

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2010

Ordered by The House of Commons to be printed 12 July 2010

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Trustees' and Accounting Officer's Annual Report

Chairman's Foreword

In 2009, the British Museum (BM) was for the third year running the most popular cultural visitor attraction in Britain. 5.7 million people visited the BM in 2009/10, with more than 15 million accessing the collection online.

Popularity is a great validation of the work we do, but by no means the sole impact we are aiming for. It was a year in which research uncovered two cuneiform fragments that fill in missing text on the Cyrus Cylinder, and a year in which scientific experiment found evidence of colour on the Parthenon sculptures (on the messenger Iris, appropriately enough, the figure of the rainbow in classical mythology). Both discoveries drew the interest of colleagues and press around the world.

It was also a year in which the BM's influence as a library of cultures could be seen more widely. Costumes for a production at Covent Garden of Thomas Arne's *Artaxerxes* (the 5th century BC Persian ruler) were inspired by artefacts in the BM. Schoolchildren learned Kathak dance as part of Indian Summer at the Museum. Local visitors in Turkey and Spain could see the one of the great classical statues, the *Discobolus*, on loan from the collection.

2010 has been marked by the enormous success of *A History of the World in 100 Objects*, the BM's collaboration with BBC Radio 4. The outcomes are noticeable – radio and television broadcasts, online activity, events around the country. Perhaps less easily seen is the three years' research and writing that preceded the programmes. To select 100 objects to tell a history of the world was an intellectual feat – a perilous gamble, possibly – that required the BM to rethink the collection: draw on new research and scientific investigation, address the particular world that exists in 2010. The series had to make sense, as it seems to have done, not just of the past, but of the cultural landscape and concerns that audiences are thinking about today, be they religious, political, social or economic.

Generating new and relevant knowledge is at the heart of the BM's planned building development. The World Conservation and Exhibitions Centre will upgrade the BM's ability to display the collection and undertake advanced scientific research and conservation. Such study improves our capacity to care for the objects themselves, but at the same time uncovers ever new insights into the past. Among its many facilities the Centre incorporates a research institute of international importance, with collaborations, internships and other joint research and training already planned with colleagues from across the globe.

The World Conservation and Exhibitions Centre will also include a special exhibition space of over 1000sq.m. It will provide modern, accessible stores for the study collection, better staff facilities, improved circulation for visitors and a logistics hub to facilitate the increasing number of loans the BM undertakes. Designs by Rogers Stirk Harbour + Partners continue to progress, and work is due to begin on site in 2010.

Improvements extend beyond new buildings, of course. Sustainability is increasingly an ambition within the BM as we improve our energy ratings, achieve Carbon Trust accreditation and manage waste and consumption more efficiently – all of which were accomplished in 2009.

The Trustees wish to thank its staff and volunteers, as well as all those who provide financial support for the Museum's work. Without them, the BM could not reach as many people as it does or perform the tasks it sets out to do.

Niall FitzGerald KBE

Chairman

Structure, governance and management

Constitution and operating environment

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

The Museum is now governed in accordance with the British Museum Act 1963 and Museums and Galleries Act 1992. The Museum is an exempt charity under schedule 2 of the Charities Act 1993 and benefits from section 33A Value Added Tax Act 1994, sections 505 and 507 of the Income and Corporation Taxes Act 1988, and section 6(a) Taxation of Chargeable Gains Act 1992 and section 258 Taxation of Chargeable Gains Act 1992. The Secretary of State for Culture, Olympics, Media and Sport was appointed principal regulator of the British Museum on 1 June 2010, with the implementation of the relevant provisions under the Charities Act 2006.

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

The Museum is funded by a combination of grant-in-aid allocated by DCMS and income secured through commercial, fundraising, sponsored and charging activities. The grant-in-aid is provided subject to a three year funding agreement with the DCMS.

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

Governance

The governing body of the Museum is the Board of Trustees whose members are appointed for fixed terms of service. They are non-executive and unpaid. The Board may consist of up to 25 members, of which 15 are appointed by the Prime Minister, one by the Sovereign, one each by the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society, and five by the Museum’s Trustees. The Chairman is appointed by the Board from its members. The names of Trustees serving during the year are listed on page 19.

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

The Board generally meets at least four times a year to lead and control the Museum and is aided in this respect by three permanent committees – the Standing Committee, the Audit Committee, and the Nominations and Governance Committee – and three sub-committees – the Investment Sub-committee, the World Conservation and Exhibitions Centre (formerly the North West Development) Committee, and the International Strategy Committee. Matters for the Board’s decision and the respective responsibilities of the Board, Trustees’ Committees and Management are clearly defined in the Museum’s Governance Policies and Principles. The Board appoints the Director, defines the strategic direction of the Museum, approves its execution in an annual plan drawn up in consultation with the Director, and monitors the achievement of the plan.

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

The Audit Committee supports the Board and the Accounting Officer in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness, reliability and integrity of assurances provided to them.

The Nominations and Governance Committee recommends candidates as Trustees and provides assurance on governance.

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

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

The World Conservation and Exhibitions Centre Committee monitors, on behalf of the Standing Committee, the proposed new building project on the north-west corner of the main site.

The International Strategy Committee provides advice on the Museum's international strategy.

Management

The Museum's Director and Accounting Officer is Neil MacGregor.

The Directorate Group, chaired by the Director, leads on strategic development and oversees the Museum's planning process; reviews risks to planned activity; and manages Trustee meeting preparation and issues to be referred. Its membership comprises the Deputy Director, the Chair of Collections, the Director of Public Engagement, the Director of Visitor & Building Services, the Director of Administration, the Director of Strategic Planning, and the Managing Director of the British Museum Company Limited.

The Museum Management Group, chaired by the Director, raises and discusses current or emerging concerns relating to Museum activity or external developments; undertakes ongoing policy and planning reviews and strategic planning stemming from the work of the Directorate Group; and acts as an information sharing group for heads of department. Its membership is drawn from the heads of Museum departments:

- *Collections and Strategic Planning:* Africa, Oceania & the Americas; Ancient Egypt & Sudan; Asia; Coins & Medals; Collections Services; Conservation & Scientific Research; Greece & Rome; Middle East; Portable Antiquities & Treasure; Prehistory & Europe; Prints & Drawings; Zayed National Museum Project.
- *Public Engagement:* Exhibitions; Learning & Audiences; Press & Marketing.
- *Visitor & Building Services:* Building Services; Capital Projects & Estates; Facilities; Security; Visitor Services;
- *Administration:* Commercial; Development; Finance; Human Resources; Information Services; Legal Services.

and from the British Museum Company Limited.

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

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

Friends' organisations

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

Strategic direction and performance against objectives

In order to ensure that it continues to be successful the Museum re-evaluated its five-year plan at the start of 2008/09 to take account of priorities outlined in the Comprehensive Spending Review and factors such as the development of ideas regarding the Cultural Olympiad; a new funding agreement; and the decision to develop the north-west area of the Museum. The Strategy to 2012 (published on the Museum's website) identifies four key objectives that the Museum will need to deliver to further develop its world-class status:

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

During 2009/10 the Museum made significant progress in working towards these objectives.

To manage and research the collection more effectively

Acquisitions

The collection is the heart of the Museum: growing, changing, re-imagined by successive generations as intellectual currents and social and political concerns evolve.

In the Vale of York, a hoard of Viking treasure worth over £1 million was uncovered in 2007. It was jointly acquired this year by Yorkshire Museums Trust and the BM, with support from the National Heritage Memorial Fund, The Art Fund, BM Friends, private individuals and a public appeal. Initially exhibited in York, the coins and other finds were then displayed at the BM from February 2010. Detailed investigative conservation has begun, uncovering decorative details, coin designs and inscriptions.

Among the year's new acquisitions was a rare impression of the 1932 print *Emiliano Zapata and his Horse* by Mexican artist Diego Rivera, purchased through a grant from The Art Fund. Alongside revolutionary posters donated by the Aldama Foundation, the lithograph of the leader of the Mexican Revolution of 1910–20 featured in the BM exhibition, *Revolution on Paper: Mexican Prints 1910–1960*, supported by the Monument Trust and the Mexico Tourism Board. Critical response was excellent. 'The Department of Prints and Drawings at the British Museum has done it again,' said the *Telegraph*: last year's survey of American prints from the collection had been 'a revelation'; *Revolution on Paper* was 'even more powerful'. All the prints in the exhibition came from the BM collection, which has been compiled thanks to the generosity of the Aldama Foundation, Dave and Reba Williams and The Art Fund.

Research and acquisitions help reunite the missing pieces of the past. The BM Friends supported the purchase of two important Egyptian items: an unusual tortoiseshell dish from Roman Egypt and two rare papyrus fragments. The latter, in red and black ink with coloured vignettes, are from the Book of the Dead of Tui of about 1500 BC. They help complete other fragments that have been in the BM collection since the early 19th century and are being enthusiastically studied in light of the existing pieces. BM research into Ancient Egypt has many international links. The American Research Center in Egypt is supporting BM fieldwork on Coptic tombs at Hagr Edfu, Upper Egypt, while BM scientists have joined colleagues from the Louvre to examine gold jewellery from Qurneh and El-Amarna. A BM conservator travelled to Saqqara to prepare a mould of a hand excavated by archaeologists from Leiden: the mould has enabled the BM to identify and replicate a missing piece from a statue of a husband and wife of 1300–1250 BC.

Other acquisitions in 2009/10 included the purchase of 260 pieces of 20th-century silver jewellery from Oman: weighty armlets, head ornaments, elegant amulet cases. With the main collections of Omani silver resting in Oman and Kuwait, the BM now holds the largest public collection in the West. Seven outstanding Vietnamese blue-and-white ceramics of 1440–60 were acquired, with support from The Art Fund. Set alongside BM displays such as the Sir Percival David Collection of Chinese Ceramics in the Sir Joseph Hotung Centre for Ceramic Studies, they allow the BM to show the distinct Vietnamese culture that flourished during its independence. Paintings, porcelain and prints from Japan included a scene of a woman throwing a snowball at a pair of lovers, a work purchased for a future exhibition and as part of a major research collaboration with The School of Oriental and African Studies (SOAS) and several partners in Japan on Japanese erotic art, supported by the Leverhulme Trust.

Antipodean art encompasses many styles and acquisitions in 2009/10 saw many types represented. A densely cross-hatched bark painting from the 1960s by the important indigenous artist Wandjuk Marika, was generously donated. It may depict a journey made by his creator ancestors, the Djang'kawu. Four miniature drawings by Sidney Nolan were bequeathed to the BM through The Art Fund, three of them drawn and coloured on beer coasters for Nolan's assistant in London, Ann Forsdyke. Other contemporary works included prints by Australian painter Arthur Brack, donated by his widow; a major gift from the Australian Print Workshop of 117 prints by 45 different artists; and *Cookie in the Cook Islands*, an ironic 2008 work by New Zealand-based Polynesian artist Michel Tuffery.

Portable Antiquities Scheme

The Staffordshire and Vale of York hoards came to light under the Portable Antiquities Scheme, which is supported by the Museums, Libraries and Archives Council. The BM programme encourages the reporting of local finds across Britain and is increasingly a focus for conservation and research at the BM. Over 66,000 finds were recorded in 2009. With 781 instances of people uncovering treasure, the government has agreed to establish a special Coroner for Treasure to speed up the handling of such cases and widen the obligation for individuals to report treasure and prevent its illegal sale. The Staffordshire Hoard was by far the most important discovery in the country, but many of the finds are significant. They included a group of late Saxon finger-rings made of gold and a bronze head of a bearded Roman found near Brackley.

Research & fieldwork

85 major research projects were running at the BM as at the start of 2010, of which 33 are collaborative projects involving one or more other institution.

Research into the collection is often science-based. A visiting Mellon research fellow at the BM worked with staff to pioneer a non-invasive photo-luminescent technique that shows, by the quality of refracted infrared light, the presence of colours such as Egyptian blue, which he found on the Parthenon sculptures. The experiment has generated enormous press and scholarly interest, and the BM is already working with colleagues in Athens to look for further evidence of polychromy. The importance of such work has been recognised by the Andrew W. Mellon Foundation. In 2009, it awarded the BM a significant grant for a 15-year programme of Post-doctoral Research Fellowships in Conservation and Scientific Research.

An important discovery has very recently been made at the British Museum in the form of two pieces of cuneiform tablet that cast light on the famous Cyrus Cylinder, sometimes described as the first Declaration of Human Rights. The two new pieces of cuneiform tablet come from the small site of Dailem near Babylon and also in Iraq. They have been in the Museum since 1881, but their significance has not previously been recognised. It has now been discovered, by Professor Wilfred Lambert formerly of the University of Birmingham and by Dr Irving Finkel of the Department of the Middle East in the British Museum, that the pieces come from a cuneiform tablet that was inscribed with the same text as the Cyrus Cylinder. An international workshop will be held at the BM in June, to study and assess the new pieces. Scholars from Iran will also be involved in the evaluation of the new pieces.

