

IMPERIAL WAR MUSEUM

# Annual Report and Account

2006-07



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2006-07

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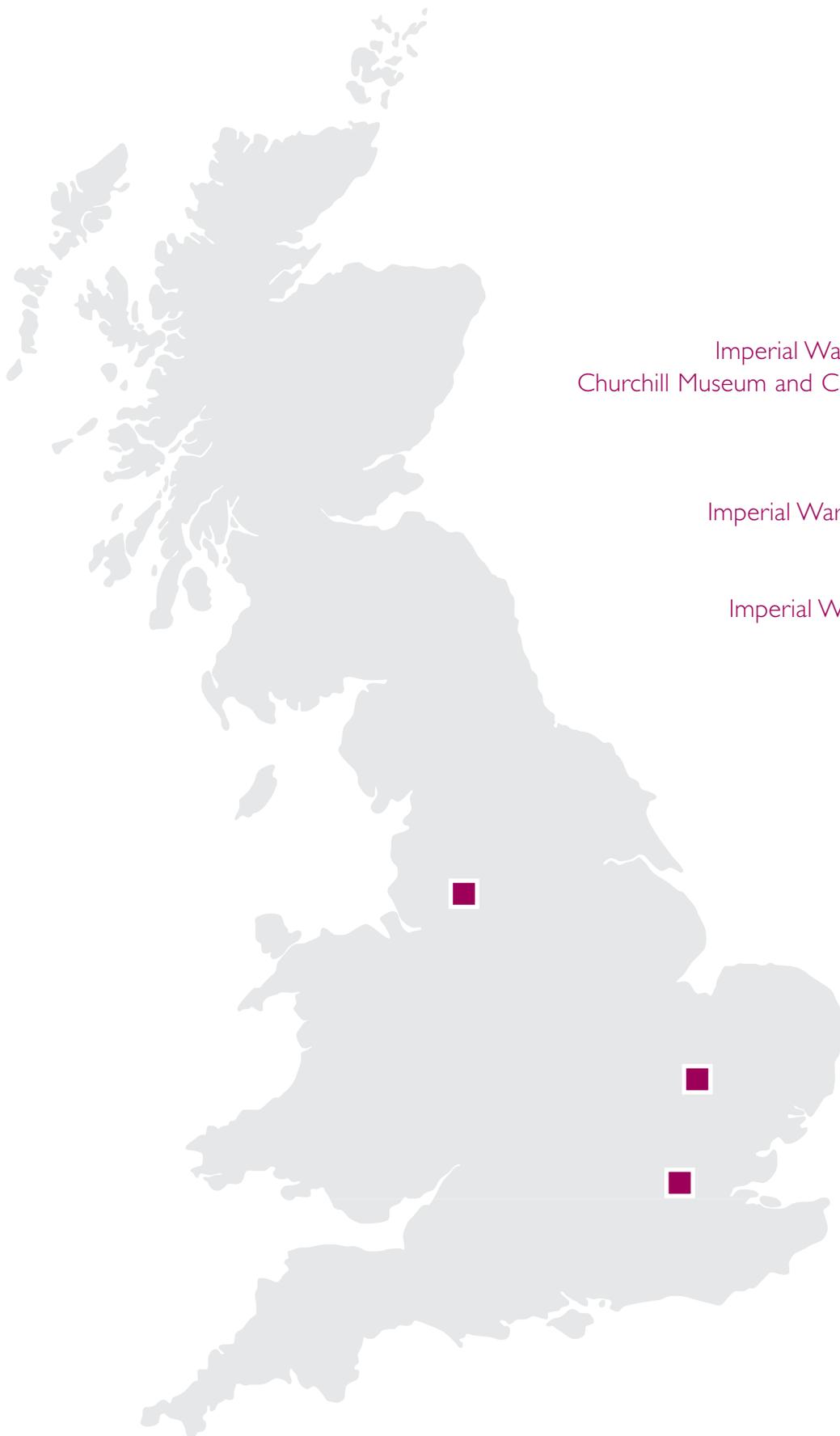
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# 1

## Objectives and Activities



**LONDON**

Imperial War Museum London  
Churchill Museum and Cabinet War Rooms  
HMS *Belfast*

**CAMBRIDGE**

Imperial War Museum Duxford

**MANCHESTER**

Imperial War Museum North



## 1.1 Vision, Goal, Mission and Values

### Our vision

is to be the world's premier museum of modern conflict

### Our goal

is to enrich people's understanding of the causes, course and consequences of modern war

### Our mission

is to enable people to have an informed understanding of modern war and its impact on individuals and society by:

- ◆ Creating stimulating learning opportunities and inspiring visitor experiences that are relevant to 21st century audiences and draw on unique Collections and historical expertise
- ◆ Collecting, studying and interpreting objects, images and records illustrating conflicts involving Britain, the Commonwealth and their allies, from the build up to the First World War to the present day, and people's personal experience of them
- ◆ Providing worldwide access to its Collections and expertise through innovative outreach and web-based programmes as well as at its five branches.
- ◆ Developing partnerships that extend the Imperial War Museum's networks and complement its status as a national institution of international renown



## Our values

### **Authority**

A reliable source of authentic evidence on every aspect of modern war

### **Integrity**

Information presented accurately and objectively

### **Quality**

The highest possible standard of service, facilities, procedures and operations

### **Accessibility**

Access to knowledge and Collections provided when, and in the way, people want

### **Creativity**

Resources applied creatively to imaginative and innovative displays, programmes and experiences

### **Community**

Services driven by the needs and aspirations of today's diverse audiences, physical and virtual

### **Accountability**

Commitment to transparent reporting and achieving maximum value from all resources

## 1.2 Strategic Objectives for 2006-07

The Museum delivered strategic plans organised around nine corporate priorities, aligned with the IWM 2020 long term objectives. The focus of activity was on increased access to our services and Collections, audience development, effective stewardship, modernisation, staff development, as well as excellence and sustainability.

# 2

## Achievements and Performance

## 2.1 Overview

### Key Performance Indicators

|  | 2005-06 actual | 2006-07 actual | 2006-07 target * |
|--|----------------|----------------|------------------|
| Total number of visits to the Museum (excluding virtual visits)                        | 1,906,510      | 1,956,069      | 1,913,000        |
| Number of children aged 15 and under visiting the Museum                               | 498,270        | 547,674        | 568,000          |
| Number of children aged 15 and under in on and off-site organised educational sessions | 320,050        | 319,411        | 280,000          |
| Total number of website visits   | 7,787,302      | 9,969,128      | 8,030,000        |
| Net income from admissions, trading, fees and royalties (£)                            | 7,064,000      | 7,114,000      | 7,822,000**      |

\* Targets stated in Funding Agreement with DCMS

\*\* Note that the basis of calculation for target figure was changed from the original agreed

The Museum welcomed almost 2 million visitors to its branches this year and over 9.9 million visitors to its website. Virtual visitors have increased by 28% year on year, reflecting the importance of online services and information. A wide range of content is now available, including learning resources and exhibition microsites.

In terms of visitors from lower socio-economic groups, the total number of NS-SEC 5-8 UK adults during 2006-07 was 316,291; 35% of all UK adult visitors.

Substantial progress has been made in Collections Management and Care and the Museum has supported the ongoing programme of documentation and digitisation. A significant volume of the Museum's Collection has been digitised. The procurement of a Collections Management System is nearing completion. Funding for several research projects has been successfully secured.

The Museum was awarded Strategic Commissioning Funding from the Department for Culture, Media and Sport and the Department for Education and Skills to support community outreach learning programmes at IWM London, IWM Duxford and IWM North.



Funding has also been awarded for the next phase of *Their Past Your Future*, an inter-generational learning programme focusing primarily on young people, families and veterans, led by the Imperial War Museum and supported by the Big Lottery Fund. The UK-wide project aims to inspire people of all ages to discover the Second World War, how it shaped and altered the modern world, and why it is relevant now and in the future. The project spans the five branches of the Museum and delivers community projects with an emphasis on sustainable partnerships and cooperative working with local museums, libraries and archives.

Commemoration of the 90th anniversary of the Battle of the Somme was marked with on site and online exhibitions examining the course of the battle, the personal experiences of those involved and the battlefields as they are today. A programme of events included an innovative partnership project with the Old Vic Theatre in London (above), resulting in a specially commissioned play performed in the Large Exhibit Gallery at IWM London.

In terms of buildings and accommodation, the project to upgrade fire and security systems has been tendered, with the first phase of infrastructural work underway. The completion of the project will see the total replacement of current installations. Comprehensive master planning work at IWM London has been undertaken to inform long term, strategic planning. The Museum continues to deliver efficiency savings against agreed Efficiency Delivery Plan targets.

de bronze.

de bronze.

# CAMOUFLAGE



## 2.2 Exhibitions

The Museum continued to deliver a high standard of exhibitions across a wide range of subjects during 2006-07. It is our aim to engage, stimulate and inspire our visitors by presenting and interpreting Collections in creative and thoughtful ways that are appropriate to our subject. A diverse programme of temporary exhibitions was therefore delivered to complement permanent displays.



Major exhibitions at IWM London included *The Animals' War* (top), charting the story of all creatures great and small caught up in 20th century conflicts (subsequently transferred to IWM North), *Henry Moore: War and Utility* (above left), a special exhibition of the work of Moore from 1938 to 1954 and a unique opportunity to see his public sculpture, lithographs, textiles and the poignant shelter drawings set against the machines of war and *Camouflage* (opposite), the first major exhibition to explore the impact of camouflage on modern warfare and its absorption into popular culture.

At the Churchill Museum and Cabinet War Rooms, temporary exhibitions included *A Day in the Life of Westminster*, a community led project featuring a collection of stories, poetry and photographs comparing life now with wartime experiences and *Dancing Through the Years* (above centre), developed in collaboration with the Royal Opera House and displaying images of dancing and entertainment during the Second World War.

At HMS Belfast, an art exhibition *The Seamstress and the Sea* (above right) featured innovative textiles by Rozanne Hawksley.



*AirSpace* (opposite), a major new exhibition at IWM Duxford, will formally open to the public from July 2007. The display incorporates an Aircraft Hall, housing 32 historic British and Commonwealth aircraft, Exhibitions and Viewing Galleries, Learning Centre, Corporate Suite, Lecture Theatre and a conservation area where visitors can view large aircraft awaiting conservation work. The project has been allocated significant funding from the Heritage Lottery Fund, BAE SYSTEMS (who have formed an alliance with the Museum, enabling the company to centre its main heritage activities at IWM Duxford) and the East of England Development Agency.

The exhibitions programme at IWM North included *Against the Odds: the Story of Bomber Command in the Second World War*, telling the story of Bomber Command and featuring experiences of air and ground crew as well as WAAFs and aircraft factory workers from Trafford Park, *Afrikan Heroes – Veterans of the Second World War*, a unique and personal view of African participation in the Second World War resulting from a successful collaboration between a guest curator and the Museum, and *Witness: Highlights of Second World War Art* (above), an exhibition bringing together paintings, drawings and sculpture by artists working during the First World War with powerful eyewitness accounts taken from letters, diaries and memoirs in the Imperial War Museum's extraordinary Collections.

The Museum successfully commissioned an artwork by Turner Prize winning artist Steve McQueen. Currently on display at Manchester Central Library, the work is a commemorative piece featuring sheets of 'facsimile' designs for stamps, each bearing the image of a member of the British armed forces who has died during military operations in Iraq since 2003.



725  
725

V3388

AEROSPATIALE  
BRITISH AIR CORPORA  
DAN AIR

G-ANTK

DAN AIR

DAN



## 2.3 Learning and Access

Learning is at the core of the Imperial War Museum's mission. In recent years learning activity has expanded beyond the provision for formal schools. All branches have developed a comprehensive offer for family audiences. There has also been an extension of services for adult learners, the instigation of projects for outreach and the development of new audiences, together with the integration of inter-generational learning programmes between young people and veterans.

The expansion of the learning programme also provides the scope for the diversification and development of Museum audiences. The Museum has successfully piloted *Inspiring Learning for All*, implementing the framework into the design and evaluation of learning programmes and exhibitions and in the formation of a broad range of strategic partnerships with regional agencies, museums, galleries, libraries and community groups.

Community work is embedded in both core activity and the project work undertaken. The Museum has appointed Community Learning Officers at all London branches, which supports the work of existing Community Development posts at IWM Duxford and IWM North. This activity has had a significant impact on the volume of outreach learners, allowing the Museum to engage with local community audiences in a meaningful and sustainable manner.

At IWM London, the community team have worked with the residents of Lambeth and Southwark, two of the most ethnically and socially diverse boroughs in London, with the aim of engaging local people in the life of the Museum. The four core aims of the community learning programme are to diversify the audience, exhibitions, Collections and the workforce. The *Journeys of Change* (below centre) project at IWM London has involved young people from African and Asian communities, using the Museum archives to research the involvement of their communities in the Second World War. IWM London worked in partnership with the Museum of Croydon and Islington Library Education Service to deliver this project, the major output of which is a temporary exhibition touring to all of the partners.



In partnership with local museums, *Partners in Time* at IWM Duxford targets children and adults from schools in the highest areas of economic deprivation in the region, focusing on providing tailored educational visits for groups and continuing professional development training for teachers. At IWM North, *Moving Minds* has encouraged interaction and creative debate between teachers and young people from different faiths and communities, creating personal narratives delivered as podcasts (digital broadcast files available on the internet).

The IWM Fellowship in Holocaust Education, now in its third year, has continued to offer a programme of lectures, seminars, discussion groups and workshops to provide an in-depth understanding of the complex history of the Holocaust. The Holocaust Education programme has delivered 274 teaching sessions involving 8,200 learners over the year.

