

Presented pursuant to c.44, para 9(8) of the Museums and Galleries Act 1992

Imperial War Museum Account 2003-2004

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 28 FEBRUARY 2005

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Foreword and Annual Report for the year ended 31 March 2004

Background information

The Imperial War Museum was founded in 1917 to record the Great War and the contribution of the peoples of the Empire to it. It was formally established by Act of Parliament in 1920 and first opened to the public in the Crystal Palace in July of that year. The Museum moved to its present site in Southwark in 1936. Its remit was extended in 1939 to include the Second World War and in 1953 to include all aspects of all conflicts in which the forces of Britain or the Commonwealth have been involved since August 1914.

The Imperial War Museum is thus the national museum of twentieth century conflict. It illustrates and records all aspects of war, whether allied or enemy, service or civilian, military or political, social or cultural. Its rôle embraces the causes, course and consequences of conflict and it has an essentially educational purpose.

The Museum's collections comprise works of art, which include over 19,000 paintings, drawings and sculptures and 15,000 posters; objects ranging from aircraft, armoured fighting vehicles and naval vessels to uniforms, badges, personal equipment and medals and decorations (comprising over 115,000 discrete items); more than 17,000 collections of documents, both British and foreign; printed books comprising a national reference library of at least 410,000 items; 120 million feet of cine film and over 10,000 hours of video tape; over six million photographs and photographic negatives and transparencies, and some 36,000 recorded hours of historical sound recordings.

The Imperial War Museum is also a major national art gallery, a major national archive of written and audio-visual records, and a research centre. Its activities include display, education, publishing, research, trading, conferences, as well as the acquisition, documentation, study and conservation of collections.

The Museum has five branches: IWM London in Kennington in South London, IWM Duxford in Cambridgeshire, which opened to the public in 1976; HMS Belfast for which the Trustees assumed responsibility in 1978; the Cabinet War Rooms in Whitehall which the Trustees have managed since it opened to the public in 1984, and for which they became fully responsible in 1989; and IWM North in Trafford, Greater Manchester, which opened to the public in July 2002. In addition, the Museum has a purpose-built film store, located near to IWM Duxford, and an annexe to IWM London housing mainly the audio-visual records departments at the former All Saints Hospital in Austral Street, London SE11.

Constitution, governance and funding

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 twenty-one other Trustees, ten 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' chief executive officer is the Director-General who is also the Accounting Officer. The Museum's Senior Management Team (SMT) formulates and discusses policy issues, and monitors progress on key plans. It meets monthly and is chaired by the Director-General. It comprises all branch and divisional directors. The Museum is partly funded by Grant-in-Aid from the Department for Culture, Media and Sport. Other major sources of funding are derived from the Museum's various trading activities, and from sponsorship and donations. The names of the Trustees are set out in the Legal and Administrative Details section of this report, at Annex A.

3 The Museum's aims

3.1 The Imperial War Museum is the museum of everyone's story: the history of modern war and people's experience of war and wartime life in Britain and the Commonwealth. It is an educational and historical institution responsible for archives, collections and sites of outstanding national importance.

It is a single institution with a single purpose, fulfilled in different ways at its different branches, both physical and virtual.

3.2 The corporate priorities for 2003-2004 were to

- promote and deliver a wide, lively and educational programme of public activity to develop further our audience and reputation;
- enhance our collections through improvements to collections management, the standard of care and the acquisition of new material;
- modernise the delivery of services with the benefits of new systems, processes and technology;
- successfully realise the programme of major capital projects;
- maintain and manage our buildings and displays to the highest standards;
- support the development of a highly skilled, motivated and dedicated staff; and
- optimise resources available through increases in revenue generation and efficiencies in consumption.

The Museum has identified the risks associated with these objectives and has introduced appropriate controls as part of its programme of risk management. An integral part of this programme has been to embed the culture of risk management in the process of business planning, throughout the whole organisation and to all staff. Particular priority has been given to managing those risks associated with major capital projects to deliver to budget, to secure necessary external funding and to ensure sustainability.

4 Review of activities and achievements in 2003-2004

4.1 Overview

The key highlights of another successful year for the Museum have been the opening of the new Churchill suite at Cabinet War Rooms; the consolidation of IWM North, which opened in 2002; the completion of the new Visitor Centre at IWM Duxford; progress with work towards the submission of an application to be registered with the Museums, Libraries and Archives Council's minimum standards scheme that measures museum performance against accepted professional standards (Registration); the launch of Collections Online; a highly praised and successful programme of new exhibitions and the continued popularity of the IWM website, or at www.iwmcollections.org.uk

4.2 Access

Visitor figures for all branches for the year 2003-2004 were as follows

		% increase/ decrease on 2002-2003
IWM London	672,402	3%
Cabinet War Rooms	301,373	2%
HMS Belfast	266,238	7%
IWM Duxford	450,085	13%
IWM North *	276,321	(28%)
Combined total	<u>1,966,419</u>	<u>(1%)</u>

* IWM North opened 5 July 2002

Imperial War Museum North got off to an excellent start after opening in July 2002, with exceptional admissions figures in the opening months which were nearly double the original target. In its second year of operation the branch has consolidated its activities and performance has been just short of the target of 280,000 visitors per annum.

A wide range of services have been made available to provide access to the Museum and its collections for as broad an audience as possible. These have included

- an ambitious and varied programme of exhibitions, designed to bring in new audiences;
- a stimulating programme of education activities for the whole family and life long learners;
- 'Kip in a Ship': a sleepover facility for young people on board HMS Belfast;
- special events to mark Black History Month and Holocaust Memorial Day;
- free access for all at IWM London and IWM North; and
- loan of items from the collections to exhibitions at venues both at home and abroad.

The Website

In addition to those visitors who came 'through the doors', the Museum's website attracted in excess of 2 million users. A working group was established to build a strategy for the redevelopment of the website and the focus for improvement of the site has included the development of a content management system to improve the look and usability of the site. On-line exhibitions covering the battles of Crete and El Alamein, the Century of Flight and the Jollyboat of the SS Anglo Saxon have been added, and on-line facilities for purchase of tickets for Duxford air days and special exhibitions, as well as a book service operated by Gardner's Books have also been created.

Collections on Line

Collections on Line was launched in two phases between April 2003 and April 2004. This project marks a major landmark for the Museum, making available on line 150,000 records, of which nearly 4,000 are accompanied by images, including some 2,400 historic images from the Photograph Archive and 1,400 works of art,. In addition some 350 Sound Archive records are accompanied by selected 'sound bites', while 175 of Documents' records are linked to full catalogue records.

This excellent resource is searchable either by collections-specific screens or via an 'All Search' screen. The site is enhanced by short essays on major historical themes from which the user is led to specially selected records from all the collections. An important feature is the 'My Order' facility which allows web-based users to order photographic images direct from the Photograph Archive. Collections on Line can be accessed either through the IWM website, or at www.iwmcollections.org.uk

4.3 Education

Education is a core objective for the Imperial War Museum which is achieved through

- a formal teaching programme for students and pupils;
- ongoing development of the curriculum areas, including citizenship, literacy, art and science and technology as well as history;
- a range of activities to promote life-long learning for adults and family groups alike; and
- a programme of stimulating and informative permanent and temporary displays.

The educational programmes at the Museum's branches have been extremely successful and approximately 450,000 learners have been welcomed at on-site educational sessions and a further 257,000 children in on and off-site sessions.

The Museum won Strategic Commissioning funding from the DCMS/DfES for two outreach projects

- *Partners in Time* at IWM Duxford: a project aimed at increasing access to the Museum's collections through outreach to economically deprived schools in the Eastern Region; and
- *Moving Minds* at IWM North: a project focused on social inclusion. It aims to bring in audiences that are not usually museum visitors by involving them in the life of the Museum.

Both programmes have attracted a lot of interest from local special schools and community groups.

All branches worked hard to develop links with their local communities. Examples include: IWM North's Volunteer Programme providing work place experience and vocational training in the form of an NVQ in Cultural Heritage (Level 2) to a number of target groups in disadvantaged areas; IWM Duxford's outreach work with local special schools which seeks to improve intellectual access for local children; the 'Carols on the Quarterdeck' event with local schools on board HMS Belfast; and the wartime Reminiscence Group at the Cabinet War Rooms, a project involving Westminster residents. Already successful programmes such as 'Kip in a Ship' have gone from strength to strength, receiving a growing number of sleepover bookings and consistently positive evaluation and feedback from users.