Recent work at the ancient city of Tenochtitlan, capital of the Mexica empire, uncovered a monolithic sculpture of the earth goddess, Tlaltecuhli. The 12-tonne painted slab (3.6 x 4.2m) reconfigures what we know of the Templo Mayor complex and may mark the entrance to a royal tomb.

Archaeologists and conservators excavating a 1st-century AD Amun temple at Dangeil, Sudan discovered the walls of an earlier building from the 7th century BC. The project is not just about excavation: it involves an on-site learning scheme, in which personnel from the National Corporation for Antiquities and Museums, Sudan, are trained in excavating, drawing, cataloguing and conservation.

Scientists are working with curators to re-examine the materials and processes of 15th-century Italian drawing. The results are disseminated through academic lectures, articles and books, but also feed directly into the exhibition *Fra Angelico to Leonardo: Italian Renaissance Drawings* (22 April to 25 July 2010), supported by BP. The exhibition is a collaboration between the BM and the Uffizi in Florence.

New research is often presented online. An innovative 'living catalogue' for the drawings of Rembrandt and his school was published on the BM website in 2010. Forgoing the usual print monograph, curator Martin Royalton-Kisch took 17 years' research and produced a major web publication linked to the BM collection database². As the database is updated (it currently offers the public access to 2.5 million objects), so too will his catalogue reflect those changes. It is a fine example of how the BM is using new technology to modernise traditional modes of scholarship.

The completion of the first phase of the collection database in 2009/10 saw coins and medals, objects from the Middle East and the Sir Percival David Collection of Chinese Ceramics all added to the BM website. The importance of the digitised collection was acknowledged by one scholar, who wrote in her book on Michelangelo that the BM's vast collection of online images was 'as good as a grant' and her book would probably not have been published without free access to the BM collection and images from it.

To enhance access to the collection

A History of the World in 100 Objects

A History of the World in 100 Objects is a celebration of objects. The 100-part radio series – an innovative collaboration between BBC Radio 4 and the British Museum – is being broadcast throughout 2010. Each 15-minute programme focuses on a specific object: a prehistoric handaxe from Olduvai Gorge; a Ming dynasty banknote; a pepper pot from Roman Britain; an Incan llama; a 20th-century African sculpture. It asks us to consider what such objects reveal about the development of mankind: our desires, our beliefs, our relationship to the world around us. The ideas raised – creativity, science, religion, sex, war – are discussed by a range of artists, scientists, philosophers and other contributors, including Amartya Sen, Seamus Heaney, Rowan Williams, Madhur Jaffrey and many others.

² http://www.britishmuseum.org/research/online_research_catalogues/rembrandt_drawings/drawings_by_rembrandt.aspx

What unites the series' 99 items (the 100th representing how we see the world in 2010 will only be revealed as the series draws to a close) is the way they inform us about the connections between different cultures. The Sutton Hoo helmet can tell us not simply about Anglo-Saxons in Suffolk, but of their ties to Scandinavia. A bronze bull leaper from ancient Crete, made of materials unavailable on the island, unveils the contact Minoan sailors would have had with Egypt, Greece and the Middle East. No nation exists in isolation and the history of the world is a history of contact among peoples.

A History of the World in 100 Objects is the result of three years' intensive research and debate at the BM – not least in choosing the 100 objects that made the final list. Curators and conservators stepped out of their expert cultural corners, and came together to compare what was happening not in one region, but across the entire world at any given moment, where Confucius co-exists with the ancient Greeks; where the artistry of Dürer is contemporary with a turquoise Aztec serpent or a beautifully cast Benin bronze. Interpretative conservation and scientific analysis – the core study and preservation of objects essential to all the BM's work – uncovered new details of their make-up and use, information that fed directly into the programmes. Interpretative possibilities that would formerly have been impossibly slow now emerged from having put the collection online, facilitating comparisons among thousands of objects.

'Fantastically interesting,' said the *Independent on Sunday*. The collaboration with the BM was 'one of Radio 4's grandest projects yet.' 'Instantly winning,' proclaimed *The Times* after the first week. 'It's wonderful to know that there are a further 95 programmes to come.'

A *Culture Show* special (BBC2) was devoted to the series, while on *The Forum* (World Service) Neil MacGregor, Professor Steve Jones and novelist Aleksandar Hemon debated how we unlock the complex, hidden meanings of objects. On Radio 4, *Making History* brought together world objects from partner museums and those suggested by the public. BBC Wales broadcast four half-hour television programmes, *Wales and the History of the World*, while BBC Radio Scotland and BBC Radio Ulster each devoted a number of programmes to exploring local history with global connections.

The programme has been the most popular on Radio 4 this year, with over two million people downloading the podcasts in February 2010 and a weekly omnibus edition on the World Service attracting further listeners from across the globe.

Radio was not the only medium for the project. A 13-part children's television series, *Relic: Guardians of the Museum*, was produced by CBBC. Each week Agatha – a ghostly Museum tour guide – led three children on a series of challenges through the BM. Could they unlock the secrets of an Easter Island statue or the Rosetta Stone? Success was met with Guardianship of the Museum, but if they failed, the children would be incarcerated within the Museum walls forever! Following the first episode, 40,000 children accessed the Relic website. Popular Relic trails for children visiting the BM have also been devised.

Peter Aspden of the *Financial Times* saw how the BBC/BM collaboration made excellent sense. The BBC, he wrote, 'brings its own strengths to the project, most notably an ability to engage with a global audience via its website and the World Service: a near-magical realisation of the Enlightenment principle that is so close to [Neil] MacGregor's heart, that the Museum should allow all "studious and curious persons, native and foreign-born" to have free access to its displays.'

The online element is fundamental. On the series' growing website, the 100 BM objects can be viewed in detail, the programmes listened to, additional information found. There are also 600 objects nominated by over 350 museums across the UK, with links to those museum sites.

Blogs offer a blend of professional comment and public response, as do short videos from Marcus du Sautoy, Simon Mayo and others on anything from the earliest dice (a tetrahedron-shape, we discover, from 2600 BC) to a bar of soap from the World Trade Center. Teachers can draw on lesson plans connected to the series. Any web-user can upload their own object that tells a 'world story'. Public offerings from Yorkshire, for example, boast a paperweight promoting the Preston ByPass (the first British motorway) and a ceramic casserole dish from Nigeria made by Ladi Kwali. Alternative lists have sprung up in unexpected corners. Tom Archer's three-wheeler and the Brookfield teapot were among the nominees for a 'History of the Archers in 100 Objects'.

The result has been a fascinating portrait of Britain and the world unlike any seen before.

On radio, on television, online – it would not be a history in 100 objects if the objects themselves were not on display. The BM has produced special maps to guide visitors to the programmes' objects across the Museum, with special exhibitions in 2010 highlighting three of the 100 objects, starting with an Ice Age carving of swimming reindeer. This 13,000-year-old sculpture was made out of a mammoth tusk and found in Montastruc, France. It is the earliest work of art in any British gallery.

Museums across the country have created their own *History of the World* displays, drawing objects out of their collections in new ways. They range from a prehistoric handaxe whose amazing discovery in 2000 pushed back the starting date for the human occupation of Britain (Norwich Castle Museum) to Banksy's 2009 *Paintpot Angel* (Bristol Museum & Art Gallery). Relief tokens speak of the Irish famine in the 1840s and the consequent emigration overseas (Ulster American Folk Park, Omagh). A broken rocking horse survives as testimony to a disaster in 1883 at the Victoria Hall in Sunderland: 183 children were crushed to death, leading to the requirement that henceforth all emergency exits should open outwards (Sunderland Museum).

Live broadcasts and other events, such as *The Big History Show* in St George's Hall, Liverpool, have encouraged people across the country to put forward their own nominations. Tie-ins with regional radio and television stations and museums have been especially important to the project. By unearthing items both commonplace and rare across the country, the public have captured what the series seeks to demonstrate: how all of us and all of our stories are a part of a history of the world.

www.bbc.co.uk/ahistoryoftheworld

Exhibitions

Each year the Museum presents a successful programme of temporary exhibitions, which attracts visitors from Britain and the wider world.

Shah 'Abbas (19 February – 14 June 2009): 'This exhibition contains some of the most beautiful things you could ever wish to see,' said *The Guardian* referring to *Shah 'Abbas: The Remaking of Iran*, presented in association with the Iran Heritage Foundation. Politics and poetry warred for centre stage among the glowing press reviews. Forbes praised the BM for its ability to borrow so many extraordinary items never before seen outside Iran: 'a high-profile instance of cultural diplomacy between Britain and Iran'. The third in the BM's quartet of exhibitions on world rulers, *Shah 'Abbas* examined the Safavid king who ushered in a golden age when he took the throne in 1587. His generous gifts to Shi'i shrines, artistic patronage, piety and military prowess forged a national identity that survives in the makeup of modern-day Iran. As the exhibition showed, his capital in Isfahan saw many of the world's finest things: exquisite calligraphy, delicate watercolours and luxurious silk carpets.

Garden & Cosmos (28 May – 11 October 2009): 'Would you like to reach Nirvana?' asked Rachel Campbell-Johnston in *The Times*. 'Then wander along to admire some beautiful court paintings that are about to go on show at the British Museum ... Here is an oasis for the imagination, a show to sweep you away on an intoxicating cosmological voyage.' The 'British Museum's jewel of an exhibition' (*Financial Times*) was called *Garden and Cosmos: The Royal Paintings of Jodhpur* and was the centrepiece of an entire *Indian Summer* at the BM, sponsored by HSBC.

Organised by the Arthur M. Sackler Gallery, Smithsonian Institution, in collaboration with the Mehrangarh Museum Trust, it featured an exceptional loan from India: 54 large, vividly coloured paintings from the royal collection in Jodhpur. One could see beautiful women frolic in a bathing pool as a Maharaja rejoiced during the Indian festival of Holi; or a magnificent lotus, luminous as 'ten million suns', burst from the belly of sleeping Narayana. It was 'a remarkable exhibition' (*Sunday Telegraph*) and 'a revelation' (*The Observer*).

Moctezuma (24 September 2009 – 24 January 2010): 'This is the figure who will be fascinating audiences this autumn', proclaimed *The Times* of *Moctezuma*, a BM major exhibition supported by ArcelorMittal. The story of the Mexica (Aztecs) was told through the last days of their ruler, when the Spanish arrived under Hernán Cortés and changed not just the course of events, but the very reputation of Moctezuma himself. Was he a traitor to his people, or a ruler struggling to make sense of this new European order? Critics found the dramatic stone sculptures and other exhibits 'enthalling', 'illuminating', 'sensational' and 'spellbinding'. Over 210,000 people saw the show. Reviewers singled out the catalogue edited by Colin McEwan and Leonardo López Luján: 'an important book' (*New York Times*), 'excellent . . . shows us what catalogue-making should be all about' (*Independent*).

A BBC2 television special with Dan Snow explored how the ruler of five million Aztecs, who inhabited a region from modern-day Mexico to Nicaragua, dealt with the arrival of the Spanish leader Cortés. Broadcast twice, the programme attracted over three million viewers.

Kingdom of Ife (4 March – 6 June 2010): Five-star reviews marked the launch in March 2010 of the major exhibition *Kingdom of Ife: Sculptures from West Africa*, sponsored by Santander with additional support from the A.G. Leventis Foundation. 'Shows like this come along once in a lifetime.' proclaimed the *Telegraph*. 'This is an exceptional exhibition, even by the high standards the British Museum has established in recent years. It is extraordinary because it brings together such a large number of masterpieces that have rarely or never been exhibited outside Nigeria before – and when I say masterpieces, I mean artworks that rank with the Terracotta Army, the Parthenon or the mask of Tutankhamun as treasures of the human spirit . . . Hopefully this exhibition will be the starting point for new archaeology. It elicits awe. To behold these royal heads is to travel to a fabled realm far beyond your imagination, a place richer than Atlantis.' *The Guardian*, 2 March 2010.

Multimedia Guide

The BM's new Multimedia Guide was launched on 1 December 2009. Sponsored by Korean Air, the guide covers over 200 objects in 61 galleries, with audio commentary, images and video. It comes in 11 languages (English, Korean, French, German, Italian, Spanish, Arabic, Russian, Japanese and Mandarin, British Sign Language). There is also a children's guide and an audio description guide for blind and partially sighted visitors. Visitors can use an interactive map for easy navigation, or take one of several gallery and highlights tours, including the Parthenon sculptures, Korea and Ancient Egypt.

National

The BM works in partnership with museums and galleries around the UK under the umbrella of its partnership UK activity. Equal partnership with these museums is a vital part of the BM's aspiration to be a museum of the world for the world. The three main strands of the programme are touring exhibitions, loans and sharing expertise. The BM also has a very active programme of collaboration with local and regional museums of all sizes. The Museum lent to 151 UK venues last year.

An example of the Museum's approach is the loan of one of the BM's most famous artefacts, the Gayer-Anderson cat from Saqqara in Egypt. The London Renaissance Museums Hub (a consortium of the London Museum, the Geffrye Museum, the London Transport Museum and the Horniman) in partnership with the British Museum, used the loan of the Divine Cat as a model of how to build capacity and expertise within smaller London museum venues. Brent is an outer London borough in the NW of the capital with a substantial ethnic minority population. The British Museum has worked previously with Brent on engaging young people with museum objects, bringing them to Bloomsbury. The importance of this project is that a great treasure will travel from the British Museum to a local community. First-time visitors to Brent Museum rose 34% as 10,000 people attended the exhibition.

