the Shanghai Museum
- *Britain meets the World 1714-1830* to the Palace Museum Beijing
- *Hazina: Traditions, trade and transitions in Eastern Africa* to Nairobi
- *Mummy: the Inside Story* to Mobile, Alabama; and Tokyo
- *Forgotten Empire: the World of Ancient Persia* to Barcelona
- *Temples and Tombs: Treasures of Egyptian Art* to Oklahoma and Jacksonville, Florida
- *Mummies: Death and Afterlife in Ancient Egypt* to the Bowers Museum, California

The international programme greatly increases the global reach and engagement of the Museum and its collection. Some 1.6million visitors visited these exhibitions and collectively 2,178 collection objects were lent to 132 venues internationally in 2006/07.

As part of an ongoing programme of international curatorial links and training exchanges, a five week summer school was run for overseas curators from Egypt, Sudan, Iraq, China and South Africa.

There were 7,674,000 website visits in 2006/07 (8,755,000 in 2005/06), reflecting a 28% reduction in visits to the very popular, but five years old, Ancient Egypt website. Together, these Ancient Civilisations websites represent the channels for 4,920,000 outreach learners (6,160,000 in 2005/06). The Museum's main website was relaunched in May 2007 with extensive design and content improvements. It will eventually offer full access to the Museum's collection of seven million objects through Merlin, the collection information database used and edited by curators.

Capacity

Collections Management

The major storage improvement this year was the delivery of the first phase of the organics store for Ancient Egypt and Sudan, incorporating roller racking to house coffins and mummies in a closely controlled environment. Other, more tactical and innovative improvements, have been made to the stores for Greek and Roman Cypriot material and large amphorae, for Anglo-Saxon grave goods from Mucking, for soapstone carvings from Sierra Leone, for Kenyan skin garments and for paper items from the Mexican Day of the Dead collection. All of the bank note collection in Coins and Medals has been restored in archival quality folders and new coin cabinets house their recent acquisitions. The key performance indicator 'the percentage of the collection stored at correct environmental conditions' remains at 71% (as in 2005/06). The museum has recently carried out a more stringent survey of its stores against best international standards and is preparing a prioritised list of actions. The lease of offsite storage in Wiltshire and plans for development of the North West of the Bloomsbury site will lead to substantial improvements over the coming years.

Objects valued at £2.888m were acquired in the year (£2.32m in 2005/06), with notable support from the Heritage Lottery Fund, the Art Fund, the British Museum Friends, the National Heritage Memorial Fund, the Sharp bequest, the Brooke Sewell bequest, the Pilgrim's Trust, Friends of the National Libraries, the Dilettanti Society Charitable Trust and Mrs Charlotte Gere, including:

- an Archemenid silver bowl from Northern Iran, 6th to 4th century BC
- La Bouche du Roi, a contemporary work from Benin that reflects on slavery
- a limestone door shaped stela of Ptaherhatef, door keeper of Ptah, 1320-1280 BC
- a set of anglo saxon sword hilt fittings
- an 18th century Japanese screen of a tiger and her cubs
- two large Neolithic jars from northern China
- a Ming Dynasty screen
- German printed currency 1917-1924
- an Iranian Iron age bird shaped pot
- Csango textiles from Romania
- German Art Nouveau ceramics
- contemporary paintings from Vanuata and the Trobriand Islands
- six old master paintings.

129,000 new electronic object records of items were logged on the collection management system in 2006/07. Some 2,930,000 are now complete. As a result, the performance indicator of the percentage of the collection documented to international electronic standards advanced further from 40.5% to 42.4%. 180,000 of these objects have digital photographs. A remarkable 111,800 images were added during the year. Images and information, available on the website, are central to the Museum's forward plans for dissemination of collection information.

Trustees and staff

Antony Gormley has recently been appointed as a Trustee and three new senior managers were appointed as heads of departments: Jan Stuart as Keeper of Asia, Jonathan Williams as Keeper of Prehistory and Europe and Xerxes Mazda as Head of Learning and Audiences.

The pay and grading system, which is based on job families and market rates, and the values based competency framework that underpins it, is fully deployed across the Museum. The competency framework also underpins job profiles, a new appraisal system and a forward programme of learning and development activities.

The Museum identifies diversity as one of its core values. A working party has been drawn from a broad range of staff across the Museum, headed by a Keeper, with a remit to draw up options and proposals for improving diversity in the Museum's:

- audience profile
- staff, Trustees, volunteers and interns
- management, curation, display, programme, education and marketing practice
- working with other institutions and agencies.

The Museum is leading the Young Graduates for Museums and Galleries diversity programme to introduce sector careers to sixth formers on behalf of the participating museums and galleries, and is hosting interns from the Arts Council Inspire and Museums Association Diversify programmes.

The current ethnic profile of staff is: 77% white, 9% black, 4% Asian/Oriental, 2% mixed, 3% other and 5% unstated. The gender profile is 46% female and 54% male.

In 2006/07, the average number of days lost for sickness and absenteeism was 6.4 days per person, a very encouraging reduction from 7.7 in 2005/06.

Buildings

The Building Services contract achieved an overall performance rating of 90% over the first year of operation, also providing savings of £200,000 which have been re-invested in infrastructure improvements as part of the continuing programme to improve the reliability and integrity of the building services and systems. A condition survey of all mechanical and electrical assets has been completed and a refurbishment programme is underway. Development of a building control strategy is ongoing, aimed at establishing an integrated management and control strategy for the estate utilising the existing building, security, and environmental control systems.

A strategic review of cleaning services has been completed and, following consultation with staff representatives, a new and improved in-house service will be introduced in 2007. Existing contracted-out services are being consolidated into a single contract for a three year period awarded in July 2007, which will also include all of the specialist support services.

The Museum is committed to a programme of sustainable development targets in line with the government targets. A new initiative, GreenWorkPlaces, is a joint project in conjunction with the TUC aimed at achieving our sustainable development targets. It is one of a number of energy and environmental initiatives currently being pursued.

Relationships

Considerable effort has been invested in developing relationships locally, nationally and internationally. The development and maintenance of key advocacy relationships is of major importance to the Museum. These relationships include Camden Council, the Greater London Authority, key government departments and MPs as well as other institutions and bodies in London, across the UK and throughout the world. Key initiatives and activities in this area include the local community liaison group, the newly formed Camden Cultural Consortium, the British Museum All-Party Parliamentary Group and a comprehensive programme of advocacy breakfasts and targeted events, both public and invited, helping the Museum to engage with a wide range of communities and groups.

Technology

Substantial improvements have been made to the collections management systems and digital image database. An enterprise content management system and a new internet service provider have been procured as part of the Museum's web strategy, with the aim of making the collections database available online. The new website was launched in May.

Work has also begun on a new, unified e-commerce service as part of the web site, encompassing products and services from the Museum and other connected bodies.

Interactive multimedia kiosks for the visitor were installed as part of the Michelangelo exhibition and proved very successful.

Staff working away from the Museum now have the facility for secure remote communications. Many can communicate using mobile devices linked to the email service, while more can access a range of Museum computer services remotely using secure internet technologies.

The Museum's intranet was re-launched, with improved navigation and content and with support for distributed authorship. Its use has considerably increased.

