

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2017

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Presented to Parliament pursuant to Section 9(8) of the Museums and Galleries Act 1992

Ordered by The House of Commons to be printed on 13 July 2017

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This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474144254

Web ISBN 9781474144261

ID 21041708 60062 07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

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Trustees' and Accounting Officer's Annual Report

Chairman's Foreword

When visitors walk into the British Museum (BM), they can see some of the great works of civilisation – the majestic head of Ramses II, the energetic pose of the Discobolus. These outstanding artefacts have always attracted the public and continue to do so in vast numbers. In 2016, 6.4 million people visited the BM in London, making it, for the 10th year running, the country's top visitor attraction.

Museums are a vital representation of history. Visitors can study the long story of mankind, learning as they wander the galleries of different lands and cultures – both their unique features and how they interacted over time. It is a history that the BM continues to reshape for future audiences. A stunning new acquisition in 2016/17 was a rare English Madonna and Child that survived the Protestant iconoclasm of the 16th century. The story of worship in pre-Reformation England can be hard to show, but expressive artefacts such as this medieval alabaster statue mean that you can see that story told, alongside comparable histories, at the BM.

Across the UK, 9m people saw BM artefacts outside of London – on long-term loan to museums, or as elements in touring exhibitions and displays. The number represents a serious commitment on the part of the BM to show the collection around the country. We work with regional partners of all sizes to discuss what they would like to borrow and how to make such a display effective for local visitors. Many of the ties are longstanding: a collection of Victorian watercolours which the BM shared with Worcester's city museum in the 1890s has been reunited with loans from the BM for a special exhibition in 2017.

Internationally the collection toured widely, from Spain to Singapore. Archaeologists undertook fieldwork in Puerto Rico and the Nile Delta. Research, often in collaboration with other institutions, took in the late paintings of Hokusai, artefacts of the ancient nomadic Scythians and tar samples from Sutton Hoo, which scientists discovered were in fact bitumen acquired through Anglo-Saxon trade networks in the Middle East.

No less important is the assistance the BM gives to colleagues worldwide. Staff intervened to help return a Safavid bowl stolen from Afghanistan. They advocated for the urgent preservation of cultural heritage at risk in Yemen. To counter the threat to monuments in Iraq, the new Iraq Emergency Heritage Management Trainee Scheme has seen the BM begin to train Iraqi colleagues in retrieval techniques and rescue archaeology. Two groups arrived in London in 2016/17 and later undertook supervised fieldwork in southern Iraq and Kurdistan.

The BM thrives because of the commitment of its supporters, and its staff and volunteers. We would like to thank all of them for their dedication and hard work.

Sir Richard Lambert
Chairman of the Trustees

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 BM is now governed in accordance with the British Museum Act 1963 and Museums and Galleries Act 1992. The BM is an exempt charity under schedule 3 of the Charities Act 2011. The Secretary of State for Culture, Media and Sport is the principal regulator under the Charities Act 2011.

The BM is also a Non-Departmental Public Body funded by a combination of grant-in-aid allocated by the Department for Culture, Media and Sport (DCMS) and income secured through commercial, fundraising, sponsored and charging activities.

It has a wide range of stakeholders, including DCMS, HM Treasury, Camden Borough Council, Historic England, 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.

Subsidiaries

The main retailing, off-site trading and publishing activities of the BM are carried out by the British Museum Company Limited (BMCo, company number 1079888), a company wholly owned by the Trustees, together with its subsidiary, British Museum Ventures Limited (BMV, company number 1442912).

Conferences, consultancy, education and other income generating activities were carried out during the year by the British Museum Great Court Limited (BMGC, company number 4098945), also a company wholly owned by the Trustees.

Friends’ organisations

The work of the BM is supported by two ‘friends’ associations. The British Museum Friends (BMF) is a registered charity (charity number 1086080) and a company (company number 04133346) limited by guarantee that provides grants to the BM out of the surplus it generates from membership subscriptions, fundraising, and members’ activities. The Trustees of the BM are also the Trustees and the company law directors of the Friends. BMF’s results are consolidated within these accounts.

The American Friends of the British Museum (AFBM) supports the BM’s development by raising funds in the United States. It is separately administered and independent of the BM, and therefore not consolidated within these accounts.

Strategic direction and performance against objectives

“Towards 2020” (published on the BM’s website) sets out the priorities for the BM in pursuit of its strategic objectives to 2020. During 2016/17 the BM continued to make significant progress in working towards these objectives.

Collections and research

Collection

Embracing people, ideas, nations and beliefs, the BM collection permits the many stories of humankind to be told. It is constantly evolving, with new acquisitions and changing displays.

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

In 2016, with generous contributions from the Art Fund, National Heritage Memorial Fund and private donations, the BM purchased a rare 14th-century alabaster Madonna and Child. Now on public display in the Sir Paul and Lady Ruddock Gallery of Medieval Europe, it is an outstanding example of pre-Reformation English sculpture.

The BM's collection of prints by Pablo Picasso grew in 2016, part of a sustained ambition to represent more fully the Spanish artist's work. The acquisition of 16 lithographs and three aquatints from the late 1940s and 1950s filled the last major gap in showing Picasso's achievements as a printmaker.

Acquisitions reflect different aspects of the BM's work – exploring the contemporary, researching the past, supporting the public programme. For the exhibition of contemporary American prints, works by African American artist Willie Cole, and by Andy Warhol and Robert Rauschenberg were purchased with support from the Volland Group, Hamish Parker and others.

Additions across the collection included Iranian lacquered pen boxes, Inuit drawings, a Mohawk basket and *The Queen and Me*, a 2016 painting from Australia by Vincent Namatjira. A series of 36 prints by Utagawa Kunisada links kabuki theatre roles to classical Japanese poems. Popular culture featured in political posters from Syria and in prints from India: a portrait of the Hindu goddess Kali advertised Kali cigarettes.

Many additions to the collection are bequests or donations. Rare Roman and Iron Age coins found in Essex, Suffolk and Norfolk were generously given to the BM by the metal detectorist who found them. A Greek terracotta woman's head of the 5th century BC still has traces of its original colour. The sketchbooks and journals of William Gell reveal the renewal of interest in classical Greece in the early 19th century. Other donations included a Tibetan dagger and trumpet, and fragments of a Roman wine amphora. Bequests included a drawing by David Hockney and a 13th-century black-glazed stoneware bottle made in Shanxi, China.

Conservation and research

From science to social history, BM research springs from the collection and what it can tell us about the past.

The BM received generous support for a number of new projects. The Australian Research Council is supporting a four-year project on Western Australia called *Collecting the West*, that will shed new light on Aboriginal collections in the BM and around the UK. *The Innovation, Dispersal and Use of Ceramics in North-East Europe* is a major partnership with museums and universities in Germany, Russia, Poland, Denmark, the Baltic States and the UK. The five-year study looks at the origins and use of pottery vessels by hunter-gatherers across north-east Europe, and is funded by a European Research Council grant of €3.1m. Closely connected to the BM's own founding collection, that of Sir Hans Sloane, is a project to transcribe and digitise the collector's handwritten 18th-century catalogues. The Leverhulme Trust will support the joint work with University College, London. The Wellcome Trust pledged a major sum in support of the BM's science research programme. The funding reflects the increasing importance of molecular analysis to museum research as well as the scholarly benefits of the BM's new World Conservation and Exhibitions Centre (WCEC).

The Anglo-Saxon ship burial found at Sutton Hoo is one of the UK's most celebrated archaeological finds, and study continues to reveal its mysteries. In 2016, scientists examined what was thought to be tar used for waterproofing the ship. It turned out to be bitumen from the Middle East, probably Syria, a sign of the far-reaching trade networks of the East Anglian elite. BM experts analysed the archaeological residues and, with colleagues at the University of Aberdeen, used fossil fuel characterisation to identify the source of the bitumen. The story was widely reported by BBC News, *The Times* and other media.

The Great Wave by Japanese artist Katsushika Hokusai (1760–1849) is one of the world's most reproduced images. In April 2016, with a three-year grant from the Arts & Humanities Research Council (AHRC), the BM and the School of Oriental & African Studies, University of London, embarked on the research project, *Late Hokusai: thought, technique, society*. The research will feature in a new online resource, as well as an exhibition at the BM, *Hokusai: beyond the Great Wave*, supported by Mitsubishi Corporation, in summer 2017.

In the Hirayama Studio, textile conservators joined experts on Japanese painting to stitch, clean and remount a hanging scroll of 1805-6 by Kitagawa Utamaro. *Standing courtesan reading a letter* was conserved in collaboration with the Association of Conservation of National Treasures of Japan, supported by the Sumitomo Foundation.

A conference of scientists and conservators took place at the BM as part of a project with the J. Paul Getty Museum. *Ancient Panel Paintings: Examination, Analysis and Research* is a worldwide collaboration among 26 museums to share technical discoveries on Roman-period mummy portraits from Egypt.

The 9,500-year-old Jericho Skull was discovered in 1953 by archaeologist Kathleen Kenyon near the city of Jericho. The Neolithic skull is covered with a face made from plaster. Traditional X-rays could not easily differentiate the plaster and bone, but recently, micro CT-scans, digital imaging, 3D printing and forensic reconstruction techniques have enabled specialists to recreate the face of the individual whose skull lies beneath the plaster. The fascinating results were shown to the public in a special Asahi Shimbun Display from December 2016 and were featured by *National Geographic*.

Audiences and Engagement

Galleries

Displays are changed to relay different stories and aspects of the collection. In the Wellcome Trust Gallery, a case on Australia was installed with historical material and a contemporary mask from the Torres Strait Islands. The Korea Foundation Gallery was renewed with displays marking two traditional holidays: Lunar New Year and Chuseok, the autumn festival, with support from the Korean Cultural Centre UK. Mitsubishi Corporation extended their sponsorship of the Mitsubishi Corporation Japanese Galleries, which will be renewed. Acoustic surveys were undertaken to ensure that any changes to the floors and ceilings preserve the galleries' calm atmosphere.

Construction continued on two major galleries. The Albukhary Foundation Gallery of the Islamic World, due to open in 2018, will incorporate a lift and other infrastructural improvements. A new gallery on China and South Asia, supported by the Sir Joseph Hotung Charitable Settlement, includes new features to control levels of daylight. The gallery will open in November 2017.

Exhibitions

The exhibitions programme arises out of the BM's research, its collection and its close ties with partners around the world, who generously lend rare artefacts for UK audiences to see.

Sicily: culture and conquest, sponsored by Julius Baer, attracted over 100,000 visitors. The collaboration with the Regione Siciliana surveyed 4,000 years of the Mediterranean island's history. Many outstanding loans were seen in Britain for the first time: a marble warrior from Agrigento, a painted altar of 500 BC showing three fertility goddesses, a gorgon that once stared out over the coast at Gela. The exhibition's portrayal of the historical interplay of nations and religions on Sicily was widely praised.

The BP exhibition *Sunken cities: Egypt's lost worlds* showed through film footage and striking artefacts the rediscovery of Thonis-Heracleion and Canopus, two cities that had lain hidden by the sea for over 1,000 years. The monumental pieces recovered from the waters of Abu Qir Bay – some of the largest objects ever to come to the BM on loan – included colossal sculptures of a Ptolemaic ruling couple, and a 5.4m statue of Hapy, a divine personification of the Nile's flood, which greeted visitors as they entered. The exhibition, organised with the Institut Européen d'Archéologie Sous-Marine and the Hilti Foundation, drew over 300,000 visitors.

The *South Africa: the art of a nation*, exhibition, sponsored by Betsy and Jack Ryan, with logistics partner IAG Cargo, traced 100,000 years of art. The history began with engraved rocks, some of the earliest examples of human art. Its journey forward was conveyed through evocative loans: a terracotta Bantu head, an 800-year-old gold rhinoceros from the kingdom of Mapungubwe, the sandals of Mahatma Gandhi. South Africa's more recent times could be witnessed in paintings such as Gerard Sekoto's 1946 *Song of the Pick*, in which black workers labour under the watchful eye of a white foreman. The *Guardian* found the show 'dazzling ... a journey to the heart of our common humanity'.

The American Dream: pop to the present opened in the Sainsbury Exhibitions Gallery in March 2017, sponsored by Morgan Stanley and supported by the Terra Foundation for American Art. With 200 works by 70 artists, the show traced the pivotal importance of printmaking to American art over the past six decades. Works by Jim Dine, Jasper Johns, Ed Ruscha, Kiki Smith, Kara Walker and others mapped artistic change alongside social development: pop art's ironic elevation of the everyday, the spare purity of minimalism, and polemical works addressing questions of race, sexuality and gender.

The BM collection lends itself to changing displays that highlight the world's cultures. *Shadow puppet theatre from Indonesia, Malaysia and Thailand* showed how intricately made puppets convey ritual, religion and storytelling. An accompanying film in the gallery brought the still figures to life by demonstrating their use in performance. Over 210,000 people visited the exhibition.

Where the Thunderbird lives was supported by the High Commission of Canada in the UK, with additional support from Steven Larcombe and Sonya Leydecker and the PF Charitable Trust. Spanning 9,000 years of history, ancient and recent artefacts celebrated the identities and cultural resilience of the peoples of the Pacific Northwest Coast, including the Tlingit, Haida and Nisga'a.