In 2003, IWM London piloted the Museums Libraries and Archives Council's Inspiring Learning for All, a ground-breaking new national framework which aims to help our institutions become more accessible and inclusive in the provision of learning opportunities for users and visitors.

Outreach

Education departments across the Museum's branches have delivered programmes in local hospitals, prisons and residential homes, and a new video conferencing facility has enabled the Museum to reach audiences much further afield. Outreach work in the local community at IWM North has continued to develop city-wide links and new audiences in collaboration with Arts About Manchester and other local cultural organisations.

Exhibitions

Two major special exhibitions opened at IWM London: *Women and War*, a major loan exhibition telling the story of the role of women in wartime from the First World War to the present, opened in October 2003 by HM The Queen, and running until April 2004; *Eric Ravilious: Imagined Realities*, a highly acclaimed centenary exhibition showing all aspects of the artist's work as painter and designer, October 2003 – January 2004. Other displays at this branch have included *Langlands and Bell: The House of Osama Bin Laden*, April – June 2003, work resulting from their commission to Afghanistan, which has subsequently won them a BAFTA for the use of technology and a nomination for the Turner Prize in 2004; *Joan of Arc: In love with God, in love with War*, a graphic display, international in scope illustrating Joan of Arc's charisma and importance as a national figure; and *Painting Caserta Red* a display of new paintings and book works by Hughie O'Donoghue, June – September 2003, which transferred in the autumn to IWM North. In addition to this exhibition the branch in Manchester mounted a major exhibition *In the Mood*, the story of entertainment from the First World War to the present day, which ran from April to September 2003; and *Shipbuilding: Stanley Spencer and Patricia McKennon-Day*, February – April 2004, in which new work by the latter artist provided a contemporary echo to Spencer's monumental works from the Second World War. At IWM Duxford the special centenary exhibition *100 Years of Flight* was opened in April 2003 by a descendent of Wilbur and Orville Wright; and *Lest We Forget*, a display of modern-day photographs of the Normandy Veterans' Association which heralded the 60th anniversary of D-Day. An additional suite of historic rooms, including the Churchills' kitchen and dining room, the Chiefs of Staff conference room and Mrs Churchill's bedroom, were opened to the public in April 2003.

4.4 The Collections

Over the past twelve months much progress has been made towards an application to the MLA's Registration Scheme, with most projects proceeding to schedule. New policies governing entry of collections and acquisitions and disposal of items have been developed, and these represent a major step forward in terms of accounting for the Museum's holdings.

The new film store at Ickleton has been handed over to the Museum, now providing enhanced and stable facilities for the storage of highly flammable nitrate film.

Significant acquisitions have included the Victoria Cross of Temporary Lieutenant Wilkinson RNR; papers relating to Siegfried Sassoon, a wide range of interviews recorded as part of the Museum's oral history projects; a Union Flag, discovered in the wreckage of the World Trade Centre after the attack on 11 September 2001; an important selection of images of the war in Iraq taken by Army photographers; a selection of 35 items from the Iraq War including Iraqi uniform, equipment and insignia, firearms, two Iraqi flags, medals and a head and shoulders statue of Saddam Hussein; six items of uniform worn by Marlene Dietrich while entertaining troops during the Second World War; a collection of nineteen pieces of communications and radar equipment representing the development of radar in the twentieth century; and the colour patches and epaulet of Field Marshal Erwin Rommel, originally presented to Field Marshal Lord Montgomery. The Art Commissions Committee completed two commissions to Afghanistan, as a result of which works by Paul Seawright and Langlands and Bell were added to the collection.

4.5 Publications

The following books have been published in association with the Museum: *Churchill at War* by Martin Gilbert (Carlton Books); *Eric Ravilious: Imagined Realities* a catalogue to the major art exhibition by Alan Powers; *Remembering D-Day: a History of every day Heroes* by Martin Bowman (Harper Collins) and *D-Day 6.6.44* by Dan Parry (BBC Books) which is the official book of the Museum's exhibition and the BBC drama. From *Corsets to Camouflage: Women in War* by Kate Adie, published in association with Hodder and Stoughton to coincide with the special exhibition in 2003 has been an enormous success and was short listed for the WH Smith Readers Award for non-fiction. *Forgotten Voices of the Great War* by Max Arthur (Ebury Press, 2002) has been the highest-ever selling IWM associated publication: the paperback remained in the *Sunday Times'* top ten for 15 consecutive weeks and the audio edition won Audio Book of the Year at the 2004 National Book Awards.

Limited edition facsimile reprints published by the Department of Printed Books have included *The Story of British VAD Work in the Great War* by Thekla Bowser, and *Women in Uniform*, edited by D Collett Wadge, timed to co-incide with the Museum's *Women and War* exhibition, and *The Flaming Sword: in Serbia and elsewhere* by Mrs St Clair Stobard, first published in 1917.

4.6 The Museum's Estate

This year saw the consolidation of Imperial War Museum North as a key visitor attraction in the north of England. On 5 July 2003, the branch celebrated its first birthday having welcomed 470,000 visitors. The stunning IWM North building has received a number of awards during the course of the year, most notably the Best Building Award in the British Construction Industry Awards 2003 and the Civic Trust Award for its design quality. In addition, the Museum has been declared North West Visitor Attraction of the Year, as well as *The Good Britain Guide's* Best Family Attraction for Lancashire.

In March 2004, IWM Duxford's new £1.8 million Visitor Centre opened to the public. A new car park and entrance were completed as well as major infrastructure work in preparation for AirSpace.

The Department of Facilities Management has been re-organised and rationalized and has overseen the roll-out of new Facilities Management contracts at Imperial War Museum London and Imperial War Museum Duxford. Business Continuity Plans are being rewritten and emergency plans have been updated and are now in place.

4.7 Resources and efficiency

Grant-in-Aid

The Grant-in-aid for 2003-2004 was £16.541m. This was an uplift of 1.2% on the grant for the previous year. This represents 47% of the annual resources expended in running the organisation.

Fund-raising and commercial activities

2003-2004 was an extremely successful year in terms of fundraising, with over £500,000 of external funds raised towards the AirSpace project. Nearly all of the £6 million funding is now in place to allow the Churchill Museum to open in February 2005, and sponsorship was received for the *Women and War* exhibition. The American Friends of the Churchill Museum was created in the USA and a Board of Trustees recruited. Work on a Planned Giving programme also progressed through the American Air Museum in Britain.

The Development team launched a new Museum-wide Development Brochure to promote a variety of schemes such as legacies and corporate membership. A new on-line giving facility was established on the Museum's web site and Gift Aid contributions on admissions, which will be worth in excess of £100,000 per annum, was successfully introduced.

Membership of the two associated Friends schemes, Friends of the Imperial War Museum and Friends of Duxford, increased throughout the year.

The year has seen general buoyancy in commercial activities

- income from the Film, Video and Photographic Archives was up by 42% on the previous year at £1.057 million, and that from publications royalties was up by 60% at £102,000; and
- the final net profit figure for the year before gift aid is £367,203, after charges for rent and Museum overheads have been applied. The targets for the performances of retailing, catering and corporate hospitality have been mainly reached. The new corporate hospitality facilities at the Cabinet War Rooms are performing well. Overall, results are slightly down on the previous year because of the expansion in educational activities and the associated increase in indirect overheads. If these are both excluded the level of net profit showed an increase of 15% on 2002-2003.

Tangible fixed assets

The additions to Fixed Assets of £4.8 million arise chiefly from the Churchill Museum project and continuing expenditure on the AirSpace project at IWM Duxford, including the completion of the new Visitor Centre. The Land and Buildings were revalued by external professional valuers, providing an increase of £26 million; three of the sites, however, were revalued below their carrying value. The total reduction in valuation of £5m was deemed to be impairment, and therefore recognised in the Statement of Financial Activities.