The network infrastructure has been improved in a number of respects. A wireless network for collections stores has been successfully trialled and the remote link to the Hammersmith premises substantially upgraded to offer greater speed and resilience. New services were added to the high-speed link to the Hoxton premises, to allow Bloomsbury-based security staff to monitor activities on that site. A Great Court wireless network will be commissioned in the coming year.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

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 for Charities' (the Charities SORP) in so far as those requirements are appropriate. A copy of the Accounts Direction may be obtained by contacting the Director of Administration at the British Museum.

The Museum is complying with the requirements of the Charities SORP. It has chosen to expand the normal Statement of Financial Activities and to distinguish revenue from capital funds, in order to provide a clear expression of its accountability as an organisation providing services to the public.

So far as the Accounting Officer is 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. In addition to auditing the Museum's subsidiaries, Grant Thornton LLP provided the Museum with tax and VAT advice.

Report of the Audit Committee

During the financial year 2006/07 the mechanisms used by the Audit Committee to facilitate the Board's assessment of the effectiveness of the Museum's risk management and system of internal control included:

- review and discussion of the risk register, which is a standing item on the Committee agenda and included, for example, risks posed by fundraising and by management transition; and the significance of the comprehensive spending review;
- ongoing review and monitoring of incident management and business recovery procedures at Bloomsbury and outstations and of capital project management processes and governance;
- considering the regular middle-management presentations of internal controls and risk management;
- examining the minutes of the Audit Committee of British Museum Company Limited;
- reviewing the revised whistleblowing policy;
- ongoing evaluation and monitoring of internal audit, including:
 - reviewing and approving the audit plan;
 - reviewing the executive summaries of internal audit reports;
 - monitoring progress against plan;
 - considering the Head of Internal Audit's annual statement of assurance.
- reviewing the statement on internal control (SIC);
- considering the following reports, which are prepared in support of the annual SIC:
 - annual report on security;
 - annual report on health and safety;
 - summary of budget holders' annual assurance statements.

- considering the twice-yearly reports on stewardship of the collection.
- formal and informal reports and feedback from the external auditors;
- private discussions with the internal and external auditors.

The Head of Internal Audit's annual statement of assurance for the year drew attention to information management, security vetting, fundraising, procurement and project management as areas requiring strengthening of controls and the consequent management actions being taken in each of these areas.

In May 2006, in accordance with best practice, the Audit Committee undertook a self-assessment of its effectiveness. This was through a questionnaire, in the form of a series of behavioural and process-related assertions that can be rated. The results of the assessment, which were satisfactory, were discussed at the June 2006 Audit Committee, where appropriate action was agreed to address minor matters arising.

Neil MacGregor
Accounting Officer

Niall FitzGerald
Trustee

David Lindsay
Trustee

July 2007

Names of Trustees

The Board of Trustees

Mr Niall FitzGerald KBE ⁽⁶⁾ (*Chairman from 4 July 2006*)
 Sir John Boyd KCMG (*Chairman to 3 July, 2006, retired as trustee 3 July 2006*)
 Chief Emeka Anyaoku⁽¹⁾
 Mr Hasan Askari
 (retired 16 October 2006)
 Lord Broers
 Sir Ronald Cohen
 Professor Sir Barry Cunliffe KBE⁽⁴⁾
 Mr Francis Finlay
 Mr Antony Gormley⁽²⁾
 (appointed 2 April 2007)
 Ms Val Gooding
 Mr Stephen Green
 Ms Bonnie Greer

Thirteen 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

Dr Olga Kennard OBE FRS⁽⁵⁾
Baroness Kennedy QC
 Mr Richard Lambert
 Mrs Edmée Leventis
 Mr David Lindsell
 Mr David Norgrove
 Mr Tom Phillips RA⁽²⁾
 (retired 31 May 2006)
 Lord Powell KCMG⁽⁶⁾
 Mr Eric Salama
 Mr Vikram Seth
 Sir Keith Thomas FBA⁽³⁾
 Sir John Tusa⁽⁶⁾

⁽⁵⁾ the Royal Society

⁽⁶⁾ the Trustees

A register of Trustees' interests is maintained by the Museum's solicitor and is open to inspection at the Museum on application to him.

Trustees' Committees and Membership

The Chairman of the Trustees is an *ex officio* member of all Committees other than the Audit Committee.

Standing Committee

Mr Niall FitzGerald KBE
(Committee Chair from 4 July 2006)
 Sir John Boyd KCMG
(Committee Chair to 3 July 2006)
 Professor Sir Barry Cunliffe KBE
 Mr David Lindsell
 Lord Powell KCMG
 Sir Keith Thomas FBA

Audit Committee

Mr David Norgrove (*Committee Chair*)
 Mr Hasan Askari (*retired 16 October 2006*)
 Dr Olga Kennard OBE FRS
 Mr Richard Lambert
 Mr David Lindsell

Nomination and Governance Committee

Mr Niall FitzGerald KBE
(Committee Chair from 4 July 2006)
 Sir John Boyd KCMG
(Committee Chair to 3 July 2006)
 Baroness Kennedy QC
 Sir John Tusa
 Ms Val Gooding
 Mr Tom Phillips RA (*retired 31 May 2006*)

Investment Sub-committee

Sir Ronald Cohen
(Sub-committee Chair from 27 October 2006)
 Mr David Lindsell
(Sub-committee Chair to 26 October 2006)
 Mr Hasan Askari (*retired 16 October 2006*)
 Mr Francis Finlay

Trustee membership of related Councils and Boards

British Museum Company Limited: Board of Directors

Mr Niall FitzGerald KBE
(Chairman from 14 December 2006)
Mr David Lindsell
(Chairman to 14 December 2006)
Professor Sir Barry Cunliffe KBE
Mr Eric Salama
Sir John Tusa

British Museum Development Trust: Board

Sir John Boyd *(Chairman to 3 July 2006)*
Mr Richard Lambert
Mr David Lindsell

British Museum Friends: Council

Professor Sir Barry Cunliffe KBE
Mr David Lindsell

The American Friends of the British Museum

Mr Francis Finlay

Official Addresses

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
Study collections/storage:	Franks House, 38 to 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:	38 Russell Square, London WC1B 3QQ
Auditors:	
The Museum	The Comptroller and Auditor General, 157-159 Buckingham Palace Road, Victoria, London SW1W 9SP
BMCo, BMDT, BMGC and the Trust Funds	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Bankers:	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

Remuneration Report

The figures in this report have been subject to an audit.

Two staff occupy roles of senior managers within the Museum and its subsidiaries as defined by Treasury.

Neil MacGregor, the Director, received remuneration of £144,874 for the year (2005/06 £120,000) consisting solely of salary but including back pay of £11,226. He has no other cash or non-cash benefits of value. The Museum paid pension contributions on his behalf to the Principal Civil Service Pension Scheme of £36,943 (2005/06 £29,520). The cash equivalent transfer value of his accrued pension at 31 March 2007 was £1,281,838 (31 March 2006 £1,308,636). This represents a real decrease of £28,415 in its value funded by the employer. His accrued pension is £57,506 and related lump sum is £172,517. The Nominations and Governance Committee, whose members are listed in Appendix 1, assesses the performance of the Director each year. His salary is agreed with the Chairman. His contract commenced in 2002 and expires in 2011.

The Museum has a job family pay structure for other staff. Staff are allocated to clusters within each job family according to their responsibilities and competencies. All staff below their cluster or personal pay maxima are entitled to an annual, standard uplift and to annual progression payments.