The Collections Division also made a significant contribution to the Museum's learning programme through the provision of seminars, lectures and conferences, a number of family history days and participation in the *London Open House Weekend*.

|  | <b>2004-05</b> | <b>2005-06</b> | <b>2006-07</b> |
|--|----------------|----------------|----------------|
| Learners in on-site educational programmes         | 474,017        | 478,322        | 467,984        |
| Learners in outreach educational programmes        | 370,923        | 345,952        | 410,542        |
| Children in on and off-site educational programmes | 301,375        | 320,050        | 319,411*       |

\* From 2006-07 children are measured as those 15 years and under, in previous years children and students up to 18 years have been included



# Young Churchill

## NORTH-WEST FRONTIER

### SUDAN

Read this section with the special guide to the entire project in 3D. This is meant to be read - Aug.



## SOUTH AFRICA



1965

1963

187478

The document shown on the floor features the year 1965 in large letters, a smaller year 1963, and a reference number 187478. It appears to be a historical document or a page from a book, with some text and possibly a signature or stamp visible.

## 2.4 Collections

Notable acquisitions, made chiefly by way of gifts, have included *Forgive and Do Not Forget*, an exhibit by the artist Jenny Stolzenberg, which was on display at IWM North; an A 3-pounder Hotchkiss ceremonial saluting gun, acquired by HMS *Belfast* for installation on 01 deck in place of the one removed prior to the acquisition of the Ship by the Museum; an interview with Canon Paul Oestreicher, former Director of the Centre for International Reconciliation at Coventry Cathedral, discussing his role as a mediator with the Baader-Meinhof group in the 1970s and with the South African government over apartheid during the 1980s; an outstandingly rare 1916 Brodie helmet with Lancashire Fusiliers markings; an early manuscript draft of Siegfried Sassoon's introduction to the Second World War anthology *Poems from Italy*; and the diary and other materials of Miss Doreen Stanford relating to the aftermath of the Russian revolution in 1917.

The development of the *Your History* project, providing online access to the Collections and family history advice, has continued in preparation for its introduction at IWM London. New digital content, including images, sound recordings and text, has also been prepared for addition to the *Your History* facility at IWM North. Sound Archive visitor study access has been relocated to the Dome Reading Room. The staged introduction of a pilot centralised enquiry service covering the Collections division is being implemented. These developments represent important milestones towards achieving one-stop, multi-collections access and have proved to be very successful.

*Oil Paintings in Public Ownership in the Imperial War Museum*, the eleventh in the Public Catalogue Foundation's series, was published in December 2006. The catalogue illustrates all 1,870 paintings in the Museum's Collection, many of them seen for the first time. Overall visitors and enquiries to Collections numbered over 80,000; this represents a 13% decrease on 2005-06 when Second World War anniversaries led to an uplift in usage. Collections Online usage has increased by 13% from 313,091 to 353,976.

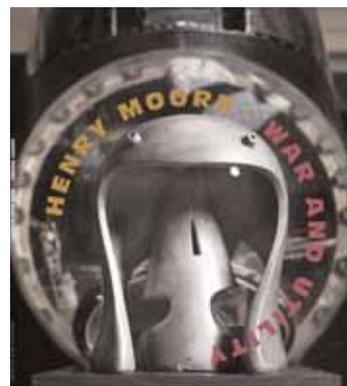
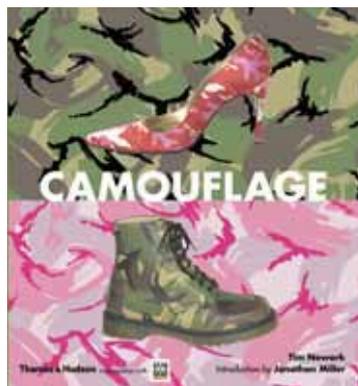
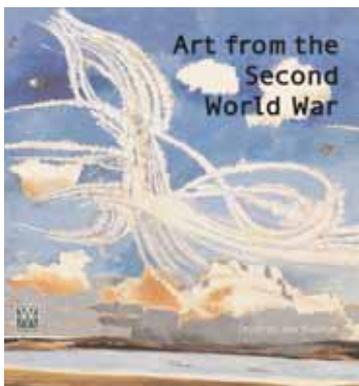
The Museum is delighted with the successful culmination of five years of intensive work with project partners, the Historic Dockyard Chatham and the National Maritime Museum, for the National Museums at Chatham project. The majority of the funding is now in place to permit the project to begin in earnest. It is an excellent demonstration of how national and regional museums can work in innovative ways to transform access to major collections and learning facilities. It will be a significant achievement to have transformed an almost ruinous historic building into an urgently needed, major new museum facility in the heart of the rapidly growing Thames Gateway area.

Following success applications to the Arts and Humanities Research Council Joint Collaborative Doctoral Awards scheme, three PhD students from the University of Sussex and Kings College London have begun work with the Museum's Collections on subjects including art relating to wartime aircraft production, the international tribunals at Nuremberg and Tokyo, and the correspondence relating to the BBC *Great War* series. These collaborations will lift the Museum's profile in the academic sector and pave the way for further similar funding applications.

## 2.5 Publications

The following books have been published in association with the Museum:

- ◆ *The Animals' War* by Juliet Gardiner (Portrait)
- ◆ *Animals at War* by Isabel George and Rob Lloyd Jones (Usborne Young Reading series)
- ◆ *Forgotten Voices of the Blitz and the Battle for Britain* by Joshua Levine (Ebury Press)
- ◆ *Belsen 1945: New historical perspectives* edited by Suzanne Bardgett and David Cesarani (Valentine Mitchell)
- ◆ *Churchill* by Celia Sandys (Alatheia Editores SA) Portuguese edition
- ◆ *Forgotten Voices of the Great War* (Illustrated edition) by Max Arthur (Ebury)
- ◆ *The Somme: A new panoramic perspective* by Peter Barton (Constable & Robinson)
- ◆ *Camouflage* by Tim Newark (Thames and Hudson)
- ◆ *The Usborne Introduction to the First World War* by Ruth Brocklehurst and Henry Brook (Usborne)
- ◆ *Art from the Second World War* - essay by Roger Tolson
- ◆ *Make Do and Mend* and *How to Keep Well in Wartime* (hardback editions)
- ◆ *Henry Moore: War and Utility* by David Mitchell and Roger Tolson (IWM)
- ◆ *War Stories* by Paul Dowsell (Usborne)
- ◆ *The 1916 Experience* by Julian Thompson (Carlton)



Opposite: *Three Standing Figures, 1945, LH 258 (detail)*  
*The Henry Moore Foundation: gift of the artist*



## 2.6 Events

A full programme of events has been delivered, including gallery talks, lectures and history evenings across all of the branches of the Museum. At IWM London, the programme has included a live broadcast of Tchaikovsky's '1812 Overture' by the BBC Concert Orchestra (below left), a party to mark the 90th birthday of Dame Vera Lynn (below centre), and the Ministry of Defence Launch of National Veterans Day by the Rt Hon Gordon Brown (below right). A gala screening of *The Battle of the Somme*, with the premiere performance of a new orchestral score commissioned from the composer Laura Rossi, was held at the Queen Elizabeth Hall. The occasion marked the 90th anniversary of the Somme, but also celebrated the Museum's achievement in getting the film accepted onto the register of UNESCO's Memory of the World project. The event included speeches by Joie Springer of UNESCO and the former Minister for Culture, David Lammy.

A special luncheon was held to mark the 150th anniversary of the Victoria Cross, given for some 30 Victoria Cross and George Cross holders – among them Private Johnson Beharry VC and Lance Corporal Chris Finney GC who were awarded their medals for gallantry in Iraq – as well as members of the VC & GC Association, and donors to the Museum's Collections.

In June 2006, a high-level event took place to mark the closure and celebrate the success of the *Their Past Your Future* project. Hosted by the Chairman, Sir Peter Squire, and attended by the then Chancellor, Gordon Brown MP, the former Secretary of State, Tessa Jowell MP, and Sir Clive Booth, Chairman of the Big Lottery Fund, the event included the launch of a report evaluating the whole of the *Veterans Reunited* programme (of which *Their Past Your Future* was a part) and presentations made by some of the young people who had taken part in the commemorative visits.

IWM Duxford has enjoyed a busy year, including major air shows, the Flying Proms, Spitfire Day and Burma Star Day. The programme of events has successfully attracted additional footfall and diversified audiences. The branch also hosted BBC *Children in Need* in November 2006, bringing significant publicity.





## 2.7 Awards

The *Their Past Your Future* online exhibition won the People's Choice Award for Best Use of Flash at the Y Design Awards which is part of the London Design Festival

IWM North won Most Iconic Building at the Manchester 10 Awards, Best Large Visitor Attraction at England's Northwest Tourism Awards and Silver Award for Large Visitor Attraction of the Year at the Enjoy England Awards for Excellence 2007.

Churchill Museum and Cabinet War Rooms has been awarded the Interpret Britain and Ireland Award from the Association for Heritage Interpretation, 2005, the Visit Britain Bronze award for Large Visitor Attraction 2005 and the Council of Europe Awards for Museums 2006.

In June the announcement was made that the 1916 documentary film *The Battle of the Somme*, held in the Museum's Film Archive, is to be inscribed on UNESCO's Memory of the World register. This is the first wholly British 'document' to achieve this international recognition. The film has also been shortlisted for a FOCAL International Award for best restoration/preservation project.

## 2.8 Key Supporters in 2006-07

The Museum is extremely grateful for the financial assistance from many individuals, trusts and corporations. This is essential in helping us to achieve our mission and goal. During the year major support was received from:

Asda Stores Limited  
BAE SYSTEMS  
Big Lottery Fund  
The Clothworkers' Foundation  
Mr Marshall P Cloyd  
Conference on Jewish Material Claims Against Germany, Inc  
East of England Development Agency  
The John Ellerman Foundation  
The Foyle Foundation  
Sidney E Frank Foundation  
Friends of Duxford  
Mr and Mrs Laurence Geller  
Mr Simon Gibson CBE DL  
The Paul Hamlyn Foundation  
Mr Derek C Hathaway  
Heritage Lottery Fund  
The Hobson Charity  
The Kennel Club  
Mrs Francis Lloyd  
Marshall of Cambridge (Holdings) Limited  
Sir Deryck and Lady Maughan  
Messier-Dowty Limited  
Microsoft Research Limited  
The Office of Science and Innovation  
The Pears Foundation  
PetPartners plc  
The PF Charitable Trust  
Mr Joe Plumeri  
Mr Andrew Preece, Mrs Caroline Preece and Ms Victoria Preece  
Rolls-Royce plc  
Steinberg Family  
Susan and Elihu Rose  
The Severstal Group  
Smiths Group plc  
Steinberg Family Charitable Trust  
The Wolfson Foundation  
The Zochonis Charitable Trust

## 2.9 Diversity

The Museum is committed to promoting equality, valuing diversity and combating unfair treatment. A Diversity Working Group has been established to develop a new policy and action plan for diversity and equality in all areas of the Museum's work including exhibitions, Collections, learning, interpretation, audience participation, recruitment and workforce development and management. A Disability Monitoring Group has also been established to work across the branches and divisions of the organisations. The work of these groups will feed into the overall Equalities Strategy of the Museum, covering cultural diversity, gender equality and disability.

## 2.10 Friends of the Imperial War Museum

The work of the Museum is also supported by the Friends of the Imperial War Museum (registered charity no 294360) which was established in 1986 to advance the education of the public by rendering support to the Museum. The organisation has no legal link with the Trustees of the Museum. Amongst other activities the Friends provide guided tours for visitors. IWM Duxford also receives valuable help from the Friends of Duxford. In addition, there are two not-for-profit organisations based in the United States: American Air Museum in Britain and American Friends of the Churchill Museum. Both provide valuable fundraising opportunities for the Museum.

## 2.11 Volunteers

Volunteers play a significant role in the life of the Museum. As of March 2007, the Museum was receiving support from 1,017 volunteers, contributing over 19,800 days over the year, equivalent to over 70 full-time posts. A Volunteer Co-ordinator for the London branches has been appointed; developed programmes complement the well established volunteer activity at IWM North and IWM Duxford.

The Volunteer Programme at IWM North is developing further in partnership with Manchester Museum and a new IT module is being added to the Skills for Life training course for volunteers. The programme targets local community members often in danger of social exclusion.

IWM Duxford continues to receive strong support from the 713 volunteer members of the Duxford Aviation Society. The involvement of volunteers in support of the work of the Collections Division has continued to yield dividends; for example over 8,500 maps were catalogued by volunteers during 2006-07 and 2,000 of these maps were digitised. The volunteers also support the conservation programme, as well as providing free guided tours to visitors.

# 3

## Plans for Future Periods

### 3. Plans for future periods

The *Corporate Plan 2007-2011* is organised around four streamlined corporate priorities. The reduced number of priorities are aligned with the Museum's longer-term objectives and encompass all areas of operation within a sharp focus. Sustainability is the overarching message; the Museum must prioritise objectives, increase self-generated income, be more efficient with its resources and reduce costs where it is possible to do so. Plans for delivery are detailed below:

#### 3.1 Access and Income

The Museum will develop audiences through targeted public programmes, actively seeking to increase the number of visitors from priority groups (including lower socio-economic groups, Black and Minority Ethnic (BME) groups and users with a limiting disability). The Museum will build on its success in developing and delivering inspiring and innovative learning opportunities. Development of Collections Online will continue, delivering ready access to a broad range of digital content and facilitating income generation from this source. The Museum will seek to sustain high levels of visitor satisfaction. Further visitor research will be carried out to inform future planning. This will examine IWM 2020 themes and investigate reasons for non-visitation.