Reserves policy

The reserves are kept to a minimum and are designated where possible to the major projects of the Museum. The Trustees are content with this policy. The deficit on the General Reserve represents the temporary use of Museum reserves to fund capital expenditure which will be met by income commitments in future periods.

Investment powers

Trustees are authorised to make investments under the Trustees Act 2000.

Performance indicators and financial targets

As part of its three year funding agreement with DCMS, the Museum has identified a number of performance measures relating to its aims. Details of actual results against targets are provided in Annex B to this report, with key financial targets included in note 26 to the accounts.

Contracts

Outsourcing of services is an important part of the Museum's strategy of achieving best value for money. All contracts are re-tendered on a regular basis.

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 activities of the Museum, including retailing, corporate hospitality and the Duxford air days.

Educational activities for the Museum are also operated by the Trading Company.

The Imperial War Museum Development Trust

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969 and is an exempt charity. The Trustees of the Imperial War Museum 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. Names of the Trustees are set out in the Legal and Administrative Details section of this report. The financial activities of the Trust are consolidated with those of the Museum in these financial statements.

The Friends of the Imperial War Museum and volunteers

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 to visitors.

Valuable support is received from volunteers in other areas too. At IWM Duxford the volunteer contribution by the members of the Duxford Aviation Society has now reached the equivalent of more than 20 full time posts. This largely supports the conservation programme, as well as providing free-guided tours to visitors and the operation of the information centre.

IWM London Collecting Departments have received around 1,800 hours of support, chiefly for cataloguing work, whilst the success of the UK National Inventory of War Memorials project is dependent on volunteer help. The work contributed to this project currently equates to more than 70 full time posts in one year.

An innovative volunteer project targeted at individuals and communities who may not usually think of volunteering in museums is in operation at IWM North, and has proved a great success. The work undertaken by volunteers has contributed towards NVQ Levels 2 and 3 in Cultural Heritage. Until the end of 2003, the scheme was supported through a grant from the Learning and Skills Council.

8 Corporate governance

The practices and procedures of the Museum comply with the requirements of HM Treasury's 'Government Accounting' and the Financial Memorandum issued by the Department for Culture, Media and Sport (DCMS), which is the Museum's sponsor department in relation to public funds, setting 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.

Since 1 July 1995 Trustees have been required to subscribe to a Code of Practice based on models supplied by the Cabinet Office (Office of Public Service). A Trustees' Audit Committee, conformable with this, held its first meeting in November 1995 and now meets three times a year, reporting annually to the Board of Trustees at its September meeting. The Board's Remuneration Committee has met annually since 1996 to consider pay awards for the Director-General.

Since the creation of the Office of the Commissioner for Public Appointments in 1995, appointments to the Board have been subject to its code of practice. A register of the pecuniary interests of Trustees is held in the Director-General's Office at the Museum and is available for inspection by appointment.

A Staff Code of Conduct, drawn up in accordance with Cabinet Office requirements, and agreed with the DCMS, was issued in June 1997.

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, and for maintaining a sound system of internal control and risk management.

A risk management regime has been developed to support and inform the Statement on Internal Control required by HM Treasury, and the Trustees' Audit Committee has played a leading role in advising on and recommending this system. In order for the system to be effective, the review and communication of the risks must be undertaken regularly, and to do this the key principle is to embed the culture of risk management as an integral part of the Museum. This has been achieved by

- making the identification of risks an integral part of the planning process. Objectives have been set and then risks linked directly to these;
- establishing one risk database for the whole organisation. This comprises cascading risks upwards from department through division to a corporate level;
- the incorporation of risk management into the quarterly stewardship reporting by all directors to the Director-General;
- quarterly review of the strategic risks, and progress against them, by the Museum's senior management team, at every meeting of the Trustees' Audit Committee, and annually by the Board of Trustees;
- integrating risk assessment into all key Museum business cases and project management regime; and
- internal audit reviews of all branches on internal control and risk management to provide assurance to the Director-General.

The Museum has considerably revised and improved the systems of risk management during the last financial year. This has involved the development of the RiskTrack risk management software system to an intranet/internet based version with the objective of enabling true, real-time access across all branches; improving reliability; establishing a more detailed audit trail; and providing a more friendly user interface.

The Audit Committee and the Main Board of Trustees have approved the strategic risk register.

In addition the Museum is continuing the system of management checks introduced to support the system of internal controls. Reports are made by each Director of Division to the Director-General every quarter, and include a summary of management checks performed. Evidence, including working papers, is maintained by each report maker and available for audit.

Disabled persons and employee involvement

The Imperial War Museum follows policy guidelines issued by the Cabinet Office about the employment of disabled people.

The Imperial War Museum 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. Senior management communicates with staff through the preparation and circulation of annually updated corporate plans, heads of department meetings 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, staff notices and regular newsletters.

The Imperial War Museum has set up a Steering Group on Disability, which is dedicated to the development, communication and implementation of best practice policies for ensuring a corporate culture that gives disabled persons an equal opportunity of enjoying the full benefits of working at or visiting the Museum. The group oversees the implementation of the recommendations of the disabled access audit conducted in 2000.

The Museum also has a Work-Life Policy Group and policies covering career breaks, sabbaticals and flexible working.

10 Energy and environment

The Museum has well-established programmes for

- reducing energy and water consumption;
- maximising the recycling of waste and the use of recycled material;
- purchasing environmentally friendly products;
- minimising atmospheric pollution; and
- encouraging economic use of all non renewable resources by staff, visitors and contractors.

Environmental efficiency is built in to the specifications for all contracts and new build across the Museum and the Museum will seek to appoint an Environmental Engineer during the coming year.

11 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 2003-2004 was 89%, in comparison with 90% in 2002-2003.

12 Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Museum's consolidated accounts for the year ended 2003-2004. The audit fee in respect of this work was £26,000.

13 To the future

The Imperial War Museum has established itself as a leading national museum, attracting more people, putting in place new and exciting programmes for visitors, children and more generally all learners, opening prize-winning and acclaimed new museums and exhibitions, and maintaining an excellent standard of service for visitors and users of its collections. When assessing the economic impact of the Museum, it is estimated that each pound provided by the government grant-in-aid produces approximately £5.50 in wider economic benefit.*

* Using methodology developed by LSE

These successes have taken place in a difficult economic environment in which resources are scarce. The outlook for the next few years remains challenging with additional funding necessary from government for core needs, to maintain our buildings, collections and infrastructure. However, more than ever before, the Museum must rely on its own ability to generate income to finance its programmes, by seeking efficiencies, maintaining a resolute fundraising effort and reviewing and increasing the return from commercial activities.

The Imperial War Museum's principal priorities for the immediate future are focused on sustaining its programme of activities and successes and fulfilling its core responsibilities for the stewardship of and access to its collections. Looking ahead, the Museum's main challenges in the immediate future are to

- sustain and develop the Museum's leading role in the field of education;
- deliver a Museum-wide programme of activities and exhibitions commemorating the 60th anniversaries of D-Day and other events up to those of VE and VJ days. This includes directing *Their Past, Your Future*, a national educational initiative;
- bringing together Second World War veterans and schoolchildren, operated in partnership with other organisations;
- bring the Museum's physical infrastructure and systems, including buildings, storage, environmental conditions, security and IT systems, up to modern standards to ensure the long-term health of its buildings and collections;
- attain acceptable levels of good practice in all areas of management of collections to achieve Registration status;
- modernise the Museum's product which includes: upgrading visitors' access to the collections, virtual and physical; digitising a sufficient proportion of the collections to improve the Museum's educational, access and business programmes; and launching the next generation of permanent displays at IWM London;
- modernise the organisation, including management and staff structure, staff development and training, and e-delivery of services; and
- deliver major capital projects: AirSpace at IWM Duxford and the Churchill Museum at the Cabinet War Rooms.