The majority of staff are employed on permanent contracts. Some staff working on discrete short term projects are employed on contracts which match the duration of the projects concerned. All staff employed on contracts of one year or more are entitled to join the Principal Civil Service Pension Scheme, a defined benefits scheme. Details of the scheme are shown in note 18 to the accounts.

Andrew Thatcher, the Director of the British Museum Company Ltd, received remuneration of £94,871 for the year (2005/06 £99,664) including a bonus of £nil (2005/06 £8,033). Pension contributions of £9,095 (2005/06, £8,817) were paid on his behalf. He is not a member of the Principal Civil Service Pension Scheme or of any other final salary pension scheme. He has no other cash or non-cash benefits of value.

The Company has a remuneration committee consisting of three directors. The committee recommends the salary review to be awarded to the executive directors, approves the conditions of their annual bonus scheme and recommends any bonus payments awardable under the scheme.

The Company operates a defined contribution scheme which is open to all employees. It also has a closed final salary pension scheme. Details of these schemes are also shown in note 18 to the accounts.

Neil MacGregor
Accounting Officer

Niall FitzGerald
Trustee

July 2007

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

Niall FitzGerald
Trustee

David Lindsell
Trustee

July 2007

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

The Audit Committee 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. The Audit Committee routinely requires middle managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

The risk management priorities for the Museum during 2006/07 have been to maintain the focus of managers on delivering the three-year strategic plan: continuing to develop effective space planning, delivering exhibition programmes, improving the delivery of facilities management soft services, revising and clarifying the human remains policy, improving the infrastructure to support its research projects and continuing to build public support.

Risk management is embedded within the Museum through established business planning 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.

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 Directorate Group, which reports on the effectiveness of risk management and the Museum's system of internal controls to the Accounting Officer, who attends the Audit Committee and reports to the Board;
- the work of the internal auditors, which includes 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 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 of the effectiveness of risk management and the system of internal control and as required for emerging issues related to risk management;
- the executive managers of 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 Group 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. The Accounting Officer and the Audit Committee receive annual reports on security and health and safety and twice-yearly reports on stewardship of the collection.

The Museum continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, as noted on page 22, is enhancing controls in areas of information management, security vetting, fundraising, procurement and project management.

Working with the Board and the Audit Committee, we plan to ensure continuous improvement to the system.

Neil MacGregor

David Norgrove

July 2007

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 2007 under the Museums and Galleries Act 1992. These comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet and the Museum Balance Sheet, the consolidated Cashflow 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.

The Board of Trustees of the British Museum

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museum and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture Media and Sport directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which also comprises the Remuneration Report, is consistent with the financial statements. I also report whether in all material respects the expenditure income and resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the British Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

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

Basis of audit opinion

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

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

Opinions

Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museum and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture Media and Sport, of the state of the British Museum and the group's affairs as at 31 March 2007 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museum and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture Media and Sport; and
- information given within the Annual Report, which also comprises the Remuneration Report is consistent with the financial statements.

Audit Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

July 2007

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

The British Museum

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2007

Consolidated Statement of Financial Activities

For the year ended 31 March 2007

	Revenue Funds			Capital Funds			Total Funds			Total 2006 £000	
	Notes	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Collection Acquisitions £000	Total Unrestricted £000	Permanent Restricted Endowment £000		Total 2007 £000
Incoming Resources											
Voluntary Income											
Grant-in-aid		38,679	0	38,679	0	4,250	0	4,250	0	42,929	
Donations and legacies		558	3,119	3,677	0	1,687	2,572	558	0	7,936	
Activities for generating funds											
Commercial Trading Activities	9(C)	12,458	0	12,458	0	0	0	12,458	0	12,458	
Investment income and rent receivable	2	1,862	83	1,945	1,666	208	0	1,874	0	3,819	
Incoming Resources from charitable activities	4(C)	3,132	1,796	4,928	0	0	0	3,132	0	4,928	
Total Incoming Resources		56,689	4,998	61,687	1,666	6,145	2,572	58,355	0	72,070	
Resources Expended											
Charitable activities											
Costs of generating Funds		46,474	3,769	50,243	0	8,620	0	46,474	0	58,863	
Costs of generating voluntary income		678	0	678	0	26	0	678	0	704	
Commercial Trading Activities	9(C)	10,868	0	10,868	0	0	0	10,868	0	10,868	
Investment Management Costs		213	0	213	0	0	0	213	0	213	
Governance Costs		258	1	259	0	4	0	258	3	266	
Total Resources expended	4(a)	58,491	3,770	62,261	0	8,650	0	58,491	3	70,914	
Net incoming resources before transfers	3	(1,802)	1,228	(574)	1,666	(2,505)	2,572	1,733	(136)	1,156	
Transfers between funds	14(b)	(4,465)	101	(4,364)	12	4,036	316	(4,453)	0	0	
Net incoming resources before other recognised gains and losses		(6,267)	1,329	(4,938)	1,678	1,531	2,888	(4,589)	(3)	1,156	
Gains on revaluation of fixed assets for the Museum's own use		0	0	0	0	17,756	0	17,756	0	17,756	
Gains on investment assets	6(a)	2,082	366	2,448	575	0	0	2,567	1,054	4,077	
Actuarial (Loss)/Gain on defined benefit pension scheme		770	0	770	0	0	0	770	0	770	
Net movement in funds	14(a)	(3,415)	1,695	(1,720)	2,253	19,287	2,888	(1,162)	1,051	23,759	
Fund balances brought forward at 1 April	14(a)	25,774	7,670	33,444	46,447	418,129	30,146	494,722	13,032	541,198	
Fund balances carried forward at 31 March	14(a)	22,359	9,365	31,724	48,700	437,416	33,034	519,150	14,083	564,957	

The notional cost of capital is reported in note 5.

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 36 to 54 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2007

	Notes	2007 £000s	2006 £000s
Fixed Assets			
Tangible assets	6(a)	431,348	413,674
Heritage Assets	7	33,034	30,146
Investments	8(a)	63,305	26,717
		527,687	470,537
Current Assets			
Stock-goods for resale		1,896	2,026
Debtors	10	3,615	6,329
Short term investments	8(b)	39,000	76,500
Cash at bank and in hand	8(c)	10,335	5,993
Total Current Assets		54,846	90,848
Creditors: amounts falling due within one year	11	(13,387)	(14,243)
Net current assets		41,459	76,605
Total assets less current liabilities		569,146	547,142
Provision for liabilities and charges:	12		
Early retirement provision		(1,459)	(1,834)
Other provisions		(460)	(1,010)
Net Assets excluding pension liability		567,227	544,298
Liability on defined benefit pension scheme	18	(2,270)	(3,100)
Net Assets including pension liability		564,957	541,198
Represented by:			
Capital Funds			
Permanent Endowments	14(a)	14,083	13,032
Restricted Funds		470,450	448,275
Unrestricted Funds			
Designated Funds		41,583	39,974
General Funds		7,117	6,473
		533,233	507,754
Revenue Funds			
Restricted Funds	14(a)	9,365	7,670
Unrestricted Funds			
Designated Funds		12,023	12,117
General Funds		11,554	16,254
General Funds held in subsidiaries		1,052	503
Pension Reserve		(2,270)	(3,100)
General Funds held in subsidiaries including Pension Reserve		(1,218)	(2,597)
		31,724	33,444
Total Funds		564,957	541,198

The notes on pages 36 to 54 form part of these accounts.