Touch was a display of works on paper by one of Britain's foremost contemporary artists, Maggi Hambling. Portraits also featured in a concurrent exhibition, *French portrait drawings from Clouet to Courbet*. 'Some of the BM's most absorbing shows happen quietly away from its major exhibition spaces,' wrote the *Evening Standard*. '*French portrait drawings* is just such a show: intimate, gently lit, but full of gems from the BM's collection.'

Places of the Mind, supported in memory of Melvin R Seiden, looked at British watercolour landscapes. Whistler, Burne-Jones, Nash and Sutherland were among the artists whose works mirrored changing relationships to the land from 1850 to 1950. A major catalogue accompanied the exhibition, published with support from the Dr Lee MacCormick Edwards Charitable Foundation.

Money matters, supported by Citi, examined how money affects everyday life – from the cash we carry in our pockets to how we understand financial concepts such as taxation and inflation. The display was supported by public talks on the links between the economy and society, as well as education programmes run in the adjacent Citi Money Gallery. The mutilation of coins and other objects was the subject of *Defacing the past: damnation and desecration in imperial Rome*, supported by Stephen and Julie Fitzgerald.

Welcoming visitors as they enter the BM, the Asahi Shimbun Displays focus on a single object or small group. *Made in Japan: 400 years of Kakiemon porcelain* marked 15 generations of porcelain production in the town of Arita. *Rock art: power and symbolism in southern Africa* accompanied the major exhibition on South African art. For *Creating an ancestor: the Jericho Skull*, technological advances enabled a startling reconstruction of the face of a man who lived nearly 9,500 years ago. *Moving Stories: Three Journeys* used animation and drawing to raise questions about migration: the span ranged from the prehistoric movement of humans one million years ago to the flight from contemporary Iraq.

Events and education

Programming draws varied audiences to the BM. Throughout the year the BM organised talks, films, workshops and performances. Friday Lates are popular themed evenings associated with the major exhibitions. *Sicilian splendour* included puppetry, poetry and a performance by Inspector Montalbano actor Luca Zingaretti. *Festival of Osiris* saw enactments of Isis, Cleopatra and a mass procession through the Great Court for Osiris. *Ubuntu* celebrated the musical styles of South Africa, from Zulu-inspired Mbaqanga to the use of sampling in Kwaito house music. Over 6,000 people attended the three events.

To mark the 400th anniversary of Shakespeare's death, actors and poets gave a marathon reading in the Great Court of the playwright's sonnets, along with contemporary examples of the genre. *Faiths in Tune* was an interfaith festival in which 20 different religious groups sang in the BP Lecture Theatre in front of objects from the collection that inspired them. A lecture and concert in November drew on the Mozart family's visit to the BM in 1765 – part of an international series that included Greek, Indian and Zulu music.

Myths retold was introduced in September 2016. Presented with the Crick Crack Club, the monthly performances have drawn a diverse, sold-out audience to retellings of the stories of Gilgamesh and Kali, the Odyssey and the Kalevala.

Using the collection as a springboard to debate, the BM arranged talks and discussions relating the past to today's events. Historians Barry Cunliffe and Robert Tombs examined the history of Britain, prior to the EU Referendum. Playwright Bonnie Greer looked at the trajectory of the American Dream, as did historian Simon Schama, in a lecture presented in collaboration with the British Academy and FT Weekend. For the BM/Financial Times Public Forum *Crossing Borders*, a panel of historians and journalists welcomed an audience of more than 300 to discuss European migration. Lectures organised with the London Review of Books included classicist Mary Beard discussing women and power, from Roman matriarchs to Theresa May.

For the under-fives, the BM held its first ever wet play session: *Get Splashy* used inflatable pools on the east lawn as part of the programme for the BP exhibition *Sunken Cities*. Over 700 parents and children participated in *Stories from the Sea*, learning stories from ancient Egypt and Greece as they donned costumes, handled objects and played musical instruments. Digital programmes included creating Ice Age animation and encouraging teenagers to 'code the collection' in the Samsung Digital Discovery Centre.

A three-day festival of Korean culture, supported by the Korea Foundation, was held to celebrate Chuseok, the harvest moon festival. Events ranged from a study day to a Friday Late of traditional music, Korean food and K-Pop. The family day featured storytelling and kite-making. Other events for families included the annual Big Draw, and half-term and holiday programmes inspired by, and prompting learning about, Islamic footwear, Egyptian religion and South African art.

Moving stories was a public event to mark Refugee Week in June 2016. Organised with Counterpoint Arts, the event featured storytelling, film, theatre, music and art workshops. Participating organisations included the Refugee Council, Amnesty International and the UNHCR, the UN Refugee Agency, whose tent, painted by Syrian refugee children, set out the issues of the global refugee crisis.

The BM aims to ensure anyone can access the museum. Portable hearing loops were installed in a number of locations. Multi-sensory tours of exhibitions were offered. Evening lectures were given in British sign language. *Journey to Sicily*, delivered with Rambert Dance Company and Children and the Arts, welcomed families and children with life-limiting illnesses from the Richard House Hospice. Wider reach to communities included popular exhibition previews for local groups and a day of talks and activities exploring LGBTQ histories at the BM.

Booked school visits to the BM attracted over 270,000 pupils, including the highest number of visits from UK schools for more than 10 years. For the exhibitions on Sicily and ancient Egypt, teachers could download a free pack with guidelines on structuring their visit, follow-up activities, images, worksheets and information linking the displays to topics in history, geography, classics and citizenship. Special mornings were reserved exclusively for schools, while private views for teachers enabled them to meet curators and prepare an in-depth future visit for their pupils. *A gift for Athena* is an hour-long teacher-led session offered through the Samsung Digital Discovery Centre, in which the BM provides Samsung tablets for young people to explore the Parthenon sculptures. In 2016/17, the BM increased the number of sessions from two a week to two a day, reaching a record 4,000 primary pupils.

Learning programmes for adults ranged widely, from a summer school on classical and medieval coins and medals to a project with Aberdeen University that invited artists to look at historic artefacts as tools for recalling collective ethnic identity. An Open Day gave students access to the conservation studios: 98% said they would recommend the Open Day to their peers.

Media and publications

Online video and live-streaming reach audiences around Britain and worldwide. The BM published 54 videos on its YouTube channel, including two with BM director Hartwig Fischer. Ten episodes showed the week by week conservation of a Roman glass urn. New strands on Facebook included broadcasts on Facebook Live, 360 degree videos and Instant Articles. A curator's live tour of the Sutton Hoo treasures reached 870,000 people. Popular videos included a tour of the Egyptian Sculpture Gallery and a 360-degree view of the BM Forecourt: online visitors could 'travel' through the courtyard, enter the BM and then view the galleries online via Google Street View. The BM has 1.3m followers on Facebook, the top ranking among UK museums.

Popular tweets featured the Roman god Janus for New Year and prints by the Japanese artist Hokusai. Hokusai also proved popular on Instagram, where the BM audience rose by 85%. A new format for connecting with audiences was Instagram Stories. These combinations of images and video last 24 hours and received on average 30,000 views each. Three live Periscope broadcasts on one night for Museum Week attracted 50,000 viewers in 24 hours.

Collaborations included *Two Million Years of History and Humanity*, a virtual reality download which enables players to explore an array of BM artefacts. On Sketchfab, visitors can view and download 3D models of BM artefacts from Rapa Nui, ancient Egypt and elsewhere. By March 2017, the 3D scan of the Neolithic Jericho Skull reached over 185,000 views, quickly becoming the BM's most viewed object on the site and generating wider discussion around the object online.

External filming in the BM included a new BBC1 drama, *McMafia*, starring James Norton; *Hampstead*, a film starring Diane Keaton and Brendan Gleeson; and the Hollywood blockbuster *Wonder Woman*, in which the BM stood in for the Louvre.

Sales of BM audio guides, sponsored by Korean Air, increased by 43% in 2016/17. With content available in several languages, the guides were hired by more than 257,000 visitors. A special Family Guide was designed for families to use together as they explore the collection. In the Raymond and Beverly Sackler Gallery, a children's app could be downloaded, featuring animation and information about animals in early Egypt.

The Admonitions Scroll is the earliest surviving Chinese narrative painting in the world, an early copy of a 4th century painting traditionally attributed to Gu Kaizhi. The figure painting shows an instructress advising ladies of the court on their behaviour. Its fragility prevents it being displayed for long periods of time or in bright light but the new gallery display case in Room 91A allows it to be shown two or three times a year. To enhance the visitors' experience, a new gallery interactive, supported by the American Friends of the British Museum in honour of Francis Finlay, allows visitors to view the entire scroll using Gigapixel technology. Supporting information includes an explanation of the painting's many scenes in English and Chinese.

Books draw on the collection to illuminate world history for adults and children. Winner of *Apollo* magazine's Book of the Year 2016 was *Print Before Photography: An Introduction to European Printmaking 1550–1820* by the former keeper of the BM's Department of Prints and Drawings, Anthony Griffiths. From the technology of printmaking to its finance and patronage, the book's range of topics led several reviews to judge it a groundbreaking survey of the European print trade.

In the *Times Literary Supplement*, Professor Mary Beard listed the catalogue for the BP exhibition *Sunken cities*, published with Thames & Hudson, as one of her books of the year: 18,000 copies were sold. A linked children's book, *Secret Treasures of Ancient Egypt* – published with Nosy Crow for schools, libraries and general trade – sold 6,500 copies. A new souvenir guide sold over 10,000 copies. Among foreign-language editions of BM books, *Thai Textiles* appeared in Japanese and *A Little Gay History* in Chinese.

Specialist studies featured in the BM Research Publications series. *Some Friends Came to See Us* revisited the expedition of Walter Guinness to the Asmat people of New Guinea in 1936, while *Amaravati* examined the sculptures of an early Buddhist shrine along the south-east coast of India. The 40-year-old publication series has now passed its 200th volume: a comprehensive study of the Mildenhall Treasure, 28 outstanding pieces of Roman silver plate discovered in Suffolk in 1942.

National

With museums and galleries across the UK, the BM continues to provide training, staff development and platforms for sharing knowledge and research. As part of the BM's current Skills for the Future programme, supported by the Heritage Lottery Fund (HLF), young people across the UK received training in collections management and public engagement. The HLF also supports the Collections Skills Training Programme. The scheme gives UK museum staff and volunteers access to free training at the BM's World Conservation and Exhibitions Centre. Additionally, a course on 'getting loan-ready' is being delivered regionally, to increase UK partners' confidence in requesting loans from national museums.

The BM administers the Money & Medals Network, funded by Arts Council England, in collaboration with nine other UK organisations. The goal is to help UK museums care for their collections of coins and medals and use them to engage the public. Meanwhile, following the success of last year's Papyri Expertise Day, a second event was held at the BM in June 2016, for colleagues who work with papyri collections across the UK.

With support from the Vivmar Foundation, the BM's long-running Knowledge Share programme continued to deliver professional development opportunities for UK museum staff and volunteers. In 2016/17 the BM partnered with institutions in County Durham, Nottinghamshire, Warwickshire, Dorset and London to create ten staff exchanges.

The Age Friendly Museums Network, funded by the Baring Foundation and founded by the BM, brings people from different sectors together with the aim of making museums more accessible for older people. Seventy older residents and their carers were welcomed to the BM from 11 care homes as part of the nationwide Age Friendly Museums Day in October 2016, and 250 people attended the Network's cross-sector conference held at the Museum in February 2017.

Long- and short-term loans from the BM support institutions around the UK. In 2016/17, as part of a partnership with the Museum nan Eilean in Stornoway in the Western Isles, the BM made a long-term loan of six of the Lewis chess pieces. Overall the BM loaned nearly 3,000 objects to 156 venues in the UK in 2016/17.

Spotlight tours attract new audiences, widening interest in museums and galleries nationwide. A 15th-century feasting cup that later became a communion chalice travelled to Salisbury, Durham, Norwich, Nottingham and the Wiltshire Museum, attracting over 160,000 visitors. Other Spotlight tours included a Celtic Iron Age mirror, which was paired with a similar 2,000-year-old artefact from National Museums Scotland. To coincide with the BP exhibition *Sunken cities* in London, a 6th-century BC statuette of a hunter was also sent on loan. Its display at the Corinium Museum in Cirencester drew six times the usual number of visitors.

Many tours are created in collaboration with UK museums and galleries. With Wrexham County Borough Museum in north Wales, the BM produced *Sacred spaces: the rock art of the San!Bushmen in southern Africa*, which opened in June 2016. An earlier collaboration with Wrexham, *Writing for eternity: decoding ancient Egypt*, toured to Carlisle, Salisbury, Abergavenny and Hartlepool.

Described by the *Telegraph* as 'an exhilarating show', *Lines of thought: drawing from Michelangelo to now* was launched at the Poole Museum, Dorset in September 2016. The show attracted 42,000 visitors, before travelling to Hull to mark the opening of its programme as 2017 UK City of Culture, and then to Belfast. Seventeen large linocuts by Pablo Picasso toured to Liverpool, Barnsley and Coventry, while *Social fabric: African textiles today* was seen by 120,000 people during its four-venue UK tour.

The Portable Antiquities Scheme (PAS) records archaeological discoveries made by the public in England and Wales – from precious metal finds and hoards reported under the Treasure Act to historical artefacts such as clothing fasteners or coins. In 2016, nearly 82,000 finds were recorded through the Scheme. The earliest object, found in Essex, was a Palaeolithic handaxe which may date back as far as 800,000 BC.