The BM also works closely with UK partners to help develop their own galleries. The Egyptian galleries in the new Great North Museum in Newcastle contain 25 BM objects on long-term loan, including a life-size kneeling statue of Ramesses II, a sculpture of the lioness-goddess Sekhmet and a painted mummy portrait of a young man. Since it opened in May 2009, over 650,000 people have visited this new cultural forum in which the BM collection plays a part. Further collaborations between the two institutions, including a touring exhibition, are being planned. BM material can also be seen in the Egyptology galleries at Brighton Museum & Art Gallery, and BM support – sharing not just the collection, but expertise – will assist new permanent galleries in York and Carlisle. The BM's national programme is supported by the Dorset Foundation.

International

The World Collections Programme (WCP) is a unique alliance of UK institutions: the British Museum, British Library, Tate, V&A, Natural History Museum and Royal Botanic Gardens, Kew. The programme is chaired by Neil MacGregor and has received £3 million over three years from DCMS. Its aim is to develop greater access to these six world collections and the body of expertise they represent among institutions and audiences in Asia and Africa. In its second year, WCP supported 26 projects involving representatives from 22 different countries, including nine training programmes, five internships at UK collections, three research and development projects, four separate exhibitions including three touring exhibitions to venues in Afghanistan, India and the Middle East, three major digitisation projects, and the production of web pages in non-English languages including Arabic, Mandarin, Turkish, Spanish and Hindi.

The annual summer training programme at the BM welcomed 22 participants from Africa, the Middle East and Asia in 2009. They came from Egypt, Sudan, Iraq, Turkey, India and China, as well as for the first time Ghana, Uganda, Mozambique and Palestine. Initially aimed at training curators, the programme now considers a wider range of museum and heritage sector professions. Participants engage in group talks and training activities, and then move to their 'home' BM department to pursue research. More UK partners hosted day visits this year, and each participant spent ten days at one of six regional museums – Amgueddfa Cymru, National Museum Wales, The Collection: Lincoln, Birmingham Museum and Art Gallery, Tyne & Wear Archives & Museums, Whitworth Gallery and Manchester Museum, and Glasgow Museums. Sir Peter Ricketts, Permanent Under-Secretary at the Foreign and Commonwealth Office, hosted a reception at the FCO for the participants, organisers and International Training Programme (ITP) supporters.

The BM works in Africa as part of its aim to support world culture. Training in west Africa, supported by the Ford Foundation, is now delivered in several museums across Nigeria and Ghana, with dedicated BM staff in place to develop educational resources, host work placements and deliver workshops. The BM also uses UK-based programmes to create opportunities for African colleagues, such as the reinstatement of the Wellcome Gallery in 2009. In east Africa, projects include complete redevelopment of the ethnographic storage at the Nairobi Museum and a 'Training the Trainers' scheme in Kenya, where staff are trained to share their expertise with colleagues in the wider region. In October 2009, the BM received a grant from the Getty Foundation to help assess training provision across east Africa. Advice on gallery development – from conservation and display to learning and marketing – is widening the prospects of African museums, from exhibition installation in Ethiopia to Egypt's new National Museum of Egyptian Civilization. At the invitation of UNESCO, BM curators and conservators visited Cairo to advise on methods of storing, displaying and transporting mummies.

The *Kingdom of Ife* exhibition is a collaboration with National Commission for Museums and Monuments, Nigeria. It was co-organised with the Fundación Marcelino Botín, Spain, and the Museum for African Art, New York. Research and training have been an essential component. Colleagues from Nigeria, including exhibitions and education staff, undertook work placements at the BM as part of the exhibition planning. Working at the BM, Nigerian conservators prepared major Ife artefacts and used BM science laboratories to investigate their materials and later repairs. New information fed directly into the displays. The exhibition enabled the two institutions to share bodies of expertise and differing areas of cultural knowledge, not just for the loans, but more widely as part of discussions on future work together and promoting care for African collections across the world.

Sharing expertise and advice on museum planning extends from Africa through the Middle East. Present advisory roles include training and other programmes at the Museum of Islamic Art in Qatar and content development for the new Zayed National Museum being designed by Foster + Partners in Abu Dhabi.

Working with the Renmei Scroll Mounting Federation in Japan, staff have been conserving five Japanese paintings which the Japanese consider to be of National Treasure status, with funding from the Sumitomo Foundation. In addition to the conservation work, Japanese staff and BM conservators discussed new techniques and practices. The BM also enabled Master Mounters to offer workshops to UK colleagues on silk restoration and woodblock printing. The Japanese press reported the ceremonial completion of work on the 15th-century scroll painting *Sugawara no Michizane in Chinese Dress*, which was blessed in the BM's Hirayama Studio by priests from the Dazaifu Tenmangu Shrine in northern Kyushu.

Since 2003, the British Museum has been actively engaged in providing Iraqi colleagues, at their request, with as much conservation, archaeological and curatorial assistance as can reasonably be provided. The British Museum and British Army developed two projects together in collaboration with Iraqi authorities: the development of a new Basra Museum and the assessment of the condition of specific archaeological sites in Iraq.

To invest in our people

Employees

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

As set out in note 5(e) to the accounts, the British Museum employs over a thousand people. The Museum endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited and retained, that they are appropriately trained, and that they are well managed and work in an environment in which they can give their best. Regular communications with staff are effected by a number of means:

- the British Museum Consultative Committee meets quarterly to allow matters raised by staff to be aired between management and union representatives; employees are encouraged to discuss with their representatives any matters about which they are concerned and factors affecting the Museum. The Director attends one meeting each year;
- members of the Museum Management Group disseminate information from meetings to their departments through departmental meetings and informal briefings, and a Management Report is published on the intranet;
- the Directorate Group issues a monthly summary of their meetings to all staff;
- the Directorate holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues;
- office notices are regularly issued to advise staff of events, job opportunities, organisational changes, common procedures and where to find information;
- the Museum has committed to running an Employee Opinion Survey on a biennial basis to enable staff to feedback on a number of areas affecting their working lives.

The British Museum acknowledges its responsibility for, and commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, those working on a self-employed and agency contract basis and contractors, will receive due priority for action at all times.

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

In 2009/10, the average number of days lost for sickness and absenteeism was 6.72 days per person, compared with 5.46 in 2008/09. While the increase can, in part, be attributed to improved reporting and a major change programme during the period, greater HR support and further absence management training in relevant departments will help support a reduction in 2010/11.

The pay and grading system, which is based on job families and market rates, and the values based competency framework that underpins it, is fully deployed across the Museum. The competency framework also underpins job profiles, a new appraisal system and a forward programme of learning and development activities. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 19 to the financial statements.

Diversity

Central to the Museum's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The British Museum is an equal opportunities employer. It recruits people based on merit and endeavours to recruit increasingly from the diverse communities in London and nationally. It has a published human resources policy on the recruitment, employment and development of staff regardless of their gender, ethnicity, sexual orientation, age or disability. The Museum also has procedures to adjust work or the environment if appropriate when a person's circumstances or abilities change. The current ethnic profile of staff is: 79% white, 8% black, 4% Asian, 3% mixed, 1% Chinese, 4% other and 1% unstated. The gender profile is 50% female and 50% male.

The Museum identifies diversity as one of its core values. A working party has been drawn from a broad range of staff across the Museum with a remit to support the development of diversity in the Museum's audience and staff profile. A number of new audience diversity programmes have been established in the last year and discussion of issues of diversity has been more effectively integrated into the Museum's staff training programmes. A priority for the working party is assessing and responding to the implications of the new Equality Act.

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

Volunteers

Nearly 500 volunteers freely contribute their time to support the Museum's activities. They contribute to most areas of the BM, in the departments where they provide valuable help with general administration or library work, on projects where they help with collating and recording vital collection information; they run the free Hands On handling programme and the free eyeOpener tours and they ensure that events, lectures and talks run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

To increase self-generated income

The Museum continues to rely on the generosity of a large number of private donors, sponsors, trusts and foundations. Pledges totalling £14.7 million were received during the year, allowing investment to improve gallery space; essential work on the infrastructure to bring it up to international standards; additions to, conservation of and research into the collection; and a rich and varied public programme.

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

Plans for future periods

During 2009/10 the British Museum continued to develop its standing as a world-class museum, delivering a highly-acclaimed public programme. The Museum has made significant progress in its work with regional and international audiences, and has continued to develop the breadth and reach of its research programme.

The uncertain economic and political climate is likely to be a key challenge for the Museum in 2010/11. Government funding for the Museum from 2011/12 onwards is unknown, and it is difficult to predict precisely the impact of a continued economic downturn and possible public spending cuts. The Museum will focus on securing its funding position through an effective government engagement strategy, but it will be essential to develop new and enhanced income streams and to identify further efficiencies.

The key priorities for the Museum in 2010/11 will be:

- World Conservation and Exhibition Centre
- Membership
- Digital strategy
- Storage
- Succession plans
- Commercial
- Reducing costs
- New opportunities

Fundraising and finance

The Trustees would like to express their thanks to all those who so generously supported the BM in 2009/10. Private philanthropy and corporate sponsorship remain of prime importance to the BM's achievements. The BM continues to rely on the extraordinary generosity of a large number of individuals, international companies, trusts and foundations.

World Conservation and Exhibitions Centre

The World Conservation and Exhibitions Centre (WCEC, formerly the North West Development) will ensure the Museum maintains its position as a leading institution for the study of human culture, in London, the United Kingdom and the World. Through an upgrade of key facilities, the development will address urgent needs in terms of the BM's infrastructure and will provide a new exhibition space, state-of-the-art conservation and science laboratories and studios, world-class accommodation for the study collection, as well as facilities to

support the BM's extensive UK and international loan programmes. It will allow the BM to enhance the exhibition experience, lend more artefacts and most importantly continue to preserve the collection for future generations. Funding for the £135 million project is well underway, with £95 million already raised. The funds have come from a variety of sources, including the Department for Culture, Media and Sport. The Trustees are confident the BM can raise the remaining funding to complete the project.

Exhibitions

A wide range of sponsors, individuals, trusts and foundations was also vital in ensuring the delivery of a very strong exhibitions programme in 2009/10.

Acquisitions

The BM continues to enrich its collection in many ways, spending around £2 million on acquisitions during the year, as well as receiving significant donated objects. A relevant, dynamic and evolving collection is the lifeblood of any museum responsive to the ever-changing needs of society, taste and cultural perspectives. The Trustees are particularly grateful to the patrons and donors who generously supported this important area of BM activity. Inflationary pressure and reduced funding opportunities have threatened this essential activity in recent years, but there is a huge potential across the UK for individual philanthropy. Tax relief now covers lifetime gifts of cash, stocks and shares, and land, but not of objects that would be valuable additions to museums, galleries, libraries and archives. The BM would be keen to build on the success of schemes such as acceptance-in-lieu by extending tax relief to lifetime gifts of significant cultural objects in order to preserve them for public benefit.

Commercial

A run of successful international exhibitions, in addition to cementing relationships with other museums across the world, continues to provide essential funding for new activities. On-site commercial activity also benefited from the exhibitions programme and strong overall visitor numbers, with profits of £5.4 million generated from commercial activities such as international touring exhibitions, consultancy and retail.

Grant-in-Aid

The British Museum received £44.8 million revenue and £3.5 million capital grant-in-aid from the Department for Culture, Media and Sport in 2009/10 (£43.7 million and £7.2 million in 2008/09). The Department has confirmed the level of revenue funding it is making available for the year to 31 March 2011.

Value for money savings

Over recent years the Museum has achieved substantial efficiency savings, primarily from the actions taken to reduce annual operating costs, which included consolidating curatorial activities back onto the Bloomsbury site and disposing of surplus properties. Process improvements such as introduction of an on-line photographic library, a review of visitor facing operations, improved management of facilities through contracting out hard services and modernising cleaning service practices, contracting out the payroll, reducing the use of consultants and implementing a procurement strategy to reduce the number of low value invoices and rationalise the number of suppliers, have all made important contributions.

As part of the 2007 Comprehensive Spending Review, the Museum agreed with DCMS a plan for the delivery of 3% value for money (VFM) savings annually. The Museum has met its target for VFM savings in 2009/10. Over the next year, the Museum will focus on continuing to improve operational flexibility, implementing effective business processes and increasing efficiency, thereby reducing the cost base.

Capital expenditure

Capital expenditure, including on the Museum's gallery improvement plan, work on storage and the building fabric, and enabling works amounted to £8.8 million, compared with £18.2 million in 2008/09.

Reserves

At 31 March 2010 the Museum's reserves were as follows:

	£m
Collection items acquired since 31 March 2001	42
Land, buildings, plant and equipment	431
Permanent Endowment	11
Restricted funds	20
Designated funds	59
Investment estate	2
Unrestricted trust funds	7
Unrestricted funds	<u>5</u>
Total	577

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

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

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

Reserves policy

During the year, and with reference to guidance from the Charity Commission and the National Audit Office, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of between one and three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at March 2010 represents cover of just under two months.