Neil MacGregor
Accounting Officer

Niall FitzGerald
Trustee

David Lindsay
Trustee

July 2007

Museum Balance Sheet as at 31 March 2007

	Notes	2007 £000s	2006 £000s
Fixed Assets			
Fixed Assets			
Tangible assets	6(b)	429,812	412,207
Heritage Assets	7	33,034	30,146
Investments	8(a)	63,305	26,717
Investment in subsidiaries	9(a)	1,250	1,250
		<u>527,401</u>	<u>470,320</u>
Current Assets			
Debtors	10	5,555	7,758
Short term investments	8(b)	39,000	74,500
Cash in bank and in hand	8(c)	6,018	4,584
		<u>50,573</u>	<u>86,842</u>
Creditors: amounts falling due within one year	11	(11,626)	(13,000)
Net current assets		<u>38,947</u>	<u>73,842</u>
Total assets less current liabilities		566,348	544,162
Provision for liabilities and charges			
Early retirement provision	12	(1,459)	(1,834)
Other provisions		(250)	0
Net assets		<u>564,639</u>	<u>542,328</u>
Represented by:			
Capital Funds			
Permanent Endowments	14(a)	14,083	13,032
Restricted Funds		470,450	448,275
Unrestricted Funds:			
Designated Funds		41,583	39,974
General Funds		5,581	5,006
		<u>531,697</u>	<u>506,287</u>
Revenue Funds			
Restricted Funds	14(a)	9,365	7,670
Unrestricted Funds:			
Designated Funds		12,023	12,117
General Funds		11,554	16,254
		<u>32,942</u>	<u>36,041</u>
Total Funds		<u>564,639</u>	<u>542,328</u>

The notes on pages 36 to 54 form part of these accounts.

Neil MacGregor
Accounting Officer

Niall FitzGerald
Trustee

David Lindsell
Trustee

July 2007

Consolidated Cash Flow Statement For the year ended 31 March 2007

	Notes	2007 £000s	2006 £000s
Net cash inflow from operating activities	15(a)	6,151	6,577
Returns on investments and servicing of finance:			
Interest received		3,389	3,864
Dividends received		112	118
Rents receivable		318	308
Net cash inflow from returns on investments and servicing of finance		3,819	4,290
Investing Activities:			
Capital expenditure and financial investments:			
Sale of fixed asset investments		749	0
Purchase of tangible assets		(8,897)	(7,225)
Purchase of heritage assets		(1,720)	(1,557)
Purchase of fixed asset investments		(33,260)	(109)
Net cash outflow from investing activities		(43,128)	(8,891)
Management of liquid resources			
Net sale/(purchase) of short term investments		37,500	(3,000)
Increase/(Decrease) in cash	15(c)	4,342	(1,024)

The notes on pages 36 to 54 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, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Director of Administration at the British Museum.
- (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.

Without limiting the information given, the accounts meet the requirements of accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate including the Statement of Recommended Practice (Revised 2005) *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, which together make up the Museum and its 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.

(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. Resources are allocated to particular funds according to their purpose. Permanent endowment, capital and revenue elements are shown separately.
- (ii) All incoming resources are accounted for on a receivable basis. Grant-in-aid is taken in the year in which it is received. Grants for fixed assets are recognised when they are received or receivable. Sponsorship receipts and 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. Trading income is deferred until the service has been given.
- (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 at the time each grant is approved.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities according to the space occupied by each activity. 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 4.

(d) *Heritage Assets*

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. Items donated or bequeathed to the Museum's collection are valued by internal valuers if an external valuation for the items is not available. Such items are not depreciated or revalued as a matter of routine.

(e) *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. All the Museum's properties 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. 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, relevant indices provided by the Office of National Statistics are applied to Exhibitions and Galleries, Plant and Machinery and Equipment, and a desktop evaluation based on local factors by Gerald Eve applied to land and buildings.

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 10 years

Depreciation is calculated on the revalued amounts and 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 in the year incurred. An annual impairment review is carried out by one of the Museum employees who is a member of RICS.

(f) *Investments*

Investments are stated at market value as at 31 March 2007. Realised and unrealised gains and losses on investments are reflected in the Statements of Financial Activities.

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

The investment in subsidiaries is carried at cost. For further details see note 9. 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.

(h) *Liabilities*

Liabilities are recognised where legal or 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 defined as current asset investments held as readily disposable stores of value. A readily disposable investment is one that is disposable without curtailing or disrupting its business and is either readily convertible to known amounts of cash at or close to its carrying value or traded in an active market.

(k) *Leases*

The British Museum has no finance leases. Costs relating to operating leases are charged over the life of the lease.

(l) *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 SOFA.

(m) *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 annual charges to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury. For the purpose of these accounts the pension scheme has been treated as a defined contribution scheme.

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.

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 five years by a qualified actuary who is independent of any participating employers. Pension liabilities are disclosed in accordance with FRS No 17 Retirement Benefits in note 18.

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. The future cost of these benefits has been discounted at a rate of 3.5%

(n) *Notional Costs*

In accordance with Treasury instructions, the notional cost of capital is calculated and details given in Note 5.

(o) *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 expect to pay Capital Gains or Corporation Tax.

(p) *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 are 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 14.

2. Investment Income and Rent Receivable

	SOFA Total 2007 £000s	SOFA Revenue 2007 £000s	SOFA Capital 2007 £000s	SOFA Total 2006 £000s	SOFA Revenue 2006 £000s	SOFA Capital 2006 £000s
Income from UK bank deposits	3,262	1,388	1,874	3,821	2,116	1,705
Income from overseas bank deposits	52	52	0	0	0	0
Income from UK fixed interest investments	61	61	0	0	0	0
Income from overseas fixed interest investments	14	14	0	0	0	0
Income from UK listed investments	(17)	(17)	0	161	161	0
Income from overseas listed investments	129	129	0	0	0	0
	3,501	1,627	1,874	3,982	2,277	1,705
Rents Receivable	318	318		308	308	0
	3,819	1,945	1,874	4,290	2,585	1,705

3. Net Incoming Resources

Net incoming resources are stated after charging:

	2007 £000s	2006 £000s
Auditors' remuneration: Comptroller and Auditor General audit fee	51	40
Auditors' remuneration: Subsidiary Companies audit fee	37	37
Auditors' remuneration: Grant Thornton VAT advice	13	33
Operating lease rentals: Hire of plant and machinery	3	3
Operating lease rentals: Land and buildings	260	247

4. Total Resources Expended

4(a)	Direct Costs £000s	Grants £000s	Depreciation £000s	Support Costs £000s	2007 Total £000s	2006 Total £000s
Care, research and conservation	26,436	980	4,000	3,012	34,428	29,660
Public access and events	13,855	0	4,452	2,787	21,094	20,043
Charitable trading	3,043	0	168	130	3,341	3,088
Charitable activities	43,334	980	8,620	5,929	58,863	52,791
Costs of generating voluntary income	667	0	26	11	704	723
Commercial trading operations	10,546	0	322	0	10,868	14,541
Investment management costs	213	0	0	0	213	0
Governance costs	259	0	4	3	266	258
	55,019	980	8,972	5,943	70,914	68,313

Under the Portable Antiquities scheme, the British Museum made grants of £980,000 in 2007 (2006, £0). 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.