PAS Explorers is a five-year project supported by the HLF to enhance the PAS's volunteer programme. A conference at Merseyside Maritime Museum in 2016 examined activities undertaken by volunteers who work with the PAS and how they might be developed in future. With 88% of finds made by metal detector users, the PAS is working with detectorists to update the Code of Practice for Responsible Metal Detecting.

The great success of the PAS in England and Wales has proved influential. In July 2016, the UK launched a Marine Antiquities Scheme for underwater finds. Drawing on advice from PAS staff, the scheme is run by Wessex Archaeology on behalf of the Crown Estate. In the Netherlands a Portable Antiquities Scheme has been established, and in Flanders, MEDEA is a new programme to record finds made by the public. A North Sea Area recording group has also convened several countries around the North Sea to engage with public finds. All draw on the experience of the PAS in building an approachable, efficient method of gathering archaeological data with the public.

BM research in the UK includes fieldwork on Jersey. At Petit Portelet, archaeologists examined the submerged coastline and found evidence of its use by Neanderthal people 180,000 years ago. At Les Varines, with colleagues from Manchester University and University College, London, fieldwork at the 14,500-year-old hunter-gatherer site found evidence of open-air settlement: such sites are rare in northwest Europe, and the preservation of the remains is exceptional. Over 1,000 people visited the excavations.

International

In 2016/17 the BM loaned over 2,200 artefacts to 113 venues outside the UK. Many supported special exhibitions organised by museums around the world – on artists and Empire in Singapore, on Indian Ocean trade in Australia.

Two recent touring exhibitions arose out of the BM's successful BBC Radio 4 series on Germany and on world history. In Berlin, at the Martin-Gropius-Bau, Neil MacGregor's most recent radio programmes were translated into an exhibition entitled *The British view: Germany – memories of a nation*, attracting 46,000 visitors. In Perth and Canberra, visitors could travel two million years of human history in a chronological display of stories drawn from the BM's encyclopaedic collection. *A history of the world in 100 objects* was seen by 200,000 visitors at its two venues. The exhibition subsequently travelled to Beijing.

The BM's touring exhibition of medieval treasures drew 86,000 visitors in Brisbane, while in Madrid, as the first of a series of BM exhibitions at the Caixa Forum, the show was seen by 138,000 people. It later toured to Barcelona. *Italian Renaissance drawings from the British Museum* appeared at the Suzhou Museum in China, while in Adelaide, *Curious beasts: animal prints from Dürer to Goya* set prints from the BM collection among artefacts from the South Australian Museum, including snakes, beetles, kiwi, koalas and parrots. So popular was *Treasures of the world from the British Museum* that its run at the National Museum of Singapore was extended by one month, attracting 141,000 visitors in total. And at the Cleveland Museum of Art, 75,000 visitors were drawn to *Pharaoh: king of Egypt*.

In May 2016 scientists from the BM visited the Hermitage Museum in St Petersburg to research Siberian artefacts. On a return visit Russian colleagues advised on material in the BM collection. The research is linked to a forthcoming BM exhibition on one of the great nomadic civilisations of antiquity, the Scythians.

Curatorial collaboration abroad included research on Vikings with the University of Uppsala, Sweden; on Captain Cook's voyages with the Tairawhiti Museum, New Zealand; and on Parthian coins with colleagues in Iran and Austria. A staff exchange with the National Museum of Denmark was renewed.

As part of the International Training Programme each summer, museum professionals from around the world come to the BM to work with staff in relevant departments. They also spend ten days at different museums around the country, looking at other models of museum practice, governance and funding, as well as local collections and community links which may more closely mirror the participants' own institutions. In 2016, 21 fellows were invited from 13 countries.

In Ghana and Nigeria, the BM delivered training in the care and management of collections as part of its West Africa Programme, supported by the Ford Foundation. African collections in the UK also received attention: in Exeter, BM staff examined 200 West African textiles as part of plans to redisplay the World Cultures gallery of the Royal Albert Memorial Museum.

In 2015, in response to the destruction of heritage sites in Iraq, the BM set up the Iraq Emergency Heritage Management Trainee Scheme. The first group arrived at the BM in May 2016, and a second in January 2017, before undertaking fieldwork at two sites in Iraq. The scheme is already having an effect: one 2016 alumnus has been appointed to lead the assessment of the site of Nimrud, recently released from Daesh control.

Conflict in Yemen has caused similar disruption to the country's cultural heritage. To raise awareness, the BM joined UNESCO's #Unite4Heritage campaign. With colleagues in Russia, USA, Britain, Italy and France, online films, live-streamed Q&A's with curators, social media and a Yemeni Heritage Week were used to harness public attention to the urgent need for cultural protection in Yemen.

Since 2008, the BM has been associated with a project to create the new Basrah Museum in Iraq. The initial stage of this project, primarily funded by BP, saw the first gallery, devoted to the history of the Basrah region from 300 BC onwards, formally opened on 27 September 2016. The museum's director, Qahtan Alabeed, is an alumnus of the BM's International Training Programme and the BM continues to offer its support.

In Saudi Arabia, the BM is advising on the development of the new King Abdulaziz Center for World Culture, while in the United Arab Emirates, having worked closely with the Abu Dhabi Tourism and Culture Authority since 2009, the development phase of the new Zayed National Museum project concluded in spring 2017.

Excavations continue to unveil discoveries about the past. The BM has instigated a project to explore the deep history of Egypt's Asyut region and shed light on the collections from that site. In Sudan, excavations of a 1st-century AD Amun temple at Dangeil continued as part of the Qatar-Sudan Archaeological Project. Fieldwork in northwest Alaska was the first phase of a three-year project with the University of Alaska Fairbanks and the Paris-Sorbonne University, while in Brazil BM scientists are collaborating with colleagues in Salvador on a tropical fuelwoods project with the Royal Botanic Gardens, Kew, and Natural History Museum.

Fieldwork continued on Isla de Mona, an uninhabited Island of the Puerto Rican archipelago. *Archaeology* magazine listed the 16th-century European inscriptions found on the island alongside pre-Columbian Indigenous rock art as one of the top 10 archaeological discoveries of 2016.

Investing in our people

Employees

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

As set out in note 6(e) to the accounts, the British Museum employs about a thousand people. The BM 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 a supportive environment. The BM creates this environment by ensuring that employees are well informed about plans and activities; by providing opportunities for employee participation and feedback; by encouraging managers to provide goals and development opportunities for their staff and by providing a fair and equitable employment framework supported by relevant policies and procedures.

The BM engages with its employees in a number of ways and a Staff Engagement Plan, developed in collaboration with representative staff groups, was launched in 2016/17. The following initiatives all help to keep staff informed, involved and enthused about key Museum activity:

- Written communications are channelled via the intranet, enabling the BM to keep staff informed about key activities via updates from the Director and a real-time news and information page. Regular features include a quarterly round-up of matters discussed at the BM's Directorate Group meetings.
- The British Museum Consultative Committee (BMCC) provides a formal opportunity for management and union representatives to discuss issues raised by staff. The Director and a trustee attend one meeting each year. Sub Committees of that group support major change projects.
- Information from Management Group meetings is disseminated through departmental meetings and weekly breakfast presentations on topical issues are open to all staff.
- Staff are encouraged to pass on feedback via a biennial Employee Opinion Survey. The survey produces a regular action plan for improvements which feed in to the BM's Operating Plan.
- Feedback can be provided via an anonymous online submission tool.
- Workshops and focus groups are increasingly used within key projects to enable staff engagement.
- The BM's performance management process helps employees plan their work, further their personal development and assess their achievements. It also ensures that the work and objectives of employees are aligned with departmental and BM plans.
- A programme of learning and development activities is designed in response to individual and organisational needs.
- An Employee Assistance Programme is in place, complemented by regular Health and Wellbeing events for staff and a Personal Resilience training course.
- An Engaging Managers training course aims to help managers understand the importance of engaging with their staff and provides an opportunity for some of the required skills to be developed.
- A new Employee Recognition Scheme will be piloted in 2017/18.
- Specific open events enabling staff to visit departments to find out more about their work were introduced in 2016.
- Staff social groups and events are encouraged, supported and well attended.

The BM acknowledges its responsibility for, and commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, and contractors, will receive due priority for action at all times. A Health and Safety and Fire Safety Consultative Committee meets twice a year to support improvements in Health and Safety performance and the safety culture of the BM, through open communication with employee representatives.

In 2016/17, the average number of days lost for sickness and absenteeism was 4.3 days per person, compared with 5.2 in 2015/16.

The pay and grading system is based on job families and market rates. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 20 to the financial statements.

Diversity

The BM has diversity as a core value. The BM continues to support initiatives and programmes that positively develop the organisation's relationship with its diverse audiences and consults with community members and organisations on the direction and content of galleries, exhibitions and programming.

The BM works actively with 1,000 community-based organisations. Programmes include increasing access to exhibitions and events, training for group leaders and organisations which are new to the museum, sessions for groups less able to visit in person and increasing programmes for older visitors as a founding partner of the Age Friendly Museums Network.

There has been a push during the last year to increase connections between community work and the family, schools and adult programming strands in order to diversify the audiences engaging with the core programme.

We have seen more accessible programming, supported visiting, reserved spaces at events for community members and increased relationship building with local schools.

The BM has now developed, as part of its core offer, sessions for young people centred on sex and relationship education and LGBTQ issues. Their success is being noticed in museums across Europe and this programme represents a real step forward in teaching difficult subjects through the collection to very diverse groups.

The BM's work with the Lord Leonard and Lady Estelle Wolfson Foundation continues with a new direction and commitment to provide high quality programming and resources for secondary aged school children and adults with Autistic Spectrum Disorder.

The BM's HLF Skills for the Future Programme: Learning Museum, is now training the second intake of 10 entry-level young trainees from disadvantaged backgrounds to access the museum and cultural sector. Each trainee undertakes a 12 month placement at a regional partner museum, and works towards a Level Three Cultural Heritage qualification. On entering the programme the young people were not in employment, education or training (NEET), and several have disabilities.

In the past year, the Object Journeys project which, supported by the Heritage Lottery Fund grant to the World Conservation and Exhibitions Centre, creates displays which are co-curated with the local community, has come to fruition. A display of Somali material is now on show at the BM and an exhibition has been created with a South Asian women's group with our partner, Manchester Museum.

The BM is celebrating a South Asia season of activity, supporting spotlight loans that are helping museums across the UK better represent their local diverse communities. The Museum is also working with Manchester Museum in the development of a South Asia Partnership Gallery, due to open in 2020.

Volunteers

Approximately 600 people offered their time freely to support the BM last year in almost every area of activity. The BM's large team of departmental volunteers continued to provide support with administration and varied projects. Front of house, they delivered the Hands On programme and daily tours helping to extend access to the collection to large numbers of people. In 2016, over 200,000 visitors took part in a volunteer-led tour or visited one of our seven Hands On Desks. The volunteers also played an important role in ensuring that public events and family activities ran smoothly. Over 500 days of volunteering supporting activity in the WCEC took place. 28 new volunteer-led WCEC Behind the Scenes tours ran giving members of the public access to the space for the first time.

In 2016 the BM launched a new volunteer-led touch tour in Room 4: Egyptian sculpture for blind or visually impaired visitors. Fifteen touch tours took place this year and feedback has been overwhelmingly positive. The Touch Tour volunteers were awarded runner up in the Bringing Innovation Award at the London Volunteers in Museums Awards 2016. The Touch Tour has also been shortlisted for an award in the Interpretation for a Target Audience category at the AHI (Association for Heritage Interpretation) 2017 Discover Heritage Awards.

In September 2016 a Volunteer Co-ordinator was appointed to develop opportunities for youth volunteering, building on work undertaken in previous years. A project called Take Part ran between September and the end of March. Eight young people from diverse backgrounds, recruited via community organisations and partners, were involved in contributing 129 days of volunteering in total. The project has generated very positive feedback from participants and will run again in future years.

The accounts do not provide for any notional costs for the value of these volunteers' services.

Plans for future periods

The key priorities for the BM in 2017/18 include:

- delivering major exhibitions, including *Hokusai: beyond the Great Wave*; a show featuring treasures of the Scythians, one of the great nomadic civilisations of antiquity; and an exploration of what objects reveal about the role and expression of beliefs in the lives of individuals and communities through time and around the world;
- opening a new gallery on China and South Asia, supported by the Sir Joseph Hotung Charitable Settlement;

- working on a major multi-year programme which will increase access to collections currently stored at Blythe House; and
- developing plans that will allow prioritisation of significant investment in the BM's estate.

Fundraising and finance

Support for the BM

The British Museum relies on its generous partners and benefactors who share the Museum's vision and support its work.

The Fund for the Future directs income from legacies and bequests to be spent on the areas of most urgent need. The Fund welcomed gifts in memory of Rachel Baxter, Alan Curtis and Jean Martin.

Scholarship is vital to the BM's responsibility to care for and share its collection. In 2017 the first Basil Gray Curator of Chinese Art was appointed. The post is funded through the generous bequest of Robert H Ellsworth and reflects his interests and expertise. The Sir Percival David Foundation of Chinese Art pledged support for the Curator of Chinese Ceramics. Research is being undertaken by the IFAC Handa Curator of Japanese Arts, while the Weston Curator of Roman Britain published a major research publication on the Mildenhall Treasure. Nicholas and Jane Ferguson funded the work of the Curator of Medieval Europe.