Monitoring levels of reserves

The Standing Committee monitors the levels of reserves at the Museum on a quarterly basis as part of their review of the Management Accounts. During the year, the total level of reserves was increased by the upward revaluation of the Museum's tangible fixed assets (£9.6 million) and gains on investments (£11.7 million).

Maintaining Reserves

The operating plan ensures adequate levels of reserves are maintained.

Reviewing the reserves policy

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

Designations

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

Investments and financial risks

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

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

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

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

The financial risks relating to investments are managed by:

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

In 2009/10, the Museum made total net returns on its investments, including investment properties, of £11.7 million, of which £11.3 million represented net realised and unrealised gains (shown on the face of the SOFA) and £0.3 million net interest, dividends and investment management fees. During the year the ISC revisited asset allocations and made a number of adjustments, in particular to the general portfolio, in light of changes in the wider economic environment and the Museum's likely future cash flow requirements. Towards the end of the year the Museum realised a substantial portion of its existing investments in order to construct a portfolio of investment grade corporate bonds with maturities designed to support the cash flows associated with the Museum's forthcoming activities.

The Investment Sub-committee continues to review the investment strategy to ensure that it meets the Museum's requirements.

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

Public benefit, sustainability, social and community issues

Public benefit

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

The stewardship of the Trustees stipulated in Sloane's will has been an essential ingredient in making the BM the cosmopolitan institution it is. Operating on behalf of the government, but at one remove from it, the board ensured that the BM was neither an arm of state nor a royal prerogative (as in other countries) but a genuinely public museum – the world's first encyclopaedic museum on such a scale. The number and variety of Trustees from that earliest group in the 1750s have always ensured that the institution has been governed by a plurality of opinions and ideas.

The BM is one of the marvels of the Enlightenment. Access to the greatest achievements of humanity was made free to all, and what was once the preserve of privilege became the right of everyone. Annual visitors grew from 5,000 to 12,000 in the 18th century; there were nearly 300,000 a year by the mid-1830s; 5.7 million visited in 2009/10.

The BM is a world collection for the world – for experts and the general public, for anyone who might choose to enter its doors. And those doors are not merely a gateway in Bloomsbury. Beyond the BM's popularity in London, it is accessed online by millions of visitors annually. Their presence increasingly redefines the BM today as an

international online space where images of around 2.5 million objects can be freely seen and downloaded by anyone at any time. The collection is also taken across the UK and the globe by means of the BM's Partnership UK programme; its Africa, Asia and Middle East programmes; and the World Collections programme, which seeks to deepen links between the great collections of the UK and partner institutions around the world.

The trustees have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charities Commission in defining the strategic direction of the Museum. A report detailing activities undertaken by the Museum to further its charitable purposes for the public benefit is included from page 16 above.

Estates management and sustainability

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

The Museum is committed to sustainable development throughout all aspects of its operations. A sustainable development strategy has been written to complement the policy which was approved by the Trustees in 2007. The Museum will continue to strive to meet or exceed the *Sustainable Development in Government* targets, which supersede the *Sustainable Operations on the Government Estate* targets.

In the past twelve months, the Museum has improved its Display Energy Certificate (DEC) rating from G to F. By implementing energy saving initiatives, it is hoped to improve the rating to E during 2010. The Museum gained Carbon Trust accreditation in 2009.

In 2010/11, the Museum will comply with the new Carbon Reduction Commitment legislation and programme. Communication with all stakeholders will be an important activity this year: we intend to disclose our long term carbon emission reduction targets and report progress on the Museum website. Active engagement with employees will be further developed as phase two of the sustainability communications project is rolled out.

Suppliers

The Museum aims to settle bills within 30 days or by the due date. During the year the new accounts processing team has made progress in strengthening processes around invoice approval and payment. In 2009/10 it paid 66% of all invoices within the target (56% in 2008/09). Performance against the target is expected to improve further over the coming year.

Activity under immunity from seizure

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

Approved status was granted subject to:

- (i) the establishment of a programme of staff training in due diligence on the provenance of objects brought into the UK under Part 6 (which commenced in September 2008);
- (ii) the inclusion within the Trustees' loans policy of a specific request for proof of ownership from the lenders of objects brought into the UK under Part 6 (see clause 2.8 of the Trustees' Loans Policy dated September 2008³); and
- (iii) an enhancement to the Museum's due diligence checklist to require "full provenance information" and changes to ownership after 1970⁴ (duly made, on 3 July 2008). As a result of the approval process the Museum was also able to enhance its lender's warranty included in its model loan agreement.

³ http://www.britishmuseum.org/the_museum/management_and_governance/museum_governance.aspx

⁴ Date of UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Cultural Property and the Cultural Heritage Laws Database to which UK acceded in 2002.

Since acquiring approved status the British Museum has granted protection under Part 6 Tribunals, courts and Enforcement Act 2007 to objects brought into the UK for the following Exhibitions:

Hadrian	24 July – 26 October 2008	104 objects
Shah 'Abbas	19 February – 14 June 2009	19 objects
Moctezuma	24 September 2009 – 24 January 2010	82 objects

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

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

In the case of unpublished objects, lending institutions and individuals were asked to provide information about the circumstances in which objects were acquired or excavated, and where appropriate, copies of export licences were requested. Searches were made on the Art Loss Register where provenance history appeared incomplete (particularly during the period 1933-45 or where objects were excavated after 1970). In circumstances where provenance could not be established to the satisfaction of the curator, loan requests were withdrawn on the grounds that Part 6 protection could not be offered. Thus, for example, proposed loans for the Hadrian exhibition were not sought in the absence of clear information about the circumstances of the excavation of objects.

During the period from 12 June 2008 to 31 March 2010 the British Museum had received no requests for the provision of information from potential claimants pursuant to article 7 Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Reference & administrative details

The Board of Trustees

Mr Niall FitzGerald KBE (Chair) (6) (reappointed 23/03/10)

Chief Emeka Anyaoku (1)

Ms Karen Armstrong

Professor Sir Christopher Bayly (3)

Lord Broers of Cambridge FEng, FRS (6)

Sir Ronald Cohen

Professor Sir Barry Cunliffe CBE (4) (retired 3/10/09)

Mr Francis Finlay

Dame Liz Forgan OBE

Ms Val Gooding CBE (Deputy Chair)

Mr Antony Gormley OBE (2)

Mr Stephen Green

Ms Bonnie Greer OBE (Deputy Chair)

Ms Penny Hughes

Mr George Iacobescu CBE

Dr Olga Kennard OBE (5)

Baroness Kennedy of the Shaws, QC, FRSA

Mr Richard Lambert (Deputy Chair)

Mrs Edmée P. Leventis

Mr David Norgrove

Lord Powell of Bayswater KCMG (6)

Sir James Sassoon (appointed 01/9/09, retired 19/5/10)

Lord Stern of Brentford, Kt, FBA

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

⁽¹⁾ the Sovereign

⁽²⁾ the Royal Academy

⁽³⁾ the British Academy

⁽⁴⁾ the Society of Antiquaries of London

⁽⁵⁾ the Royal Society

⁽⁶⁾ the Trustees

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

Trustees' committees and membership

Standing Committee

Mr Niall FitzGerald KBE (*Chair*)

Professor Sir Barry Cunliffe (retired 3/10/09)

Dame Liz Forgan (appointed 3/12/09)

Ms Val Gooding

Ms Bonnie Greer

Mr Richard Lambert

Mr David Norgrove

Lord Powell

Lord Stern (appointed 3/12/09)

Audit Committee

Mr David Norgrove (*Chair*)

Lord Broers

Mr Stephen Green

Ms Penny Hughes (retired 25/3/10)

Mr Richard Lambert

Lord Stern (retired 3/12/09)

Mr David Lindsell (co-opted)

Mr Francis Plowden (co-opted)

Nominations and Governance Committee

Ms Val Gooding (*Chair*)

Mr Niall FitzGerald

Chief Emeka Anyaoku

Baroness Kennedy

Dr Olga Kennard

World Conservation & Exhibitions Committee

Dame Liz Forgan (*Chair*)

Mr George Iacobescu

Dr Olga Kennard

Mr David Lindsell

Mr David Norgrove

Investment Sub-committee

Sir Ronald Cohen (*Chair, retired 29/10/09*)

Mr Francis Finlay (*Chair from 29/10/09*)

Sir James Sassoon (appointed 29/10/09, retired 19/5/10)

Mr Richard Lambert (appointed 21/4/10)

Mr Stan Miranda (Adviser)

International Strategy Committee

Mr Niall FitzGerald KBE (*Chair*)
Chief Emeka Anyaoku
Ms Karen Armstrong
Professor Sir Christopher Bayly
Mr Antony Gormley
Mr Stephen Green
Lord Powell
Lord Stern

Trustee membership of related Councils and Boards

British Museum Company Limited: Board of Directors

Ms Penny Hughes (*Chair*)
Mr Niall FitzGerald KBE (retired 31/3/10)
Ms Bonnie Greer
Professor Sir Barry Cunliffe (retired 1/12/09)
Mr David Lindsell

British Museum Company Limited: Audit Committee

Mr David Lindsell (*Chair*)
Ms Penny Hughes

British Museum Friends: Council

Professor Sir Barry Cunliffe (retired November 2009)
Mr David Norgrove (appointed as Chair in November 2009)
Ms Penny Hughes (appointed November 2009)

The American Friends of the British Museum

Mr Francis Finlay

Official addresses

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Company Limited:	38 Russell Square, London WC1B 3QQ
Auditors:	
The Museum, Trust Funds and the group	The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
BMCo, BMGC	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Bankers:	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX Paymaster (1836) Ltd, Russell Way, Crawley, West Sussex RH10 1UH
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum

DCMS' performance indicators

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

	2009/10	2008/09
Number of visits to the Museum (excluding virtual visits)	5.7m	5.5m
Number of unique website visits	15.0m	10.7m
Number of visits by children under 16	831k	724k
Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8	102k	159k
Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	208k	242k
Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity	52k	73k
Number of overseas visits	3.5m	3.2m
Number of facilitated and self-directed visits to the Museum by children under 16 in formal education	221k	219k
Number of instances of children under 16 participating in outreach activities outside the Museum	3.7k	1.4k
Number of instances of adults aged 16 and over participating in organised activities at the Museum	258k	232k
Number of instances of adults aged 16 and over participating in outreach activities outside the Museum	1.9k	1.8k
% of visitors who would recommend a visit	99.6%	85.0%
Admissions	£2.2m	£3.4m
Trading income ⁵	£5.4m	£4.2m
Fundraising ⁶	£15.2m	£8m
Number of UK loan venues	151	152
Number of object records and images available online	2.5m	1.7m
Fundraising for research programmes	£1.83m	£505k
% of collection storage space type A, B and C	68%	76%
Staff diversity (black and minority ethnic groups)	19.50%	19.66%

⁵ Net profit from activities which involve selling a product or service to a customer, including international touring exhibitions, consultancy and retail.

⁶ Defined as activities which involve seeking financial support, e.g. from sponsors, private benefactors, charitable trusts.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

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

So far as the Accounting Officer and Board are aware, the Museum has disclosed all relevant information to its auditors. The Accounting Officer believes he has taken all the steps that he ought to make himself aware of any information relevant to the audit and to establish that the auditors are aware of that information. The auditors were not paid remuneration for any non-audit work undertaken during 2009/10.

Remuneration Report

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

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2008/09: £Nil). The emoluments and pension details of the Director, Deputy Director and Director of Administration are disclosed below.

The disclosures in this table are subject to audit.

	Salary ⁷	Real increase in pension and related lump sum at pension age	Accrued pension at age 65 as at 31/3/10 and related lump sum	CETV ⁸ at 31/3/10	CETV at 31/3/09 ⁹	Real increase in CETV ¹⁰
Neil MacGregor Director	£175-180k (2008/09: £160-£165k)	£10-12.5k plus £30-32.5k lump sum	£90-95k plus £270-275k lump sum	£2,071k	£1,838k	£232k
Andrew Burnett Deputy Director	£135-140k (2008/09: £115-120k)	£7.5-10k plus £27.5-30k lump sum	£65-70k plus £195-200k lump sum	£1,468k	£1,183k	£221k
Christopher Yates Director of Administration	£95-100k (2008/09: £90-95k)	£0-£2.5k plus £5-7.5k lump sum	£10-15k plus £40-45k lump sum	£196k	£162k	£22k

⁷ Salary includes gross salary payable during the year. None of these senior managers received bonuses, overtime, or allowances during the year.

⁸ A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

⁹ The figure may be different from the closing figure in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

¹⁰ This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

None of these senior managers received other cash or non-cash benefits of value, and no severance or compensation payments were made to senior managers during the year (2008/09: £Nil). All are members of the Principal Civil Service Pension Scheme and, as such, early termination of their contract would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No amounts were payable to third parties for services of a senior manager.

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

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

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

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

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

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

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

Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

1 July 2010

Statement of Trustees' and Accounting Officer's responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Trustees of The British Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at its year end.