4(b) Support costs relate to the Museum's Finance, Information Technology and Human Resource functions. The support and depreciation costs are allocated according to the space occupied by each activity.

	Finance	Information Technology	Human Resources	Legal Services	2007 Total	2006 Total
Care, research and conservation	1,139	1,020	598	255	3,012	2,403
Public access and events	1,054	944	553	236	2,787	2,224
Charitable trading	49	44	26	11	130	141
Charitable activities	2,242	2,008	1,177	502	5,929	4,768
Costs of generating voluntary income	4	4	2	1	11	9
Governance costs	1	1	1	0	3	3
	2,247	2,013	1,180	503	5,943	4,780

Finance costs include early retirement and redundancy costs of £1,348,000.

4(c) Charitable Trading

The main income generating activities undertaken by the Museum are:

	Income	Direct		Direct
	2007	Costs	Income	Costs
	£000s	£000s	2006	2006
			£000s	£000s
Exhibition income	2,857	2,297	2,085	2,067
Loan of the collection	1,467	630	1,763	605
Sale of guides to the permanent collection	245	116	294	120
Other income	359	0	457	0
Total	4,928	3,043	4,599	2,792

There are no individually significant activities included in Other income.

4(d) Governance Costs

Analysis of direct governance costs:

	2007	2006
	£000s	£000s
Staff costs	79	74
British Museum auditor's remuneration	51	41
Subsidiary charities auditor's remuneration	9	9
Internal audit costs	98	80
Cost of meetings	17	24
Occupation costs	1	1
Reimbursement of trustee expenses	4	22
	259	251

4(e) Staff Costs

	2007	2006
	£000s	£000s
Wages and salaries	25,959	25,111
Social security costs	2,068	1,999
Pension costs	4,512	4,113
Agency staff costs	1,462	1,190
Early retirement and voluntary redundancy costs	1,348	564
	35,349	32,977

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

	2007	2006
£60,001 – £65,000	8	10
£65,001 – £70,000	3	3
£70,001 – £75,000	7	1
£75,001 – £80,000	1	1
£80,001 – £85,000	1	0
£85,001 – £90,000	1	1
£100,001 – £105,000	1	1
£115,001 – £120,000	0	1
£140,001 – £150,000	1	0

19 staff (2006, 16) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 4 staff (2006, 2) are members of a defined contribution scheme. Contributions of £31,712 (2006, £16,477) were paid on behalf of the members of the defined contribution scheme.

4(f) The average number of employees, analysed by function was:

	Senior Management	Agency and Staff contract staff		Total
2007				
Care, research and conservation	1	441	15	457
Public access and education	0	384	10	394
Trading – Charitable Objectives	0	41	1	42
Fundraising and publicity	0	12	1	13
Commercial Trading Activities	1	124	0	125
Governance	0	3	0	3
	<u>2</u>	<u>1,005</u>	<u>27</u>	<u>1,034</u>
2006				
Care, research and conservation	1	451	16	468
Public access and education	0	384	13	397
Trading – Charitable Objectives	0	14	8	22
Fundraising and publicity	0	10	2	12
Commercial Trading Activities	1	119	4	124
Governance	0	2	0	2
	<u>2</u>	<u>980</u>	<u>43</u>	<u>1,025</u>

4(g) **Trustees:**

The Trustees neither received nor waived any emoluments during the year (2006 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2007, 7 Trustees (2006, 10) were reimbursed £3,546 (2006: £9,694).

5. Notional Cost of Capital

	2007	2006
	£000s	£000s
Cost of capital	9,399	8,767

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.

6. Tangible Fixed Assets

6(a) Consolidated Tangible Fixed Assets

	Freehold Land and 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 2006	355,344	3,337	20,249	50,180	5,325	434,435
Additions during the year	0	8,499	0	0	398	8,897
Disposals during year	0	0	0	0	(203)	(203)
Transfer	2,213	(5,387)	943	1,625	606	0
Revaluation adjustment	17,991	0	394	(635)	6	17,756
At 31 March 2007	375,548	6,449	21,586	51,170	6,132	460,885
Depreciation						
At 1 April 2006	7,287	0	5,152	6,112	2,210	20,761
Disposals during year	0	0	0	0	(196)	(196)
Provided during the year	3,881	0	932	3,436	723	8,972
At 31 March 2007	11,168	0	6,084	9,548	2,737	29,537
Net Book Value						
At 31 March 2007	364,380	6,449	15,502	41,622	3,395	431,348
At 31 March 2006	348,057	3,337	15,097	44,068	3,115	413,674
Net book value at 31 March 2007 represents fixed assets for						
Directly charitable objectives	363,491	6,433	15,464	41,521	1,856	428,765
Other activities	889	16	38	101	1,539	2,583
	364,380	6,449	15,502	41,622	3,395	431,348

6(b) Museum Tangible Fixed Assets

	Freehold Land and 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 2006	355,344	3,337	20,249	50,180	2,514	431,624
Additions during the year	0	8,499	0	0	0	8,499
Transfer	2,213	(5,387)	943	1,625	606	0
Revaluation adjustment	17,991	0	394	(635)	6	17,756
At 31 March 2007	375,548	6,449	21,586	51,170	3,126	457,879
Depreciation						
At 1 April 2006	7,287	0	5,152	6,112	866	19,417
Provided during the year	3,881	0	932	3,436	401	8,650
At 31 March 2007	11,168	0	6,084	9,548	1,267	28,067
Net Book Value						
At 31 March 2007	364,380	6,449	15,502	41,622	1,859	429,812
At 31 March 2006	348,057	3,337	15,097	44,068	1,648	412,207
Net book value at 31 March 2007 represents fixed assets for						
Directly charitable objectives	363,491	6,433	15,464	41,521	1,855	428,764
Other activities	889	16	38	101	4	1,048
	364,380	6,449	15,502	41,622	1,859	429,812

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

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

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. Valuation of the operational property of 1/2 Montague Place was carried out by Kinney Green as at 31 March 2004. The valuation of Blythe House was carried out by Chestertons on 19 January 2004.

At that time the Museum operational properties were valued at £301,953,000.

Blythe House is currently 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. It has accordingly been included in the Museum's balance sheet at one third of the valuation.

7. Heritage Assets – Group and Museum

	2007	2006
	£000s	£000s
At 1 April 2006	30,146	27,826
Purchased from Museum resources	345	205
Purchased by the Museum trust funds	760	376
Purchased from donations	615	976
Items donated or bequeathed	1,168	763
At 31 March 2007	<u>33,034</u>	<u>30,146</u>

8. Investments

8(a) Fixed Asset Investments – Group and Museum
Investments comprised the following:

	2007	2006
	£000s	£000s
Investment assets in the UK:		
Listed Common Investment Funds and Unit Trusts	27,669	24,834
Listed Equity	1,615	0
Fixed interest	7,415	0
Cash held as part of investment portfolio	445	0
Commodities	445	0
Investment assets outside the UK:		
Listed Equities	5,527	0
Unlisted Equities	13,821	0
Fixed interest	3,493	0
Commodities	418	0
Investment Properties	2,457	1,883
	<u>63,305</u>	<u>26,717</u>
Investments at 1 April 2006	26,717	22,383
Additions	33,260	109
Disposals at cost	(669)	0
Gain in value	3,997	4,225
Investments at 31 March 2007	<u>63,305</u>	<u>26,717</u>

Stock Market investments are revalued at market value at the year end. The valuation of investments properties in Bloomsbury were carried out by Kinney and Green at 31 March 2004 in accordance with the RICS Appraisal and Valuation manual. The market value was £1,883,000.