The BM's wide range of publications benefits from the generosity of trusts and individuals. The John and Ruth Howard Charitable Trust, alongside the Roman Research Trust, supported *Pudding Pan: A Roman shipwreck and its cargo in context*. An illustrated account of Lord Moyné's 1936 expedition to the Asmat was published thanks to the J M Kaplan Fund. The E Rhodes and the Leona B Carpenter Foundation supported a book on late Burmese wall paintings. The Mercers' Company and Marc Fitch Fund provided support to catalogue the BM's collection of British medals. The catalogue will be freely available to both scholars and the wider public thanks to this support.

Much of the BM's conservation and scientific research is undertaken in the World Conservation and Exhibitions Centre. The Department of Scientific Research, underpinned by the generous support of the Wellcome Trust, extended its work in the galleries with a new portable microscope, funded by an appeal to BM Members. The Mark Pigott Pictorial Conservation Studio received a major benefaction for conservation of works on paper. Generous funding from the Hintze Family Charitable Foundation and Oleg and Galina Smirnov is supporting work in the inorganic conservation studio. The Queen Elizabeth Scholarship Trust enabled skills development for an early-career conservator during conservation of a Tang Dynasty textile, with additional support for the work received from the Idlewild Trust and the Thriplow Charitable Trust.

The International Training Programme continued to benefit from the lead support of the Marie-Louise von Motesiczky Charitable Trust. Further assistance from Sir Siegmund Warburg's Voluntary Settlement and gifts from a number of private individuals and trusts ensured that the BM can continue to welcome museum professionals from around the world. The Lord Leonard and Lady Estelle Wolfson Foundation renewed its generous funding for access and education projects for children with special educational needs and adults with learning disabilities. The Bridget Riley Art Foundation Programme is encouraging drawing among art students, while the exhibition *Lines of thought: drawing from Michaelangelo to now* toured to three UK venues in 2016/17 with the Foundation's support. Generous funding will enable this important programme to continue to 2020. The Portable Antiquities Scheme is to strengthen its regional network of local partnerships up to 2020 with a grant from Graham and Joanna Barker. The BM map received financial support from UnionPay.

The BP exhibition *Sunken cities: Egypt's lost worlds* marked the 20th anniversary of the BM's partnership with BP. In this time over 4m people have attended a BP exhibition either at the BM or on BP-funded tours in the UK or worldwide.

Under the government's scheme of accepting works of art in lieu of inheritance tax, the BM was allocated a drawing by 15th-century Florentine artist, Benozzo Gozzoli. The BM also acquired works of art by modern British artists with support from the Rootstein Hopkins Foundation. A Pre-Raphaelite drawing, Millais' *Married for Rank* (1853) was a key addition to the collection thanks to the Dr Lee MacCormick Edwards Charitable Trust, Finnis Scott Foundation, Wakefield Trust and an anonymous donation. The Archibald Bequest, established through a generous legacy from museum curator Marion M Archibald, will enable the BM to acquire coins, medals,

tokens and bank notes. The Friends of the National Libraries supported the purchase of a rare proof copy of the catalogue of the Pembroke Collection of coins and medals. The Art Fund provided a generous grant for the BM to develop its Middle East photography collection.

The BM's new Membership tiers – Corporate Members and Partners – enjoyed special access for their staff and clients. The BM is grateful to this growing community and indeed to all its supporters, who generously underpin the BM's wide-ranging activities.

The British Museum Trustees have agreed a strategy which aims to increase the net contribution from fundraising sustainably over the long-term. No agents are used for fundraising. Museum staff involved in fundraising are subject to the BM Code of Conduct. The Trustees have agreed fundraising principles and receive progress reports quarterly in the BM's management accounts. The BM has a number of feedback channels and responds to questions from its supporters and visitors. The British Museum pays the annual levy to the fundraising regulator and works according to the fundraising promise.

Donations and legacies of £22.0 million were received during the year (£25.9 million in 2015/16), including donations and legacies received from individuals, trusts and foundations and gifts in kind. A further £20.4 million (£23.7 million in 2015/16) was received from other trading activities and £20.7 million (£19.2 million in 2015/16) from charitable activities. Total income and endowments excluding grant-in-aid and investment income for the year was 8% below that for 2015/16, with a significant one-off grant received in that year to support the redevelopment of the Albukhary Foundation Gallery of the Islamic World.

The BM's total expenditure for the year was £99.8 million (£100.6 million in 2015/16). Expenditure on raising donations and legacies was £1.4 million (£1.3 million in 2015/16) and expenditure on other trading activities was £10.7 million (£12.1 million in 2015/16). Expenditure on charitable activities was £87.7 million, (£87.3 million in 2015/16).

Grant-in-Aid

The British Museum received £39.7 million revenue and £13.9 million capital grant-in-aid from the DCMS in 2016/17 (£39.2 million and £2.6 million in 2015/16).

Capital expenditure

Capital expenditure, mainly on plant, building fabric, gallery refurbishments and software, amounted to £16.7 million, compared with £9.8 million in 2015/16. Significant capital additions during the year included work on technical security; health and safety; fire prevention, detection and alarms; the perimeter properties; the new Albukhary Foundation Gallery of the Islamic World; and the China and South Asia Gallery. A further £1.7 million was spent on acquiring heritage assets, with donated heritage assets during the year of £7.5 million.

Grants

The British Museum made grants totalling £13.5 million during the financial year. This includes grants of £1 million to support the work of find liaison officers throughout the UK working on the Portable Antiquities Scheme, the only proactive mechanism in England and Wales for recording archaeological finds made by the public. Also included are grants of £12.0 million (£13.5 million in 2015/16), restricted for furtherance of the BM's charitable objectives, to the British Museum Trust Limited, an independent registered charity (registration number: 1140844).

Reserves

At 31 March 2017 the BM's reserves were as follows:

	£m
Collection items acquired since 31 March 2001	89.0
Museum land, buildings, plant and equipment	659.5
Permanent endowment	18.4
Expendable endowment	6.5
Restricted funds	36.6
Designated funds	0.4
Investment properties	24.8
Unrestricted funds	8.8
Unrestricted funds: subsidiaries	4.5
Total	<u>848.5</u>

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

The permanent endowment funds are restricted funds where the Trustees do not have the power to convert the capital to income. Expendable endowment funds are donations that have been given to a charity to be held as capital, where the trustees do have a discretionary power to use the funds as income.

The investment properties reserve represents freehold properties owned but not occupied by the BM.

The restricted funds represent disposal proceeds and donations over which there are specific conditions or legal restrictions relating to their application. Note 16 to the accounts summarises the value and purposes of the BM's principal restricted funds.

Reserves policy

During the year, and with reference to guidance from the Charity Commission, 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 ensure financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. This would represent a sum of £8.3m – £25.0m (2016: £8.4m - £25.2m. The balance at March 2017 of £8.8m represents cover of just over 1 month (2016: £9.2m, just over 1 month).

Monitoring levels of reserves

The Standing Committee monitors the levels of reserves at the BM on a quarterly basis as part of their review of the Management Accounts.

During the year, the total level of reserves was affected by the downward revaluation of the BM's tangible fixed assets (£13.4 million), gains on investments (£11.6 million), other gains (£0.1 million) and losses on the defined benefit pension scheme (£5.2 million).

Maintaining reserves

The Operating Plan and Budget ensure 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 16 to the accounts sets out the Trustees' designation of funds, including the quantity, and purpose of expenditure from the funds.

Investments and financial risks

The Trustees manage the BM's endowment, restricted and general funds as three separate portfolios. The Investment Sub-committee (ISC) considers the level of risk appropriate for each portfolio, together with future cash flows, and sets objectives as part of the investment policy:

- General portfolio: the total return on the general minimum reserves required under the reserves policy should be maximised, within the constraints of a low risk investment portfolio and high liquidity requirement. The total return on funds in excess of these requirements should be maximised, within the constraints of a medium to low risk investment portfolio.
- Restricted portfolio: funds must be able to deliver specific purposes. Total return should therefore be maximised within the constraint that capital value must be preserved.
- Endowment portfolio: the objective is to maximise the total return on the funds within the constraints of the requirement to maintain funds to meet the needs of future beneficiaries.

The financial risks relating to investments are managed by:

- setting a clear risk tolerance as part of the investment policy;
- reviewing liquidity levels; and
- monitoring investment performance of individual holdings against agreed and relevant benchmarks on a quarterly basis.

The Investment Sub-Committee (ISC) has appointed Newton Investment Management Limited to manage its investments on a discretionary basis in accordance with the agreed investment policy. Apart from certain legacy holdings in unlisted equity and investment funds (£0.07m, general portfolio and £3.4m, endowment and restricted portfolios), all funds are invested in UK and Ireland investment funds under Newton's management.

During the financial year, the endowment portfolio outperformed on the prior year, delivering returns of +16.2% (2015/16 +1.5%), however underperformed compared with its benchmark of +20.4%. The restricted and general portfolios with returns of 0.3% (2015/16 +0.4%) were broadly in line with their benchmark of 0.4%. Overall, the Trustees remain satisfied with the performance of the fund managers in a difficult environment.

Overall, the BM made total returns on its investments, including investment properties, of £12.4 million (2015/16 2.0 million), comprised of interest, dividends and rent of £0.8m (2015/16 £0.7m), plus net realised and unrealised gains after management fees of £11.6m (2015/16 £1.3m).

Permanent endowments

On 2 July 2015, the Trustees resolved to adopt a total return approach to the investment of the permanent endowments under powers included in section 104A-B Charities Act 2011. Under a total return approach to investment, an endowment has two distinct components:

- the value of the original and any subsequent gifts made to the capital of the endowment which is termed the 'trust for investment'; and
- the 'unapplied total return' which represents the accumulated investment returns from the investment of the endowment less any amounts which have been allocated to income for spending.

The initial values of the trust for investment and the unapplied total return were based on the value of the funds as at 31 March 2015. Historic paperwork was reviewed in order to determine the value of original and subsequent gifts; in some instances and in line with Charity Commission guidance, only a reasonable estimate was possible because of the limited information available for some of the older funds dating back to, for example, the eighteenth century.

On the recommendation of the ISC, the Trustees have approved an investment policy which aims to maximise the total return on the endowment funds within the constraints of the requirement to maintain funds to meet the needs of future beneficiaries.

The Trustees then determined how much of the 'unapplied total return' is released for spending and how much is retained for investment as a component of the endowment. This allocation must be made equitably to balance the need for income to meet current requirements and to hold funds as part of the endowment to produce investment returns for the future. The Trustees agreed a spending rate of 3.3% of a five year moving average total fund value, designed in order to provide for as much spending as possible without depleting

the fund's real value. This represents the BM's best estimate of the long-term real rate of return on endowment investments and is reviewed regularly.

In determining this spending rate, the Trustees were advised by the BM's investment manager, Newton Investment Management Limited, and by the BM's Investment Sub-Committee.

Expendable endowments

Expendable endowment funds are donations that have been given to a charity to be held as capital, where the trustees do have a discretionary power to use the funds as income. The Trustees may, therefore, decide to spend the full value of the fund.

The expendable endowments are invested as part of the endowment portfolio with expenditure determined on a case by case basis in order to deliver the funds' charitable objects.

Further information on the BM's financial risk management, including quantitative disclosures, is included in note 22 to the accounts.

Public benefit, sustainability, social and community issues

Public benefit

The British Museum today continues its tradition of responsibility to the public. 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 Sir Hans Sloane – over 71,000 objects, as well as his library and herbarium – would 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 has been an essential ingredient in making the BM the cosmopolitan institution it is. Supported by 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; a few thousand in the 18th century; there were nearly 300,000 a year by the mid-1830s; 6.2 million visited in 2016/17.

The BM is a world collection for the world – for experts and the general public, for anyone who chooses to enter its doors. And those doors are not merely a gateway in Bloomsbury. Beyond the BM's popularity in London, 9 million people across the UK saw BM artefacts outside of London, and it is accessed online by millions of visitors annually. Their presence increasingly redefines the BM today as an international online space where records of more than 4 million objects can be freely seen and downloaded by anyone at any time. The collection is also taken across the UK and the globe.

The Trustees believe that they have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charities Commission in defining the strategic direction of the BM.

Estates management

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

Current visitor numbers at Bloomsbury are a measure of the BM's enormous success, but they create severe points of congestion and put a strain on the building. Over the coming years continued significant investment in the BM estate is required to maintain appropriate conditions for the collection, improve public access and accommodate the growing number of visitors, and ensure long-term sustainability.

Sustainability report

The BM recognises that its activities impact on society and the environment at local, regional and global levels through the resources it consumes, the waste it produces, the travel and work patterns it encourages amongst its staff and the products it buys.

The following figures reflect the BM's best estimates of its impact.