At IWM London, the shop extension and re-fit will be undertaken during 2007-08 along with works to rationalise the reception and visitor desks and upgrade the entrance area. A fundraising review has been undertaken to provide the Museum with assurance that a logical and coherent strategy is being pursued across all branches of the Museum to maximise potential external income and revenue streams. The development of e-commerce plans will link with the digitisation of the Collections in order to fully exploit their commercial value.

#### 3.2 Efficiency

The Museum will seek to improve Collections storage conditions and standards of care across all branches and make effective use of available space. Savings in energy consumption will be targeted to counter the impact of higher utility costs. Working practices and administrative procedures will be examined to simplify where possible. The successes achieved in managing absence and increasing productivity will be further developed. A new Facilities Management contract has been implemented at IWM North, IWM London and IWM Duxford. Improvements to the website will support the development of online exhibitions based on temporary displays, thus repurposing work and maximising access to the widest possible audience. Catering and corporate hospitality contracts will be reviewed and re-tendered to maximise branch synergies, ensuring that pricing is appropriate to market conditions and optimising potential commercial return to the Museum.

### 3.3 Stewardship

New systems will be implemented to support Collections Management, including the Digital Asset Management System, Collections Cataloguing Management System and Library Management System. Work will continue to address documentation backlogs and disaster planning. At IWM London, planning for the South East Block and Art Store project will commence. Building maintenance and upgrade projects will be delivered across the Museum. At IWM London this will see the replacement of the glass lifts, the refurbishment of the public toilets and improvements to emergency and external lighting. Drainage improvements and some redecoration of the historic hangars and the Land Warfare Hall will be carried out at IWM Duxford. A lighting and power upgrade project will be undertaken at the Churchill Museum and Cabinet War Rooms whilst projects on board HMS *Belfast* will include priority asbestos works, air conditioning installation, emergency lighting and sewage treatment works.

### 3.4 Modernisation

Significant new Information Communications Technology (ICT) investment is planned in 2007-08. This work will improve the infrastructure and digital storage capacity of the Museum. The e-business capability of the Museum will be developed in order to capitalise on the significant potential for revenue and exploit the commercial value of Collections material. The admissions system will be replaced with a view to improving visitor services and facilitating the development of improved marketing and communications, particularly customer relationship marketing capabilities.



# 4

## Financial Review

## 4. Financial Review

The Imperial War Museum financial statements include the Grant-in-Aid received from Government, the consolidation of the commercial and educational activities performed by the IWM Trading Company and the fundraising carried out by the IWM Development Trust.

The overall level of funds has increased by £2.26 million which is represented by the indexation of fixed assets, chiefly land and buildings. The Grant-in-Aid allocation from the Department for Culture, Media and Sport increased by £547,000 (3%), excluding specific amounts provided for 'capital repairs'.

In summary it has been an effective and efficient year. Expenditure has been carefully managed and adjusted appropriately to take account of forecast changes in income. The principal capital project has been *AirSpace* at IWM Duxford.

The profit of the IWM Trading Company, which is transferred wholly to the Museum, increased to £1.734 million. The best performance was the return from corporate hospitality from all branches, which rose by 24% in total compared to the previous year.

The IWM Development Trust generated funds of £4.27 million during the year and was able to provide grants to the Museum of £3.35 million. Fund balances were increased by £0.9 million of which over £0.6 million was restricted.

### Reserves Policy

The majority of the assets of the Museum comprise the inalienable land and buildings of the organisation, which are an integral part of the Museum. In turn these are represented by the majority of the reserves stated.

The Grant-in-Aid received from Government accounts for just under half of the Museum's total incoming resources. The remainder is generated from admissions, commercial enterprise and fundraising. This level of finance is critical to support the operational needs of the organisation, as well the programme of capital investment.

In managing the risk associated with this level of self-generated funding, and to underpin cash flow, the financial plans of the Museum need to provide for a sufficient level of financial flexibility and contingency.

The Museum, as a separate legal entity, has reserves only in support of the current working capital requirements. However, the IWM Development Trust holds unrestricted funds at a level of £2.5 million. These funds are brought in on consolidation.

The Museum will strive to optimise resources through the continued maintenance of strict controls on expenditure, and increased returns from fundraising and commercial activities.

# 5

## Structure, Governance and Management

## 5. Structure, Governance and Management

The Imperial War Museum is an independent, statutory, corporate, public body with exempt charity status. It is governed by a Board of Trustees acting on the authority of the Imperial War Museum Acts 1920 and 1955, the Museums and Galleries Act 1992 and other relevant legislation. The Board comprises a President (HRH the Duke of Kent) who is appointed by the Sovereign, and 21 other Trustees, 10 of whom are appointed by the Prime Minister, two by the Secretary of State for Foreign and Commonwealth Affairs, one by the Secretary of State for Culture, Media and Sport, one by the Secretary of State for Defence, and seven by Commonwealth Governments. The Trustees' Executive is the Director-General who is also the Accounting Officer. The Museum's Senior Management Team (SMT) assists the Director-General to co-ordinate and formulate policy and monitor progress on key plans. It meets monthly and is chaired by the Director-General. It comprises four local and four corporate branch directors.

The practices and procedures of the Museum comply with the requirements of HM Treasury's 'Government Accounting' and the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport (DCMS), which is the Museum's sponsor department in relation to public funds. These set out the conditions attached to the Museum's Government Grant-in-Aid. The Director-General is the Accounting Officer, appointed by the Accounting Officer of the DCMS.

The Financial Statements of the Museum are presented in accordance with the Statement of Recommended Practice (SORP) 2005.

A register of the interests of Trustees is held in the Director-General's Office at the Museum and is available for inspection.

### 5.1 Corporate Governance

The framework for Corporate Governance in the Museum is based on the principle that the *Trustees*, as a non-executive Board, are collectively responsible for the 'general management and control' of the Museum including risk management. The Board has delegated responsibility for monitoring risk management to its *Audit Committee*, which advises the Director-General and the Board on the adequacy of audit arrangements, risk management and internal control. Finally, under the provisions of Government Accounting, the *Director-General* is personally responsible, as the Accounting Officer, for safeguarding public funds and assets, for the conduct of the staff, and for maintaining a sound system of internal control and risk management. A Corporate Governance Code was approved by the Board in September 2006.

## 5.2 Risk Management

A Risk Management System is embedded into the management structure of the Museum to support and inform the Statement on Internal Control required by HM Treasury. The Trustees' Audit Committee plays a leading role in advising on and overseeing the system. In order for the system to be effective, regular review and communication of the risks must be undertaken. This is achieved by:

- ◆ The identification of risks as an integral part of the business planning and project management processes;
- ◆ One risk database for the whole organisation, thus allowing risks to cascade upwards from department, through division to a corporate level;
- ◆ The incorporation of risk management at all levels into the quarterly stewardship reporting by all directors to the Director-General;
- ◆ Review of the top level strategic risks quarterly by the Museum's Senior Management Team at every meeting of the Trustees' Audit Committee; and annually by the Board of Trustees;
- ◆ Internal audit reviews of internal control and risk management at all branches;
- ◆ The Audit Committee and the Main Board of Trustees have approving the strategic risk register.

This year, at the Trustees' request, the Museum's Strategic Risk Register has been rewritten and reduced from 19 to nine, outcome-focused, risks.

In addition the Museum has a system of management checks which support the system of internal controls and link to plans and risks. Reports against these checks are made to the Director-General by Divisional Directors every quarter.

## 5.3 Personnel Policies

The Imperial War Museum follows policy guidelines issued by the Cabinet Office about the employment of disabled people. It is an Equal Opportunity Employer. It has agreed statements of safety policy under section 2(3) of the Health and Safety at Work etc. Act 1974.

The Museum also has a Work-Life Policy Group and policies covering career breaks, sabbaticals and flexible working. It is wholly supportive of both internal and external secondments.

The Museum has completed a comprehensive review of the pay architecture to support the simplification of the pay system and aid transparency in remuneration. A Career Development Framework has also been developed to provide a route map for staff who wish to develop their skills and careers in the heritage sector. The framework provides the tools for all staff and their managers to achieve the skills necessary for career enhancement.

## 5.4 Informing and Consulting Employees

Senior management communicates with staff through the preparation and circulation of annually updated Corporate Plans and via the Staff Forum which includes all Directors, Heads of Departments and other members of staff, and through the machinery of the Staff Consultative Council and its General Purposes Committee and the Departmental Health and Safety Committee as well as informal meetings, internal memoranda, the intranet and staff notices.

The Museum strives to ensure good internal communication by encouraging regular team, departmental and cross-divisional meetings. The Museum's Intranet is regularly updated with relevant staff and corporate information.

## 5.5 Public Sector Payment Policy

The Museum has implemented the Confederation of British Industries' Prompt Payers Code. All suppliers are informed by standard letter of the Museum's payment procedure and the system for addressing complaints and disputes. The percentage of invoices paid promptly in 2006-07 was 92%, compared with 90% in 2005-06.

# 6

## Reference and Administrative Details of the Charity, the Trustees and Advisers

## 6.1 Addresses

Imperial War Museum London  
Lambeth Road, London SE1 6HZ

Churchill Museum and Cabinet War Rooms  
Clive Steps  
King Charles Street, London SW1A 2AQ

Imperial War Museum Duxford  
Duxford, Cambridge CB22 4QR

HMS *Belfast*  
Morgan's Lane, Tooley Street, London SE1 2JH

Imperial War Museum North  
Trafford Wharf Road, Trafford Park, Manchester M17 1TZ

Website  
[www.iwm.org.uk](http://www.iwm.org.uk)

## 6.2 Principal Advisers

### **Solicitors**

The Museum employs the Treasury Solicitor and commercial solicitors on an *ad hoc* basis

### **Bankers**

National Westminster Bank Plc  
Bishopsgate Corporate Business Centre, 15 Bishopsgate, London EC2P 2AP

HM Paymaster General  
Sutherland House, Russell Way, Crawley, West Sussex RH10 1UH

## 6.3 Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Museum's consolidated accounts for the year ended 2006-07. The audit fee in respect of this work was £33,000.

### **Auditors**

#### **Consolidated Accounts**

Comptroller and Auditor General

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

So far as the Accounting Officer is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing his report, of which the auditor is unaware. Having made enquiries of the Board of Trustees and Museum's auditor, the Accounting Officer has taken all the steps that he is obliged to take as Accounting Officer in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

#### **Imperial War Museum Trading Company Limited and Trust Fund Auditors**

Buzzacott

12 New Fetter Lane, London EC4A 1AG

## 6.4 The Imperial War Museum Trading Company

The Imperial War Museum Trading Company Limited (registration number 3719634) was incorporated on 25 February 1999, and commenced trading on 1 April 1999. All of the issued share capital of the company is held by the Trustees of the Museum as a body corporate.

The principal activity of the Trading Company is the operation of the commercial and educational activities of the Museum, including retailing, corporate hospitality and the Duxford Air Shows.

#### **The Directors of the Imperial War Museum Trading Company**

Miss J Munsiff (Chairman)

Miss Kate Adie OBE (to 31 March 2007)

Mr J M Card ACA

Sir Robert Crawford CBE

Miss A Godwin

Lieutenant General Sir Christopher Wallace KBE DL (to 30 September 2006)

Tom Wright Esq CBE (from 29 November 2006)

## 6.5 The Imperial War Museum Development Trust

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, most recently varied in June 2004. It is an exempt charity. The Trustees of the Imperial War Museum Development Trust are empowered to receive, hold and administer funds or other assets entrusted to them by grant, gift or bequest for purposes appropriate to the functions of the Trust. Their remit includes the development of longer-term resources for the Museum. The financial activities of the Trust are consolidated with those of the Museum in these financial statements.

### The Trustees of the Imperial War Museum Trust

Admiral Sir Jock Slater GCB LVO DL (Chairman) ex officio (until 7 June 2006)

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS (Chairman from 8 June 2006)

Sir Robert Crawford CBE (Director-General) ex officio

Miss Kate Adie OBE (to 31 March 2007)

Sir Robin Fearn KCMG (to 26 August 2006)

Miss Jyoti Munsiff

The Baroness Neuberger DBE (to 30 September 2006)

Lieutenant General Sir Christopher Wallace KBE DL

Christopher Fisher Esq

Sir Thomas Harris KBE CMG

## 6.6 Director-General and Accounting Officer

The Director-General and Accounting Officer for the Museum is Sir Robert Crawford CBE.

## 6.7 Delegation of Public Appointments

The appointment of Trustees is the responsibility of the Prime Minister and other ministers and authorities designated in the IWM Acts. Those that are not ex officio appointments are made in accordance with procedures laid down by the Office of the Commissioner for Public Appointments and DCMS. The responsibility for the administration of Board member appointments made by the Prime Minister and the DCMS, up to final Ministerial decision, has been delegated to the Museum.

On appointment, a Trustee will receive a copy of the DCMS publication *Serving on the Boards of DCMS Public Bodies* as well as an induction pack from the Museum. The latter includes copies of the *Corporate Plan, Annual Report & Accounts*, the *Code of Conduct, Financial Memorandum*, HM Treasury's *Regularity & Propriety* and the *NCPB Accounting Officer Memorandum*. In addition the Director-General invites each new Trustee to the Museum for a personal introduction.