8(b) Current Asset Investments

	Group 2007 Cost £000s	Group 2006 Cost £000s	Museum 2007 Cost £000s	Museum 2006 Cost £000s
Short term cash deposits	39,000	76,500	39,000	74,500

8(c) Cash at bank and in hand

	Group 2007 £000s	Group 2006 £000s	Museum 2007 £000s	Museum 2006 £000s
Balance with Office of Paymaster General	164	226	164	226
Balance with commercial banks and in hand	10,171	5,767	5,854	4,358
	10,335	5,993	6,018	4,584

9. Subsidiaries

9(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.

9(b) Results of Trading Subsidiaries

	BM Co 2007 £000s	BMGC 2007 £000s	Total 2007 £000s	Total 2006 £000s
Turnover	9,121	3,725	12,846	15,223
Cost of sales	(3,635)	(2,134)	(5,769)	(8,305)
Gross profit	5,486	1,591	7,077	6,918
Selling and distribution costs	(2,677)	0	(2,677)	(2,659)
Administrative expenses	(2,091)	(405)	(2,496)	(2,548)
Other operating income	69	0	69	80
Operating profit	787	1,186	1,973	1,791
Finance cost	(60)	0	(60)	(120)
Interest receivable	73	98	171	148
Onerous lease provision and repairs to onerous lease	594	0	594	(1,036)
Actuarial gain/(loss) on defined benefit scheme	770	0	770	(420)
Taxation payable	0	(6)	(6)	0
Contribution to the Trustees of the British Museum	(740)	(1,254)	(1,994)	(1,575)
Surplus/(deficit) retained in the Company	1,424	24	1,448	(1,212)

The operating profit of the British Museum Company Limited is stated after charging staff costs of £3,216,000 (2006: £2,989,000) and depreciation of tangible fixed assets of £322,000 (2006: £315,000).

The two subsidiaries have made gift aid contributions to the British Museum in the year of £1,994,000 (2006: £1,575,000).

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

	2007	2007	2006	2006
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From the British Museum Company Limited	9,715	9,203	9,094	9,677
Other operating income	69	0	80	0
From the British Museum Great Court Limited	3,725	2,545	6,129	4,991
less transactions with the British Museum	(1,051)	(880)	(1,130)	(127)
	<u>12,458</u>	<u>10,868</u>	<u>14,173</u>	<u>14,541</u>

Net assets at 31 March 2006 comprise:

	BM Co	BMGC	BM Co	BMGC
	2007	2007	2006	2006
	£000s	£000s	£000s	£000s
Tangible fixed assets	1,536	0	1,467	0
Current assets	4,379	2,721	3,738	2,818
Creditors due within one year	(2,374)	(2,214)	(1,458)	(2,335)
Creditors due after one year	(2,480)	0	(4,110)	0
Net assets	<u>1,061</u>	<u>507</u>	<u>(363)</u>	<u>483</u>

10. Debtors

	Group		Museum	
	2007	2006	2007	2006
	£000s	£000s	£000s	£000s
Trade debtors	897	1,593	273	1,027
Other debtors	1,592	1,713	1,655	1,403
Prepayments and accrued income	1,126	3,023	2,948	4,068
Amount due from subsidiaries	0	0	679	1,260
	<u>3,615</u>	<u>6,329</u>	<u>5,555</u>	<u>7,758</u>

11. Creditors

	Group		Museum	
	2007	2006	2007	2006
	£000s	£000s	£000s	£000s
Amounts falling due within one year:				
Trade creditors	6,261	5,062	5,390	4,490
Other creditors	307	992	295	829
Taxation and social security	694	628	627	562
Early retirement	1,466	1,110	1,466	1,110
Accruals	4,093	5,529	3,488	5,230
Deferred income	566	922	306	701
Amount due to subsidiaries	0	0	54	78
	<u>13,387</u>	<u>14,243</u>	<u>11,626</u>	<u>13,000</u>

The movement on the deferred income account is as follows:

	2007	2006
	£000s	£000s
Deferred Income at 1 April	922	189
Released in year	(922)	(189)
Deferred in year	566	922
Deferred income at 31 March	<u>566</u>	<u>922</u>

12. Provisions and Charges – Group and Museum

Early retirement and voluntary redundancy commitments at 31 March 2007 are as follows:

	2007	2006
	£000s	£000s
Pension provision brought forward	2,944	3,306
Provision made in year	1,348	564
Payments in year	(1,367)	(926)
	2,925	2,944
Less current portion – included in creditors amounts falling due within one year	(1,466)	(1,110)
	<u>1,459</u>	<u>1,834</u>

The £2,925,000 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. £1,308,000 is payable between 2008 and 2012 and the remaining £150,000 before 2015.

Other provisions include an onerous lease provision of £210,000, (2006, £1,010,000) which relates to rentals on a property until the lease expires in 2011 and a provision of £250,000, (2006, £0) against legal liabilities and costs.

13. Financial Commitments

At 31 March 2007 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2007	2006	2007	2006
	£000s	£000s	£000s	£000s
Leases which expire: within one year	0	0	0	1
in the second to fifth year	77	77	2	2
over five years	184	184	0	0
	<u>261</u>	<u>261</u>	<u>2</u>	<u>3</u>

14(a) Statement of Funds

	At 1 April 2006 £000s	Income £000s	Expenditure £000s	Investment gains/losses £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2007 £000s
Capital Funds							
<i>Permanent Endowment Funds</i>	13,032	0	3	1,054	1,051	0	14,083
<i>Restricted Capital Funds</i>							
Collection Acquisitions Fund	30,146	1,168	0	0	1,168	1,720	33,034
Collection Purchase Fund	520	1,404	0	0	1,404	(1,357)	567
Fixed Asset Revaluation Fund	285,375	0	0	17,756	17,756	0	303,131
Estates Proceeds	3,036	0	0	0	0	0	3,036
Construction Projects Fund	2,366	1,895	0	0	1,895	(260)	4,001
Fixed Asset Fund	126,832	4,250	8,650	0	(4,400)	4,249	126,681
	448,275	8,717	8,650	17,756	17,823	4,352	470,450
<i>Unrestricted Capital Funds: Museum Designated:</i>							
Study Centre proceeds	39,699	1,666	0	0	1,666	0	41,365
Gallery Refurbishment Reserve	275	0	0	0	0	(57)	218
<i>General:</i>							
Investment Estate	1,883	0	0	575	575	0	2,458
General Funds	3,123	0	0	0	0	0	3,123
	44,980	1,666	0	575	2,241	(57)	47,164
<i>Unrestricted Capital Funds: Subsidiary</i>							
British Museum Co Ltd Fixed Assets	1,467	0	0	0	0	69	1,536
Group Unrestricted Capital Funds	46,447	1,666	0	575	2,241	12	48,700
Revenue Funds							
<i>Restricted Revenue Funds</i>							
Restricted Income Trust Funds	3,958	83	112	366	337	265	4,560
Deferred Income Fund	3,712	4,915	3,658	0	1,257	(164)	4,805
	7,670	4,998	3,770	366	1,594	101	9,365
<i>Unrestricted Revenue Funds: Museum Designated:</i>							
Designated Trust Funds	1,816	(210)	40	156	(94)	0	1,722
Development Programme	10,301	0	0	0	0	0	10,301
<i>General:</i>							
Unrestricted Trust Funds	7,002	108	14	1022	1,116	0	8,118
Oriental Research Fund	23	0	23	0	(23)	0	0
General Funds	9,229	43,111	45,412	904	(1,397)	(4,396)	3,436
	28,371	43,009	45,489	2,082	(398)	(4,396)	23,577
<i>Unrestricted Revenue Funds: Subsidiaries</i>							
British Museum Co Ltd	(2,580)	9,857	9,203	770	1,424	(69)	(1,225)
The British Museum Great Court Ltd	(17)	3,823	3,799	0	24	0	7
	(2,597)	13,680	13,002	770	1,448	(69)	(1,218)
<i>Unrestricted Revenue Funds: Group</i>	25,774	56,689	58,491	2,852	1,050	(4,465)	22,359
Total Funds	541,198	72,070	70,914	22,603	23,759	0	564,957