Greenhouse gas emissions		2016/17	2015/16 (restated)	2014/15 (restated)	2013/14 (restated)
Non-financial indicators (tonnes CO ₂ e)	Scope 1: Gas, gas oil and owned vehicles	2,428	4,125	2,077	2,493
	Scope 2: Electricity	6,465	7,357	8,601	7,442
	Scope 3: Electricity transmission and distribution	585	607	752	636
	Scope 3: Official business travel	56	53	50	45
	Total emissions	9,534	12,142	11,480	10,616
	Emission per million visitors	1,538	1,760	1,713	1,561
Energy consumption (thousand kWh)	Scope 1: Gas	12,245	21,594	10,496	13,350
	Scope 2: Electricity	15,689	15,918	17,402	16,704
	Total gas & electricity consumption	27,934	37,512	27,898	30,054
	Consumption per million visitors	4,505	5,437	4,164	4,420
Financial indicators (£ million)	Total energy cost	1.9	2.1	2.2	2.1
	Energy cost per million visitors	0.3	0.3	0.3	0.3

	Cost of official business travel	0.2	0.2	0.1	0.1
	Cost of official business travel per million visitors	0.02	0.02	0.02	0.02

Previous reports have presented emissions data as a single figure combining scope 1 and 2 sources; the figures above have been restated to disaggregate these amounts and to present scope 3 emissions relating to electricity transmission and distribution. The decrease in scope 1 and 2 carbon emissions is driven by the reduced overall energy consumption in the year coupled with a drop in the carbon intensity of electricity generated in the UK.

Waste minimisation and management		2016/17	2015/16	2014/15	2013/14
Non-financial indicators (tonnes)	Waste sent to landfill	Nil	Nil	Nil	Nil
	Waste recycled/reused	212	185	241	197
	Waste incinerated	438	407	444	374
	Total waste arising	650	592	685	571
	Waste per million visitors	105	86	102	84
Financial indicators (£k)	Total disposal cost	131	134	135	127
	Cost per million visitors	21	19	20	19

Total waste arising has increased by 58 tonnes (or 10%) in 2016/17 compared to 2015/16. The majority of the waste continues to be sent for energy recovery (438 tonnes or 67%). Under the current waste management processes, the BM continues to achieve zero waste to landfill.

Finite resource consumption		2016/17	2015/16	2014/15	2013/14
Non-financial indicators ('000 m ³)	Total water consumption	98	127	96	82
	Consumption per million visitors	16	18	14	12
Financial indicators (£k)	Total water cost	213	265	170	152
	Cost per million visitors	34	38	25	22

Water consumption figures reported for 2015/16 were elevated as a consequence of the correction of prior period meter readings.

Biodiversity action planning

The WCEC design incorporates a pilot scale "green roof". This area was initially planted with varieties selected to attract priority species of birds and insects in the London Biodiversity Action Plan. Since the establishment of the area no further planting has been carried out and it has been allowed to develop with any new plants arriving by wind or animal dispersal. Since its creation a three year monitoring plan has been running to ensure that the scheme does not inadvertently attract pest species which could pose a threat to the collection if they gain access to the building. No adverse effects have been noted to date.

Sustainable procurement

The BM policy on Sustainable Development states that the procurement of goods and services which have the least environmental impact in terms of their production, delivery, installation, use and disposal will be considered wherever practical and appropriate. Contractors and suppliers are encouraged to develop environmentally preferable goods and services and to be aware of sustainability issues and comply with statutory legislation. The BM has sought to implement the Department for Environment, Food and Rural Affairs (Defra) Government Buying Standards for specifying sustainable goods and services across its departments. The BM specifies the use of FSC timber and wood products for its building projects and where appropriate low energy LED lamps when lighting is replaced across the estate.

Notes:

1. This report has been prepared in accordance with guidelines laid down by HM Treasury published at <https://www.gov.uk/government/collections/public-sector-annual-reports-sustainability-reporting-guidance>.
2. The data relate to consumption on the main Museum site in Bloomsbury, its perimeter properties, and at off-site workshops and storage in Hoxton and Hammersmith. They do not include the off-site storage in Wiltshire.
3. Emissions accounting include the following emission streams:
 - a. Scope 1 reflects direct emissions, and only includes fuels combustion, for which Defra conversion factors have been used. The data is based on the invoices received from energy suppliers as set out in the Carbon Reduction Commitment Data Management Process. Emissions from physical or chemical processing and fugitive emissions have not been included; robust estimates are not possible at this point, but the BM does not consider the values to be material.
 - b. Scope 2 reflects indirect emissions, and includes purchased electricity. The British Museum does not have any purchased heat, steam and cooling.
 - c. Scope 3 electricity transmission and distribution emissions are calculated based on the energy consumption data provided by electricity suppliers using Defra conversion factors.
 - d. Scope 3 emissions relate to official business travel directly paid for by the BM. They are estimated on the basis of information from the BM's major suppliers and using the Defra conversion factors, and do not include international travel by air or rail, in line with GGC.
4. Waste data are based on information from the Facility Services provider, who is responsible within the contract for disposal of all site waste, with the exceptions listed below. The figure provided does not include construction waste, refurbishment programmes or hazardous waste i.e. chemical or laboratory wastes. Reporting of operational construction waste is not a minimum requirement as laid out in the Public Sector Sustainability guidelines.

Suppliers

The BM aims to settle bills within 30 days or by the due date. In 2016/17 it paid 79% of all invoices within the target (70% in 2015/16).

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 entitling it to confer protection from judicial seizure 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.

During the 2016/17 financial year, 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:

<i>The American Dream: pop to the present</i> 9 March – 18 June 2017	38 objects
<i>South Africa: the art of a nation</i> 27 October 2016 – 26 February 2017	37 objects
<i>Sunken Cities: Egypt's lost worlds</i> 19 May – 27 November 2016	292 objects
<i>Sicily: culture and conquest</i> 21 April – 14 August 2016	50 objects

A wide variety of objects have been protected, including stone and bronze sculpture, metalwork, contemporary art, textiles and shoes, works on paper, and archaeological materials from museums, other public institutions, and private collections.

The due diligence process has been conducted 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 (including during the period 1933-45 or where objects were excavated after 1970).

During the period from 1 April 2016 to 31 March 2017 the British Museum received no requests for information from potential claimants pursuant to article 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Reference and administrative details

The Board of Trustees²

Trustees	Attended / Meetings Held	Trustees	Attended / Meetings Held
Sir Richard Lambert (Chair) (C)	4/4	Sir Deryck Maughan (A)	2/4
Ms Karen Armstrong OBE (A) (retired 2 October 2016)	2/2	Mr John Micklethwait CBE (A)	3/4
The Hon Nigel Boardman (A) (Deputy Chair from 3 October 2016) (reappointed 1 January 2017)	3/4	Sir Paul Nurse FRS (F) (reappointed 28 September 2016)	4/4
Ms Cheryl Carolus (B) (reappointed 19 June 2016)	3/4	Mr Gavin Patterson (A) (reappointed 2 June 2016)	4/4
Ms Elizabeth Corley CBE (A) (appointed 2 October 2016)	1/2	Mr Grayson Perry CBE RA (G)	4/4
Miss Patricia Cumper MBE (A)	3/4	Sir Paul Ruddock (A) (appointed 2 October 2016)	2/2
Ms Clarissa Farr (A) (appointed 2 October 2016)	2/2	Lord Sassoon (A)	4/4
Dame Liz Forgan DBE FBA (A)(Deputy Chair) (retired 2 October 2016)	2/2	Professor Amartya Sen (C)	1/4
Professor Clive Gamble (E)	3/4	Dame Nemat (Minouche) Shafik (A)	2/4
Ms Muriel Gray (A)	4/4	Ms Ahdaf Soueif (A) (reappointed 2 June 2016)	3/4
Ms Wasfi Kani OBE (A)	3/4	Lord Stern of Brentford PBA (A) (Deputy Chair) (retired 2 October 2016)	2/2
Professor Nicola Lacey FBA (D)	4/4	Lord Turner of Ecchinswell FRS (C)	3/4
Lord Lupton CBE (A) (reappointed 2 June 2016)	4/4	Baroness Wheatcroft of Blackheath (A) (Deputy Chair)	4/4

(A) 15 Trustees are appointed by the Prime Minister.

The remaining Trustees are appointed by:

- (B) the Sovereign;
- (C) the Trustees; or
 - the Secretary of State on the nomination of:
 - (D) the British Academy
 - (E) the Society of Antiquaries of London
 - (F) the Royal Society
 - (G) the Royal Academy

² The fractions reflect attendance at eligible meetings during the year. In addition to the meetings shown here, two extraordinary Board meetings were held during the year. However, as these were called at short notice, attendance at the extraordinary Board meetings has not been included in the above table.

A register of Trustees' interests is maintained by the Governance and Planning Manager and is open to inspection at the BM on application to him. Details of related party transactions are disclosed in note 18 to the accounts.

Trustees' committees and membership

Standing Committee

Sir Richard Lambert (Chair)

6/6 Dame Liz Forgan (Chair)
(retired 2 October 2016)

1/1

The Hon Nigel Boardman
(appointed 16 May 2016)

5/6 Baroness Wheatcroft of Blackheath (Chair from
3 October 2016)

3/3

Professor Clive Gamble

3/6 Miss Patricia Cumper

2/3

Dame Liz Forgan
(retired 2 October 2016)

3/3 Professor Nicola Lacey
(appointed 27 June 2016)

3/3

Mr Gavin Patterson

4/6 Sir Richard Lambert

3/3

Sir Paul Ruddock
(appointed 19 January 2017)

2/2 Lord Stern of Brentford
(retired 2 October 2016)

1/1

Minouche Shafik
(appointed 19 January 2017)

1/2 The Hon Nigel Boardman
(appointed 27 June 2016)

2/3

Lord Stern of Brentford
(retired 2 October 2016)

3/3

Lord Turner of Ecchinswell FRS

4/6

Baroness Wheatcroft of Blackheath

5/6

Audit Committee

Lord Turner of Ecchinswell FRS (Chair)

4/4 Baroness Wheatcroft of Blackheath (Chair)

4/4

Mr Hywel Ball (co-opted 16 March 2017)

0/0 The Hon Nigel Boardman

4/4

The Hon Nigel Boardman

3/4 Ms Elizabeth Corley (co-opted to 2 October
2016, Trustee member from 3 October 2016)

4/4

Sir Ian Johnston (co-opted)

4/4

Lord Lupton CBE

4/4 Mr Stephen Fitzgerald (co-opted 1 August 2016)

4/4

Lord Sassoon

4/4 Lord Sassoon

3/4

Mr Keith Williams (co-opted 1 July 2016)

3/4 Sir Paul Ruddock (appointed 31 January 2017)

0/1

Baroness Wheatcroft of Blackheath

4/4

Research Committee

Lord Stern of Brentford (Chair)
(retired 2 October 2016)

1/1

Sir Paul Nurse (Chair from 3 October 2016)

2/2

Professor Linda Colley (co-opted)

2/2

Miss Patricia Cumper

1/2

Professor Clive Gamble

1/2

Professor Sir Richard Brook (co-opted)

2/2

Professor Andrew Prescott (co-opted)

1/2

Professor Greg Woolf (co-opted)

2/2

Professor Nicola Lacey
(appointed 21 July 2016)

2/2

Professor Amartya Sen

1/2

Nominations and Remuneration Committee

Investment Sub-committee

Trustee membership of related Councils and Boards

British Museum Friends Advisory Council

Professor Clive Gamble (Chair)

Ms Wasfi Kani

The American Friends of the British Museum

Mr John Micklethwait CBE (Chair)

Sir Deryck Maughan

Sir Richard Lambert (ex officio Director)

Official addresses as at 31 March 2017

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
The British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
The British Museum Company Limited:	The British Museum, Great Russell Street, London WC1B 3DG
Auditors:	
The Museum and the group	The Comptroller and Auditor General, The National Audit Office, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
The British Museum Company Limited, The British Museum Great Court Limited	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
The British Museum Friends Limited	Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD
Bankers:	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum
Investment advisers:	Newton Investment Management Limited, 160 Queen Victoria Street, London EC4V 4LA

DCMS' performance indicators

The BM's Management Agreement with DCMS includes a requirement to report on a number of performance indicators in place since 2008/09 to facilitate consistent reporting across national museums and galleries.

	2016/17	2015/16	2014/15	2013/14	2012/13
Number of visits to the Museum (excluding virtual visits)	6.2m	6.9m	6.7m	6.8m	5.6m
Number of unique website visits ³	30.9m	32.5m	33.7m	35.3m	27.3m
Number of visits by children under 16	800k	1.0m	987k	891k	871k
Number of overseas visitors	4.0m	4.4m ⁴	4.3m	3.8m	3.6m
Number of facilitated and self-directed visits to the Museum by children under 18 in formal education	271k	259k	271k	262k	251k
Number of instances of children under 18 participating in on-site organised activities	126k	146k	143k	145k	117k
% of visitors who would recommend a visit	96%	97%	97%	96%	99%
Admissions income	£3.0m	£2.5m	£3.7m	£5.7m	£1.2m
Trading income ⁵	£14.8m	£16.4m	£15.4m	£18.5m	£11.9m
Fundraising ⁶	£27.1m	£30.8m	£37.6m	£54.2m	£39.5m
Number of UK loan venues	156	166	170	187	169

³ This includes visits to all BM websites.

⁴ The prior year figure has been restated from 4.5m to correct a rounding error.

⁵ Defined by DCMS as net profit from activities which involve selling a product or service to a customer, and including international touring exhibitions, consultancy and retail. From 2013/14 the calculation includes the profit of the British Museum Company Ltd rather than the contribution paid to the British Museum during the year.

⁶ Defined by DCMS as activities which involve seeking financial support, e.g. from sponsors, private benefactors, charitable trusts. From 2013/14 the calculation includes the full BM group.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

These financial statements have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the *Government Financial Reporting Manual*, the *Statement of Recommended Practice* (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (effective 1 January 2015), and FRS 102.