## 6.8 Members of the Board of Trustees

### The Board of Trustees of the Imperial War Museum

#### President

The Duke of Kent KG GCMG GCVO

#### Chairman

Admiral Sir Jock Slater GCB LVO DL (to 7 June 2006)

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS (from 8 June 2006)

#### Deputy Chairman

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS (to 7 June 2006)

Sir Robin Fearn KCMG (from 8 June - 26 August 2006)

Lieutenant General Sir Christopher Wallace KBE DL\* (from 29 November 2006)

#### Board members

Miss Kate Adie OBE (to 31 March 2007)

Sir Ian Andrews CBE TD

Dame Jean Else DBE MA (to 23 March 07)

Sir Robin Fearn KCMG (to 26 August 2006)

Christopher Fisher Esq\*

Professor Sir Lawrence Freedman KCMG CBE FBA

Sir Thomas Harris KBE CMG\*

Professor Sir Miles Irving (from 1 December 2006)

Miss Jyoti Munsiff

The Baroness Neuberger DBE\* (to 30 September 2006)

Lieutenant General Sir Christopher Wallace KBE DL\*

Admiral Sir Alan West GCB DSC\* (from 1 July 2006)

Bill Woodrow Esq RA

Tom Wright Esq CBE

His Excellency The Hon Richard Alston (Australian High Commissioner)

His Excellency James Wright (Canadian High Commissioner)

His Excellency Kamallesh Sharma (Indian High Commissioner)

His Excellency The Rt Hon Jonathan Hunt ONZ (New Zealand High Commissioner)

Her Excellency Dr Maleeha Lodhi (High Commissioner for Pakistan)

Her Excellency Lindiwe Mabuza (South African High Commissioner)

Her Excellency Kshenuka Senewiratne (Sri Lankan High Commissioner)

\* Members of the Trustees' Audit Committee



# Remuneration Report

# Remuneration Report

## 1 April 2006 - 31 March 2007

### The Remuneration Committee

The Board's Remuneration Committee meets annually to consider pay awards for the Director-General. This comprises the Chairman and Deputy Chairman of the Board of Trustees and either the Chair of the Audit Committee or the Senior Trustee. The remuneration of the Director-General and the salary costs of staff are stated in note 6 to the Accounts, pages 59-60, and these sums have been audited. The Remuneration Committee also receives details of the Senior Management Team's pay. The Senior Managers are set objectives based on the Museum's business plans. The Director-General reviews their performance against these objectives and an element of their pay is dependent on this.



Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS  
Chairman of the Trustees



Sir Robert Crawford CBE  
Director-General and Accounting Officer

Date: Wednesday 11 July 2007

## Statement of Trustees' and Director-General's Responsibilities

Under Section 9 (4) and 9 (5) of the Museums and Galleries Act 1992, the Board of Trustees is 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 the Department 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 the end of the year.

In preparing the Museum's accounts the Board of Trustees is required to:

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

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director-General, Sir Robert Crawford CBE, as the Accounting Officer for the Imperial War 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.

\* a copy of which is available from the Director-General's Office, Imperial War Museum, Lambeth Road, London SE1 6HZ. A charge will be made for this.



Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS  
Chairman of the Trustees



Sir Robert Crawford CBE  
Director-General and Accounting Officer

Date: Wednesday 11 July 2007

## Statement on Internal Control

### Scope of responsibility

As Accounting Officer, the Director-General has responsibility for maintaining a sound system of internal control that supports the achievement of the Imperial War Museum's policies, aims and objectives, whilst safeguarding the public funds and museum assets for which he is personally responsible, in accordance with the responsibilities assigned to him in Government Accounting, and specifically the Management Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport.

The Museum has a three-year funding agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes targets to assist the Department in meeting its Public Service Agreement targets and identifies the most significant risks to achieving the Museum's objectives. Progress against funding agreement targets is monitored on a regular basis.

The Trustees, as a non-executive Board, are collectively responsible for the 'general management and control' of the Museum including risk management. The Board has delegated responsibility for monitoring risk management to its Audit Committee, which advises the Director-General and the Board on the adequacy of audit arrangements, risk management and internal control.

### 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 Museum policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Imperial War Museum for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

### Capacity to handle risk

The development of the system of Risk Management in the Museum has been driven by the Director-General. In this he has been supported by the Senior Management Team and from them the process has been cascaded throughout the organisation. The effectiveness of the process is regularly reviewed by the Trustees' Audit Committee and on an annual basis by the Main Board. The Main Board is also updated on progress relating to the highest risks.

The internal audit function has played a leading role in advising on and developing appropriate systems, and for providing training to staff at all branches of the Museum, including the publication of intranet guides. The process is managed through a single software based system. Risk management overall, is monitored by the Secretary and Director of Finance. It is viewed as a live process, which actively seeks to incorporate good practice from within and external to the sector.

### **The risk and control framework**

The key elements of the risk strategy are to:

1. Make the identification of risks an integral part of the planning process. Objectives have been set and risks linked directly to them;
2. Assess risks on the basis of likelihood and impact, and evaluate the impact of controls to distinguish between inherent risk and residual risk; and
3. Establish one risk database for the whole organisation. This comprises information by branch and at a corporate level. Wider access is available to this information in a strictly controlled manner.

There are a number of strategic risks that the Museum considers to be of the highest priority, although none of these is at the most critical level. They comprise:

- ◆ Inefficient and outmoded infrastructure
- ◆ Loss or damage to Collection and other assets
- ◆ Not a going concern
- ◆ Significant business interruption
- ◆ Audience stagnates or declines
- ◆ Collection and scholarly expertise not developed
- ◆ Serious harm to people
- ◆ Breach of laws, regulations and standards
- ◆ Staff motivation and productivity low

Each risk has a programme of action against it and a target date to reduce the residual risk exposure to an acceptable level.

Risk management is embedded into the activities of the organisation by:

1. On going training across the organisation and regular review of the risk registers;
2. Encouraging feedback from Directors and Heads of Department on the way the risk management process is working in practice;
3. Incorporating risk management into the quarterly stewardship reports by Division and Branch Directors to the Director-General to provide an update of the work carried out;
4. Reviewing strategic risks, and progress against them, by the Museum's Senior Management Team every quarter and by the Trustees' Audit Committee at each of their meetings; and
5. Integrating risk assessment into all key Museum business cases and project management regime.

### Review of effectiveness

As Chairman of the Board of Trustees and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the Audit Committee, the internal auditors and the executive managers within the Imperial War Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports:

**Internal Audit** – the Museum has an Internal Audit Department, which operates to the Government Internal Audit Standards. The Internal Audit Department submits regular reports and advice to the Accounting Officer, which includes the Head of Internal Audit’s annual statement of assurance supporting the work performed during the year;

**Audit Committee** – the remit of the Audit Committee also reflects Government Internal Audit Standards and Cabinet Office guidance. The Committee has instigated a review of its own effectiveness, in light of the revised HM Treasury *Audit Committee Handbook*, which will report in the new financial year;

**Executive managers** – Branch Directors review risks on a continual basis and report on the outcome to the Director-General on a quarterly basis. A series of checks is carried out to corroborate the effectiveness of controls. This year each Branch Director has signed a Memorandum of Representation which is their representation on the operation of governance procedures and internal controls in their areas of responsibility, and;

**Board of Trustees** – each member of the Board of Trustees provides an annual assurance statement that confirms she or he has no related party transactions or conflicts of interest which may compromise their position within the rules and procedures laid down by the government for the operation of a public body and have sought to maximise value for money in all transactions. The Board has performed a review of its own effectiveness during the course of the year. It also approved a revised Statement of Corporate Governance.

### Actions taken with respect to serious internal control issues

There is nothing to report.



Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS  
Chairman of the Trustees



Sir Robert Crawford CBE  
Director-General and Accounting Officer

Date: Wednesday 11 July 2007

# IMPERIAL WAR MUSEUM

## 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 Imperial War Museum group for the year ended 31 March 2007 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, 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 being audited.

### **Respective Responsibilities of the Board of Trustees, the Director-General and Auditor**

The Board of Trustees and the Director-General, as Accounting Officer, are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliamentary grant (grant-in-aid). These responsibilities are set out in the Statement of Trustees' and Director-General'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 Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises: Objectives and Activities; Achievements and Performance; Plans for Future Periods; Financial Review; Structure, Governance and Management; and Reference and Administrative Details of the Charity, the Trustees and Advisers; 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 Imperial War 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 Imperial War 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 Imperial War 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-General in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Imperial War 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 Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury, of the state of the Imperial War 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 Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury; and
- ◆ information given within the Annual Report, which comprises: Objectives and Activities; Achievements and Performance; Plans for Future Periods; Financial Review; Structure, Governance and Management; and Reference and Administrative Details of the Charity, the Trustees and Advisers; 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, National Audit Office  
157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

July 2007



IMPERIAL WAR MUSEUM ACCOUNT 2006/07

Consolidated Statement of Financial Activities for the Year ended 31 March 2007

|   | Notes | Unrestricted<br>Funds<br>£'000 | Restricted<br>Funds<br>£'000 | Total<br>2007<br>£'000 | Total<br>2006<br>£'000 |
|---|-------|--------------------------------|------------------------------|------------------------|------------------------|
| <b>Incoming Resources</b>   |       |                                |                              |                        |                        |
| <i>Incoming resources from generated funds</i>                              |       |                                |                              |                        |                        |
| <i>Voluntary income</i>   |       |                                |                              |                        |                        |
| External Funds  |       | 259                            | 5,463                        | 5,722                  | 8,227                  |
| Lottery Funding   |       | -                              | 2,170                        | 2,170                  | 7,329                  |
| Donated Objects   |       |                                | 65                           | 65                     | 22                     |
|   |       | <u>259</u>                     | <u>7,698</u>                 | <u>7,957</u>           | <u>15,578</u>          |
| <i>Activities for generating funds</i>                                      |       |                                |                              |                        |                        |
| Income from Commercial activities   | 12    | 7,120                          | -                            | 7,120                  | 7,064                  |
| Disposals of Assets   |       | 6                              | -                            | 6                      | 2                      |
|   |       | <u>7,126</u>                   | <u>-</u>                     | <u>7,126</u>           | <u>7,066</u>           |
| <i>Investment Income</i>  | 3     | 139                            | 242                          | 381                    | 344                    |
|   |       | <u>7,524</u>                   | <u>7,940</u>                 | <u>15,464</u>          | <u>22,988</u>          |
| <i>Grant-in-Aid</i>   | 2     | 18,363                         | 2,250                        | 20,613                 | 18,541                 |
| <i>Incoming resources from the Museum's activities</i>                      |       |                                |                              |                        |                        |
| Admissions  |       | 4,225                          | -                            | 4,225                  | 3,820                  |
| Book, Collections & Reproduction Sales                                      |       | 123                            | -                            | 123                    | 166                    |
| Fees  |       | 857                            | -                            | 857                    | 791                    |
| Royalties   |       | 755                            | -                            | 755                    | 992                    |
|   |       | <u>5,960</u>                   | <u>-</u>                     | <u>5,960</u>           | <u>5,769</u>           |
| <b>Total Incoming Resources</b>   |       | <u>31,847</u>                  | <u>10,190</u>                | <u>42,037</u>          | <u>47,298</u>          |
| <b>Resources Expended</b>   |       |                                |                              |                        |                        |
| <i>Costs of generating funds</i>  |       |                                |                              |                        |                        |
| Fundraising and Publicity   |       | 2,429                          | 322                          | 2,751                  | 2,719                  |
| Commercial Costs  | 12    | 5,753                          | 396                          | 6,149                  | 6,215                  |
|   |       | <u>8,182</u>                   | <u>718</u>                   | <u>8,900</u>           | <u>8,934</u>           |
| <i>Charitable Expenditure:</i>  |       |                                |                              |                        |                        |
| <i>Cost of activities in furtherance of the Museum's objectives</i>         |       |                                |                              |                        |                        |
| Education, Exhibitions & Visitor Services                                   |       | 11,819                         | 1,824                        | 13,643                 | 14,428                 |
| Building Care and Preservation  |       | 7,806                          | 4,507                        | 12,313                 | 11,345                 |
| Collections Management & Conservation                                       |       | 6,330                          | 422                          | 6,752                  | 7,117                  |
| Purchases for the Collection  |       | 112                            | 30                           | 142                    | 122                    |
|   |       | <u>26,067</u>                  | <u>6,783</u>                 | <u>32,850</u>          | <u>33,012</u>          |
| <i>Governance Costs</i>   |       | <u>288</u>                     | <u>29</u>                    | <u>317</u>             | <u>275</u>             |
| Total Resources Expended before provision for early retirement costs        |       | <u>34,537</u>                  | <u>7,530</u>                 | <u>42,067</u>          | <u>42,221</u>          |
| <i>Provision for early retirement costs</i>                                 | 11b   | 18                             | -                            | 18                     | 250                    |
| Total Resources Expended  | 5     | <u>34,555</u>                  | <u>7,530</u>                 | <u>42,085</u>          | <u>42,471</u>          |
| <b>Notional costs:</b>  |       |                                |                              |                        |                        |
| Cost of capital   | 7     | 177                            | 1,022                        | 1,199                  | 1,199                  |
| <b>Net (outgoing) resources before transfers</b>                            |       | <u>(2,885)</u>                 | <u>1,638</u>                 | <u>(1,247)</u>         | <u>3,628</u>           |
| Reversal of notional costs  |       | 177                            | 1,022                        | 1,199                  | 1,199                  |
| <b>Net Incoming/(outgoing) Resources before recognised gains and losses</b> | 4     | <u>(2,708)</u>                 | <u>2,660</u>                 | <u>(48)</u>            | <u>4,827</u>           |
| Gains on Revaluation of Fixed assets  |       | 453                            | 2,258                        | 2,711                  | 11,632                 |
| Gains/ (losses) on Investment assets  |       | -                              | -                            | -                      | (11)                   |
| Depreciation on Revaluation of Fixed Assets                                 | 8     | (68)                           | (337)                        | (405)                  | (554)                  |
|   |       | <u>385</u>                     | <u>1,921</u>                 | <u>2,306</u>           | <u>11,067</u>          |
| <b>Net Movement in Funds</b>  |       | <u>(2,323)</u>                 | <u>4,581</u>                 | <u>2,258</u>           | <u>15,894</u>          |
| Transfer between funds  |       | 2,106                          | (2,106)                      | -                      | -                      |
| Reconciliation of funds   |       |                                |                              |                        |                        |
| Fund Balances brought forward at 1 April                                    |       | 24,174                         | 163,743                      | 187,917                | 172,023                |
| Fund Balances Carried Forward at 31 March                                   | 17    | <u>23,957</u>                  | <u>166,218</u>               | <u>190,175</u>         | <u>187,917</u>         |

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period.