Analysis of group net assets between funds

	Permanent Endowments £000s	Unrestricted Funds £000s	Restricted Funds £000s	Total 2007 £000s
Fund balances at 31 March 2007 are represented by:				
Tangible fixed assets	0	1,536	429,812	431,348
Heritage assets	0	0	33,034	33,034
Fixed asset investments	14,081	45,615	3,609	63,305
Current assets	2	41,398	13,446	54,846
Current liabilities	0	(13,301)	(86)	(13,387)
Early retirement provision	0	(1,459)	0	(1,459)
Other provisions	0	(460)	0	(460)
Liability on defined benefit pension scheme	0	(2,270)	0	(2,270)
Total net assets	<u>14,083</u>	<u>71,059</u>	<u>479,815</u>	<u>564,957</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.

Capital: 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>	for the maintenance and upkeep of the Enlightenment gallery
<i>Japanese Cultural Exchange</i>	to allow scholars and conservators to travel to Japan and vice versa
<i>Sackler Scholar Prog. for Egypto-Nubian Studies</i>	for post graduate research in the Department of Ancient Egypt and Sudan
<i>Sackler Scholar Prog. for Ancient Iranian Studies</i>	for post graduate research in the Department of Middle East
<i>Hill</i>	to be spent on coins and 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 and Americas
<i>Birch</i>	to be used for the salaries of three under-librarians

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.

Designated Fund – Study Centre Proceeds

£40m unrestricted capital reserves from the proceeds of sale of the Study Centre building in 2002 have been designated towards development of exhibition and conservation facilities on the Bloomsbury site.

Revenue Funds: Restricted

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:

Hamlyn Gift

for the provision of stock, particularly for the Paul Hamlyn library

Rootstein-Hopkins

for the acquisition of the works of qualifying artists in the fields of drawing and printmaking

Sharp

wish to be spent on books concerned with ancient Greece or Rome

Sir Joseph Hotung Charitable Settlement – Asia

to support research by the Department of Asia

Governor James Albert Noe and Anna Grey Noe Fellowships

award fellowships in a field related to the archaeology, history, language and culture of Iraq

Hamlyn

Income only to be used for stock required for the library

Oppenheimer

for the Department of Prints and Drawings

Sir Joseph Hotung Charitable Settlement – ANE

to support research by the Department of Middle East

Playfair Bequest

to the Department of Prints and Drawings

Lloyd Bequest

to acquire cabinets or other suitable accommodation for the prints and drawings

Romenuk Bequest

for the purchase of illuminated 14th or 15th century illuminated Hebrew manuscripts or 14th and 15th century Flemish Art

Dennis

for the general purposes of the Department of Africa, Oceania and Americas

Dingwall

for use by Horology

Duthie Bequest

to be used for acquisitions

Christy

for purchases for Departments of Prehistory and Europe and Africa, Oceania and Americas

Woodward

for the purchase of further English pottery and porcelain

Ready Bequest

for the purchase of Greek and Roman antiquities.

Revenue Funds: Unrestricted

Designated Funds – 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:

B.M. Publications Donations

for BM publications

Brooke-Sewell Bequest

for the purchase of Oriental antiquities and works of art,

Michael Bromberg Fellowship

for promotion of education by the study of prints and their history

Coldwell

for the purchase of Oriental antiquities

Roebing-Connor-Vaillant

for the purchase of coins and medals

Designated Funds – Development Programme

£10m unrestricted revenue reserves have been designated towards development of exhibition and conservation facilities on the Bloomsbury site.

Unrestricted Trust Funds

These are funds which were donated simply for the general purposes of the Museum:

Smith, Reddan, Shaw, Vallentin, Lawrence, Planelles-Granel, Miscellaneous.

14(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases funded from GIA	344	0	0	(344)
Capital assets funded from GIA	4,011	0	0	(4,011)
Revenue expenditure incurred from Gallery Refurbishment Fund	0	(57)	0	57
Transfer from restricted donations for collection purchases	17	0	(17)	0
Transfer of expenditure of a revenue nature from restricted capital	(20)	0	20	0
Income accruing to restricted trust fund	0	0	98	(98)
Net movement on British Museum Company Ltd fixed assets	0	69	0	(69)
	<u>4,352</u>	<u>12</u>	<u>101</u>	<u>(4,465)</u>

15. Cash Flow Information

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

	2007 £000s	2006 £000s	
15(a) Net incoming resources before revaluations	1,156	(139)	
Actuarial gain/(loss) on defined benefit scheme	770	(420)	
Donated Assets – collection Items	(1,168)	(763)	
Investment income	(3,819)	(4,290)	
Depreciation	8,972	8,362	
Loss on disposal of fixed assets	7	20	
Decrease in stocks	130	165	
Decrease/(increase) in non-interest/dividend debtors	2,714	(1,553)	
Increase/(Decrease) in early retirement creditors	356	(382)	
(Decrease)/increase in early retirement provisions	(375)	210	
Decrease/(increase) in non early-retirement creditors	(1,212)	4,990	
(Decrease) in pension fund provision	(830)	(260)	
(Decrease)/increase in other provisions	(550)	827	
Net cash inflow from operating activities	<u>6,151</u>	<u>6,577</u>	
15(b) Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the period	4,342	(1,024)	
Cash flow from increase in liquid resources	178,051	135,500	
Cash flow from decrease in liquid resources	(215,551)	(132,500)	
Movement in net funds in the period	(33,158)	1,976	
Net funds at 1 April	82,493	80,517	
Net funds at 31 March	<u>49,335</u>	<u>82,493</u>	
15(c) Analysis of net funds	2007 £000s	Cash Flow £000s	2006 £000s
Liquid Resources:			
Short term deposits	39,000	(37,500)	76,500
Cash at bank and in hand	10,335	4,342	5,993
	<u>49,335</u>	<u>(33,158)</u>	<u>82,493</u>

16. Related Party Transactions

The British Museum is a Non-Departmental Public Body whose sponsoring 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 Powell of Bayswater is a trustee of the Karim Rida Said Foundation which sponsors an Arab World post. The Museum received £50,000 in the year.