So far as the Accounting Officer and Board of Trustees are aware, there is no relevant audit information of which the BM's auditors are unaware. The Accounting Officer and Board of Trustees believe they have taken all the steps that they ought to have taken to make themselves aware of any information relevant to the audit and to establish that the BM's auditors are aware of that information.

The Accounting Officer and Board of Trustees take responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

Remuneration Report

The BM has prepared this Remuneration Report in accordance with the *Government Financial Reporting Manual*, which requires disclosure of information about directors' remuneration, where 'directors' is interpreted to mean those who influence the decisions of the BM as a whole. In the BM's opinion this means the Trustees and the Director. As an additional disclosure, the remuneration of the Deputy Director with oversight responsibility for Finance and HR is also presented below (Christopher Yates).

The Chair and Board of Trustees neither received nor waived any remuneration for their services during the year (2015/16: £nil). Further details about the Trustees are included within the Governance Statement.

Hartwig Fischer took up his post as Director of the BM on 4 April 2016. Neil MacGregor was Director until 31 December 2015. Between 1 January 2016 and 3 April 2016, Christopher Yates was Acting Director; his permanent role is Deputy Director.

Remuneration policy

During the year, a new remuneration process was put in place. The Chair will assess the performance of the Director each year. The Nominations and Remuneration Committee will make recommendations to the Board on the Director's remuneration, including the value of any bonus. The Nominations and Remuneration Committee did not meet during the financial year ending 31 March 2017 to consider whether any bonus would be payable and no changes to the new Director's remuneration were made during the year.

Service contracts

The officials covered by this report all have open-ended appointments. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Hartwig Fischer and Christopher Yates are members of the Principal Civil Service Pension Scheme. Neil MacGregor opted out of the scheme from 1 April 2012. Further details about the Civil Service pension arrangements can be found at note 20 and on the website <http://www.civilservice.gov.uk/pensions>

Remuneration (including salary) and pension entitlements

Single total figure of remuneration										
	Salary ⁷ (£'000)		Bonus payments (£'000) ⁸		Benefits in kind (to nearest £100) ⁹		Pension benefits (to nearest £1000) ¹⁰		Total (£'000)	
	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16
Neil MacGregor Director to 31 Dec 2015	–	140-145 to 31/12/15	–	–	–	–	–	–	–	140-145 to 31/12/15
Hartwig Fischer Director from 4 April 2016	195-200	–	–	–	500	–	68,000	–	260-265	–
Christopher Yates Deputy Director	135-140	130-135	–	–	–	–	60,000	65,000	195-200	195-200

⁷ Salary comprises gross salary payable during the year and, for Hartwig Fischer, reimbursement during 2016/17 of relocation expenses not subject to UK taxation totalling £17,000.

⁸ Under his contract, Hartwig Fischer is entitled to receive an annual bonus of up to 15% of annual gross salary, entirely at the discretion of the Trustees. Neither Neil MacGregor nor Christopher Yates were entitled to bonuses under their contracts.

⁹ The monetary value of benefits in kind covers any benefits provided and treated by HM Revenue and Customs as a taxable emolument. From 7 November 2016, Hartwig Fischer received living accommodation provided at public expense and chargeable to tax under s163 of the Income and Corporation Taxes Act 1988.

¹⁰ The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

Pay multiples

The banded remuneration of the highest-paid employee at the reporting period end date was £195-200k (2015/16: £130-135k). This was 7.7 times the median remuneration of the workforce (2015/16: 5.2 times) at the reporting period end date, which was £25.7k (2015/16: £25.3k). The variance compared with last year can largely be explained by the fact that at last year's reporting end date the permanent role of Director was vacant and the highest-paid employee was therefore the Acting Director.

The BM complies as appropriate with the Civil Service pay guidance, as modified by the Museum Freedoms. Remuneration for the workforce at the reporting end date, including fees paid, agency staff, apprentices and excluding the highest-paid employee, ranged from £15k to £140k (2015/16: £14k - £120k). Total remuneration includes salary, performance related pay, and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension Benefits

	Accrued pension at pension age ¹¹ as at 31/3/17 and related lump sum	Real increase in pension and related lump sum at pension age	CETV ¹² at 31/3/17	CETV at 31/3/16	Real increase in CETV ¹³
	(£'000)	(£'000)	(£'000)	(£'000)	(£'000)
Hartwig Fischer Director from 4 April 2016	0-5	2.5-5	51	–	36
Christopher Yates Deputy Director	35-40 plus a lump sum of 85-90	2.5-5 plus a lump sum of 0-2.5	556	501	27

The figures in the remuneration report have been audited.

Hartwig Fischer
Accounting Officer
6 July 2017

Sir Richard Lambert
Chair

¹¹ 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

¹² 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 in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 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.

¹³ 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.

Statement of Trustees' and Accounting Officer's responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Secretary of State for Culture, Media and Sport with the consent of the Treasury has directed the Trustees of the British Museum to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the British Museum and of its net resource outturn, application of resources, changes in funds and cash flows for the financial year.

In preparing the BM's accounts, the Trustees and Accounting Officer are required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- 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 a going concern basis, unless it is inappropriate to presume that the BM will continue in operation.

The Accounting Officer of the Department for Culture, Media and Sport designated Christopher Yates as Accounting Officer of the British Museum between 1 January 2016 and 3 April 2016. From 4 April 2016 Hartwig Fischer was the designated Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the British Museum's assets, are set out in *Managing Public Money* issued by the HM Treasury.

Hartwig Fischer
Accounting Officer
6 July 2017

Sir Richard Lambert
Chair

Governance statement

The governing body of the BM is the Board of Trustees whose members are appointed for fixed terms of service. They are non-executive and unpaid. Under the terms of the British Museum Act 1963, the Board may consist of up to 25 members, of whom 15 are appointed by the Prime Minister; one by the Sovereign; one each by the Secretary of State on the nominations of the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society respectively; and five by the Board of the British Museum. The Chairman is appointed by the Board from its members. The names of Trustees serving during the year are listed in the 'Reference and administrative details' section.

The induction of new Trustees is primarily through a programme of department visits and meetings with the Director, Deputy Directors, and members of the senior management team. An introductory pack of key documents and publications including the Governance Principles and Procedures, the BM Strategy and Operating Plan, the Annual Report and Accounts, and the organisation chart is provided. Induction programmes and training are further tailored to the individual needs and interests of the Trustee. A programme of training and briefing sessions is available to all Trustees throughout their term of appointment. Induction is also provided for co-opted members of Trustee committees.

The corporate governance framework for the BM was reviewed and revised during the year, and the new Governance Principles and Procedures published on the website in July. This provides greater clarity on the role of the Trustees, the delegations to the Director, and the Board's reserved powers. There were also changes to some of the committees' terms of reference, in particular the Audit Committee assumed sole responsibility for governance matters and the Nominations and Governance Committee assumed responsibility for the Director's remuneration and was renamed the Nominations and Remuneration Committee. The BM follows governance best practice for public service and charitable bodies, and insofar as it applies, the BM complies with the principles of the *Corporate Governance in Central Government Departments: Code of Good Practice*.

A register of Trustees' and co-opted committee members' interests is maintained and is available for public inspection on request; this is reviewed by all Trustees and co-opted committee members at least once a year. Trustees and co-opted members are required to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a Trustee or co-opted member to either leave the meeting, or not take part in a discussion or decision on a particular issue. One Trustee declared an interest in the Blythe House project and took no part in any discussion or decisions made in relation to this project at the Board or Standing Committee meetings.

Board / Committee	Hierarchy	Remit
Board of Trustees	Board	To discharge statutory duties under the British Museum Act 1963 and Museums and Galleries Act 1992 for the general management and control of the BM. The Board appoints the Director with the approval of the Prime Minister, defines the strategic direction of the BM, and approves its execution in an operating plan drawn up in consultation with the Director.
Standing Committee	Board Committee	To discharge the functions of the Board between quarterly Board meetings, including monitoring achievement of the plan.
Director	Accounting Officer	All Board authority granted to the management and staff of the BM is delegated through the Director, so that all authority and accountability is considered to be the authority and accountability of the Director so far as the Board is concerned. The Director attends Board meetings. The Director as the Accounting Officer is accountable to Parliament for the stewardship of the resources within the BM's control.
Audit Committee	Board Committee	To support 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.

Board / Committee	Hierarchy	Remit
Nominations and Remuneration Committee	Board Committee	To advise on succession planning for Trustees, recommend candidates as Trustees for appointment, carry out an evaluation of the Board's and Chair's performance, and make recommendations to the Board on the Director's remuneration.
Investment Sub-Committee	Sub-committee of the Standing Committee	To advise the Standing Committee on the investment of the BM's funds and the performance of investment managers, and recommend an investment policy to the Board of Trustees.
Research Committee	Sub-committee of the Standing Committee	To provide expert advice and oversight of the BM's research programme, to monitor the implementation of the research strategy and provide quality assurance.
Directorate Group	Executive Committee	To lead the BM's planning process, manage risk and oversee operational activity. Its membership during the year comprised the Director and the Deputy Directors.
BM Management Group	Executive Committee	To raise and discuss current and emerging issues relating to BM activity and external developments; and act as an information sharing group for heads of department. Its membership is drawn from the Directorate Group and the heads of BM departments. During the year this comprised of the following: <ul style="list-style-type: none"> ■ <i>Collections:</i> Africa, Oceania & the Americas; Ancient Egypt & Sudan; Asia; Coins & Medals; Britain, Europe & Prehistory; Collections Services; Scientific Research; Greece & Rome; Middle East; Prints & Drawings. ■ <i>Public Engagement:</i> Digital & Publishing; Exhibitions; International Engagement; Learning & National Partnerships; Press & Marketing; Zayed National Museum Project. ■ <i>Operations:</i> Capital Planning & Programme Management; Development; Finance; Human Resources; Information Services; Legal Services; Property & Facilities Management; Retail Buying & Sales; Security and Visitor Services.

Some Trustees also attend certain executive groups covering issues such as advocacy, marketing and digital in an advisory capacity.

Board effectiveness

The Board reviews its effectiveness annually through a questionnaire completed by each Trustee, which assesses performance in five areas:

- Vision, mission and strategic direction
- Performance and corporate behaviour
- Legal and regulatory compliance
- Guardianship of the BM's assets
- Capacity to govern

A report of findings is considered by the Nominations and Remuneration Committee and action points agreed by the Board. At least every three years, the review includes an element of independent assessment. An independent review carried out in early 2017 concluded that the Board was coherent and united; of high quality and sophistication; and had a good balance of skills. The review highlighted the priority Trustees gave to the development of a new long-term strategy, the continuing need to strengthen fundraising capacity; and strong support for the reappointment of the Chair for a second term.

The British Museum's strategy, *Towards 2020*, is supported by an Operating Plan and Budget. The Trustees receive quarterly reports on the BM's performance against its key objectives; a summary of performance is included above in the section 'Strategic direction and performance against objectives'.

The Board has high standards in terms of the data it expects to receive to support it in discharging its duties. Data relating to the delivery of the BM's objectives, including financial control and the management of risk, is regularly reviewed by the Board and its committees. The 2016/17 review of Board performance showed that the Trustees agreed that they received an appropriate level of information and that there were effective mechanisms in place to measure performance.

Reports from Board committees

- *Audit Committee*: in addition to its on-going review of the risk register, during 2016/17 the Committee considered in detail the management of risks relating to reputation, major projects, financial sustainability, and the building. It received regular updates on operations and collections management, and received reports on external and internal audits.
- *Nominations & Remuneration Committee*: during 2016/17, the Prime Minister approved the committee's recommendation for the reappointment of four Trustees; the committee made a case to the Prime Minister for the reappointment of a further three Trustees and these were approved for reappointment in April 2017 for further terms of four years each; the committee supported the Royal Society's recommendation to reappoint its nominee, which was approved by the Secretary of State; made a recommendation to Her Majesty the Queen on the reappointment of a Trustee, which was approved; and made a recommendation to the Board for the reappointment of the Chairman which was approved. The committee also approved the objectives for the new Director.
- *Standing Committee*: the committee continued to discharge the functions of the Board between quarterly Board meetings.

Reports from the Chairs of the Audit Committee and Nominations and Remuneration Committee are recorded in the minutes of Board meetings which are published on the BM's website. Standing Committee business is reported to the Board by the Chairman after each meeting. Sub-committee business is reported to the Standing Committee.

Attendance at meetings of the Board and its committees is noted in the section 'Reference and administrative details' above.

Risk management framework and risk assessment

Risk is unavoidable and the resources available for managing risk are finite. The aim of risk management within the BM is therefore to achieve an optimum response to risk, prioritised in accordance with an evaluation of the risks. The approach adopted takes into account the HM Treasury guidance on management of risk, with reference as appropriate to best practice guidance from the National Audit Office and risk management standards.

The BM assesses risk through consideration of the likelihood of something happening, and its potential impact. Risk management within the BM includes:

- identifying and assessing risks (the "inherent risks");
- assigning each of those risks to an individual risk owner;
- setting an agreed risk appetite (the "risk targets");
- evaluating the effectiveness of relevant mitigating controls;
- assessing the risks remaining given the controls in place (the "residual risks"); and
- agreeing, implementing and monitoring controls to reduce the variance between residual and target risks.

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

The Board of Trustees has statutory duties under the British Museum Act 1963 and Museums and Galleries Act 1992 (“the Acts”) for the general management and control of the BM. The Board appoints the Director with the approval of the Prime Minister, defines the strategic direction of the Museum, and approves its execution in an operating plan drawn up in consultation with the Director.