Admiral Sir Jock Slater
Chairman of the Trustees
13 December 2004

Robert Crawford
Director-General and Accounting Officer
13 December 2004

Legal and Administrative Details

The Board of Trustees of the Imperial War Museum

HRH The Duke of Kent KG GCMG GCVO (President)
Admiral Sir Jock Slater GCB LVO DL (Chairman)
Sir William Purves CBE DSO (Deputy Chairman) (to 2 March 2004) (A)
Miss Kate Adie OBE
Mr Ian Andrews CBE TD
Sir John Coles GCMG
Dame Jean Else DBE
Sir Robin Fearn KCMG (A)
Mr Christopher Fisher
Professor Sir Lawrence Freedman CBE FBA
Miss Jyoti Munsiff (A)
Rabbi Dame Julia Neuberger DBE (A from 3 March 2004)
Air Chief Marshal Sir Peter Squire GCB DFC AFC ADC RAF
Lt Gen Sir Christopher Wallace KBE
Mr Bill Woodrow RA
His Excellency Michael L'Estrange
His Excellency Mel Cappe
His Excellency Shri Ranendra Sen
His Excellency The Hon Russell Marshall
Her Excellency Dr Maleeha Lodhi
Her Excellency Ms Lindiwe Mabuza
His Excellency Faisz Musthapha

A Member of the Trustees' Audit Committee

The Directors of the Imperial War Museum Trading Company

Miss J Munsiff (Chairman)
Miss Kate Adie OBE
Mr J M Card ACA
Mr R W K Crawford CBE
Miss A Godwin
Lieutenant General Sir Christopher Wallace KBE

The Trustees of the Imperial War Museum Trust

Admiral Sir Jock Slater (Chairman) ex officio
Mr R W K Crawford (Director-General) ex officio
Miss Kate Adie
Sir John Coles *
Sir Robin Fearn (from 3 March 2004)
Miss Jyoti Munsiff
Rabbi Dame Julia Neuberger *
Sir William Purves (to 2 March 2004)
Air Chief Marshal Sir Peter Squire
Lieutenant General Sir Christopher Wallace *

* Co-opted for a period of two years from September 2002.

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Morgans Lane
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Manchester
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Website

www.iwm.org.co.uk

Auditors

Consolidated Accounts
Comptroller and Auditor General
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SW1W 9SP

Imperial War Museum Trading Company
Limited and Trust Fund Auditors
Buzzacott
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EC4A 1 AG

Bankers

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

HM Paymaster General
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Russell Way
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RH10 1UH

Investment managers

Chiswell Associates Limited
4 Chiswell Street
London
EC1Y 4UP

Solicitors

The Museum uses the Treasury Solicitor and commercial solicitors on an ad hoc basis.

Key performance indicators

Actual outturn results are provided below against planning targets, together with comparisons for the two previous years, and targets for one further year. Key financial targets are disclosed in note 26 to the accounts.

Key Performance Indicators	2001-2002	2002-2003	2003-2004		2004-2005
	Actual	Actual	Target	Actual	Target
Total visitors*	1.60 m	1.98 m	1.90 m	1.97 m	1.95 m
Total children*	420,000	500,000	(1) 550,000	507,600	520,000
Numbers of UK visitors from socio-economic categories C2, D & E*	200,000	430,000	470,000	534,100	494,000
	13%	22%	25%	27%	25%
% of UK visitors from ethnic minorities	4%	6%	5%	4.5%	5%
Number of venues in England receiving services from the Collections*	n/a	1,475	1,478	1,500	1,555
Numbers of children in on and off-site organised educational sessions*	n/a	243,000	210,000	262,351	264,000
Total number of web-site visits*	1.16 m	1.80 m	1.85 m	2.00 m	1.97 m
Learners in on-site educational programmes	190,000	400,000	270,000	495,300	406,000
Learners in educational outreach programmes	160,000	310,000	250,000	342,400	274,000

* DCMS core target

1 Figures were negatively impacted by the very hot summer weather 2003-2004 and the war in Iraq which led to many schools cancelling visits owing to a perceived security risk in the capital.

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

- observe the accounts direction issued by the Secretary of State^(*), including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- 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 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.

Admiral Sir Jock Slater
Chairman of the Trustees
13 December 2004

Robert Crawford
Director-General and Accounting Officer
13 December 2004

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

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 2004 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 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, overall, is monitored by the Secretary and Director of Finance. Risk management is very much 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

- make the identification of risks an integral part of the planning process. Objectives have been set and then risks linked directly to them;
- assess risks on the basis of likelihood and impact, and evaluate the impact of controls to distinguish between inherent risk and residual risk; and
- 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.

The strategic risks that the Museum considers to be the highest are: terrorism and war, an adverse economic climate, the inability to preserve the collection and an ineffective Information and Communication Technology (ICT) structure. Measures that the Museum is taking to mitigate these include the updating of all emergency procedures and plans for business continuity; managing reserves in light of the economic conditions; reviewing commercial activities; improving collection care plans, policies and procedures; implementing improvements to the environmental conditions of the collections; and meeting the milestones identified in the ICT strategy.

Risk management is embedded into the activities of the organisation by

- on going training across the organisation and regular review of the risk registers;
- encouraging feedback from directors and heads of department on the way the risk management process is working in practice;
- 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;
- 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
- integrating risk assessment into all key Museum business cases and the 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 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 letter 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;
- Executive managers – Branch and Divisional directors review risks on an ongoing basis and report on the operation of these to the Director General on a quarterly basis. In addition a series of checks are carried out to corroborate the effectiveness of controls; 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.

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

Admiral Sir Jock Slater
Chairman of the Trustees
13 December 2004

Robert Crawford
Director-General and Accounting Officer
13 December 2004

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

I have audited the financial statements on pages 20 to 44 under the Museums and Galleries Act 1992. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 25 to 29.

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

As described on page 15, the Board of Trustees and the Director-General of the Imperial War Museum, as the Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded by via Parliament. The Board of Trustees and the Director-General are also responsible for the preparation of the Foreword and Annual Report. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I review whether the statement on pages 16 to 17 reflects the Imperial War Museum's compliance with HM Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Imperial War Museum's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

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

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

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Imperial War Museum and the group as at 31 March 2004 and of the incoming resources and application of resources of the group for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and the directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

22 February 2005

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

Consolidated Summary Income and Expenditure Account for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Total incoming resources	1	38,172	33,830
Resources expended	2	(40,077)	(31,085)
Total (deficit)/surplus for the year		(1,905)	2,745
Add/(less) incoming resources applied to capital expenditure	3	4,261	(1,529)
Operating surplus/(deficit)		2,356	1,216
Less designated to capital projects in progress		(2,346)	(1,023)
Transferred to general funds		10	193

Notes

- 1 'Incoming Resources' are all the sources of income accruing to the year, whether for current or capital purposes as shown in the Statement of Financial Activities.
- 2 'Resources expended' is the sum of current expenditure and depreciation charged on capital expenditure, as shown in the Statement of Financial Activities.
- 3 "Incoming resources applied to Capital Expenditure" is income designated to capital expenditure, less depreciation charged in the year. This is derived as follows

Income applied to capital expenditure	£
Churchill Museum Project	913,112
Grant from NHMF for the Cabinet War Rooms expansion project	4,052
AirSpace at IWM Duxford	3,767,296
IWM Trust Redevelopment Appeal	218
Other Capital Projects	309,862
Donated assets - Acquisitions for the Collections	230,000
Trustees applied unrestricted income to capital expenditure projects	0
Total income applied to capital expenditure for 2003-2004	5,224,540
Less Total depreciation (see note 8)	(9,485,213)
Incoming resources applied to capital expenditure	(4,260,673)

The notes on pages 25 to 44 form part of these accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2004