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

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

The Accounting Officer for the Department for Culture, Media and Sport designated Neil MacGregor as the Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in Managing Public Money issued by the Treasury.

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

1 July 2010

Statement on internal control

1. Scope of Responsibility

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

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

The Museum has a three-year Funding Agreement with its sponsor department, the Department for Culture, Media and Sport (DCMS), under which it supplies DCMS with regular financial information and returns against agreed performance indicators demonstrating its contribution to the delivery of DCMS's departmental strategic objectives.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the British Museum for the year ended 31 March 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

The Accounting Officer has overall responsibility for the Museum's risk management framework.

The Directorate Group reviews risks to planned activity, and receives and considers reports or recommendations for action or decision. It is supported for this purpose by Internal Audit and by the Internal Controls Committee, which aims to provide the Directorate Group and so the Accounting Officer and the Audit Committee with assurance that an effective system of internal control has been maintained and is operated within the Museum.

The Internal Controls Committee oversees the implementation of risk management principles and practice throughout the Museum with the objective of eliminating, transferring, mitigating or accepting risks. It seeks to co-ordinate activities to obtain a more effective risk management process from existing resources and ensure the dissemination of good practice throughout the Museum. The Internal Controls Committee does not remove the need for the Audit Committee to seek its own assurances about the strength of controls in place.

4. The Risk and Control Framework

The Museum managers and the Directorate Group notify new risks as they arise to the Director of Administration, who maintains the Museum's risk register. The Directorate Group and the Internal Controls Committee regularly review the risks on the risk register, determine the Museum's appetite for risk, reassess the likelihood of risks materialising and the potential impact, and consider indicators for monitoring the risks, actions to reduce the likelihood of the risks being realised and appropriate responses should they be realised. The responsibility for managing each risk is assigned to a senior manager.

The Audit Committee reviews the risk register and actions taken at each of its meetings. It focuses on the highest rated risks in terms of their likelihood and impact taken together, and challenges the Museum's officers for evidence of good management. The Audit Committee routinely requires middle managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

Trustees approved the Museum's Information Risk Policy in September 2009 and an information risk governance framework has been established. Budget holders have been designated information asset owners and their annual statements of assurance cover information risk management; a programme of

training and awareness for key staff on information management issues is ongoing. An internal audit review of information risk during the year considered the effectiveness of existing procedures and actions have been agreed to further strengthen risk management measures. The Museum has suffered no significant losses or thefts of personal or other protected data during 2009/10 and has made no report to the Information Commissioner's Office.

Risk management is embedded within the Museum through established business planning processes, which ensure that risks to achieving plan initiatives are identified as the initiatives are developed and project risks are considered at each project gateway.

5. Review of Effectiveness

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

- the Directorate Group;
- the work of the internal auditors, which includes an annual report that contains the Head of Internal Audit's opinion of the overall adequacy and effectiveness of the risk management, control and governance processes;
- the work of the Internal Controls Committee;
- the Audit Committee, which has oversight of the internal audit function. The Chairman of the Audit Committee reports to the Board of Trustees, annually with regard to the effectiveness of risk management and the system of internal control and as required for emerging issues related to risk management;
- the executive managers of the Museum, represented by the Museum Management Group, who have responsibility for the development and maintenance of the internal control framework and who advise the Directorate Group on risks and risk management;
- comments made by the external auditors in their management letter and other reports.

In addition, all budget-holders provide the Accounting Officer with annual assurance statements. The Accounting Officer and the Audit Committee receive annual reports on security and health & safety and biannual reports on stewardship of the collection.

The British Museum has identified some historic over-payments of employer pension contributions resulting from a misinterpretation of the scheme rules. The issue related to the impact of allowances on pensionable pay for pension banding purposes, and as the over-payments relate to prior years they are unrecoverable according to Civil Service Pension rules. The issue was corrected with effect from 2009/10, and we have worked with our current payroll provider to quantify the over-payments across the period since they took over the contract at £193k.

The Museum continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, is enhancing the controls operating around information management and technology, working with contractors, and the box office. Working with the Board and the Audit Committee, we plan to ensure continuous improvement to the system.

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

1 July 2010

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

I certify that I have audited the financial statements of the British Museum for the year ended 31 March 2010 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information which comprises the Trustees' and Accounting Officer's Annual Report within the Report and Accounts, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In addition, I report to you if the British Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Report and Accounts and consider whether it is consistent with the audited financial statements. This information comprises the Chairman's Foreword and the unaudited parts of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the incoming and outgoing resources funded by 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 and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Olympics, Media and Sport, of the state of the British Museum and the group's affairs as at 31 March 2010 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture, Olympics, Media and Sport's directions made thereunder; and
- information which comprises Structure, governance and management; Fundraising and finance; Employees, environmental matters, and social and community issues; and Reference and administrative details, included within the Annual Report, is consistent with the financial statements.

Opinion on Regularity

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

Report

I have no observations to make on these financial statements.

Amyas C. E. Morse
Comptroller and Auditor General

7 July 2010

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

The British Museum

Financial Statements for the year ended 31 March 2010

Consolidated Statement of Financial Activities for the year ended 31 March 2010

	Revenue Funds			Capital Funds			Total Funds			Total Reanalysed 2010 £000s	Total 2009 £000s
	Notes	Unrestricted £000s	Restricted £000s	Total £000s	Unrestricted £000s	Restricted £000s	Collection Acquisitions £000s	Total Unrestricted £000s	Restricted £000s		
Incoming Resources											
Voluntary Income											
Grant-in-aid		43,848	1,000	44,848	0	3,500	0	3,500	43,848	4,500	0
Donations and legacies		1,588	2,829	4,417	4,040	2,219		6,259	1,588	9,088	0
Activities for generating funds											
Commercial Trading Activities	10(c)	16,221	0	16,221	0	0	0	0	16,221	0	0
Investment Income and rent receivable	2	329	102	431	0	24	0	24	329	126	0
Incoming Resources from charitable activities	3	6,186	3,086	9,272	0	603	0	603	6,186	3,689	0
Total Incoming Resources		68,172	7,017	75,189	0	8,167	2,219	10,386	68,172	17,403	0
Resources Expended											
Charitable activities											
Costs of generating Funds	5	44,837	5,378	50,215	833	12,083	0	12,916	45,670	17,461	0
Costs of generating voluntary income		879	0	879	0	18	0	18	879	18	0
Commercial Trading Activities	10(c)	13,512	0	13,512	0	0	0	0	13,512	0	0
Investment Management Costs		45	15	60	0	8	0	8	45	23	16
Governance Costs	5	375	2	377	0	5	0	5	375	7	4
Total Resources expended	5(a)	59,648	5,395	65,043	833	12,114	0	12,947	60,481	17,509	20
Net incoming resources before transfers	4	8,524	1,622	10,146	(833)	(3,947)	2,219	(2,561)	7,691	(106)	(20)
Transfers between funds	15(b)	(11,567)	(133)	(11,700)	7,081	2,616	2,003	11,700	(4,486)	4,486	0
Net incoming resources before other recognised gains and losses		(3,043)	1,489	(1,554)	6,248	(1,331)	4,222	9,139	3,205	4,380	(20)
(Loss)/gain on revaluation of fixed assets for the Museum's own use	7(a)	0	0	0	0	9,576	0	9,576	0	9,576	0
Unrealised/realised investment gain/(loss)	21	7,530	1,188	8,718	681	603	0	1,284	8,211	1,791	1,249
Actuarial (loss)/gain on defined benefit pension scheme	19	(1,540)	0	(1,540)	0	0	0	0	(1,540)	0	0
Net movement in funds		2,947	2,677	5,624	6,929	8,848	4,222	19,999	9,876	15,747	1,229
Fund balances brought forward at 1 April	15(a)	7,818	9,323	17,141	55,606	429,998	37,804	523,408	63,424	477,125	9,642
Fund balances carried forward at 31 March	15(a)	10,765	12,000	22,765	62,535	438,846	42,026	543,407	73,300	492,872	10,871

The notional cost of capital is reported in note 6. Net outgoing resources before transfers but including the cost of capital were -£3,302,000 (2008/09: -£4,108,000)

All operations of the Museum continued throughout both periods and none were discontinued in either period.

The British Museum has no recognised gains and losses other than those above and consequently no separate Statement of Total Recognised Gains and Losses has been presented.

The prior year figures have been reanalysed to reflect the current year change to the apportionment of support costs. Further details can be found in note 5(b).

The notes on pages 35 to 59 form part of these accounts

Consolidated Balance Sheet as at 31 March 2010

	Notes	2010 £000s	2009 £000s
Fixed assets			
Tangible assets	7(a)	432,866	426,652
Heritage assets	8	42,026	37,804
Investments	9(a)	81,807	63,721
		556,699	528,177
Current assets			
Stock-goods for resale		2,265	1,603
Debtors	11	10,319	7,600
Short term investments	9(b)	7,005	9,005
Cash at bank and in hand	9(c)	22,332	22,647
Total current assets		41,921	40,855
Creditors: amounts falling due within one year	12	(17,656)	(15,969)
Net current assets		24,265	24,886
Total assets less current liabilities		580,964	553,063
Provision for liabilities and charges:	13		
Early retirement provision		(701)	(1,040)
Other provisions		0	(62)
Net assets excluding pension liability		580,263	551,961
Liability on defined benefit pension scheme	19	(3,220)	(1,770)
Net assets including pension liability		577,043	550,191
Represented by:			
Permanent endowments		10,871	9,642
Restricted funds		492,872	477,125
Unrestricted funds			
Designated funds		59,102	53,591
General funds		14,408	8,979
General funds held in subsidiaries		(210)	854
		73,300	63,424
Total funds	15(a)	577,043	550,191

The notes on pages 35 to 59 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

1 July 2010

Museum Balance Sheet as at 31 March 2010

	Notes	2010 £000s	2009 £000s
Fixed assets			
Tangible assets	7(b)	430,920	425,415
Heritage assets	8	42,026	37,804
Investments	9(a)	81,807	63,721
Investment in subsidiaries	10(a)	1,250	1,250
		556,003	528,190
Current assets			
Debtors	11	13,170	9,506
Short term investments	9(b)	7,000	9,000
Cash in bank and in hand	9(c)	19,909	19,982
		40,079	38,488
Creditors: amounts falling due within one year	12	(18,128)	(16,239)
Net current assets		21,951	22,249
Total assets less current liabilities		577,954	550,439
Provision for liabilities and charges			
Early retirement provision	13	(701)	(1,040)
Other provisions		0	(62)
Net assets		577,253	549,337
Represented by:			
Permanent endowments		10,871	9,642
Restricted funds		492,872	477,125
Unrestricted funds			
Designated funds		59,102	53,591
General funds		14,408	8,979
		73,510	62,570
Total funds	15(a)	577,253	549,337

The notes on pages 35 to 59 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

1 July 2010

Consolidated Cash Flow Statement for the year ended 31 March 2010

	Notes	2010 £000s	2009 £000s
Net cash inflow from operating activities	16(a)	14,860	8,741
Returns on investments and servicing of finance:			
Interest received		143	1,358
Dividends received		295	977
Rents receivable		17	298
Net cash inflow from returns on investments and servicing of finance	2	455	2,633
Investing activities:			
Capital expenditure and financial investments:			
Sale of fixed asset investments	9	61,071	53,272
Purchase of tangible assets	7	(8,835)	(18,192)
Receipts from sale of tangible fixed assets		11	0
Purchase of heritage assets	8	(2,003)	(1,536)
Purchase of fixed asset investments	9	(67,418)	(45,406)
Net cash outflow from investing activities		(17,174)	(11,862)
Management of liquid resources			
Net sale of short term investments		2,000	12,378
Increase in cash	16(c)	141	11,890

The notes on pages 35 to 59 form part of these accounts

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting Conventions

- (a) The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Department for Culture, Media and Sport.
- (b) The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the treatment of investments, which have been included at market value.

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

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

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

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

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

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

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

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

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they are allocated to activities according to the method described in note 5(b). Costs of generating funds are those incurred in seeking voluntary and sponsored contributions for the Museum. Governance costs are those costs incurred in connection with the general governance of the British Museum including compliance with constitutional and statutory requirements.

The Museum is covered by the provisions of the VAT Act 1994 s 33a, which allows it to recover the majority of VAT which is borne. Irrecoverable VAT is treated as an overhead cost and apportioned over the activities of the Museum as described in note 5.

(d) *Gifts in Kind*

Heritage asset acquisitions for the collection since 1 April 2001, whether donated or purchased, are capitalised and recognised in the balance sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Items donated or bequeathed to the Museum's collection are valued by internal valuers if an external valuation for the items is not available. Such items are not depreciated or revalued.

Donated services are included as income and expenditure in the year in which the service is used by the Museum. The service is valued at the cost the Museum would have incurred if the services had not been donated.

(e) *Tangible Fixed Assets*

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All assets are carried at current cost valuations unless the trustees consider that this is not materially different from historic cost. All the Museum's properties are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets every five years. A full valuation of the Museum's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009. The valuation included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House. The Museum is valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties are valued on an existing use basis. Between the quinquennial valuations, Gerald Eve undertakes a desktop valuation to update the values of land & buildings and plant & machinery, with relevant indices provided by the Office of National Statistics applied to other assets.