The Director is the Accounting Officer for the purposes of reporting to the Department for Culture, Media and Sport, and has overall responsibility for the BM’s risk management framework.

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 Audit Committee reviews the risk register and actions taken at each of its meetings. In addition to a rolling programme of review, the committee focuses on the highest rated residual risks in terms of their likelihood and impact taken together, and topical risks. The Audit Committee challenges the BM’s officers for evidence of good management and routinely requires managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level. 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 Directorate Group reviews risks, and receives and considers reports or recommendations for action or decision.

The Internal Controls Committee oversees the implementation of risk management principles and practice throughout the BM 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 BM. It 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 BM.

Internal Audit acts as an independent review of the internal control framework, including risk management. In addition to reports on individual reviews, Internal Audit produces 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.

During the year the BM’s risk management policy was reviewed and no changes were made. Security of the site remains a high priority for the Trustees. The most significant residual risks currently facing the BM arise from reductions in government funding; ambitious strategies for increasing income generation; and movement of the collection between storage sites.

The BM has suffered no significant losses or thefts of personal or other protected data during 2016/17 and has made no report to the Information Commissioner’s Office.

The BM continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, is focussing on strengthening controls operating around health and safety reporting, and access.

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 2017 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Statement of Cash Flows 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 Accounting Officer and auditor

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Museums and Galleries Act 1992. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the British Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the British Museum; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the British Museum's affairs as at 31 March 2017 and of its net income/(expenditure) for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museum and Galleries Act 1992; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C. E. Morse
Comptroller and Auditor General

10 July 2017

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

Consolidated Statement of Financial Activities for the year ended 31 March 2017

	Notes	Revenue Funds			Capital Funds			Total Funds			Total 2016 £000s
		Unrestricted £000s	Restricted £000s	Total £000s	Unrestricted £000s	Restricted £000s	Collection Acquisitions £000s	Unrestricted £000s	Restricted £000s	Permanent Endowments £000s	
Income and endowments from											
Grant-in-aid	2	38,690	1,029	39,719	13,850	–	–	14,879	–	–	53,569
Donations and legacies		1,511	4,770	6,281	6,292	7,492	–	18,554	–	–	21,994
Charitable activities	3	18,869	1,638	20,507	155	–	–	1,793	–	139	25,930
Other trading activities	11(b)	20,444	–	20,444	–	–	–	20,444	–	–	20,662
Investments	4	272	42	314	260	–	–	302	–	121	19,226
											23,713
											682
Total income and endowments		79,786	7,479	87,265	20,557	7,492	–	35,528	–	260	117,730
Expenditure on											
Raising funds											
Expenditure on raising donations and legacies	6	(1,422)	–	(1,422)	–	–	–	(1,422)	–	–	(1,422)
Expenditure on other trading activities	6, 11(b)	(10,658)	–	(10,658)	–	–	–	(10,658)	–	–	(10,658)
Investment management costs	6	(1)	(2)	(3)	(2)	–	–	(1)	(4)	(1)	(25)
Charitable activities											
Charitable activities	6	(65,590)	(6,611)	(72,201)	(449)	–	–	(66,039)	–	(233)	(87,281)
Total expenditure	6	(77,671)	(6,613)	(84,284)	(449)	–	–	(78,120)	–	(234)	(99,805)
Net gains on investments	10	113	444	557	7,353	886	–	1,330	(3)	690	11,626
Net income											
Transfers between funds	5	2,228	1,310	3,538	6,904	7,492	–	15,410	–	716	29,551
Other recognised (losses)/gains											
Actuarial losses on defined benefit pension scheme	16	363	(1,113)	(750)	15,524	984	–	15,887	(4)	986	12,043
Loss on revaluation of fixed assets		–	–	–	–	–	–	–	–	–	–
Other gains/(losses)	20	(5,215)	(64)	(5,279)	–	–	–	(5,215)	–	–	(45)
		192	(64)	128	(42)	–	–	192	3	–	307
Net movement in funds											
Reconciliation of funds:											
Total funds brought forward as at 1 April 2016	16(a)	15,578	20,761	36,339	22,428	8,476	–	19,996	3,837	1,702	10,988
Total funds carried forward as at 31 March 2017											
	16(a)	13,146	20,894	34,040	25,395	675,121	–	38,541	785,064	6,511	848,526
Reconciliation of funds:											
Total funds brought forward as at 1 April 2015	16(a)	13,647	23,772	37,419	4,593	77,613	–	18,240	681,050	–	712,564
Total funds carried forward as at 31 March 2016											
	16(a)	15,578	20,761	36,339	2,967	698,277	–	18,545	799,611	4,809	837,538

All operations of the British Museum continued throughout 2016/17 and 2015/16 and none were discontinued in either period. The British Museum has no recognised gains and losses other than those above. The notes on pages 42 to 75 form part of these accounts.

Consolidated Statement of Financial Activities for the year ended 31 March 2016

	Notes	Revenue Funds			Capital Funds			Total Funds			Total 2016 £000s	
		Unrestricted £000s	Restricted £000s	Total £000s	Unrestricted £000s	Restricted £000s	Collection Acquisitions £000s	Total Unrestricted £000s	Restricted £000s	Permanent Endowments £000s		Expendable Endowments £000s
Income and endowments from												
Grant-in-aid	2	38,690	475	39,165	2,603	-	1,877	2,603	38,690	3,078	-	41,768
Donations and legacies		2,275	3,744	6,019	14,029	1,877	-	15,906	2,275	19,650	5	25,930
Charitable activities	3	17,826	1,077	18,903	323	-	-	323	17,826	1,400	-	19,226
Other trading activities	11(b)	23,713	-	23,713	-	-	-	-	23,713	-	-	23,713
Investments	4	249	8	257	38	-	-	38	249	46	342	682
Total income and endowments		82,753	5,304	88,057	16,993	-	1,877	18,870	82,753	24,174	347	111,319
Expenditure on Raising funds												
Expenditure on raising donations and legacies	6	(1,250)	-	(1,250)	-	-	-	-	(1,250)	-	-	(1,250)
Expenditure on other trading activities	6, 11(b)	(12,059)	-	(12,059)	-	-	-	(10)	(12,059)	(17)	(7)	(12,059)
Investment management costs	6	(1)	(7)	(8)	(10)	-	-	(10)	(1)	(17)	(7)	(25)
Charitable activities	6	(66,834)	(6,162)	(72,996)	(993)	(13,197)	-	(14,190)	(67,827)	(19,359)	-	(87,281)
Total expenditure	6	(80,144)	(6,169)	(86,313)	(993)	(13,207)	-	(14,200)	(81,137)	(19,376)	(7)	(100,615)
Net (losses)/gains on investments	10	(35)	190	155	547	-	-	1,109	527	737	(193)	1,339
Net income/(expenditure)	5	2,574	(675)	1,899	(431)	4,333	1,877	5,779	2,143	5,535	147	12,043
Transfers between funds	16	(926)	(2,337)	(3,263)	(1,195)	1,614	1,083	1,502	(2,121)	360	1,167	594
Other recognised gains/(losses)												
Gains on revaluation of fixed assets		-	-	-	-	112,669	-	112,669	-	112,669	-	112,669
Actuarial losses on defined benefit pension scheme	20	(45)	-	(45)	-	-	-	-	(45)	-	-	(45)
Other gains/(losses)		328	1	329	(4)	-	-	(4)	328	(3)	(15)	307
Net movement in funds		1,931	(3,011)	(1,080)	(1,626)	118,612	2,960	119,946	305	118,561	1,299	124,974
Reconciliation of funds:												
Total funds brought forward	16(a)	13,647	23,772	37,419	4,593	579,665	77,613	661,871	18,240	681,050	13,274	712,564
Total funds carried forward	16(a)	15,578	20,761	36,339	2,967	698,277	80,573	781,817	18,545	799,611	14,573	837,538

All operations of the British Museum continued throughout 2015/16 and 2014/15 and none were discontinued in either period. The British Museum has no recognised gains and losses other than those above. The notes on pages 42 to 75 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2017

	Notes	2017 £000s	2016 £000s
Fixed assets			
Tangible assets	7(a)	658,155	685,405
Intangible assets	8	1,972	1,140
Heritage assets	9	89,049	80,573
Investments	10(a)	88,080	79,108
Investment properties	10(b)	24,769	2,128
Total fixed assets		862,025	848,354
Current assets			
Stock-goods for resale	11(c)	2,152	1,680
Debtors	12	27,659	41,595
Investments	10(c)	7,739	6,706
Cash at bank and in hand	10(d)	12,076	9,613
Total current assets		49,626	59,594
Creditors: amounts falling due within one year	13	(49,040)	(60,121)
Net current assets/(liabilities)		586	(527)
Total assets less current assets		862,611	847,827
Creditors: amounts falling due after more than one year	13	(449)	(1,806)
Provision for liabilities and charges	14	-	(7)
Net assets excluding pension liability		862,162	846,014
Defined benefit pension scheme liability	20	(13,636)	(8,476)
Total net assets		848,526	837,538
The funds of the group:			
Permanent endowments		18,410	14,573
Expendable endowments		6,511	4,809
Restricted funds		785,064	799,611
Unrestricted funds			
Designated funds		428	452
General funds		33,587	11,290
General funds held in subsidiaries		4,526	6,803
		38,541	18,545
Total group funds	16(a)	848,526	837,538

The notes on pages 42 to 75 form part of these accounts.

Hartwig Fischer
Accounting Officer

6 July 2017

Sir Richard Lambert
Chair

Museum Balance Sheet as at 31 March 2017

	Notes	2017 £000s	2016 £000s
Fixed assets			
Tangible assets	7(b)	657,529	684,566
Intangible assets	8	1,972	1,140
Heritage assets	9	89,049	80,573
Investments	10(a)	88,080	79,108
Investment properties	10(b)	24,769	2,128
Investment in subsidiaries	11(a)	1,250	1,250
Total fixed assets		862,649	848,765
Current assets			
Debtors	12	33,149	36,306
Cash at bank and in hand	10(d)	3,490	3,555
Total current assets		36,639	39,861
Creditors: amounts falling due within one year	13	(55,022)	(56,377)
Net current liabilities		(18,383)	(16,516)
Total assets less current liabilities		844,266	832,249
Creditors: amounts falling due after more than one year	13	(266)	(1,507)
Provision for liabilities and charges	14	–	(7)
Total net assets		844,000	830,735
The funds of the charity:			
Permanent endowments		18,410	14,573
Expendable endowments		6,511	4,809
Restricted funds		785,064	799,611
Unrestricted funds			
Designated funds		428	452
General funds		33,587	11,290
		34,015	11,742
Total charity funds	16(a)	844,000	830,735

The notes on pages 42 to 75 form part of these accounts.

Hartwig Fischer
Accounting Officer

6 July 2017

Sir Richard Lambert
Chair

Consolidated Statement of Cash Flows

For the year ended 31 March 2017

	Notes	2017 £000s	2016 £000s
Cash flows from operating activities			
Net cash provided by operating activities	17	25,851	23,004
Cash flows from investing activities			
Dividends, interest and rents from investments	4	767	682
Purchase of fixed asset investments	10(a)	(42,353)	(50,630)
Proceeds from the sale of fixed asset investments	10(a)	37,655	35,903
Purchase of investment properties	10(b)	(118)	–
Purchase of tangible fixed assets	7(a)	(15,600)	(9,081)
Purchase of intangible fixed assets	8	(1,061)	(747)
Purchase of heritage assets	9	(1,734)	(1,083)
Net cash used in investing activities		(22,444)	(24,956)
Change in cash and cash equivalents in the year		3,407	(1,952)
Cash and cash equivalents at the beginning of the year		16,319	17,964
Change in cash and cash equivalents due to exchange movements		89	307
Cash and cash equivalents at the end of the year		19,815	16,319
Analysis of cash and cash equivalents			
Current asset investments		7,739	6,706
Cash at bank and in hand		12,076	9,613
Total cash and cash equivalents		19,815	16,319

The notes on pages 42 to 75 form part of these accounts.

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting Conventions

- (a) The accounts comply with the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and the Republic of Ireland (effective 1 January 2015), FRS 102, the Government Financial Reporting Manual (FRM), Museum and Galleries Act 1992, the Accounts Direction issued by the Secretary of State for Culture, Media and Sport, and, in the case of the subsidiaries, the Companies Act 2006. A copy of the Direction is available from the Department for Culture, Media and Sport. Where there is a conflict between the requirements of the SORP and the FRM, the SORP has been followed with additional disclosure provided to comply with the FRM.
- (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 fair value.

Consolidated accounts include the British Museum's (BM) operating statement, trust funds owned and administered by the BM, and the British Museum Development Trust, a dormant charity, which together make up the Museum. Also consolidated are the British Museum Company Limited (BMCo) and its subsidiary British Museum Ventures Limited, the British Museum Great Court Limited (BMGC) and the British Museum Friends Limited (BMF), which together make up the Group.

The Trustees have considered the implications of recent reductions in the government grant, and believe that there are no material uncertainties about the Museum's ability to continue and the accounts have therefore been prepared on the going concern basis.