The Museum has no recognised gains and losses other than those shown above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 54 to 68 form part of these accounts

IMPERIAL WAR MUSEUM ACCOUNT 2006/07

Consolidated Balance Sheet as at 31 March 2007

|   | Notes | <u>Consolidated</u> |                | <u>Museum</u>  |                 |
|---|-------|---------------------|----------------|----------------|-----------------|
|   |       | 2007<br>£'000       | 2006<br>£'000  | 2007<br>£'000  | 2006<br>£'000   |
| Fixed Assets  |       |                     |                |                |                 |
| Tangible assets   | 8     | 189,629             | 189,812        | 189,342        | 189,520         |
| Investments   |       | -                   | -              | 100            | 100             |
|   |       | <u>189,629</u>      | <u>189,812</u> | <u>189,442</u> | <u>189,620</u>  |
| Debtors: amounts falling due after more than one year   |       |                     |                | 1,991          | 1,110           |
| Current assets  |       |                     |                |                |                 |
| Stock   |       | 851                 | 682            | 132            | 140             |
| Debtors   | 9     | 2,563               | 6,299          | 4,995          | 6,211           |
| Cash at bank and in hand                                | 10    | 8,035               | 2,577          | 2,486          | 164             |
|   |       | <u>11,449</u>       | <u>9,558</u>   | <u>7,613</u>   | <u>6,515</u>    |
| Current Liabilities                                     |       |                     |                |                |                 |
| Creditors: amounts falling due within one year          | 11    | (4,304)             | (4,367)        | (5,022)        | (4,283)         |
| Net Current Assets                                      |       | <u>7,145</u>        | <u>5,191</u>   | <u>2,591</u>   | <u>2,232</u>    |
| Total Assets Less Current Liabilities                   |       | 196,774             | 195,003        | 194,024        | 192,962         |
| Creditors: amounts falling due after more than one year | 11    | (6,364)             | (6,836)        | (8,614)        | (9,761)         |
| Provisions  | 11b   | (235)               | (250)          | (235)          | (250)           |
|   |       | <u>(6,599)</u>      | <u>(7,086)</u> | <u>(8,849)</u> | <u>(10,011)</u> |
| Net Assets  |       | <u>190,175</u>      | <u>187,917</u> | <u>185,175</u> | <u>182,951</u>  |
| Represented by:   |       |                     |                |                |                 |
| Funds   |       |                     |                |                |                 |
| Restricted Funds  | 17    | 166,218             | 163,743        | 162,465        | 158,428         |
| Unrestricted Funds:                                     |       |                     |                |                |                 |
| Designated Funds  | 17    | 21,222              | 24,950         | 20,510         | 24,660          |
| General Funds   | 17    | 5,259               | 1,055          | 2,733          | 584             |
| Less provisions for future liabilities                  |       | (533)               | (721)          | (533)          | (721)           |
| Less Trading funds                                      |       | (1,991)             | (1,110)        | -              | -               |
|   |       | <u>2,735</u>        | <u>(776)</u>   | <u>2,200</u>   | <u>(137)</u>    |
| Total Funds   |       | <u>190,175</u>      | <u>187,917</u> | <u>185,175</u> | <u>182,951</u>  |

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS  
Chairman of the Trustees

Sir Robert Crawford CBE  
Director-General and Accounting Officer

Date

The notes on pages 54 to 68 form part of these accounts

Consolidated Cashflow Statement for the Year ended 31 March 2007

|   | Notes | 2007<br>£'000 | 2006<br>£'000 |
|---|-------|---------------|---------------|
| Net cash inflow from operating activities         | 19    | 10,732        | 11,068        |
| Returns on investments and servicing of finance   |       |               |               |
| Interest received                                 |       | 380           | 341           |
| Interest element of finance lease rental payments |       | (396)         | (398)         |
| Dividends received                                |       | -             | 3             |
| Taxation recovered                                |       | -             | -             |
|   |       | (16)          | (54)          |
| Capital expenditure and financial investment      |       |               |               |
| Payments to acquire tangible fixed assets         |       | (5,229)       | (14,239)      |
| Purchase of investments                           |       | -             | (11)          |
| Proceeds from sales of investments                |       | -             | 69            |
|   |       | (5,229)       | (14,181)      |
| Cash inflow before financing                      |       | 5,487         | (3,167)       |
| Financing   |       |               |               |
| Capital element of finance lease rental payments  |       | (29)          | (27)          |
| Increase / (decrease) in cash in the year         | 19    | 5,458         | (3,194)       |

The notes on pages 54 to 68 form part of these accounts

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Notes to the Financial Statements

I Accounting Policies

(a) *Basis of accounting*

The financial statements are prepared in accordance with the Accounts Direction given by the Secretary of State for Culture, Media and Sport, with the approval of HM Treasury. The accounts comply with the requirements of the Statement of Recommended Practice "Accounting and Reporting by Charities (issued March 2005)" and applicable accounting standards. The particular accounting policies adopted by the Trustees are described below.

(b) *Accounting convention*

The financial statements have been prepared under the historical cost convention as modified for the inclusion of fixed assets at their value to the business by reference to current costs and of investments at market value.

The statutory accounts are consolidated and represent the combined accounts of the Imperial War Museum, the Imperial War Museum Trust and the Imperial War Museum Trading Company Limited.

(c) *Funds*

The Balance Sheet shows fund balances of £190.175 million at 31 March 2007. Of these, £166.218 million are restricted funds representing income received which has been allocated by the donor for a specific purpose. The restricted funds, as detailed in note 17, and the purposes for which their income may be applied are:

- American Air Museum - funds raised from the Heritage Lottery Fund and private donors towards the building of the Museum at IWM Duxford, its ongoing maintenance and refurbishment and the conservation of aircraft;
- Redevelopment Stage 3 - funds raised from the Heritage Lottery Fund and other donors towards Stage 3 of the development of the Imperial War Museum, Lambeth Road, including the Holocaust exhibition;
- Imperial War Museum North - funds raised from Trafford Borough Council and other donors towards the creation of a new branch of the Imperial War Museum in Trafford, Manchester;
- Cabinet War Rooms Project - funds raised from the National Heritage Memorial Fund, and other sources, towards the expansion of the Cabinet War Rooms and the creation of a Churchill Museum.
- Airspace - funds raised from the Heritage Lottery Fund and other donors for the expansion of the current facilities at IWM Duxford;
- Land Warfare Hall - funds raised from donors for an extension to the Land Warfare Hall at IWM Duxford and an exhibition about Field Marshal Viscount Montgomery of Alamein;
- Nitrate Film Project - funding from the Defence Estates Agency to relocate the Museum's film collection from Hayes to IWM Duxford;
- External funds for capital projects - restricted funds raised specifically for and applied to the purchase of equipment, permanent exhibitions and capital building works;
- Vested property - the value of the Imperial War Museum's estate;
- Donated objects - the value of capital works or assets donated to the Museum;
- Collections purchases - funds secured from donors towards the acquisition of items for the Collection;
- External funds for current expenditure - restricted funds raised specifically for and applied mainly to conservation and temporary exhibitions;
- Imperial War Museum Development Trust Redevelopment Appeal - funds donated for the redevelopment of the Museum at IWM London
- Imperial War Museum Development Trust Tied Donations - funds donated to be applied to the American Air Museum and Land Warfare Hall at Duxford Airfield, including the conservation of aircraft, the redevelopment of HMS *Belfast*, and the Holocaust exhibition at Lambeth Road and related educational activities.

The remaining £21.222 million has been designated by the Trustees to the funding of the long-term objectives of the Imperial War Museum, including initiatives for collections management and conservation, exhibitions replacement and management of the estate.

*(d) Incoming resources*

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met and there is reasonable assurance of receipt.

The following accounting policies are applied to Income:

*Grant-in-Aid from the Department for Culture, Media and Sport*

This is shown in the statement of financial activities in the year it is received.

*National Lottery income*

This is recognised as income when the conditions for its receipt have been met.

*Gifts in kind and donated items*

Items given to the Museum free of charge are recognised as incoming resources at their estimated market value when receivable.

*External funds*

These comprise grants, sponsorship and donations and are reported gross when receivable.

*Investment Income*

Investment income is accounted for when receivable. Tax recoverable is accounted for in the same period as the related income.

*(e) Expenditure*

*Allocation of costs*

Expenditure is classified under the principal categories of costs of activities in furtherance of the Museum's objectives and costs of generating funds.

It comprises staff costs, other direct costs and depreciation. Expenditure has been directly attributed to the activities to which it relates.

*Costs of activities in furtherance of the Museum's objectives*

This includes all expenditure directly related to the objectives of the Museum and comprises the following:

Education, exhibitions and visitor services ;  
Building management;  
Collections management and conservation;

Support services, which comprise services and facilities provided in support of the Museum's charitable objectives, including furnishings, telephone, information technology, financial and personnel services, and training; and

Purchases for the collection - the individual cost of these items are below the capitalisation threshold:

Governance costs include expenses associated with the strategic management of the Museum, including the costs of Trustees meetings, and the costs of internal and external audit services.

*Costs of generating funds*

Costs of generating funds comprises fund-raising and publicity costs, being those costs incurred in seeking voluntary contributions for the Museum and in publicising it. Commercial costs and trading expenditure are those direct costs incurred in generating the income from commercial activities and trading.

*(f) Tangible Fixed Assets*

Tangible fixed assets comprise expenditure on any item in excess of £2,000 provided it meets the following criteria: it has a useful life of at least 1 year; it is used in running the Museum; it is not bought for resale; and, it provides additional future benefits.

The majority of the Museum's collections of works of art, objects and records have not been capitalised in the Balance Sheet due to uncertainty surrounding cost and reliability of valuations.

However, in accordance with the Treasury's Financial Reporting Manual (FRM), additions to the Collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or revalued as the useful life of the asset is so long that the depreciation charge would be immaterial.

Depreciation is provided on all tangible fixed assets, other than freehold land, assets under construction and collection acquisitions, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

In accordance with Financial Reporting Standard 15 - *Tangible Fixed Assets*, where a fixed asset comprises two or more major components with substantially different economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its useful economic life. The buildings have three separable material components, which have different remaining asset lives, ie:

The useful economic lives are as follows:

|                       |                                   |
|-----------------------|-----------------------------------|
| Structure             | - between 20 and 100 years        |
| Plant & Machinery     | - between 5 and 20 years          |
| Fit-Out               | - between 2 and 20 years          |
| Equipment             | - 4 years                         |
| Permanent Exhibitions | - over the life of the exhibition |

A full year of depreciation is provided for in the year of acquisition of an asset, whilst there is none provided in the year of disposal. Including assets at their value to the business by reference to current costs is achieved as follows:

|                       |  |
|-----------------------|--|
| Land & Buildings      | - by external professional valuation every five years and using indexation in the intervening years.   |
| Equipment             | - equipment comprises IT/electronic items. As indexation which tends to decrease year on year, is likely to accelerate the writing down of these assets, it has been decided not to index the assets, as the current useful life of 4 years is deemed to be appropriate. |
| Permanent Exhibitions | - historic depreciated cost. Permanent Exhibitions have not been revalued as their current cost is equal to their actual cost, but the life of these assets are reviewed annually to reflect their true value.   |

The difference between historic depreciation and current cost depreciation is disclosed after Net Incoming/(outgoing) Resources in the Statement of Financial Activities and in note 8.

*(g) Stocks*

Stocks are stated at cost price or net realisable value whichever is the lower.

*(h) Leases*

Assets held under finance leases, which are those where substantially all the risks and rewards of ownership of the asset have passed to the Imperial War Museum, are capitalised in the Balance Sheet and depreciated over their useful lives. The interest element of the rental obligations is charged to the Statement of Financial Activities over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The Imperial War Museum holds material finance leases with EP3.

Rental costs in respect of operating leases are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

*(i) Permanent Exhibitions*

Capital expenditure on permanent exhibitions includes the cost of materials and externally contracted services. Allocations are made of additional related internal labour costs.

*(j) Notional cost*

In accordance with Treasury guidance, a notional cost of capital of 3.5% is charged in the Statement of Financial Activities in arriving at a net incoming (outgoing) resources figure. This is reversed so that no provision is included on the Balance Sheet.

*(k) Imperial War Museum Trading Company Limited*

IWM Trading Company Limited is a wholly owned subsidiary of the Trustees of the Imperial War Museum. It commenced trading on 1 April 1999. The authorised share capital of the company is 1,000,000 shares of £1 each, of which 100,000 have been issued. Under gift aid agreement all taxable profits from IWM Trading Company Limited are paid to the Imperial War Museum. A summary of the income and expenditure account is provided in Note 12.