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

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	15 to 25 years
Plant and machinery	10 to 28 years
Furniture, fit out and equipment	3 to 10 years

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

(f) *Financial instruments*

The museum has implemented FRS 25, 26 and 29.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the Museum's balance sheet when the Museum becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value plus directly attributable transaction costs for all financial instruments not carried at fair value through profit or loss. Financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Museum has transferred substantially all risks and rewards of ownership.

The Museum classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale.

None of its financial instruments are considered to be held-to-maturity investments. Material classes of financial instruments are separately identified under these categories in the notes to the accounts.

Fair value through profit or loss

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

Loans and receivables

'Loans and receivables' (L&R) financial instruments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market," for example trade debtors and deposits held in banks. Subsequent to initial recognition, these assets are carried at cost less impairment where material.

Available-for-sale

'Available-for-sale' (AFS) financial instruments are non-derivatives that are either designated in this category or not classified in any of the other categories. The Museum's investments are considered to fall within this category. Subsequent to initial recognition these assets are recorded at fair value, with any realised and unrealised gains or losses reflected in the SOFA.

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for material financial assets or groups of financial assets at the balance sheet date. Objective evidence includes, for example, significant financial difficulty of the issuer or debtor, disappearance of an active market for the financial asset because of financial difficulties, or data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition. Where there is objective evidence that an L&R financial instrument is impaired, its loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted where material. The impairment loss is recognised in the SOFA. Where there is objective evidence that an AFS equity investment is impaired, for example through a significant or prolonged decline in the fair value of the asset below its cost, the loss is reflected in the SOFA.

Investment properties

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

Investments in subsidiaries

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

(g) *Stock*

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

(h) *Liabilities*

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

(i) *Provisions*

The Museum provides for legal or constructive obligations which are of uncertain timing or amount on the balance sheet date on the basis of best estimate of the expenditure required to settle the obligation. Provisions are recognised where there is a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

(j) *Liquid resources*

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

(k) *Leases*

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

(l) *Foreign Currencies*

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

(m) *Pensions*

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

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

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

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

(n) *Notional Costs*

In accordance with Treasury instructions, the notional cost of capital is calculated and details given in Note 6.

(o) *Taxation*

The British Museum is eligible under s.505 of the Income and Corporation Taxes Act 1988 to seek from the Inland Revenue exemption from taxes on income arising from the pursuit of its charitable objectives. HM Revenue & Customs has granted this exemption. The British Museum Company Limited and the British Museum Great Court Limited gift aid their profits to the British Museum and therefore do not expect to pay Capital Gains or Corporation Tax.

(p) *Funds Structure*

The Museum has the following categories of funds:

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

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

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

2. Investment income and rent receivable

	SOFA Total 2010 £000s	SOFA Total 2009 £000s
Income from UK bank deposits	88	1,126
Income from overseas bank deposits	0	0
Income from UK fixed interest investments	11	155
Income from overseas fixed interest investments	44	77
Income from UK listed investments	97	660
Income from overseas listed investments	198	317
	438	2,335
Rents receivable	17	298
	455	2,633

Investment income has reduced due to a combination of a reduction in interest rates and changes in the investment portfolio. Rent receivable has reduced because future income was taken into account in 2008/09 when a provision was recognised for an onerous lease.

3. Analysis of incoming resources from charitable activities

	Total 2010 £000s	Total 2009 £000s
Care, research and conservation	3,491	1,684
Public access and events	1,019	1,473
Charitable trading	5,365	5,177
	9,875	8,334

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

4. Net incoming resources

is stated after charging:	2010 £000s	2009 £000s
Auditors' remuneration: Comptroller and Auditor General audit fee	59	50
Auditors' remuneration: Subsidiary companies audit fee	36	38
Operating lease rentals: Hire of plant and machinery	1	3
Operating lease rentals: Land and buildings	181	286
(Profit)/Loss on disposal of fixed assets	(1)	188
Movement on bad debt provision	(15)	51

5. Total resources expended

5(a)					Reanalysed	
	Direct Costs £000s	Grants £000s	Depreciation £000s	Support Costs £000s	2010 Total £000s	2009 Total £000s
Care, research and conservation	28,715	2,008	4,782	3,069	38,574	38,823
Public access and events	13,679	0	4,427	1,183	19,289	19,635
Charitable trading	4,822	0	207	239	5,268	6,087
Charitable activities	47,216	2,008	9,416	4,491	63,131	64,545
Costs of generating voluntary income	800	0	18	79	897	840
Commercial trading activities	12,673	0	391	448	13,512	12,185
Investment management costs	82	0	0	2	84	264
Governance costs	357	0	5	24	386	340
	61,128	2,008	9,830	5,044	78,010	78,174

Please see note 5(b) for details of the reanalysis.

Under the Portable Antiquities scheme, the British Museum made grants of £1,083,716 in 2009/10 (2008/09: £1,137,212). The scheme is the only proactive mechanism in England and Wales for recording archaeological finds made by the public. The grants are made to local authorities to support the work of Find Liaison Officers. Details of these grants are obtainable from the Portable Antiquities Scheme administrator at the British Museum. The Museum made grants of £924,261 as part of the World Collections programme (2008/09: £598,366).

5(b) Costs that cannot be directly attributed to one of the Museum's objectives are allocated to activities on a basis consistent with the use of resources. The basis has been changed in 2009/10 to allocate costs more accurately. Finance costs have been allocated using the proportion of direct expenditure spent on each of the objectives, human resources and legal services costs have been allocated based on staff numbers and information service costs have been allocated using staff numbers adjusted for non-computer based roles. Depreciation has been allocated according to the proportion of space occupied by each activity.

					Reanalysed	
	Finance Services	Information Services	Human Resources	Legal Services	2010 Total	2009 Total
Care, research and conservation	721	1,468	735	145	3,069	3,013
Public access and events	319	265	501	98	1,183	1,115
Charitable trading	109	81	41	8	239	272
Charitable activities	1,149	1,814	1,277	251	4,491	4,400
Costs of generating voluntary income	18	38	19	4	79	81
Commercial trading activities	85	217	122	24	448	395
Investment management costs	2	0	0	0	2	6
Governance costs	8	10	5	1	24	20
	1,262	2,079	1,423	280	5,044	4,902

5(c) Governance costs

Analysis of direct governance costs:

	2010 £000s	2009 £000s
Staff costs	111	107
British Museum auditor's remuneration	59	50
Subsidiary charities auditors' remuneration	36	38
Internal audit costs	115	82
Cost of meetings	35	36
Reimbursement of trustee expenses	1	2
	357	315

5(d) Staff costs

	2010	2009
	£000s	£000s
Wages and salaries	29,731	28,142
Social security costs	2,283	2,186
Pension costs	4,965	4,822
Agency staff costs	1,542	1,945
Early retirement and voluntary redundancy costs	228	343
	<u>38,749</u>	<u>37,438</u>

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

	2010	2009
£60,001 – £70,000	13	13
£70,001 – £80,000	6	4
£80,001 – £90,000	4	4
£90,001 – £100,000	1	1
£100,001 – £110,000	1	0
£110,001 – £120,000	0	2
£130,001 – £140,000	1	0
£160,001 – £170,000	0	1
£170,001 – £180,000	1	0

22 staff (2008/09:21) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 5 staff (2008/09: 4) are members of a defined contributions scheme. Contributions of £39k (2008/09, £33k) were paid on behalf of the members of the defined contribution scheme.

Senior Managers' remuneration is disclosed in the remuneration report on page 23.

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

2010	Agency and contract		Total
	Staff	staff	
Care, research and conservation	493	9	502
Public access and events	325	24	349
Charitable trading	28	0	28
Generating voluntary income	13	2	15
Commercial trading activities	205	15	220
Governance	3	0	3
	<u>1,067</u>	<u>50</u>	<u>1,117</u>

Reanalysed 2009	Agency and contract		Total
	Staff	Staff	
Care, research and conservation	485	10	495
Public access and events	341	22	363
Charitable trading	30	0	30
Generating voluntary income	13	4	17
Commercial trading activities	186	20	206
Governance	3	1	4
	<u>1,058</u>	<u>57</u>	<u>1,115</u>

The average number of employees has been reanalysed to reflect the change in the basis of apportionment as explained in note 5(b).

5(f) Trustees:

The Trustees neither received nor waived any emoluments during the year (2008/09 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2009/10, 2 Trustees (2008/09: 4) were reimbursed £1,201 (2008/09: £1,665). The costs borne by the Museum associated with trustee meetings are disclosed under governance costs at note 5(c).

6. Notional cost of capital

	2010	2009
	£000s	£000s
Cost of capital	10,867	10,399

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

7. Tangible fixed assets

7(a) Consolidated tangible fixed assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant & Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2009	343,560	12,613	26,262	48,250	9,958	440,643
Additions during the year	337	6,177	199	633	1,489	8,835
Disposals during year	0	0	0	0	(1,319)	(1,319)
Transfer	2,276	(4,604)	1,143	657	528	0
Revaluation adjustment	4,277	0	(51)	(1,430)	0	2,796
Impairment	(510)	(1,846)	0	0	0	(2,356)
At 31 March 2010	349,940	12,340	27,553	48,110	10,656	448,599
Depreciation						
At 1 April 2009	0	0	8,673	0	5,318	13,991
Disposals during year	0	0	0	0	(1,308)	(1,308)
Provided during the year	2,906	0	1,377	3,858	1,689	9,830
Revaluation adjustment	(2,906)	0	(16)	(3,858)	0	(6,780)
Impairment	0	0	0	0	0	0
At 31 March 2010	0	0	10,034	0	5,699	15,733
Net Book Value						
At 31 March 2010	349,940	12,340	17,519	48,110	4,957	432,866
At 31 March 2009	343,560	12,613	17,589	48,250	4,640	426,652

7(b) Museum tangible fixed assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant & Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2009	343,560	12,613	26,262	48,250	6,387	437,072
Additions during the year	337	6,177	199	633	389	7,735
Disposals during year	0	0	0	0	(65)	(65)
Transfer	2,276	(4,604)	1,143	657	528	0
Revaluation adjustment	4,277	0	(51)	(1,430)	0	2,796
Impairment	(510)	(1,846)	0	0	0	(2,356)
At 31 March 2010	<u>349,940</u>	<u>12,340</u>	<u>27,553</u>	<u>48,110</u>	<u>7,239</u>	445,182
Depreciation						
At 1 April 2009	0	0	8,673	0	2,984	11,657
Disposals during year	0	0	0	0	(54)	(54)
Provided during the year	2,906	0	1,377	3,858	1,298	9,439
Revaluation adjustment	(2,906)	0	(16)	(3,858)	0	(6,780)
Impairment	0	0	0	0	0	0
At 31 March 2010	<u>0</u>	<u>0</u>	<u>10,034</u>	<u>0</u>	<u>4,228</u>	14,262
Net Book Value						
At 31 March 2010	349,940	12,340	17,519	48,110	3,011	430,920
At 31 March 2009	343,560	12,613	17,589	48,250	3,403	425,415

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

7(c) A full valuation of the Museum's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009 and an update valuation was carried out on 31 March 2010. The valuations included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House.

Note that Blythe House is occupied by the British Museum, the Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. Because of this Gerald Eve only valued the space occupied by the British Museum and it is this value which is included in the Museum's balance sheet.

The historic cost of the land and buildings is not known.

8. Heritage assets – Group and Museum

	2010 £000s	2009 £000s
At 1 April 2009	37,804	34,983
Purchased from Museum resources	246	407
Purchased by the Museum trust funds	139	350
Purchased from donations	1,618	779
Items donated or bequeathed	2,219	1,285
At 31 March 2010	42,026	37,804

The British Museum's collection contains about seven million objects from nearly all parts of the world and every period of human history. The online database contains information about over two million objects from the collection, and can be accessed via the following link:

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

The Museum's policies and acquisitions, de-accessions, displays and loans can also be viewed online:

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

As set out in note 1d, the balance shown here only reflects the acquisitions for the collection since 1 April 2001.

9. Investments

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

	2010	2009
	£000s	£000s
Investment assets in the UK:		
Common investment funds	25,625	26,967
Listed equities	813	1,278
Fixed interest	1,090	3,494
Cash held as part of investment portfolio	33,604	825
Commodity funds	497	1,126
Investment assets outside the UK:		
Common investment funds	11,547	15,971
Listed equities	2,557	3,803
Unlisted equities	1,980	1,592
Fixed interest	1,594	5,797
Commodity funds	109	1,158
Investment properties	2,391	1,710
	81,807	63,721
Investments at 1 April 2009	63,721	82,871
Additions	67,418	45,406
Disposals	(61,071)	(53,272)
(Loss)/gain in value	11,739	(11,284)
Investments at 31 March 2010	81,807	63,721

All investments are stated at fair value at 31 March 2010. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date, adjusted as appropriate to reflect any material changes in market conditions. Valuations for investments where there is no active market have been estimated with reference to recent transaction prices and market data for similar instruments.