Mr Stephen Green is Chairman of HSBC PLC which gave the Museum a donation of £32,000 in the year. Sir Keith Thomas is a member of the Leverhulme Trust Advisory Panel which made a grant to the Natural History Museum's Ancient Human Occupation of Britain for which the British Museum is a contributor. The Museum received £28,000 for this programme and £1,000 for its artist in residence programme. Certain employees of the British Museum have been awarded Leverhulme scholarships.

Mr Francis Finlay is chairman of the American Friends of the British Museum which fundraises for the British Museum in the USA. During the year the American Friends of the British Museum made grants to the Museum of £394,000.

The British Museum has loaned items from the collections to the following organisations during 2006-07 which have the Department for Culture, Media and Sport or other Government Departments as a parent organisation:

National Gallery, London	Natural History Museum, London
British Library, London	Imperial War Museum
National Maritime Museum	National Museums of Wales
Victoria and Albert Museum	Museum of London
Tate Gallery, London	Horniman Museum
National Portrait Gallery	National Museums and Galleries on Merseyside
Royal Botanic Gardens, Kew	The Wallace Collection

The British Museum has borrowed items from the collections of the following organisations during 2006-07 which have the Department for Culture, Media and Sport as the sponsoring department:

National Gallery, London	British Library, London
National Portrait Gallery	National Maritime Museum
Victoria and Albert Museum	The Science Museum

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.

17. Capital Commitments

At the balance sheet date, outstanding capital commitments approved amounted to some £2,569,000 of which £1,539,000 was contracted for.

18. Pensions

British Museum

Present and past employees of the British Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). 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). For 2006-07, contributions of £4,417,283 (£3,658,229 for 2005-06, £2,594,746 for 2004-05) 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 2006-7 the rates were as follows: for salaries under £18,500, 17.1%, for salaries between £18,501 and £38,000, 19.5%, for salaries between £38,001 and £65,000, 23.2%, for salaries over £65,001, 25.5%. For 2005-6 the rates were 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%.

British Museum Company Limited

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 the British Museum Company Trustee Company Limited.

A full actuarial valuation of the scheme was carried out on 1 May 2005 and updated to 31 March 2007 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 6.5% per annum and that this would exceed the rate of salary growth by 3%.

The market value of the scheme assets as at 1 May 2005 was £4,434,313. 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 2006, a schedule of contributions was put into place to fund the scheme's defined benefits at the rate of 18% 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 £267,000 (2006:£910,000).

Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for the 1 May 2002 valuation, for the purposes of calculating the FRS No 17 disclosures for the year ended 31 March 2007. The information required in connection with Financial Reporting Standard No 17 and the defined benefit scheme is as follows:

At 31 March 2007 the market value of assets in the scheme, the expected long term rate of return from them and the present value of scheme liabilities, as defined in accordance with Financial reporting Standard No 17 and valued by the group's actuary were as follows:

	% per annum		
	2007	2006	2005
Rate of increase in salaries*	3.00%	2.25%	2.25%
Rate of increase in inflation*	3.00%	2.25%	2.25%
Rate of increase of pensions in payment	nil to 5.0%	nil to 5.5%	nil to 5.5%
Discount Rate	5.50%	5.00%	5.50%

* chosen by employer

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

	Long term rate of return expected at		Long term rate of return	
	31.03.2007	31.03.2007	31.03.2006	31.03.2006
	%	£000s	%	£000s
Property	7.0	1,370	-	0
Equities	7.0	4,360	7.0	4,520
Bonds	5.5	600	5.0	600
Other	5.5	620	4.5	1,210
Total market value of assets		6,950		6,330
Present value of scheme liabilities		(9,220)		(9,430)
Surplus (deficit) in the scheme		(2,270)		(3,100)

Analysis of the amount charged to operating profit		
	2007	2006
	£000s	£000s
Current service cost	<u>110</u>	<u>110</u>
Total operating charge	<u>110</u>	<u>110</u>
Analysis of the amount credited to other financial income		
	2007	2006
	£000s	£000s
Expected return on pension scheme assets	410	310
Interest on pension scheme liabilities	<u>(470)</u>	<u>(430)</u>
Net Return	<u>(60)</u>	<u>(120)</u>
The history of experience gains and losses has been:		
	2007	2006
Difference between expected and actual return on scheme assets		
Amount £000	70	690
Percentage of scheme assets	1%	11%
Percentage of the present value of scheme liabilities	0%	0%
Total actuarial gains and losses Amount £000	770	420
Percentage of scheme assets	8%	4%
The movement in the deficit in the year was:		
	2007	2006
	£000s	£000s
Deficit in scheme at 1 April	(3,100)	(3,360)
Current service cost	(110)	(110)
Contributions	230	910
Other finance income	(60)	(120)
Actuarial gain/(loss)	<u>770</u>	<u>(420)</u>
	<u>(2,270)</u>	<u>(3,100)</u>

19. Contingent Liabilities

The Museum has no contingent liabilities at the year end.

20. 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 2006-07 £42,929,000 of the British Museum's income derived from Grant in Aid provided by the Department for Culture, Media and Sport. £3,819,000 of income derived from returns on its investments.

£12,458,000 of income came from the Museum's commercial trading activities and £7,936,000 from donations and legacies.

At the Balance Sheet date the Museum had net assets of £564 million. 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 £22 million 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, excluding short term debtors and creditors, 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.

	Floating rate Financial Assets-Cash and Deposits £000s	Fixed rate Financial Assets-Cash and Deposits £000s	Non interest bearing Financial Assets-Cash and Deposits £000s	Stock market based investments Trusts £000s	Inflation linked fund	Total £000s
Sterling Assets	8,486	44,552	522	29,284	4,000	86,844
US \$ investments				14,327		14,327
Japanese Yen				1,772		1,772
Euro				1,509		1,509
South African Rand				288		288
Swedish Kroner				279		279
Norwegian Kroner		877		159		1,036
Swiss Francs		2,251		93		2,344
Australian \$				705		705
Canadian \$				216		216
	<u>8,486</u>	<u>47,680</u>	<u>522</u>	<u>48,632</u>	<u>4,000</u>	109,320

The Museum has no financial liabilities such as bank loans.

The weighted average interest rate on fixed rate financial assets is 4.99% and the weighted average period of deposit is 85 days. The interest receivable on the floating rate deposits is 1/4 of 1% below LIBOR.

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

Foreign Currency Risk

20% of the Museum's investment assets are denominated in currencies other than pounds sterling, the base currency for the Museum's operations. The Museum is consequently exposed to currency risk as the value of such investments may fluctuate with changes in exchange rates. Where the underlying assets in any currency represents more than 10% of the portfolio, allowing for fund managers' own currency hedging strategies, the Museum aims to hedge its currency risk through the use of forward contracts for the purchase of the relevant currencies.

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

Currency	Value 2007 £000s
US\$	14,327
Japanese Yen	1,772
Euro	1,509
South African Rand	288
Swedish Kroner	279
Norwegian Kroner	1,036
Swiss Francs	2,344
Australian \$	705
Canadian \$	216
Forward Contract: US\$	(3,047)
Total value exposed to currency risk	19,429

21. Post Balance Sheet Events

The financial statements were authorised for issue by the Accounting Officer on 11th July.

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ISBN 978-0-10-294703-8



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