*(l) Imperial War Museum Development Trust*

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, most recently varied in June 2004. It is an exempt charity. Trustees of the IWM Development Trust are empowered to receive hold and administer funds or other assets entrusted to them by grant, gift or bequest for purposes appropriate to the functions of the Trust. The financial activities of the Trust are consolidated within these financial statements.

*(m) Foreign currencies*

Assets and liabilities denominated in foreign currencies are recorded 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 Statement of Financial Activities.

(n) Pension Costs

Past and present employees are covered by the provisions of the Principal Civil Service Pension Schemes (PCSPS). The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents' benefits. The museum recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from the employees' services by the payment to the PCSPS of amounts calculated on an accruing basis. Liability for the payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the museum recognises the contributions payable for the year.

2 Grant in Aid

£20,613,000 of Grant in Aid (Department for Culture, Media and Sport RfR 1) has been received during the year (2005/06 £18,541,000). This represents 49% of the annual resources expended in running the organisation. The balance of funding needs, including most capital improvements, is delivered from resources that are self-generated.

|                                   | 2007<br>£000's | 2006<br>£000's |
|-----------------------------------|----------------|----------------|
| <b>3 Investment income</b>        |                |                |
| Interest receivable               | 380            | 341            |
| UK equities and Overseas equities | -              | 3              |
|                                   | <u>380</u>     | <u>344</u>     |

The interest receivable is on cash deposits.

Interest of £380,473 is divided between the Imperial War Museum (£127,994) the Imperial War Museum Trading Company (£10,606) and the Imperial War Museum Trust of (£241,873).

|  | 2007<br>£000's | 2006<br>£000's |
|--|----------------|----------------|
| <b>4 Net incoming resources before transfers</b>   |                |                |
| is stated after charging:  |                |                |
| Auditors remuneration  |                |                |
| External Audit - Imperial War Museum   | 33             | 30             |
| Buzzacott LLP - Imperial War Museum Trust  | 5              | 5              |
| Buzzacott LLP - Imperial War Museum Trading Company  | 9              | 9              |
| Other Services - Buzzacott LLP - Tax Advice in relation to Imperial War Museum Trading Company | 10             | 3              |
| Lease rental payments on land and buildings  | 425            | 425            |
| Hire agreements on equipment   | 80             | 96             |
| Interest payable on finance lease  | 396            | 398            |

|   | Staff Costs<br>£000's | Other Costs<br>£000's | Depreciation<br>£000's | Total<br>£000's | 2006<br>£000's |
|---|-----------------------|-----------------------|------------------------|-----------------|----------------|
| <b>5 Total resources expended</b>   |                       |                       |                        |                 |                |
| <i>Costs of generating funds</i>  |                       |                       |                        |                 |                |
| Fundraising and Publicity   | 1,284                 | 1,454                 | 13                     | 2,751           | 2,719          |
| Commercial Costs  | 2,103                 | 4,046                 | -                      | 6,149           | 6,215          |
|   | <u>3,387</u>          | <u>5,500</u>          | <u>13</u>              | <u>8,900</u>    | <u>8,934</u>   |
| <i>Costs of activities in furtherance of the Museum's objectives</i>        |                       |                       |                        |                 |                |
| Education, Exhibitions & Visitor Services                                   | 8,624                 | 3,518                 | 1,501                  | 13,643          | 14,427         |
| Building Management   | 254                   | 6,572                 | 5,487                  | 12,313          | 11,344         |
| Collections Management & Conservation                                       | 5,092                 | 1,563                 | 97                     | 6,752           | 7,118          |
| Purchases for the Collection  | -                     | 142                   | -                      | 142             | 123            |
|   | <u>13,970</u>         | <u>11,795</u>         | <u>7,085</u>           | <u>32,850</u>   | <u>33,012</u>  |
| Governance Costs  | 205                   | 112                   | -                      | 317             | 275            |
| <i>Total Resources Expanded before provision for early retirement costs</i> | <u>17,562</u>         | <u>17,407</u>         | <u>7,098</u>           | <u>42,067</u>   | <u>42,221</u>  |
| Provision for early retirements costs                                       | 18                    | -                     | -                      | 18              | 250            |
| <i>Total Resources Expanded</i>   | <u>17,580</u>         | <u>17,407</u>         | <u>7,098</u>           | <u>42,085</u>   | <u>42,471</u>  |

Resources Expended does not include transactions between the Imperial War Museum and the Imperial War Museum Trust of £5,597,474 (2005/06 £8,646,203), nor transactions between the Imperial War Museum and the Imperial War Museum Trading Company of £3,845,799 (2005/06 £3,121,257).

Governance staff costs represent the cost of staff involved with the strategic management of the Museum. Also included within Governance costs are strategic costs such as external audit costs of £33,000 and internal audit costs of £104,450.

## 5a Division of direct and indirect expenditure

|   | Direct Costs<br>£000's | Allocated<br>Support<br>Costs<br>£000's | 2007 Total<br>£000's | 2006 Total<br>£000's |
|---|------------------------|---|----------------------|----------------------|
| <i>Costs of generating funds</i>  |                        |   |                      |                      |
| <i>Fundraising and Publicity</i>  | 2,510                  | 241                                     | 2,751                | 2,719                |
| Commercial Costs  | 6,149                  | -                                       | 6,149                | 6,215                |
|   | <b>8,659</b>           | <b>241</b>                              | <b>8,900</b>         | <b>8,934</b>         |
| <i>Costs of activities in furtherance of the Museum's objectives</i>        |                        |   |                      |                      |
| Education, Exhibitions & Visitor Services                                   | 10,998                 | 2,645                                   | 13,643               | 14,427               |
| Building Care and Preservation  | 12,083                 | 230                                     | 12,313               | 11,344               |
| Collections Management & Conservation                                       | 5,047                  | 1,705                                   | 6,752                | 7,118                |
| Purchases for the Collection  | 142                    | -                                       | 142                  | 123                  |
|   | <b>28,270</b>          | <b>4,580</b>                            | <b>32,850</b>        | <b>33,012</b>        |
| Governance  | 534                    | (217)                                   | 317                  | 275                  |
| <i>Total Resources Expended before provision for early retirement costs</i> | <b>37,463</b>          | <b>4,604</b>                            | <b>42,067</b>        | <b>42,221</b>        |

Allocated Support costs relate to the Museum's Directorate, Human Resource, Finance and Planning, Information Technology and Communication and Facilities Management functions, which are stated below in note 5b.

## 5b Management &amp; administrative costs

|  | Directorate &<br>Office Services<br>£000's | Human<br>Resources<br>£000's | Finance &<br>Planning<br>£000's | IT &<br>Communication<br>£000's | Subtotal 2007<br>£000's |
|--|--|------------------------------|---------------------------------|---------------------------------|-------------------------|
| <i>Costs of generating funds</i>                                     |  |                              |                                 |                                 |                         |
| Fundraising and Publicity  | 12   | 13                           | 32                              | 28                              | 85                      |
| Trading  | 12   | 13                           | 32                              | 28                              | 85                      |
| <i>Costs of activities in furtherance of the Museum's objectives</i> |  |                              |                                 |                                 |                         |
| Education, Exhibitions & Visitor Services                            | 122  | 112                          | 611                             | 244                             | 1,089                   |
| Building Care and Preservation                                       | 2  | 2                            | 4                               | 4                               | 12                      |
| Collections Management & Conservation                                | 52   | 54                           | 159                             | 130                             | 395                     |
| Purchases for the Collection   | 176  | 168                          | 774                             | 378                             | 1,496                   |
| Governance   | (2)  |                              |                                 |                                 | (2)                     |
|  | <b>186</b>                                 | <b>181</b>                   | <b>806</b>                      | <b>406</b>                      | <b>1,579</b>            |

## Management &amp; administrative costs (continued)

|  | Facilities<br>Management<br>£000's | Depreciation<br>£000's | Support Salary<br>costs<br>£000's | Total 2007<br>£000's |
|--|------------------------------------|------------------------|-----------------------------------|----------------------|
| <i>Costs of generating funds</i>                                     |                                    |                        |                                   |                      |
| Fundraising and Publicity  | 39                                 | 7                      | 109                               | 241                  |
| Trading  | 39                                 | 7                      | 109                               | 241                  |
| <i>Costs of activities in furtherance of the Museum's objectives</i> |                                    |                        |                                   |                      |
| Education, Exhibitions & Visitor Services                            | 369                                | 65                     | 1,122                             | 2,645                |
| Building Care and Preservation                                       | 5                                  | 1                      | 212                               | 230                  |
| Collections Management & Conservation                                | 168                                | 32                     | 1,110                             | 1,705                |
| Purchases for the Collection   | 542                                | 98                     | 2,444                             | 4,580                |
| Governance   | 581                                | 105                    | (215)                             | (217)                |
|  | <b>581</b>                         | <b>105</b>             | <b>2,338</b>                      | <b>4,604</b>         |

Support costs have been allocated to the above activities on the basis of staff numbers.

|                                | 2007          | 2006          |
|--------------------------------|---------------|---------------|
| <b>6 Staff Costs</b>           | <b>£000's</b> | <b>£000's</b> |
| Salaries and Wages             | 13,688        | 13,514        |
| Temporary / Agency Staff       | 418           | 311           |
| National Insurance             | 996           | 1,032         |
| Superannuation                 | 2,421         | 2,314         |
| Early Retirement costs         | 39            | 56            |
| Provision for early retirement | 18            | 250           |
|                                | <u>17,580</u> | <u>17,477</u> |

*Pensions*

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. IWM is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2006-07, employers' contributions of £2,415,293 were payable to the PCSPS (2005-06 £2,300,576) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands (the rates in 2005-06 were between 16.2% and 24.6%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2007-08, the salary bands will be revised but the rates will remain the same.

The contribution rates are set to meet the cost of the benefits accruing during 2006-07 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees may opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £5,430 were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of £2,565 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were £518. Contributions prepaid at that date were nil.

*Number of Employees*

The following number of employees, including the Accounting Officer, received remuneration (which includes bonus) within the ranges below:

|                     | 2007<br>No | 2006<br>No |
|---------------------|------------|------------|
| £60,001 - £70,000   | 4          | 4          |
| £70,001 - £80,000   | -          | 1          |
| £80,001 - £90,000   | 2          | 1          |
| £90,001 - £100,000  | -          | -          |
| £100,001 - £110,000 | -          | -          |
| £110,001 - £120,000 | -          | -          |
| £120,001 - £130,000 | 1          | 1          |

The average number of employees, analysed by function was :

|  |                 |                 |                  |                         | 2007              | 2006              |
|--|-----------------|-----------------|------------------|-------------------------|-------------------|-------------------|
|  | Permanent Staff | Temporary Staff | Managerial Staff | Capitalised Staff Costs | Total No of staff | Total No of staff |
| Education, Exhibitions & Visitor Services    | 344             | 3               | 6                | -                       | 353               | 354               |
| Building Management                          | 5               | -               | -                | -                       | 5                 | 7                 |
| Collections Management & Conservation        | 168             | 3               | 2                | -                       | 173               | 181               |
| Trading / Commercial / Educational           | 87              | 1               | -                | -                       | 88                | 90                |
| Fundraising & Publicity                      | 40              | 4               | -                | -                       | 44                | 39                |
| Management and administration of the Charity | 1               | -               | 1                | -                       | 2                 | 2                 |
|  | <u>645</u>      | <u>11</u>       | <u>9</u>         | <u>-</u>                | <u>665</u>        | <u>673</u>        |

The Managerial Staff are the members of the Museum's Senior Management Team, which consists of the Director-General and all the Divisional Directors.

*Director-General*

The Trustees have deemed that "Senior Management" for the IWM are the Trustees and the Director-General only. The Director-General's salary and pension entitlements as at 31 March 2007 were as follows:

|                     | Salary including performance pay<br>£k | Benefits in Kind<br>£ | Real increase in pension and related lump sum at age 60<br>£k | Total accrued pension at age 60 at 31/3/07 and related lump sum<br>£k | CETV at 31/3/06<br>(nearest £k) | CETV at 31/3/07<br>(nearest £k) | Real increase in CETV after adjustment for inflation and changes in market investment factors<br>£k |
|---------------------|--|-----------------------|---|---|---------------------------------|---------------------------------|---|
| Sir Robert Crawford | 129                                    | 250                   | 0-2.5 plus 5-7.5 lump sum                                     | 60-65 180-185 lump sum  | 1,342                           | 1,495                           | 105   |

**Director-General's salary**

The remuneration of the Director-General, Sir Robert Crawford CBE, was £117,875, plus a non-consolidated bonus of £11,500 and employer's contribution of £27,693 (2006 - remuneration, £109,188; bonus, £15,507; and employer's pension contribution of £25,092). His contract, which was due to expire in September 2005, has been extended for a further three years until 30 September 2008.

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowances to the extent that it is subject to UK taxation.

**Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. Sir Robert Crawford had the use of a flatlet at the Imperial War Museum London.

**Director-General's Pension**

The above table shows the member's cash equivalent transfer value (CETV) accrued at the beginning and the end of the reporting period. A CETV is a payment made by a pension scheme or an arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouses' pension payable from the scheme. The CETV figures, and from 2003/04 the other pension details, include the value of any pension benefit in another scheme or arrangements and for which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

The last column above reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Trustees**

The Chairman and Board of Trustees received no remuneration for their services during 2006/07. Travel and subsistence expenses paid to the Trustees amounted to £7,479 (2005/06 £6,401). The Trustees are appointed for periods of up to 4 years.

**Taxation**

The Imperial War Museum is exempt from corporation tax under Section 505 ICTA 1988.

**Ex-gratia payments**

During the year the Museum made one ex-gratia payment of £4,784.