The Museum has entered into a long term commitment to invest a further \$6.9m (£4.5m) in unlisted equities outside the UK under subscription agreements with two companies.

The valuation of investment properties in Bloomsbury was carried out by Kinney Green at 31 March 2010 in accordance with the RICS Appraisal and Valuation manual.

9(b) Current asset investments

	Group	Group	Museum	Museum
	2010	2009	2010	2009
	Cost	Cost	Cost	Cost
	£000s	£000s	£000s	£000s
Short term cash deposits	7,005	9,005	7,000	9,000

9(c) Cash at bank and in hand

	Group	Group	Museum	Museum
	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Balance with Office of Paymaster General	3,645	6,960	3,645	6,960
Balance with commercial banks and in hand	18,687	15,687	16,264	13,022
	22,332	22,647	19,909	19,982

10. Subsidiaries

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

The British Museum Company Limited has capital consisting of 750,000 £1 shares all of which have been issued at par. The British Museum Company Limited owns the whole of the issued share capital of £100 of British Museum Ventures Limited.

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

10(b) Results of trading subsidiaries

	BM Co	BMGC	Total	Total
	2010	2010	2010	2009
	£000s	£000s	£000s	£000s
Turnover	10,329	7,123	17,452	14,335
Cost of sales	(3,762)	(3,096)	(6,858)	(5,903)
Gross profit	6,567	4,027	10,594	8,432
Selling and distribution costs	(3,002)	0	(3,002)	(3,076)
Administrative expenses	(2,632)	(676)	(3,308)	(3,224)
Other operating income	535	0	535	537
Operating profit	1,468	3,351	4,819	2,669
Finance cost	(140)	0	(140)	(60)
Interest receivable	12	30	42	224
Actuarial gain/(loss) on defined benefit scheme	(1,540)	0	(1,540)	(650)
Taxation payable	0	0	0	0
Contribution to the Trustees of the British Museum	(855)	(3,391)	(4,246)	(2,712)
Surplus/(deficit) retained in the Company	(1,055)	(10)	(1,065)	(529)

The operating profit of the British Museum Company Limited is stated after charging staff costs of £4,211,000 (2009: £4,024,000) and depreciation of tangible fixed assets of £379,000 (2009: £401,000).

The operating profit of the British Museum Great Court Limited is stated after charging depreciation of tangible fixed assets of £15,000 (2009: £8,000). The two subsidiaries made cash payments during the year to the British Museum for the 2008/09 contribution of £2,712,238 (2009: £3,802,000).

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

	2010	2010	2009	2009
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From the British Museum Company Limited	10,329	10,391	10,194	10,767
Other operating income	535	0	537	0
Interest	42	0	224	0
From the British Museum Great Court Limited	7,123	7,163	4,141	4,208
less transactions with the group	(1,766)	(4,418)	(287)	(3,130)
	16,263	13,136	14,809	11,845
plus allocated support costs	0	448	0	395
less interest	(42)	0	(224)	0
less governance costs	0	(72)	0	(55)
Total in Commercial Trading lines	16,221	13,512	14,585	12,185

Note that the prior year comparatives have been reanalysed to show separately interest income and allocated support costs.

Net assets at 31 March 2010 comprise:

	BM Co	BMGC	BM Co	BMGC
	2010	2010	2009	2009
	£000s	£000s	£000s	£000s
Tangible fixed assets	1,871	75	1,165	72
Current assets	4,367	7,408	5,045	2,886
Creditors due within one year	(2,512)	(6,949)	(2,879)	(2,415)
Creditors due after one year	(3,220)	0	(1,770)	0
Net assets	506	534	1,561	543

11. Debtors

	Group		Museum	
	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Trade debtors	1,973	1,561	300	594
Other debtors	273	372	228	245
Prepayments and accrued income	7,086	4,477	6,948	4,366
Taxation and social security	898	1,190	1,165	1,401
Derivative financial instruments	89	0	89	0
Amount due from subsidiaries	0	0	4,440	2,900
	10,319	7,600	13,170	9,506

The debtors include £1,335k with central government departments (2008/09: £1,362k) and £17k with local government (2008/09: £0).

12. Creditors

	Group		Museum	
Amounts falling due within one year:	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Trade creditors	4,074	6,070	3,077	5,315
Other creditors	592	842	544	775
Derivative financial instruments	0	3,090	0	3,090
Taxation and social security	1,091	781	1,091	700
Early retirement	767	888	767	888
Accruals	1,529	2,291	1,207	1,751
Payments received on account	2,016	0	0	0
Deferred income	7,587	2,007	6,263	1,263
Amount due to subsidiaries	0	0	5,179	2,457
	17,656	15,969	18,128	16,239

Payments received on account relate to long term contracts which are accounted for in accordance with SSAP9 as detailed in the accounting policy. The creditors include £1,350k with central government departments (2008/09: £1,198k) £31k with local government (2008/09: £121k) and £28k with NHS Trusts (2008/09: £0k).

	Group		Museum	
The movement on the deferred income account is as follows:	2010	2009	2010	2009
	£000s	£000s	£000s	£000s
Deferred Income at 1 April	2,007	1,628	1,263	645
Released in year	(2,007)	(1,628)	(1,263)	(645)
Deferred in year	7,587	2,007	6,263	1,263
Deferred income at 31 March	7,587	2,007	6,263	1,263

13. Provisions and charges – group and museum

Early retirement and voluntary redundancy commitments at 31 March 2010 are as follows:

	2010	2009
	£000s	£000s
Early retirement provision brought forward	1,928	2,674
Provision made in year	222	257
Payments in year	(682)	(1,003)
	1,468	1,928
Less current portion – included in creditors amounts falling due within one year	(767)	(888)
	701	1,040

The £1,468,000 represents the provision for annual compensation payments to those employees who retire under an approved redundancy scheme aged 50 years or over for the period until they reach the normal retirement age of 60 years. £767,023 is payable in the next year. £623,502 is payable between 2011 and 2015 and £77,650 before 2019.

The Museum no longer has an onerous lease provision because the rental income due in future years now exceeds the rental income the Museum is required to pay.

Provisions for liabilities and charges	Onerous lease £000s	Legal claims £000s	Total £000s
At 1 April 2009	75	18	93
Arising during the year	0	29	29
Utilised during the year	(75)	(9)	(84)
Reversed unused	0	(9)	(9)
At 31 March 2010	0	29	29
Less current portion – included in creditors amounts falling due within one year	0	(29)	(29)
	0	0	0

14. Financial commitments

At 31 March 2010 the British Museum had annual commitments under operating leases as follows:

		Land and Buildings		Plant and Machinery	
		2010	2009	2010	2009
		£000s	£000s	£000s	£000s
Leases which expire:	within one year	78	78	1	1
	in the second to fifth year	184	184	0	0
	over five years	103	86	0	0
		365	348	1	1

15 Statement of funds

15(a) Statement of funds

	At 1 April 2009 £000s	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2010 £000s
<i>Permanent Endowment Funds</i>	9,642	0	(20)	1,249	1,229	0	10,871
<i>Restricted Funds</i>							
Collection Acquisitions Fund	37,804	2,219	0	0	2,219	2,003	42,026
Collection Purchase Fund	613	2,025	(14)	89	2,100	(1,563)	1,150
Fixed Asset Revaluation Fund	289,767	0	0	9,576	9,576	(4,642)	294,701
Fixed Asset Fund	135,648	3,500	(11,794)	0	(8,294)	8,865	136,219
Estates Proceeds	2,708	14	(5)	351	360	0	3,068
Construction Projects Fund	1,262	2,628	(301)	163	2,490	(44)	3,708
Restricted Income Trust Funds	4,251	77	(81)	548	544	(62)	4,733
Deferred Income Fund	5,072	6,940	(5,314)	640	2,266	(71)	7,267
	477,125	17,403	(17,509)	11,367	11,261	4,486	492,872
<i>Unrestricted Funds: Museum</i>							
<i>Designated:</i>							
World Collection & Exhibition Centre	42,500	0	(250)	0	(250)	0	42,250
Gallery Projects	7,400	0	(80)	0	(80)	(2,575)	4,745
Infrastructure Projects	2,759	0	(503)	0	(503)	(53)	2,203
Capital & Maintenance Work	0	0	0	0	0	9,000	9,000
Designated Trust Funds	932	5	(48)	92	49	(77)	904
	53,591	5	(881)	92	(784)	6,295	59,102
<i>General:</i>							
Investment Estate	1,710	0	0	681	681	0	2,391
Unrestricted Trust Funds	6,488	178	(10)	667	835	0	7,323
General Funds	781	51,726	(46,454)	6,771	12,043	(8,130)	4,694
	8,979	51,904	(46,464)	8,119	13,559	(8,130)	14,408
<i>Unrestricted Funds: Subsidiaries</i>							
British Museum Co Ltd	(354)	10,525	(9,364)	(1,540)	(379)	(1,382)	(2,115)
British Museum Co Ltd Fixed Assets	1,165	0	0	0	0	706	1,871
British Museum Great Court Ltd	(29)	5,738	(3,772)	0	1,966	(1,978)	(41)
British Museum Great Court Ltd Fixed Assets	72	0	0	0	0	3	75
	854	16,263	(13,136)	(1,540)	1,587	(2,651)	(210)
<i>Unrestricted Funds: Group</i>	63,424	68,172	(60,481)	6,671	14,362	(4,486)	73,300
Total Funds	550,191	85,575	(78,010)	19,287	26,852	0	577,043

The British Museum Co Ltd reserve includes a liability on a defined benefit pension scheme of £3.22m, see note 19 for further details.

	2010
	£000s
Investments at fair value	81,807
Investments at historic cost	75,539
Fair value reserve	<u>6,268</u>

The investment properties (fair value of £2,391k) were acquired in the nineteenth century and have been included at a zero historic cost.

Analysis of group net assets between funds

	Permanent Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	Total 2010 £000s	Total 2009 £000s
Fund balances at 31 March 2010 are represented by:					
Tangible fixed assets	0	430,920	1,946	432,866	426,652
Heritage assets	0	42,026	0	42,026	37,804
Fixed asset investments	7,948	12,013	61,846	81,807	63,721
Net current assets	2,923	7,913	13,429	24,265	24,886
Early retirement provision	0	0	(701)	(701)	(1,040)
Other provisions	0	0	0	0	(62)
Liability on defined benefit pension scheme	0	0	(3,220)	(3,220)	(1,770)
Total net assets	10,871	492,872	73,300	577,043	550,191

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

Permanent endowment funds

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

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

Restricted funds

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

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

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

Unrestricted designated funds

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

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

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

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

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

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

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

Unrestricted general funds

Investment estate: this represents the value of investment properties.

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

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

15(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases from unrestricted capital & revenue funds	440	0	(117)	(323)
Capital assets funded from unrestricted funds	4,179	(2,628)	(16)	(1,535)
Net movement on subsidiary fixed assets	0	709	0	(709)
Designation of funds for capital & maintenance work	0	9,000	0	(9,000)
	<u>4,619</u>	<u>7,081</u>	<u>(133)</u>	<u>(11,567)</u>

16. Cash flow information

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

	2010	2009
	£000s	£000s
16(a) Net incoming resources before revaluations	7,565	6,291
Actuarial loss on defined benefit scheme	(1,540)	(650)
Gains/(losses) on derivative financial instruments	(33)	(5,316)
Donated Assets – collection items	(2,219)	(1,285)
Investment income	(455)	(2,633)
Depreciation	9,830	11,438
Loss on disposal of fixed assets	1	188
(Increase)/decrease in stocks	(662)	79
(Increase) in debtors	(2,719)	(1,640)
Increase in creditors	1,687	2,401
Decrease in early retirement provisions	(339)	(488)
Increase in pension fund liability	1,450	570
Decrease in other provisions	(62)	(330)
Impairment of fixed assets	2,356	116
Net cash inflow from operating activities	14,860	8,741

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

	2010	2009
	£000s	£000s
Increase in cash in the period	141	11,890
Decrease in liquid resources	(2,000)	(12,378)
Movement in net funds in the period	(1,859)	(488)
Foreign currency exchange rate difference	(456)	517
Net funds at 1 April	31,652	31,623
Net funds at 31 March	29,337	31,652

16(c) Analysis of net funds

	2009	Cash Flow	Foreign exchange rate difference	2010
	£000s	£000s	£000s	£000s
Liquid Resources:				
Short term deposits	9,005	(2,000)	0	7,005
Cash at bank and in hand	22,647	141	(456)	22,332
	<u>31,652</u>	<u>(1,859)</u>	<u>(456)</u>	<u>29,337</u>

17. Related party transactions

The British Museum is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party.

During the year, the British Museum had a number of material transactions with the Department and with other entities for which the Department is regarded as the parent department.