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2004 £000	Total 2003 £000
Incoming resources					
<i>Donations, legacies and other incoming resources</i>					
External funds		721	7,493	8,214	7,297
Donated objects	25	0	230	230	269
		721	7,723	8,444	7,566
Grant-in-aid	2	16,241	300	16,541	16,350
<i>Activities to further the Museum's objectives</i>					
Admissions		3,055	0	3,055	2,662
Lottery funding		0	1,754	1,754	29
Book, collections and reproduction sales		180	0	180	165
Fees		693	0	693	508
Royalties		1,035	0	1,035	686
		4,963	1,754	6,717	4,050
<i>Activities to generate funds</i>					
Income from commercial activities	14	6,182	0	6,182	5,664
Investment income	3	152	136	288	200
Total incoming resources		28,259	9,913	38,172	33,830
Resources expended					
<i>Costs of generating funds</i>					
Fundraising and publicity		1,699	381	2,080	2,107
Commercial costs	14	5,661	0	5,661	4,728
		7,360	381	7,741	6,835
Charitable expenditure					
<i>Cost of activities in furtherance of the museum's objectives</i>					
Education, exhibitions and visitor services		7,889	1,542	9,431	8,737
Building management		6,489	7,028	13,517	7,111
Collections management and conservation		4,445	370	4,815	4,402
Support services		4,028	35	4,063	3,487
Book, collections and reproduction costs		39	0	39	19
Purchases for the collection		101	4	105	114
		22,991	8,979	31,970	23,870
Management and administration of the charity		366	0	366	380
Total resources expended	5	30,717	9,360	40,077	31,085
Notional costs					
Cost of capital	7	218	920	1,138	1,830
Net incoming/(outgoing) resources before transfers		(2,676)	(367)	(3,043)	915
Reversal of notional costs		218	920	1,138	1,830
Net incoming/(outgoing) resources for the year	4	(2,458)	553	(1,905)	2,745

Consolidated Statement of Financial Activities for the year ended 31 March 2004 *(continued)*

	Notes	Unrestricted funds £000	Restricted funds £000	Total 2004 £000	Total 2003 £000
Gains on revaluation of fixed assets		5,460	21,293	26,753	9,794
Depreciation on revaluation of fixed assets		(47)	(265)	(312)	(209)
	9	<u>5,413</u>	<u>21,028</u>	<u>26,441</u>	<u>9,585</u>
Net movement in funds		2,955	21,581	24,536	12,330
Fund balances brought forward at 1 April		<u>24,195</u>	<u>115,542</u>	<u>139,737</u>	<u>127,407</u>
Fund balances carried forward at 31 March	20	<u>27,150</u>	<u>137,123</u>	<u>164,273</u>	<u>139,737</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 25 to 44 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2004

	Notes	Consolidated 2004 £000	2003 £000	Museum 2004 £000	2003 £000
Fixed assets					
Tangible assets	8	160,953	139,495	160,653	139,341
Investments	9	2,073	1,661	100	100
		163,026	141,156	160,753	139,441
Current assets					
Stock		811	853	121	99
Debtors	10	4,851	4,389	4,527	5,258
Cash at bank and in hand	11	5,353	2,423	677	14
		11,015	7,665	5,325	5,371
Current liabilities					
Creditors: amounts falling due within one year	12	(3,506)	(2,775)	(3,058)	(3,178)
Net current assets		7,509	4,890	2,267	2,193
Total assets less current liabilities		170,535	146,046	163,020	141,634
Creditors: amounts falling due after more than one year	12	(6,262)	(6,309)	(8,462)	(8,509)
Net assets		164,273	139,737	154,558	133,125
Represented by funds					
Restricted funds	20	137,123	115,542	129,922	110,860
Unrestricted funds					
Designated funds	20	27,204	24,259	24,690	22,329
General funds	20	(54)	(64)	(54)	(64)
Total funds		164,273	139,737	154,558	133,125

Admiral Sir Jock Slater
Chairman of the Trustees
13 December 2004

Robert Crawford
Director-General and Accounting Officer
13 December 2004

The notes on pages 25 to 44 form part of these accounts.

Cash Flow Statement for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	22	7,881	6,036
Returns on investments and servicing of finance			
Interest received		229	144
Interest element of finance lease rental payments		(401)	(58)
Dividends received		55	53
Taxation recoverable		4	3
		(113)	142
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(4,774)	(7,571)
Purchase of investments		(329)	(377)
Proceeds from sales of investments		289	339
		(4,814)	(7,609)
Cash (outflow)/inflow before financing		2,954	(1,431)
Financing			
Capital element of finance lease rental payments		(24)	(105)
(Decrease)/increase in cash in the year	22	2,930	(1,536)

Notes to the Financial Statements

1 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 October 2000)' 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.

Income and expenditure relating to the Duxford Executive Panel, a joint venture between Cambridgeshire County Council and the Trustees of the Imperial War Museum, is included with the Museum's Income and Expenditure (Note 13).

c Funds

The Balance Sheet shows fund balances of £164 million at 31 March 2004. Of these, £137 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 20, 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 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;
- Private 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 Trust Redevelopment Appeal - funds donated for the redevelopment of the Museum at IWM London; and
- Imperial War Museum 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.

Of the remaining £28 million, these have 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 from the Heritage Lottery Fund

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. See note 24.

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;
Book, collection and reproduction sales;
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

Management and administration costs are those incurred in connection with the management of the Museum's assets, organisational administration and compliance with constitutional and statutory requirements, including the costs of both internal and external audits.

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 (except £500 in the case of Information Technology equipment) provided it meets the following criteria: it has a useful life of at least one 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 Executive NDPB Annual Reports and Accounts Guidance, 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

Freehold buildings	over 20 to 50 years
Leasehold buildings	over the lease term, up to a maximum of 50 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 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 four 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 9.

g Investments

Investments are stated at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result the Statement of Financial Activities includes only those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. Disclosure is made in note 9 of the difference between the historical cost and the sale of proceeds of the investments sold during the year.

The Investment Fund Managers have discretionary powers for the management of funds within the policy and guidelines discussed at meetings with the Trustees not less than twice a year and by telephone consultations between meetings. The Trustees' investment policy for the long term management of the Fund is now as follows

The investment objective is to obtain real long term growth in the capital value of the assets held, looking to a period of five years and beyond. As a minimum the objective is to achieve the preservation of the capital value in real terms.

In addition Trustees stipulate that

- 1 the percentage holding, in total, of an individual equity or loan stock should not exceed 5% of the portfolio value at purchase date; and
- 2 assessment of performance will be carried out against other investment managers as measured by the WM survey of unconstrained charity investment portfolios.

The Trustees are satisfied that their investment policy is being achieved.

h Stocks

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

i 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 Ltd, landlord.

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.

j 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.

k Notional cost

In accordance with Treasury guidance, a notional cost of capital of 3.5% (2002-2003 - 6%) is charged in the Statement of Financial Activities in arriving at a net incoming resources figure. This is reversed so that no provision is included on the Balance Sheet.

l 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 14.

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 dependants' benefits. The department 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 department recognises the contributions payable for the year.

2 Grant in Aid

£16,541,000 of 'Grant in Aid' (Department for Culture, Media and Sport RfR 1) has been received during the year (2002-2003: £16,350,000). This represents 48% of the annual resources expended in running the organisation. The balance of funding needs, including most capital improvement's is delivered from resources that are self-generated.

3 Investment income

	2004	2003
	£000	£000
Interest receivable	229	144
UK fixed interest	11	13
UK equities and overseas equities	44	40
Tax recoverable	4	3
	288	200

The interest receivable is on cash deposits.

Interest of £229,141 is divided between the Imperial War Museum (£87,003) the Imperial War Museum Trading Company (£3,640) and the Imperial War Museum Trust of (£138,498). All other investment income is the Imperial War Museum Trust.

4 Net incoming resources before transfers

	2004	2003
	£000	£000
Is stated after charging		
<i>Auditors remuneration</i>		
Imperial War Museum	26	25
Imperial War Museum Trust	4	5
Imperial War Museum Trading Company	8	8
Lease rental payments on land and buildings	425	174
Hire agreements on equipment	145	119
Interest payable on finance lease	401	58

5 Total resources expended

	Staff costs £000	Other costs £000	Depreciation £000	Total £000	Total £000
Costs of generating funds					
Fundraising and publicity	728	1,347	5	2,080	2,107
Commercial costs	1,839	3,822	0	5,661	4,728
	2,567	5,169	5	7,741	6,835
Costs of activities in furtherance of the Museum's objectives					
Education, exhibitions and visitor services	6,015	2,228	1,190	9,433	8,737
Book, collections and reproduction costs	0	39	0	39	19
Building management	120	5,434	7,962	13,516	7,111
Collections management and conservation	3,805	928	82	4,815	4,402
Support services	2,103	1,713	246	4,062	3,487
Purchases for the collection	0	105	0	105	114
	12,043	10,447	9,480	31,970	23,870
Management and administration of the Charity	293	73	0	366	380
	14,903	15,689	9,485	40,077	31,085

Resources Expended does not include transactions between the Imperial War Museum and the Imperial War Museum Trust of £2,156,009 (2002-2003: £1,996,765), nor transactions between the Imperial War Museum and the Imperial War Museum Trading Company of £1,687,950 (2002-2003: £1,552,281).