**7 Notional cost of capital**

Notional cost of capital £1,199,032 (2005-06 £1,198,705) is calculated as 3.5% of the average capital employed by the Museum in the year, excluding grants, donations and assets funded by them, and assets treated as part of the collections.

| 8 Tangible Fixed Assets                      | Land          | Structure      | Plant & Machinery | Fit-Out       | Assets Under Construction |
|--|---------------|----------------|-------------------|---------------|---------------------------|
|  | £000's        | £000's         | £000's            | £000's        | £000's                    |
| Cost/valuation at 1.4.06                     | 22,139        | 108,531        | 21,276            | 13,454        | 18,321                    |
| Additions                                    | -             | 1,010          | -                 | 508           | 1,147                     |
| Transfers from /to Assets under Construction | -             | 17,322         | -                 | -             | (17,836)                  |
| Net Revaluation                              | 254           | 1,258          | 957               | 156           | -                         |
| Disposals                                    | -             | -              | -                 | -             | -                         |
| Value at 31.3.07                             | <u>22,393</u> | <u>128,121</u> | <u>22,233</u>     | <u>14,118</u> | <u>1,632</u>              |
| Depreciation at 1.4.06                       | -             | 2,628          | 4,407             | 3,143         | -                         |
| Provided                                     | -             | 1,504          | 2,208             | 1,608         | -                         |
| Depreciation due to revaluation              | -             | 45             | 298               | 53            | -                         |
| Disposals                                    | -             | -              | -                 | -             | -                         |
| Depreciation at 31.3.07                      | -             | 4,177          | 6,913             | 4,804         | -                         |
| Net Book Value at 31.3.07                    | <u>22,393</u> | <u>123,944</u> | <u>15,320</u>     | <u>9,314</u>  | <u>1,632</u>              |
| Net Book Value at 1.4.06                     | <u>22,139</u> | <u>105,903</u> | <u>16,869</u>     | <u>10,311</u> | <u>18,321</u>             |

| Tangible Fixed Assets (continued)            | Exhibitions   | Equipment    | Donated Assets | Collections Acquisitions | Assets held under Finance Lease | Total          |
|--|---------------|--------------|----------------|--------------------------|---------------------------------|----------------|
|  | £000's        | £000's       | £000's         | £000's                   | £000's                          | £000's         |
| Value at 1.4.06                              | 20,153        | 2,755        | 1,051          | 1,058                    | 7,365                           | 216,103        |
| Additions                                    | 160           | 289          | 65             | 1,433                    | -                               | 4,612          |
| Transfers from /to Assets under Construction | 514           | -            | -              | -                        | -                               | -              |
| Net Revaluation                              | -             | -            | -              | -                        | 86                              | 2,711          |
| Disposals                                    | -             | (262)        | -              | -                        | -                               | (262)          |
| Value at 31.3.07                             | <u>20,827</u> | <u>2,782</u> | <u>1,116</u>   | <u>2,491</u>             | <u>7,451</u>                    | <u>223,164</u> |
| Depreciation at 1.4.06                       | 12,728        | 2,355        | 439            | -                        | 591                             | 26,291         |
| Provided                                     | 1,358         | 268          | 4              | -                        | 148                             | 7,098          |
| Depreciation due to revaluation              | -             | -            | -              | -                        | 9                               | 405            |
| Disposals                                    | -             | (259)        | -              | -                        | -                               | (259)          |
| Depreciation at 31.3.07                      | <u>14,086</u> | <u>2,364</u> | <u>443</u>     | <u>-</u>                 | <u>748</u>                      | <u>33,535</u>  |
| Net Book Value at 31.3.07                    | <u>6,741</u>  | <u>418</u>   | <u>673</u>     | <u>2,491</u>             | <u>6,703</u>                    | <u>189,629</u> |
| Net Book Value at 1.4.06                     | <u>7,425</u>  | <u>400</u>   | <u>612</u>     | <u>1,058</u>             | <u>6,774</u>                    | <u>189,812</u> |

Heritage assets are included in Land, Structure and Collections Acquisitions.

Of the total Net Book Value of £189,629,203, £189,342,166, relates to the Museum and the remainder, £287,037 relates to the Development Trust.

£1,632,844 of the Assets under Construction relates to AirSpace, at IWM Duxford.

On 12 October 2001 the Imperial War Museum entered into a finance lease for the current accommodation of the Cabinet War Rooms, for additional space, and for refurbishment of the space. The landlord is EP3 Ltd. Rent is payable until 2030/31.

Donated Assets additions during the year consist of. £45,000 for Decorations and Medals of John Bridge and £20,000 for the Moscati Collection of letters memorabilia.

The Lambeth Road (or Southwark) site and other properties, apart from HMS Belfast, were originally valued as at 31 March 1989 by the Chief Valuer's Department of the Inland Revenue. The Cabinet War Rooms, part of the basement of the South Block Treasury Building converted in 1938, was deemed to be of nil market value. The sites were revalued on 31 March 2004 by external professional valuers GeraldEve, in accordance with the Royal Institute of Chartered Surveyors guidance notes.

Buildings have been reclassified in accordance with Financial Reporting Standard 15 - *Tangible Fixed Assets*, between structure, plant and machinery and fit-out. Each of the major components has substantially different economic lives.

IMPERIAL WAR MUSEUM ACCOUNT 2006/07

| Property   | Title             | Net Book Value Basis of<br>at 31 March 2007<br>£000's | Valuation                          |
|--|-------------------|---|------------------------------------|
| Lambeth Road<br>London SE1                         | Long<br>Leasehold | 62,118  | Depreciated<br>Replacement<br>Cost |
| All Saints Annexe<br>Austral Street<br>London SE11 | Freehold          | 1,631   | Existing use                       |
| Duxford Airfield<br>Cambridgeshire                 | Freehold          | 73,101  | Depreciated<br>Replacement<br>Cost |
| Ickleton Film Store<br>Cambridgeshire              | Leasehold         | 4,639   | Depreciated<br>Replacement<br>Cost |
| IWM North<br>Manchester                            | Leasehold         | 27,002  | Depreciated<br>Replacement<br>Cost |

The net book value at 31 March 2007 represents fixed assets for:

|                                 | Charitable<br>activities<br>£000's | Other<br>activities<br>£000's | Total<br>£000's |
|---------------------------------|------------------------------------|-------------------------------|-----------------|
| Land & Buildings                | 170,971                            | -                             | 170,971         |
| Exhibitions                     | 6,741                              | -                             | 6,741           |
| Equipment                       | 418                                | -                             | 418             |
| Assets under Construction       | 1,632                              | -                             | 1,632           |
| Donated Assets                  | 673                                | -                             | 673             |
| Acquisitions                    | 2,491                              | -                             | 2,491           |
| Assets held under Finance Lease | 6,703                              | -                             | 6,703           |
| <b>Total</b>                    | <b>189,629</b>                     |                               | <b>189,629</b>  |

|  | Group<br>2007<br>Total<br>£000's | Group<br>2006<br>Total<br>£000's | Museum<br>2007<br>Total<br>£000's | Museum<br>2006<br>Total<br>£000's |
|--|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| <b>9a Debtors</b>  |                                  |                                  |                                   |                                   |
| Amounts falling due within one year                      |                                  |                                  |                                   |                                   |
| Trade debtors  | 619                              | 754                              | 115                               | 261                               |
| Other debtors  | 1,338                            | 4,725                            | 733                               | 2,647                             |
| Amount owed from Imperial War Museum Trust               | -                                | -                                | 1,518                             | 1,765                             |
| Amount owed from Imperial War Museum Trading Company Ltd | -                                | -                                | 2,070                             | 762                               |
| Tax Recoverable  | 517                              | 753                              | 517                               | 753                               |
| Prepayments and accruals                                 | 103                              | 89                               | 49                                | 36                                |
| Provision for bad debts                                  | (14)                             | (22)                             | (7)                               | (13)                              |
| <b>Total Debtors falling due within one year</b>         | <b>2,563</b>                     | <b>6,299</b>                     | <b>4,995</b>                      | <b>6,211</b>                      |
| <b>9b Amounts falling due after more than one year</b>   |                                  |                                  |                                   |                                   |
| Amount owed by the Imperial War Museum Trading Company   | -                                | -                                | 1,991                             | 1,110                             |
| <b>Total Debtors</b>                                     | <b>2,563</b>                     | <b>6,299</b>                     | <b>6,986</b>                      | <b>7,321</b>                      |

Group - Other debtors comprise , £446,368.77 from the Heritage Lottery Fund, due to the AirSpace project at IWM Duxford. At 31 March 2007 the American Air Museum in Britain owed The Imperial War Museum Development Trust the sum of £480,517 (2006-£399,722) representing grants due to the Trust.

Museum - Debtors falling due within one year - £1,517,626 due from the Imperial War Museum Trust relates mainly to the Churchill Museum and Cabinet War Rooms, £181,029 the AirSpace Project at IWM Duxford, £592,204 and the American Air Museum at Duxford, £639,472. The Trading Company is indebted to the Museum by £2,070,434 which relates to the Gift Aid profit for the year and the outstanding amounts due for rent and overheads.

Museum- Debtors due after more than one year relate to a loan due from the IWM Trading company.

IMPERIAL WAR MUSEUM ACCOUNT 2006/07

|  | Group<br>2007<br>Total<br>£000's | Group<br>2006<br>Total<br>£000's | Museum<br>2007<br>Total<br>£000's | Museum<br>2006<br>Total<br>£000's |
|--|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| <b>9c Intra-Government Debtor Balances</b>           |                                  |                                  |                                   |                                   |
| <i>Balances with other central government bodies</i> |                                  |                                  |                                   |                                   |
| Heritage Lottery Fund                                | 446                              | 1,514                            | 446                               | 1,514                             |
| HM Revenue & Customs                                 | 517                              | 753                              | 517                               | 753                               |
| East of England Development Agency (EDDA)            | -                                | 998                              | -                                 | -                                 |
|  | <u>963</u>                       | <u>3,265</u>                     | <u>963</u>                        | <u>2,267</u>                      |

|  | Imperial<br>War<br>Museum | Imperial<br>War<br>Museum<br>Trust | IWM<br>Trading<br>Company<br>Limited | 2007<br>Total<br>£000's | 2006<br>Total<br>£000's |
|--|---------------------------|------------------------------------|--------------------------------------|-------------------------|-------------------------|
| <b>10 Cash at Bank and in hand</b>       |                           |                                    |                                      |                         |                         |
| Paymaster General bank balance           |                           |                                    |                                      |                         | 2                       |
| Commercial bank balance and cash in hand | 2,487                     | 5,250                              | 298                                  | 8,035                   | 2,575                   |
| Total                                    | <u>2,487</u>              | <u>5,250</u>                       | <u>298</u>                           | <u>8,035</u>            | <u>2,577</u>            |

|   | Group<br>2007<br>Total<br>£000's | Group<br>2006<br>Total<br>£000's | Museum<br>2007<br>Total<br>£000's | Museum<br>2006<br>Total<br>£000's |
|---|----------------------------------|----------------------------------|-----------------------------------|-----------------------------------|
| <b>11 Creditors</b>                                     |                                  |                                  |                                   |                                   |
| <i>Amounts falling due within one year</i>              |                                  |                                  |                                   |                                   |
| Trade Creditors   | 1,510                            | 1,625                            | 1,252                             | 1,592                             |
| Amount owing to Imperial War Museum Trust               | -                                | -                                | 275                               | 300                               |
| Amount owing to Imperial War Museum Trading Company Ltd | -                                | -                                | 993                               | -                                 |
| Other Creditors   | 844                              | 776                              | 733                               | 566                               |
| Obligations under finance lease                         | 31                               | 29                               | 31                                | 29                                |
| Accruals  | 1,919                            | 1,937                            | 1,738                             | 1,796                             |
| Total creditors falling due within one year             | <u>4,304</u>                     | <u>4,367</u>                     | <u>5,022</u>                      | <u>4,283</u>                      |
| <i>Amounts falling due after more than one year</i>     |                                  |                                  |                                   |                                   |
| Obligations under finance lease                         | 6,176                            | 6,206                            | 6,176                             | 6,206                             |
| Laing O'Rourke  | -                                | 347                              | -                                 | 347                               |
| Runway Repair - Tarmac                                  | 188                              | 283                              | 188                               | 283                               |
| Loan from IWM Trust                                     | -                                | -                                | 2,250                             | 2,925                             |
| Total creditors falling due after more than one year    | <u>6,364</u>                     | <u>6,836</u>                     | <u>8,614</u>                      | <u>9,761</u>                      |
| Total creditors   | <u>10,668</u>                    | <u>11,203</u>                    | <u>13,636</u>                     | <u>14,044</u>                     |

As at 31 March 2007 the Museum had no intra-Government Balances above £1 million.

|  | Balance<br>as at<br>01/04/2006<br>£000's | Additions<br>in year<br>£000's | Provision<br>Utilised<br>£000's | Balance<br>as at<br>31/03/2007<br>£000's |
|--|--|--------------------------------|---------------------------------|--|
| <b>11b Provisions</b>                        |  |                                |                                 |  |
| Early retirement costs                       | 250                                      | 18                             | (33)                            | 235                                      |
| Amounts falling due within one year          |  |                                |                                 | 49                                       |
| Amounts falling due after more than one year |  |                                |                                 | 186                                      |
| Total Provisions                             |  |                                |                                 | <u>235</u>                               |

Under the rules of the Principal Civil Service Pension scheme the early retirement of staff is permitted with the agreement of the museum. The museum bears the costs of retirement benefits for the period from the member of staff's retirement up to their normal retirement age under the schemes rules. The total pension liability up to the normal retirement age of each member of staff affected is charged to the statement of financial activities and recognised as a provision in the year in which the employee ceases employment. The provision is released each year to fund the pension paid until the date at which the employee would normally have retired.