The British Museum has loaned items from the collections to the following organisations during 2009/10 which have the Department for Culture, Media and Sport as a parent organisation:

The British Library	The National Gallery
The Horniman Museum	The Victoria and Albert Museum
Tate	The National Maritime Museum
The National Portrait Gallery	Sir John Soane's Museum

The British Museum has borrowed items from the collections of the following organisations during 2009/10 which have the Department for Culture, Media and Sport as a parent organisation:

The National Gallery
The British Library

During the year the British Museum entered into the following material transactions:

Related party transactions						
Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2010	Expenditure for the year ended 31 March 2010	Creditor balance as at 31 March 2010	Debtor balance as at 31 March 2010
			£'000	£'000	£'000	£'000
Thomson Reuters	Mr Niall FitzGerald is the Deputy Chairman of Thomson Reuters	Corporate hire	32	0	34	0
HSBC Holdings	Mr Stephen Green is Chairman of HSBC Bank plc. Lord Stern of Brentford is special advisor to the Group Chairman of HSBC, Stephen Green	Sponsorship	310	0	0	0
Thales	Lord Powell of Bayswater KCMG is an adviser to Thales	Corporate hire	26	0	0	0
The British Museum Friends	Mr David Norgrove served as a Trustee of the British Museum Friends	Grants awarded during the year Reimbursement of costs including staff	836	0	0	123
University of Cambridge	Professor Sir Christopher Bayly is a Trustee of the University of Cambridge	Research grants and publication costs	2	24	4	1
Leverhulme Trust	Mr Niall FitzGerald is a Trustee of the Leverhulme Trust	Grants and Leverhulme fellowships awarded during the year	870	0	0	830
British Academy	Professor Sir Christopher Bayly is a Trustee of the British Academy	Research grants	1	1	0	0
BBC	Ms Val Gooding is a non-Executive Director for the BBC	Commerical income and training costs	25	5	1	7
Apax Partners LLC	Sir Ronald Cohen is a member of Apax Partners LLP	Corporate hire	20	0	26	0
University of Oxford	Lord Powell of Bayswater KCMG is Chairman of Oxford University Business School Foundation. Mr Francis Finlay is a member of the Oxford University Investment Committee	Materials and periodical costs	0	11	6	0
Ashmolean Museum	Lord Powell of Bayswater KCMG is an Honorary Fellow of the Ashmolean Museum	Grants	0	38	0	0
Royal Africa Society	Chief Emeka Anyaoku is President of the Royal Africa Society	Donation	0	3	0	0
The American Friends of the British Museum	Mr Francis Finlay is Chairman of the American Friends of the British Museum	Grants awarded during the year Administration costs associated with grant making	346	70	35	0
The Sudan Archaeological Research Society	Mr Vivian Davies, Keeper of Ancient Egypt & Sudan, is a Trustee of The Sudan Archaeological Research Society	Contributions from the Museum funds towards costs of archaeology in Sudan Reimbursement of postage costs	2	24	7	0

18. Capital commitments

At the balance sheet date the value of capital commitments totalled £2.0m. The most significant commitment is for the World Conservation and Exhibition Centre.

19. Pensions

British Museum

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

For 2009/10, employer's contributions of £57,384 were paid to the partnership pension scheme (£46,000 for 2008/09) and employer's contributions of £4,509,199 (£4,525,000 for 2008/09) were payable to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2009/10 the rates were as follows: for salaries under £20,500, 16.7%, for salaries between £20,501 and £42,000, 18.8%, for salaries between £42,001 and £72,000, 21.8% and for salaries over £72,001, 24.3%. For 2010/11 the rates will be as follows: for salaries under £21,000, 16.7%, for salaries between £21,001 and £43,000, 18.8%, for salaries between £43,001 and £74,000, 21.8% and for salaries over £74,001, 24.3%.

For 2008/09 the rates were as follows: for salaries under £19,500, 17.1%, for salaries between £19,501 and £40,500, 19.5%, for salaries between £40,501 and £69,000, 23.2% and for salaries over £69,001, 25.5%.

British Museum Company Limited

Defined Contribution Scheme

The Company operates a defined contribution pension scheme for the benefit of the employees who commenced their employment after 1 January 2000. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contributions to this scheme during the year was £156,000 (2008/09: £100,000).

Defined Benefit Scheme

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

The most recent full actuarial review of the scheme was carried out at 31 March 2008 and updated to 31 March 2010 by a qualified independent actuary to reflect the difference in actuarial assumptions and the time period elapsed.

Pension costs are assessed in accordance with the advice of a qualified independent actuary, Pope Anderson, using the attained age method. The assumptions which have the most significant effect on the results of the valuation are that, over the long term, investment returns would be at the rate of 6.5% per annum and this would exceed the rate of salary growth by 2.5%.

The market value of the scheme assets as at 31 March 2008 was £6,753,413. The actuarial value of those assets was sufficient to cover 85% of the benefits that had accrued to members, after allowing for expected future increased in earnings on a minimum funding rate basis. Current and future contributions reflect the deficiency. With effect from 1 April 2009, a schedule of contributions was put in place fund the scheme's defined benefits at the rate of 21.7% per annum of pensionable salary for scheme members. For employees joining the scheme before 1 November 1993, the scheme is non-contributory. Employees joining the scheme with effect from 1 November 1993 pay 5% of pensionable salary towards the total. The cost of insuring the death in service benefits is payable in addition to these amounts.

The total employer's pension contributions for entities adhering to the scheme was £242,000 (2008/09: £243,000).

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

Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for 31 March 2008 valuation, for the purpose of calculating the Financial Reporting Standard No.17 disclosures for the year ended 31 March 2010.

The amounts recognised in the balance sheet are as follows:

	2010	2009
	£m	£m
Fair value of scheme assets	7.64	5.69
Present value of funded obligations	(10.86)	(7.46)
Surplus/(deficit)	(3.22)	(1.77)

The amounts recognised in the balance sheet are as follows:

	2010	2009
	£m	£m
Assets	0.00	0.00
Liabilities	(3.22)	(1.77)
	(3.22)	(1.77)

The amounts recognised in the SOFA are as follows:

	2010	2009
	£m	£m
<i>Defined benefit pension scheme</i>		
Current service cost	0.07	0.11
Interest cost	0.51	0.52
Expected return on scheme assets	(0.37)	(0.46)
Total	0.21	0.17
Actual return on scheme assets	1.80	(1.14)

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

	2010	2009
	£m	£m
<i>Defined benefit pension scheme</i>		
Opening defined benefit obligation	7.46	7.93
Current service cost	0.07	0.11
Interest cost	0.51	0.52
Contribution by scheme participants	0.01	0.01
Actuarial losses / (gains)	2.97	(1.05)
Benefits paid	(0.16)	(0.06)
Closing defined benefit obligation	10.86	7.46

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

	2010	2009
	£m	£m
<i>Defined benefit pension scheme</i>		
Opening fair value of scheme assets	5.69	6.73
Expected return	0.37	0.46
Actuarial gains/(losses)	1.43	(1.70)
Contributions by employer	0.30	0.25
Contributions by scheme participants	0.01	0.01
Benefits paid	(0.16)	(0.06)
Closing value of scheme assets	7.64	5.69

The Company expects to contribute £330,000 to its defined benefit pension scheme in the year ended 31 March 2011.

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

	2010	2009
Cash	0%	26%
Bonds	14%	12%
Equities	17%	45%
Property	15%	17%
Target return funds	54%	0%

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

	2010	2009
Discount rate at 31 March	5.6%	6.9%
Expected return on scheme assets at 31 March	7.8%	6.4%
Future salary increases	3.4%	3.0%
Future pension increases		
Pre 1 May 1991	3.0%	3.0%
1 May 1991 to 31 December 2007	5.0%	5.0%
1 January 2002 to 31 December 2007	3.4%	3.0%
Post 31 December 2007	2.5%	2.5%
Inflation assumption	3.4%	3.0%

The overall expected rate of return on scheme assets has been determined by calculating a weighted total of individual asset returns, adjusted to include an allowance for prudence and investment management fees.

The underlying market expected return rates used are 8.1% for equity type investments, 5.6% for corporate bond funds, and 4.5% for cash.

Mortality	SAPS mc	SAPS mc
Life expectancy of male aged 65 in 2009	85.20	85.50
Life expectancy of male aged 65 in 2029	86.50	86.80

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

<i>Defined benefit pension scheme</i>	2010	2009	2008	2007	2006
Defined benefit obligation	(10.86)	(7.46)	(7.93)	(9.22)	(9.43)
Plus assets	7.64	5.69	6.73	6.95	6.33
Surplus / (deficit)	(3.22)	(1.77)	(1.20)	(2.27)	(3.10)
Experience adjustments on scheme liabilities*	0.00	0.71	0.00	0.00	0.00
Experience adjustments on scheme assets**	1.43	(1.70)	(0.79)	0.07	0.69

*Where positive numbers represent increases to liabilities

**Where positive numbers represent increases to assets

The scheme had 106 members at the last formal valuation dated 31 March 2008.

20. Contingent liabilities

The Museum has no contingent liabilities at the year end.

21. Financial instruments

FRS 29 requires the disclosure of information to enable users to evaluate the significance of financial instruments for the Museum's financial position, the nature and extent of risks arising from financial instruments to which the Museum was exposed during the period and at the reporting date, and how the Museum manages those risks.

Financial assets and liabilities by category

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 March 2010, together with net gains and losses for each classification.

Group	Loans and receivables	Available- for-sale	Fair value through profit or loss (held for trading)	Other financial liabilities	Total
Investments	0	81,807	0	0	81,807
Trade debtors	1,973	0	0	0	1,973
Short-term investments	7,005	0	0	0	7,005
Cash at bank and in hand	22,332	0	0	0	22,332
Trade creditors	0	0	0	(4,074)	(4,074)
Derivative financial instruments	0	0	89	0	89
	<u>31,310</u>	<u>81,807</u>	<u>89</u>	<u>(4,074)</u>	<u>109,132</u>

Gains/(losses) on investment assets**£000s**

Gains/(losses) on derecognition of investments	3,136
Gains/(losses) on retranslation of foreign denominated cash and investments	(456)
Gains/(losses) on derivative financial instruments	(33)
Total investment gains/(losses), recognisable in SOFA	2,647
Net movement in fair value of available for sale investments, taken to reserves	8,604
	<u>11,251</u>

Financial risk management

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

Credit risk

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

Term deposits and cash holdings are placed only with approved UK banks and are spread across several institutions.

The Museum has not suffered any loss in relation to cash held by bankers.

Liquidity risk

Approximately 56% of the Museum's incoming resources before transfers, notional costs and revaluations is provided by Grant-in-Aid from the Department for Culture, Media and Sport. The Museum's reserves policy is set out in the Annual Report above.

The trustees believe that the level of unrestricted reserves at year-end and careful planning based on expected funding levels allows the Museum to be free from unacceptably high liquidity risks.

Market risk: interest rate risk

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

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

	Floating rate	Fixed rate	Non-interest bearing	2010 Total £000s	2009 Total £000s
	£000s	£000s	£000s		
Sterling	13,237	7,000	4,589	24,826	29,030
US \$	532	0	3,977	4,509	2,620
Euro	2	0	0	2	2
	<u>13,771</u>	<u>7,000</u>	<u>8,566</u>	<u>29,337</u>	<u>31,652</u>

The weighted average interest rate on fixed rate financial assets is 1.1% (2008/09: 5.2%) and the weighted average period of deposit is 39 days (2008/09: 46 days). The interest receivable on the floating rate deposits is at a variable rate determined by the Museum's bankers.

Interest income for the year made up about 0.2% (2008/09: 1.4%) of the Museum's incoming resources before transfers, notional costs and revaluations and the Museum does not hold any loans, so exposure to interest rate risk is minimal.

Market risk: foreign currency risk

Approximately 17% of the Museum's financial assets are denominated in currencies other than pounds sterling, the base currency for the Museum's operations. In order to protect funds from exposure to currency risk the Museum reviews underlying investment manager exposure and deploys hedging strategies. Euro exposure is hedged if it constitutes more than 20% of the portfolio, US dollar and Japanese Yen exposures if they represent more than 10% of the portfolio, and all other currencies if they together constitute more than 10% of the portfolio. Unhedged assets will include illiquid private equity investment where the long-term nature of the investment removes the need to hedge short-term fluctuations and the uncertainty surrounding the quantum and timing of distributions makes accurate currency hedging problematic.

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

Currency	Value 2010 £000s	Value 2009 £000s
US\$	15,104	12,987
Japanese Yen	0	2,550
Euro	2,821	958
Swedish Kroner	0	386
Norwegian Kroner	0	317
Swiss Francs	0	274
Canadian \$	0	669
Other	0	657
	<u>17,925</u>	<u>18,798</u>
Assets considered to be exposed to US\$ risk	\$22,911	\$18,615
Less forward contract:- US\$	(\$11,770)	(\$15,000)
Total value exposed to US\$ currency risk	<u>\$11,141</u>	<u>\$3,615</u>

Market risk: other price risk

Exposure to wider price risks is reduced by competitive tendering and securing two or three year fixed price contracts, where appropriate. The Museum is, in particular, exposed to risks associated with its investments – details of the investment policy and risk management are disclosed in the "Investments and financial risks" section of the Annual Report above.

22. Post balance sheet events

The financial statements were authorised for issue by the Trustees and Accounting Officer on July 2010.



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