6 Staff costs

	2004	2003 (Restated)
	£000	£000
Salaries and wages	12,245	11,094
Temporary/agency staff	207	160
National Insurance	843	699
Superannuation	1,540	1,296
Early Retirement costs	68	95
	14,903	13,344

Staff costs have increased due to the full year of operation of IWM North, project staff employed on the capital programmes for AirSpace and the Churchill Museum and an increase in Employer's National Insurance.

Prior year figures have been restated to separate temporary/agency staff.

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme in which the Imperial War Museum is unable to define its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk). For 2003-2004, employer's contributions of £1,524,379 were payable to the PCSPS (2002-2003: £1,296,859) at one of the four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer's contribution every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands but will increase from 2005-2006. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, members of the PCSPS may be in one of the three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus).

The schemes are unfunded with the costs of the benefits met by monies voted by Parliament each year. Pensions payable each year under classic, premium and classic plus are increased annually in line with changes in the Retail Prices index.

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium and Classic plus. Benefits in Classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum (but members may give up (commute) some of their pension to provide lump sum). Classic plus is essentially a variation of Premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per Classic.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution.

In addition, employers' contributions of £15,676 were paid to one or more of a panel of four appointed stakeholder pension providers. Employers also match employee contributions up to 3 per cent of pensionable pay. No amounts were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health.

Number of employees

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

	2004	2003
	No	No
£50,001 - £60,000	10	11
£60,001 - £70,000	2	1
£70,001 - £80,000	0	0
£80,001 - £90,000	0	0
£90,001 - £100,000	0	0
£100,001 - £110,000	1	1

The average number of employees, analysed by function was

	Permanent staff	Temporary staff	Managerial staff	Capitalised staff costs	2004	2003
					No	No (Restated)
Education, exhibitions and visitor services	257	2	3	0	262	286
Building management	5	0	0	0	5	9
Collections management and conservation	183	1	1	0	185	134
Support services	53	4	4	0	61	56
Trading/commercial/educational	89	2	0	0	91	75
Fundraising and publicity	28	0	1	0	29	27
Management and administration of the Charity	6	0	1	0	7	5
	<u>621</u>	<u>9</u>	<u>10</u>	<u>0</u>	<u>640</u>	<u>592</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

The Director's salary and pension entitlements as at 31 March 2004 were as follows

Salary including performance pay	Benefits in Kind (rounded to nearest £100)	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31 March 2004 and related lump sum	CETV at 31 March 2003	CETV at 31 March 2004	Employer contribution to partnership pension account including risk benefit cover	Real increase in CETV after adjustment for inflation and changes in market investment factors
£000	£	£000	£000	(nearest £000)	(nearest £00)	(nearest £100)	£
105-110	250	0-2.5 plus 5-7.5 lump sum	45-50 140-145 lump sum	798	868	1,500	30,559

Director's salary

The remuneration of the Director, Robert Crawford MBE, was £98,286, plus a non-consolidated bonus of £8,895 and employer's contribution of £18,183,(2003: remuneration, £95,055; bonus, £6,072; and employer's pension contribution of £17,585). His contract is for a period of five years from 1 October 2000 which can be renewed subject to a satisfactory performance.

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 allowance 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 Inland revenue as a taxable emolument. Mr Robert Crawford had the use of a flatlet based at the Imperial War Museum.

Director's Pension

The above table show 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 a 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 2003-2004 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 2003-2004. Travel and subsistence expenses paid to the Trustees amounted to £3,971.02 (2002-2003: £4,050).

The Chairman and Trustees are appointed for periods of up to 5 years.

7 Notional cost of capital

Notional cost of capital 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 and buildings	Exhibitions	Equipment	Assets under construction
	£000	£000	£000	£000
Cost/valuation at 1 April 2003	129,373	15,058	4,324	3,118
Additions	483	86	458	3,525
Transfers between fixed assets	2,532	0	0	(2,532)
Transfer to current	0	0	0	(7)
Net revaluation	11,133	0	0	0
Disposals	0	0	(83)	0
Value at 31 March 2004	143,521	15,144	4,699	4,104
Depreciation at 1 April 2003	7,335	8,731	3,533	0
Provided	2,266	1,046	513	0
Impairment	5,425	0	0	0
Transfers between fixed assets	0	0	0	0
Depreciation due to revaluation	312	0	0	0
Net revaluation	(15,248)	0	0	0
Disposals	0	0	(81)	0
Depreciation at 31 March 2004	90	9,777	3,965	0
Net book value at 31 March 2004	143,431	5,367	734	4,104
Net book value at 1 April 2003	122,038	6,327	791	3,118
	Donated assets	Collections acquisitions	Assets held under finance lease	Total
	£000	£000	£000	£000
Value at 1 April 2003	794	412	7,349	160,428
Additions	230	86	15	4,883
Transfers between fixed assets	0	0	0	0
Transfer to current	0	0	0	(7)
Net revaluation	0	0	0	11,133
Disposals	0	0	0	(83)
Value at 31 March 2004	1,024	498	7,364	176,354
Depreciation at 1 April 2003	157	0	1,177	20,933
Provided	109	0	126	4,060
Impairment				5,425
Transfers between fixed assets	0	0	0	0
Depreciation due to revaluation	0	0	0	312
Net Revaluation	0	0	0	(15,248)
Disposals	0	0	0	(81)
Depreciation at 31 March 2004	266	0	1,303	15,401
Net Book Value at 31 March 2004	758	498	6,061	160,953
Net Book Value at 1 April 2003	637	412	6,172	139,495

Of the total Net Book Value £160,953,000 £160,653,000 relates to the Museum;

£2,696,970 of the Assets under Construction relates to the Hangar 1 Upgrade, AirSpace, at IWM Duxford; and £953,718 relates to the Churchill Museum Project at the Cabinet War Rooms.

On 12 October 2001 the Imperial War Museum entered into a finance lease for the current demise of the Cabinet War Rooms, for additional space, and for refurbishment of the space. The landlord is EP3 Ltd. Rent is payable over a period of 29 years commencing in 2003-2004.

Donated Assets consist of £360,000 for the East End Hangar at IWM Duxford; £165,000 for the catering facilities on the HMS Belfast, £144,078 for the new catering facility at Cabinet War Rooms, £50,000 for office and conference furniture at the Cabinet War Rooms, £50,000 at IWM Duxford for transmitters and receivers for the control tower, and £25,000 for a sculpted head of Sir Winston Churchill which is displayed at the Cabinet War Rooms.

The Lambeth 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 in accordance with the Royal Institute of Chartered Surveyors guidance notes. This resulted in an overall revaluation gain of £26,230,285

Three of the sites externally valued at the year-end had values below their carrying amounts; in total £5,425,378. In accordance with Financial Reporting Standard 11 - Impairment of fixed assets and goodwill, each reduction in value was deemed to be an impairment and therefore recognised as additional depreciation in the Statement of Financial Activities.