In line with Treasury guidance, the provision for early retirement has been discounted at a rate of 2.2%.

12 IWM Trading Company Limited

The IWM Trading Company provides educational Services to the Museum and performs the commercial activities of retailing, catering, corporate hospitality, commercial events and temporary exhibitions ticketing.

| Income and Expenditure Account           | 2007<br>£000's | 2006<br>£000's |
|--|----------------|----------------|
| <b>Sales</b>                             |                |                |
| Retail Sales                             | 3,296          | 3,250          |
| Catering Commission                      | 353            | 422            |
| Corporate Hospitality                    | 1,493          | 1,284          |
| Education                                | 90             | 96             |
| Exhibitions                              | 324            | 325            |
| Special Events                           | 1,579          | 1,716          |
| Turnover                                 | 7,135          | 7,093          |
| Cost of Goods Sold *                     | (1,993)        | (1,958)        |
| Gross Profit                             | 5,142          | 5,135          |
| <b>Other Operating Income</b>            |                |                |
| Fees Receivable                          | 1,628          | 709            |
| External Funds                           | 396            | 393            |
|  | 7,166          | 6,237          |
| <b>Other Operating Charges *</b>         | (4,208)        | (4,323)        |
| Indirect Costs                           | (1,135)        | (1,096)        |
| Operating Profit                         | 1,823          | 818            |
| Interest Payable                         | (100)          |                |
| Interest Receivable                      | 11             | 16             |
| Profit                                   | 1,734          | 834            |
| Amount paid to the Museum under Gift Aid | (2,615)        | (1,944)        |
|  | (881)          | (1,110)        |

Turnover of £7,135,511 includes £15,162 of sales from the Trading Company to the Museum which is eliminated giving £7,120,349 as net commercial income.

Fees receivable of £1,627,898 includes £992,306 of fees from the Trading Company to the Museum. Fees of £635,592 and External funds of £395,978 have been included in "Fees" and "External Funds". Other income and costs have been shown as "Investment Income" and "Commercial Costs" respectively, in the Statement of Financial Activities.

Commercial Costs \* of £6,200,928 includes £51,668 of transactions between the Museum and Trading Company which is eliminated on consolidation giving £6,149,260 as net commercial costs.

| Balance Sheet   | 2007<br>£000's | 2006<br>£000's |
|---|----------------|----------------|
| <b>Current Assets</b>                                   | 2,715          | 1,241          |
| Current Liabilities                                     | (2,615)        | (1,141)        |
| Creditors: amounts falling due after more than one year | (1,991)        | (1,110)        |
| Net Assets  | (1,891)        | (1,010)        |
| <b>Capital and Reserves</b>                             | (1,891)        | (1,010)        |

The company has been provided with a loan by the Imperial War Museum to provide for short term funding needs. The future plans of the Company forecast significant growth.

13 Capital commitments

At the balance sheet date, outstanding capital commitments, authorised by the Board of Trustees but not yet contracted, amounted to some £1.8 million which relates to the corporate security and fire project (£1.3m) and the Runway project at Duxford (£0.5m).

14 Commitments Under Leases and Hire Agreements

At 31 March 2007 the Imperial War Museum had annual commitments under leases and hire agreements as set out below.

|   | 2007<br>Exhibitions<br>£000's                    | 2006<br>Exhibitions<br>£000's                    |
|---|--|--|
| <b>Finance lease obligations: Payments due within</b> |  |  |
| One year  | 31   | 29   |
| Two to five years                                     | 309  | 255  |
| More than five years                                  | 5,866  | 5,951  |
|   | <u>6,206</u>                                     | <u>6,235</u>                                     |
| <br>  |  |  |
|   | 2007<br>Land<br>and other<br>Buildings<br>£000's | 2006<br>Land<br>and other<br>Buildings<br>£000's |
| <b>Operating Leases which expire:</b>                 |  |  |
| Within one year                                       | 56   | 55   |
| In the second to fifth years                          | 15   | 15   |
| Over five years                                       | 192  | 136  |
|   | <u>263</u>                                       | <u>206</u>                                       |
| <br>  |  |  |
|   | 2007<br>Equipment<br>£000's                      | 2006<br>Equipment<br>£000's                      |
| <b>Hire Agreements which expire:</b>                  |  |  |
| Within one year                                       | 1  | 13   |
| In the second to fifth years                          | 69   | 97   |
| Over five years                                       | -  | -  |
|   | <u>70</u>  | <u>110</u>                                       |

15 Contingent Liabilities

The company is in discussion with HM Revenue & Customs (HMRC) on the issue of the eligibility of educational activities. As at the date of the signature of the accounts, the discussions with HMRC are continuing. No provision for any potential liability that might arise pending the outcome of the discussions has been included in the accounts because it is not possible to quantify an amount with any certainty.

16 Post Balance Sheet Events

There are no Post Balance Sheet events. The accounts were authorised for issue on 18 July 2007 by the Accounting Officer.

|  | At 01 April<br>2006<br>£000's | Income<br>£000's | Expenditure<br>£000's | Net<br>Investment<br>Gains/losses<br>£000's | Transfers<br>£000's | At 31 March<br>2007<br>£000's |
|--|-------------------------------|------------------|-----------------------|---|---------------------|-------------------------------|
| <b>17 Statement of funds</b>   |                               |                  |                       |   |                     |                               |
| Unrestricted funds   |                               |                  |                       |   |                     |                               |
| <i>Designated funds:</i>   |                               |                  |                       |   |                     |                               |
| Buildings, Collections, Equipment and Exhibitions *                    | 24,944                        | 2,176            | (3,785)               | 385   | (2,500)             | 21,220                        |
| Collections  | 6                             | 119              | (123)                 | -   | -                   | 2                             |
| <b>Total designated funds</b>  | <b>24,950</b>                 | <b>2,295</b>     | <b>(3,908)</b>        | <b>385</b>                                  | <b>(2,500)</b>      | <b>21,222</b>                 |
| General funds  | 1,055                         | 29,552           | (30,647)              | -   | 5,299               | 5,259                         |
| Provision for future liabilities                                       | (721)                         | -                | -                     | -   | 188                 | (533)                         |
| Trading funds  | (1,110)                       | -                | -                     | -   | (881)               | (1,991)                       |
|  | (776)                         | 29,552           | (30,647)              | -   | 4,606               | 2,735                         |
| <b>Total unrestricted funds</b>  | <b>24,174</b>                 | <b>31,847</b>    | <b>(34,555)</b>       | <b>385</b>                                  | <b>2,106</b>        | <b>23,957</b>                 |
| Restricted funds   |                               |                  |                       |   |                     |                               |
| Buildings, Collections, Donated Objects Equipment<br>and Exhibitions * | 158,094                       | 2,721            | (3,332)               | 1,921                                       | 2,302               | 161,706                       |
| Tied Funds   | 330                           | 3,364            | (4,195)               | -   | 831                 | 330                           |
| <b>Museum restricted funds</b>   | <b>158,424</b>                | <b>6,085</b>     | <b>(7,527)</b>        | <b>1,921</b>                                | <b>3,133</b>        | <b>162,036</b>                |
| Imperial War Museum Trust  | 2,925                         | 3                | -                     | -   | (2,200)             | 728                           |
| Redevelopment Appeal   |                               |                  |                       |   |                     |                               |
| Imperial War Museum Trust  | 2,394                         | 4,102            | (3)                   | -   | (3,039)             | 3,454                         |
| Tied Donations   |                               |                  |                       |   |                     |                               |
| <b>Total restricted funds</b>  | <b>163,743</b>                | <b>10,190</b>    | <b>(7,530)</b>        | <b>1,921</b>                                | <b>(2,106)</b>      | <b>166,218</b>                |
| <b>Total funds</b>   | <b>187,917</b>                | <b>42,037</b>    | <b>(42,085)</b>       | <b>2,306</b>                                | <b>-</b>            | <b>190,175</b>                |

Funds of £3,193,602 have been transferred from the Imperial War Museum Trust Tied Donations to Various Museum funds to match expenditure. Funds of £154,000 have been transferred from the Imperial War Museum (£150,000) and the Imperial War Museum Trading Company Ltd (£4,000), to the Imperial War Museum Trust Tied Donations. Funds of £2,200,000 have been transferred from the Imperial War Museum Trust Redevelopment Appeal to Museum General funds.

\* These capital funds are not liquid funds but represent income which has been received and has been used to Purchase fixed assets.

Provision for future liabilities includes £235,309 for early retirement payments and £282,600 for the restoration of the Runway at Duxford Airfield

The Museum acquires donated objects by gift, bequest and from the translation of long term loans for the collections into permanent acquisitions. Objects wholly or partially donated to the Museum in 2006/07 were valued at £65,000 comprising assets and equipment capitalised in the Museum's Balance Sheet. (2005/06 £22,000)

|  | Unrestricted<br>funds<br>£000's | Restricted<br>funds<br>£000's | Total<br>2007<br>£000's |
|--|---------------------------------|-------------------------------|-------------------------|
| <b>18 Analysis of group net assets between funds</b> |                                 |                               |                         |
| Fund balances at 31 March 2007                       |                                 |                               |                         |
| are represented by :                                 |                                 |                               |                         |
| Tangible Fixed Assets                                | 27,923                          | 161,706                       | 189,629                 |
| Investments  |                                 |                               |                         |
| Net Current Assets                                   | 2,396                           | 4,700                         | 7,096                   |
| Long Term Creditors                                  | (6,362)                         | (188)                         | (6,550)                 |
| <b>Total net assets</b>                              | <b>23,957</b>                   | <b>166,218</b>                | <b>190,175</b>          |

19 Cash flow information

|   |                           |                     |                            |
|---|---------------------------|---------------------|----------------------------|
| <b>(a) Reconciliation of changes in resources to net inflow from operating activities</b> |                           |                     |                            |
|   | 2007                      | 2006                |                            |
|   | £000's                    | £'000               |                            |
| Net incoming resources before revaluations  | (48)                      | 4,827               |                            |
| Investment Income   | (380)                     | (344)               |                            |
| Interest element of finance lease rental payments   | 396                       | 398                 |                            |
| (Gain)/loss on sale of Tangible fixed assets  | 3                         | -                   |                            |
| Depreciation charge for the year  | 7,098                     | 6,708               |                            |
| Decrease/(Increase) in stocks   | (169)                     | 165                 |                            |
| (Increase) in debtors   | 3,736                     | 297                 |                            |
| (Decrease)/Increase in creditors  | 96                        | (983)               |                            |
| <b>Net cash inflow from operating activities</b>  | <b>10,732</b>             | <b>11,068</b>       |                            |
| <b>(b) Analysis of Cash Flows</b>   |                           |                     |                            |
| Increase in cash in the period  | 5,458                     | (3,194)             |                            |
| Cash outflow arising from decrease in finance lease                                       | 29                        | 27                  |                            |
| Movement in net debt in the period  | 5,487                     | (3,167)             |                            |
| Net debt at 1 April   | (3,659)                   | (492)               |                            |
| Net debt at 31 March  | 1,828                     | (3,659)             |                            |
| <b>(c) Changes in net debt/funds</b>  |                           |                     |                            |
|   | 1-April<br>2006<br>£000's | Cash flow<br>£000's | 31-March<br>2007<br>£000's |
| Cash at bank and in hand and bank overdraft   | 2,577                     | 5,458               | 8,035                      |
| Finance Lease   | (6,236)                   | 29                  | (6,207)                    |
| Net debts   | (3,659)                   | 5,487               | 1,828                      |

20 The role of 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 the museum faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet have been omitted from this note.

Liquidity Risk

Grant-in-Aid from the Department for Culture, Media and Sport comprises 49% of total incoming resources. The remaining amount is funded via self generated income, which tends to fluctuate around historically predictable performance. As a result, the Museum is exposed to some liquidity risk.

Interest Rate Risk

100% of the museum's financial assets carry nil or fixed rates of interest. The museum is not therefore exposed to significant interest rate risk.

The following table shows the interest rate profile of the Museum's financial assets:

| Interest Rate Profile | Fixed rate financial assets<br>£000 | Non- interest bearing financial<br>assets<br>£000 | Weighted average interest rate | Weighted average period for<br>which rate is fixed |
|-----------------------|-------------------------------------|---|--------------------------------|--|
| As 31 March 2007      |                                     |   |                                |  |
| Sterling              | 8,020                               | 15  | 5.21                           | 41 Days  |
|                       | <u>8,020</u>                        | <u>15</u>   |                                |  |
| As 31 March 2006      |                                     |   |                                |  |
| Sterling              | 2,562                               | 15  | 4.5                            | 20 Days  |
|                       | <u>2,562</u>                        | <u>15</u>   |                                |  |

The book value equals the fair value for all assets held.

## 21 Related Party Transactions

The Imperial War Museum is a statutory non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS).

DCMS is regarded as a related party. During the year the Museum has had various material transactions with the Department.

The Imperial War Museum received grants from the Heritage Lottery Fund (HLF) and the Big Lottery Fund (BLF) for which the DCMS is also recognised as the parent body.

None of the Trustee board members, key managerial staff or other related parties has undertaken any material transactions with the Museum during the year.

The Imperial War Museum has borrowed from and / or lent works of art and exhibits, or provided services to the following organisations during the financial year 2006/07 which have DCMS or other Government Departments as parent Department.

British Film Institute  
British Library  
National Maritime Museum  
National Portrait Gallery  
National Railway Museum  
Natural History Museum  
Royal Armouries Museum  
Victoria & Albert Museum

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