Property	Title	Value at 31 March 2004	Basis of valuation £000
Lambeth Road London SE1	Long Leasehold	60,000	Depreciated replacement cost basis
All Saints Annexe, Austral Street London SE11	Freehold	1,500	Existing use basis
Duxford Airfield Cambridgeshire	Freehold	50,000	Depreciated replacement cost basis
Ickleton Film Store Cambridgeshire	Leasehold	4,500	Depreciated replacement cost basis
Trafford Manchester	Freehold	25,200	Depreciated replacement cost

The net book value at 31 March 2004 represents fixed assets for

	Charitable activities £000	Other activities £000	Total £000
Land & buildings	143,431	0	143,431
Exhibitions	5,367	0	5,367
Equipment	727	7	734
Assets under construction	4,104	0	4,104
Donated assets	758	0	758
Acquisitions	498	0	498
Assets held under finance lease	6,061	0	6,061
Total	160,946	7	160,953

9 Fixed asset revaluations (tangible and investments)

	2004	2003
	£000	£000
Tangible fixed assets (a)	26,069	10,227
Investments (b)	372	(642)
Fixed assets revaluations	26,441	9,585

	Unrestricted funds £000	Restricted funds £000	Total 2004 £000	Total 2003 £000
a Net book value at 1 April				
Land & Buildings	17,957	99,405	117,362	111,953
Assets under construction	187	3,917	4,104	2,978
Net gain on revaluation (above)	5,041	21,028	26,069	10,227
	<u>23,185</u>	<u>124,350</u>	147,535	<u>125,158</u>

	Unrestricted funds 2004 £000	Unrestricted funds 2003 £000
b Quoted investments		
Market value at 1 April	1,638	2,184
Less Disposal proceeds	(329)	281
Add: Acquisition at cost	329	377
Unrealised gains (losses) on revaluation	372	(642)
Total quoted investments	2,010	1,638
<i>Cash investments</i>		
Opening balance	23	81
Movement	40	(58)
Closing balance	63	23
Market value at 31 March	2,073	1,661
Historical cost at 31 March	1,894	2,040
Unrealised investment (losses)/gains at 31 March	179	(379)
Investment losses based on historic costs	(146)	(20)

All investments are listed on a recognised stock exchange. The assets and cash are analysed as follows

	2004	2003
	£000	£000
Cash investments	63	23
Investment assets in the UK	1,585	1,170
Investment assets outside the UK	425	468
	2,073	1,661

Investment disclosure

At 31 March 2004, no investment holdings represented 5% or more of the market value of the total portfolio of listed investments.

10 Debtors

	Group 2004 Total £000	Group 2003 Total £000	Museum 2004 Total £000	Museum 2003 Total £000
Trade debtors	756	585	229	163
Other debtors	2,983	2,851	2,111	2,424
Amount owed from Imperial War Museum Trust	0	0	519	1,019
Amount owed from Imperial War Museum Trading Company Ltd	0	0	647	656
Tax recoverable	728	706	850	805
Prepayments and accruals	209	275	179	211
Due after one year				
Amounts owed by the American Air Museum in Britain (Note 18)	194	0	0	0
Provision for bad debts	(19)	(28)	(8)	(20)
	<u>4,851</u>	<u>4,389</u>	<u>4,527</u>	<u>5,258</u>

£500,000 of other debtors from BAE, and £658,835.92 from the Heritage Lottery Fund, are due to the Air Space project at IWM Duxford; £518,677.15 due from the Imperial War Museum Trust relates to various museum projects, the majority of which is due to the American Air Museum, also at IWM Duxford; £646,501 due from the Imperial War Museum Trading Company, and £195,894.60 from the National Heritage for the Cabinet War Rooms expansion.

11 Cash at bank and in hand

Imperial War Museum	Imperial War Museum Trust	IWM Trading Company Limited	2004 Total £000	2003 Total £000
675	4,952	(274)	5,353	2,424

The negative balance stated for the Imperial War Museum Trading Company Limited results from timing differences on cash management. At no time is the balance at the bank actually overdrawn. There is a right of set off between the bank accounts within the group.

12 Creditors

	Group 2004 Total £000	Group 2003 Total £000	Museum 2004 Total £000	Museum 2003 Total £000
Amounts falling due within one year				
Trade creditors	1,778	1,169	1,510	1,075
Other creditors	36	139	12	46
Bank overdraft	0	0	0	44
Obligations under finance lease	26	9	26	9
Accruals	1,666	1,458	1,510	2,004
	<u>3,506</u>	<u>2,775</u>	<u>3,058</u>	<u>3,178</u>
Amounts falling due after more than one year				
Obligations under finance lease	6,262	6,289	6,262	6,289
Loan from IWM Trust	0	0	2,200	2,200
Purchase of Heinkel 111	0	20	0	20
	<u>9,768</u>	<u>9,084</u>	<u>11,520</u>	<u>11,687</u>

Included in accruals is £423,491 due to Chessington Computer Centre with regards to National Insurance and Income Tax for March 2004.

13 Duxford Executive Panel (see note 1(b))

	2004	2003
	£000	£000
Incoming resources		
Admissions	1,184	1,060
Catering and function hire	286	248
Fees	378	255
External funds	693	524
Special events	1,414	1,271
Investment income	24	9
	3,979	3,367
Resources expended		
Accommodation & Works	330	290
Airfield Services	34	25
Airshows	1,064	907
Commercial Services	214	72
Duxford Development Simulator	0	163
Education	157	59
Exhibitions	102	55
Fundraising	135	202
Health & Safety - contribution	0	37
Management Services	167	3
Marketing	210	216
Office Services	174	186
Training	0	15
Visitor Services	279	269
Runway Sinking Fund	0	20
Salaries	1,045	970
	3,911	3,489
Net resources for the year - (deficit)/surplus	68	(122)
Fund balances brought forward at 1 April	(122)	0
(Deficit)/surplus	(54)	(122)

In accordance with the agreement with Cambridgeshire County Council the Imperial War Museum has forwarded them the above financial information for the year ending 31 March 2004. It was agreed that the deficit would be repaid over the next two financial years.

14 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.

	2004	2003
	£000	£000
Income and expenditure account		
Sales		
Retail sales	3,152	3,163
Catering commission	376	333
Corporate hospitality	946	716
Education	97	111
Exhibitions	211	81
Special events	1,414	1,271
Turnover	6,196	5,675
Cost of goods sold *	(1,860)	(1,864)
Gross profit	4,336	3,811
Other operating income		
Fees receivable	665	478
External funds	478	131
	5,479	4,420
Other operating charges*	(3,858)	(2,899)
Indirect costs	(1,257)	(1,120)
Operating profit	364	401
Interest receivable	3	3
Profit	367	404
Amount paid to the Museum under Gift Aid	367	404
	0	0

Turnover of £6,196,085 includes £14,381 of sales from the Trading Company to the Museum which is eliminated giving £6,181,704 as net commercial income.

Fees receivable of £664,921 and External funds of £477,904 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 £5,718,084 includes £57,054 of transactions between the Museum and Trading Company which is eliminated on consolidation giving £5,661,030 as net commercial costs.

	2004	2003
	£000	£000
Current assets	1,607	1,234
Current liabilities	(1,507)	(1,134)
Net assets	100	100
Capital and reserves	100	100

15 Financial commitments

At the balance sheet date, outstanding capital commitments, authorised by the Board of Trustees but not yet contracted, amounted to some £4 million which relates to the Churchill Museum Project at Cabinet War Rooms.

16 Commitments under leases and hire agreements

At 31 March 2004 the Imperial War Museum had annual commitments under leases and hire agreements as set out below.

	2004	2003
	Exhibitions	Exhibitions
	£000	£000
<i>Finance lease obligations: payments due within</i>		
One year	26	9
Two to five years	157	113
More than five years	6,105	6,176
	6,288	6,298
	2004	2003
	Land	Land
	and other	and other
	Buildings	Buildings
	£000	£000
<i>Operating leases which expire</i>		
Within one year	45	49
In the second to fifth years	0	0
Over five years	58	178
	103	227
	2004	2003
	Equipment	Equipment
	£000	£000
<i>Hire agreements which expire</i>		
Within one year	7	4
In the second to fifth years	127	68
Over five years	0	21
	134	93

17 Contingent liabilities and post balance sheet events

There are no material contingent liabilities or post balance sheet events.

18 American Air Museum in Britain

The American Air Museum in Britain (AAMIB) is incorporated in the United States as an organisation for the purpose of fund raising. The aim is to raise funds both in the UK and the US for the Museum at the IWM Duxford site dedicated to the role of the United States Air Forces in World War II and US air power in post World War II period. It is a tribute to the 50,000 US Airmen who gave their lives in World War II and provides a source of education and information on US air power for future generations. The financial statements of the American Campaign are prepared with an accounting period ending 31 December and are separately audited. The AAMIB, as an organisation, is separate from the IWM Trust, but remits money to the IWM Trust in the UK, as restricted donations to meet future expenditure on the project.

At 31.12.03 the combined balance on the two accounts of the AAMIB in the United States bank accounts was \$94,184, £52,979 (2002; \$157,289, £91,228). During the year, £446,412 was transferred to the IWM Trust.

19 American Friends of the Churchill Museum

The American Friends of the Churchill Museum (AFCM) was incorporated in the District of Columbia, on the April 10 2002, as a 501 (c)(3) organisation for the purpose of fundraising. The key aim of the AFCM is to raise awareness and broaden knowledge of the life of Winston Churchill throughout the United States and the United Kingdom. One specific objective for achieving this purpose is assisting with the preservation of historic areas of the Cabinet War Rooms, in London, England, where Sir Winston Churchill was based during the Second World War. The AFCM expects to raise money to fund certain specified and approved grants to the Cabinet War Rooms, a branch of the Imperial War Museum, London England.

At 31 December 2003 the balance of the AFCM in the United States bank account was \$329,502, £185,345 (2002: \$1,980, £1,148). No money was transferred to the IWM Trust during the year.

20 Statement of funds

	At 1 April 2003			Net investment gains/losses		At 31 March 2004
	£000	Income £000	Expenditure £000	£000	Transfers £000	£000
Unrestricted funds						
<i>Designated funds</i>						
Capital expenditure fund	16,629	0	(2,393)	0	(139)	14,097
Revaluation reserve	5,680	0	0	4,893	0	10,573
Collection purchases fund	19	100	(102)	0	3	20
Other commitments	0	0	0	0	0	0
Museum designated funds	22,328	100	(2,495)	4,893	(136)	24,690
Imperial War Museum Trust general funds	1,775	88	(21)	372	0	2,214
Imperial War Museum Trust	156	0	(4)	148	0	300
Capital Expenditure fund						
Total designated funds	24,259	188	(2,520)	5,413	(136)	27,204
General Museum, revenue funds	(64)	28,071	(28,197)	0	136	(54)
Total unrestricted funds	24,195	28,259	(30,717)	5,413		27,150
Restricted funds						
American Air Museum in Britain	9,566	0	(222)	0	0	9,344
Revaluation reserve - AAMIB	4,718	0		4,059	0	8,777
Redevelopment stage 3	14,531	0	0	(747)	0	13,784
Revaluation reserve - stage 3	2,044	0	0	4,569	0	6,613
IWM North	25,489	0	(1,300)	0	0	24,189
Revaluation Reserve - IWMN	2,103	0	(2,056)	(47)	0	0
Cabinet War Rooms Project	1,956	4	(40)	0	0	1,920
Revaluation Account - CWR Project	148	0	0	(3)	0	145
Churchill Museum	0	0	0	0	913	913
AirSpace	2,462	3,768	0	0	(1,923)	4,307
Revaluation Account - AirSpace Project	113	0	0	0		113
Visitor Centre	0	0	(36)	0	1,828	1,792
Revaluation Account - Visitor Centre	0	0	0	517	0	517
Land Warfare Hall - IWM Duxford	1,359	0	(98)	0	0	1,261
Revaluation Reserve - Land Warfare Hall	90	0	0	390	0	480
Nitrate Film Project	5,568	0	(1,404)	0	0	4,164
Revaluation Reserve - Nitrate Film Reserve	507	0	(496)	(11)	0	0
Private funds for capital projects	1,999	310	(194)	0	(6)	2,109

Restricted funds (continued)

	At 1 April 2003	Income	Expenditure	Net investment gains/losses	Transfers	At 31 March 2004
	£000	£000	£000	£000	£000	£000
Revaluation reserve private funds for capital projects	538	0	0	764	0	1,302
Vested property	24,538	0	(386)	0	0	24,152
Revaluation reserve - vested property	12,468	0	0	10,572	0	23,040
Donated objects	636	230	(109)	218	0	975
Collection purchases	25	4	(4)	0	0	25
Private funds for current expenditure	0	937	(2,268)	0	1,331	0
Museum restricted funds	110,858	5,253	(9,360)	21,028	2,143	129,922
Imperial War Museum Trust	2,925	0	0	0	0	2,925
<i>Redevelopment appeal</i>						
Imperial War Museum Trust	1,759	4,660	0	0	(2,143)	4,276
Tied donations						
Total restricted funds	115,542	9,913	(9,360)	21,028	0	137,123
Total funds	139,737	38,172	(40,077)	26,441	0	164,273

Funds of £2,143,009 have been transferred from the Imperial War Museum Trust Tied Donations to various Museum restricted funds to match expenditure.

21 Analysis of group net assets between funds

	Unrestricted funds £000	Restricted funds £000	Total 2004 £000
<i>Fund balances at 31 March 2004 are represented by</i>			
Tangible fixed assets	31,031	129,922	160,953
Investments	0	2,073	2,073
Net current assets	2,381	5,128	7,509
Long term creditors	(6,262)	0	(6,262)
Total net assets	27,150	137,123	164,273

22 Cash flow information*a Reconciliation of changes in resources to net inflow from operating activities*

	2004 £000	2003 £000
Net incoming resources before revaluations	(1,905)	2,745
Investment income	(288)	(200)
Interest element of finance lease rental payments	401	58
(Gain)/loss on sale of tangible fixed assets	2	4
Asset no longer being capitalised	7	73
Depreciation charge for the year	9,485	3,963
Decrease/(increase) in stocks	42	47
(Increase) in debtors	(462)	296
(Decrease)/increase in creditors	599	(950)
Net cash inflow from operating activities	7,881	6,036

b Analysis of cash flows

	2004 £000	2003 £000
(Decrease)/increase in cash in the period	2,930	(1,536)
Increase in finance lease	(15)	(6,298)
Movement in net debt in the period	2,915	(7,834)
Net debt at 1 April	(3,875)	3,959
Net debt at 31 March	(960)	(3,875)

c Changes in net debt/funds

	1 April 2003 £000	Cash flow £000	Non-cash flow £000	31 March 2004 £000
Cash at bank and in hand and bank overdraft	2,423	2,930	0	5,353
Finance lease	(6,298)	0	(15)	(6,313)
Net debts	<u>(3,875)</u>	<u>2,930</u>	<u>(15)</u>	<u>(960)</u>

23 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

The majority of income is provided by grant-in-aid from the Department for Culture, Media and Sport and secured external funds. As a result the Museum is not exposed to significant liquidity risks.

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

	Fixed rate financial assets £000	Non- interest bearing financial assets £000	Weighted average interest rate £000	Weighted average period for which rate is fixed £000
<i>Interest rate profile</i>				
As 31 March 2004				
Sterling	5,336	17	3.82	19 Days
	<u>5,336</u>	<u>17</u>		
As 31 March 2003				
Sterling	2,406	17	3.53	19 Days
	<u>2,406</u>	<u>17</u>		

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

24 Related party transactions

The Imperial War Museum is a statutory 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 National Heritage Memorial Fund (NHMF) 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 and/or lent works of art and exhibits, or provided services, to the following organisations during the financial year 2003-2004 which have DCMS or other Government Departments as parent Department.

Arts Council
The Tate Gallery
British Museum
English Heritage
Victoria and Albert Museum
Public Record Office
Merseyside Maritime Museum
National Museums and Galleries of Wales
National Maritime Museum
National Museum of Science & Industry
National Film Theatre
National Gallery
National Portrait Gallery
Royal Armouries
The National Museums & Galleries on Merseyside

25 Donated objects

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 2003-2004 were valued at £230,000 comprising assets and equipment capitalised in the Museum's Balance Sheet. (2002-2003 £269,078)

26 Key financial targets

Target Definition	2001-2002		2002-2003		2003-2004	
	Target	Actual	Target	Actual	Actual	Target
Self-generated income as a percentage of total income (Note 1)	73%	73%	62%	65%	53%	57%
Operating profit of IWM Trading Company (£000) (Note 2)	672	686	260	403	423	369
Trading Income (including admissions) (£m)	£9.6	£9.9	£9.0	£9.7	£11.2	£11.1
Grant-in-Aid per visitor (virtual and actual)	n/a	£4.75	£4.58	£4.37	£4.42	£4.17

Note 1: Self-generated income varies year on year chiefly because of the timing of receipts from external grant bodies for major projects.

Note 2: The operating profit of the Trading company has reduced over the three years due to the increase in educational activity, principally at IWM North.

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