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

- (i) This statement discloses the totality of the resources receivable by the BM during the year and their disposition. The BM 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 BM, 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. Donations and grants in support of capital expenditure and collections acquisitions are recognised in the SOFA when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably. But the associated capital expenditure is depreciated 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, often 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, income is accounted for when a transaction or other event results in an increase in the BM's assets or a reduction in its liabilities. Grant-in-aid is taken to the SOFA in the year in which it is recoverable. Income from grants and donations is recognised in the SOFA when there is evidence of entitlement (for example, when the conditions for their receipt have been met), receipt is probable and its amount can be reliably measured. Legacies are recognised as income when there has been grant of probate, there are sufficient assets in the estate, evidence of entitlement has been received from the executor, and the amount receivable can be measured with sufficient accuracy.

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

The income and profit on long term contracts are accounted for in accordance with FRS 102. 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. Income included in the SOFA is calculated on the basis of time spent as a proportion of total time expected to be spent in fulfilling the contract. The costs incurred in reaching this stage of completion are matched with the income. The difference between the amount

recognised in the SOFA and the cash received is disclosed in either debtors or creditors as prepayments and accrued income or accruals and deferred income.

- (iii) Expenditure is recognised in the financial statements when a present legal or constructive obligation exists, it is more likely than not that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured or estimated reliably.

Grants payable are recognised when the criteria for a constructive obligation are met, payment is probable, values can be measured reliably, and there are no conditions attaching to its payment that limit its recognition.

Expenditure is classified in the SOFA under the principal categories of expenditure on raising funds and expenditure on charitable activities.

Where costs cannot be directly attributed, they are allocated to activities according to the method described in note 6. Expenditure on raising funds comprises costs incurred in raising donations and legacies and other trading activities and investment management costs. Expenditure on charitable activities comprises resources applied to meet the charitable objectives of the BM, namely care, research and conservation, public access and events and charitable trading activities. Governance costs are those costs incurred in connection with the general governance of the British Museum including compliance with constitutional and statutory requirements.

The BM is covered by the provisions of the VAT Act 1994 s 33a, which allows it to recover the majority of its VAT. Irrecoverable VAT is treated as a support cost and apportioned over the activities of the BM as described in note 6.

(d) *Gifts in Kind*

Heritage Assets

The BM accounts for the objects in its collection as non-operational heritage assets, in accordance with SORP Module 18 Accounting for Heritage Assets. A heritage asset is defined as "a tangible or intangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture."

Heritage assets acquired since 1 April 2001

The BM includes donated or purchased heritage assets acquired since 1 April 2001 on the balance sheet at cost or valuation at the time of acquisition. Valuations are performed during the year of acquisition by internal curatorial experts based on their expert knowledge and, where appropriate, with reference to recent sales of similar objects. The cost or valuation is not subject to revaluation because such information can not be obtained at a cost commensurate with the benefit to users of the financial statements.

Capitalised heritage assets are not depreciated because they are deemed to have indefinite lives, but are subject to impairment reviews where damage or deterioration is reported.

Heritage assets acquired before 1 April 2001

The BM has not capitalised heritage assets acquired prior to 1 April 2001. This is because comprehensive valuation, as illustrated below, would not provide a meaningful figure for users of the financial statements and the cost of doing so is not commensurate with the benefits to users of the financial statements.

Historic cost – while it may be possible to assign a cost to items purchased within a financial year, historic cost quickly becomes obsolete and meaningless, not only because of general price movements where markets for similar items do exist, but also because of changing opinions about attribution and authenticity, subsequent research into objects that reveals new value, the emergence of new information about the provenance of an item or changes in taste.

Valuation – attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic through their association with a person, event or collection, there are a very limited number of buyers, no homogeneous population of assets on the market, and imperfect information about the items for sale. In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations impossible to achieve for many heritage assets.

Donated Services

Donated services are included as income and expenditure in the year in which the service is used by the BM. The service is valued at the price the BM would have paid in the open market for a service of equivalent utility.

The BM also engages with unpaid volunteers to support the BM's activities over the course of the year. Due to the absence of a reliable measurement basis, the contributions of volunteers are not included as income in the accounts. The details of the roles played by these volunteers and the nature of their contributions can be found in the section 'Investing in our people'.

(e) Tangible Fixed Assets

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All the BM's land, properties and plant and machinery 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 102. A full valuation of the BM's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2014. The valuation included the main BM site at Great Russell Street, its perimeter buildings, the World Conservation and Exhibitions Centre, two properties used for storage at Orsman Road, and Blythe House. The main BM site is valued on a depreciated replacement cost basis and Blythe House, the Orsman Road properties and the perimeter buildings 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 and machinery.

Galleries are revalued annually using relevant indices provided by the Office for National Statistics.

Furniture, fit out and equipment are carried at depreciated historic cost because the Trustees consider that this is not materially different from current cost valuation.

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
Galleries	10 to 25 years
Plant and machinery	10 to 35 years
Furniture, fit out and equipment	1 to 20 years

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

(f) Intangible Fixed Assets

Intangible assets with an economic life of more than more than one year and value greater than £5,000 are capitalised. All intangible assets are measured at cost.

Costs relating to assets developed internally are capitalised in accordance with the requirements of FRS102.

Amortisation is provided on all intangible assets, at rates calculated to write off the value of each asset evenly over its expected useful life with no residual value assumed.

Purchased software licences	the contractual period
Websites	2 to 5 years
Developed software	2 to 5 years

A full year of amortisation is charged in the year when the asset is ready for use and no amortisation is charged in the year of disposal.

Impairment reviews are carried out at the end of each reporting period in accordance with FRS102 to ensure that the carrying values of the assets do not exceed their recoverable amounts.

*(g) Financial instruments**Recognition, measurement and impairment*

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 BM's balance sheet

when the BM becomes a party to the contractual provisions of the instrument. Assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the BM has transferred substantially all risks and rewards of ownership. Liabilities are derecognised when all obligations in respect of them have been discharged. Where material, assets and liabilities falling due after more than one year are discounted to their present value.

The BM's investments are measured at fair value, with any gains or losses reflected in the SOFA in the period in which they arise. Other financial instruments (notably trade debtors, current asset investments, cash at bank and in hand, and trade creditors) are initially recognised at fair value (i.e. cost) plus or minus material transaction costs directly attributable to their acquisition or issue; and subsequently measured at cost, less impairment where material.

An assessment of whether there is objective evidence of impairment is carried out for material 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, 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 a financial instrument is impaired, its loss is reflected in the SOFA.

Investment properties

Freehold investment properties are carried at open market value and are not depreciated. A formal valuation of the investment properties is carried out annually by independent valuers in accordance with the RICS Appraisal and Valuation manual.

Investments in subsidiaries

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

(h) Stocks and work in progress

Stock is stated at the lower of cost and net realisable value, where cost includes materials, labour and attributed overheads. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate. All stocks relate to BMCo's retail activities.

(i) Liabilities

Liabilities are recognised when a present legal or constructive obligation exists, it is more likely than not that a transfer of economic benefits will be required in settlement, and the amount of the obligation can be measured or estimated reliably.

(j) Provisions

The BM provides for legal or constructive obligations which are of uncertain timing or amount on the balance sheet date on the basis of the 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.

(k) Cash and cash equivalents

Cash and cash equivalents, as referred to in the statement of cash flows, include cash at bank and in hand and current asset investments. Cash at bank and in hand is held to meet short-term cash commitments as they fall due rather than for investment purposes. Current asset investments comprise cash on deposit and cash equivalents with a maturity of less than one year held for investment purposes rather than to meet short-term cash commitments as they fall due.

(l) Leases

The BM has no finance leases. Costs relating to operating leases are charged on a straight line basis over the life of the lease.

(m) 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 at that date. Foreign exchange differences arising on translation are reflected in the SOFA.

(n) Pensions

The Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS) – known as “alpha” are unfunded multi-employer defined benefit schemes but the BM is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk)

The BM has, in the past, operated an early retirement scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. The BM bears the costs of these benefits until normal retirement age of the employees concerned.

BMCo operates both defined benefit and defined contribution pension schemes. For the defined contribution scheme the amount charged to the statement of financial activities reflects the contributions payable to the scheme in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments on the balance sheet. The defined benefit scheme requires contributions to be made to a separately administered fund. The amounts charged to operating profit are the current service costs (included within staff costs) and the net interest on the net defined benefit liability. Actuarial gains and losses are recognised immediately on the face of the SOFA. The defined benefit scheme is subject to a full actuarial valuation every three years by an independent qualified actuary. In accordance with SORP Module 17 Retirement and Post-employment Benefits, pension scheme assets are measured at fair value. Scheme liabilities are measured using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities.

Further details can be found in note 20 to the accounts.

(o) Taxation

The BM, BMCo and BMF are eligible under Part 11 Corporation Tax Act 2010, section 25 Inheritance Tax Act 1984, and section 271 Taxation of Chargeable Gains Act 1992 to exemption from taxes on income, donations and capital gains arising from the pursuit of its charitable objectives. BMV and BMGC donate their profits to their respective charitable parents.

(p) Funds Structure

The BM has the following categories of funds:

- restricted permanent endowment funds which the donors have stated are to be held as capital.
- restricted expendable endowment funds, which trustees have the power to convert into income.
- restricted funds whose investment or usage is subject to specific restriction imposed by sponsors or 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 BM.

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 16.

(q) Significant judgements and estimates

The significant judgements and estimates made in preparing these accounts are disclosed throughout the document, and include those with respect to depreciation (note 1e), the valuation of fixed assets (note 7) and heritage assets (note 9), and the actuarial valuation of the defined benefit pension liability (note 20).

2. GRANT-IN-AID

	2017	2016
	£000s	£000s
Unrestricted revenue	38,690	38,690
Restricted revenue	1,029	475
Restricted capital	13,850	2,603
	<u>53,569</u>	<u>41,768</u>

3. ANALYSIS OF INCOME AND ENDOWMENTS FROM CHARITABLE ACTIVITIES

	2017	2016
	£000s	£000s
Care, research and conservation	2,277	1,965
Public access and events	1,495	977
Charitable trading	16,890	16,284
	<u>20,662</u>	<u>19,226</u>

Care, research and conservation includes research grants and grants for acquisitions. Public access and events income arises from sales of guides, lectures and recovery of costs relating to loans of the collection and includes grants for programmes to promote and assist access. Charitable trading includes admission fees, sponsorship of the exhibition programme and membership fees.

EU funding of £1,764k is included in income in the current year. EU funding of £553k was included in the prior year.

4. INVESTMENTS

	2017	*Restated 2016
	£000s	£000s
Income from UK bank deposits	89	75
Income from UK fixed interest investments	4	126
Income from UK investment funds	593	417
Income from overseas investment funds	20	19
Other interest	–	2
	<u>706</u>	<u>639</u>
Interest receivable from discount unwinding	294	–
Rents receivable	61	43
	<u>1,061</u>	<u>682</u>

The income from investments for 2016 has been restated to reflect income from overseas investment funds, previously classified as income from UK investment funds. Interest receivable from discount unwinding represents net present value adjustments on the discounting of long-term deferred income.

5. NET INCOME

is stated after charging:	2017	2016
	£000s	£000s
Auditors' remuneration: Comptroller and Auditor General audit fee	53	56
Auditors' remuneration: Subsidiary companies audit fee	52	54
Operating lease rentals: Hire of plant and machinery	93	37
Operating lease rentals: Land and buildings	104	104
Loss on disposal of fixed assets	38	792
Movement on bad debt provision	26	70

There were no non-audit services provided by the Comptroller and Auditor General during 2016/17 (2015/16: nil).

6. ANALYSIS OF EXPENDITURE

6(a)	Direct Costs £000s	Grants £000s	Depreciation & Amortisation £000s	Support Costs £000s	Total 2017 £000s
Raising donations and legacies	1,157	–	21	244	1,422
Other trading activities	9,972	–	31	655	10,658
Investment management costs	9	–	–	–	9
Care, research and conservation	28,796	13,389	7,769	4,050	54,004
Public access and events	15,488	128	5,938	1,680	23,234
Charitable trading	9,459	–	604	415	10,478
Charitable activities	<u>53,743</u>	<u>13,517</u>	<u>14,311</u>	<u>6,145</u>	87,716
Total expenditure	<u>64,881</u>	<u>13,517</u>	<u>14,363</u>	<u>7,044</u>	99,805
	Direct Costs £000s	Grants £000s	Depreciation & Amortisation £000s	Support Costs £000s	Total 2016 £000s
Raising donations and legacies	1,104	–	18	128	1,250
Other trading activities	11,496	–	–	563	12,059
Investment management costs	25	–	–	–	25
Care, research and conservation	30,370	15,052	6,504	2,913	54,839
Public access and events	16,281	137	4,961	1,314	22,693
Charitable trading	8,778	–	627	344	9,749
Charitable activities	<u>55,429</u>	<u>15,189</u>	<u>12,092</u>	<u>4,571</u>	87,281
Total expenditure	<u>68,054</u>	<u>15,189</u>	<u>12,110</u>	<u>5,262</u>	100,615

Grants are made for the furtherance of the BM's charitable objectives. Of the total grants of £13.5m (2015/16: £15.2m), £13.3m (2015/16: £14.9m) were made to institutions and £0.2m were made to individuals (2015/16: £0.3m).

The main elements of the grant figure are as follows:

- Grants of £12m (2015/16: £13.5m) to the British Museum Trust Limited (BMT), restricted for furtherance of the British Museum's charitable objectives. BMT is a separate, independent registered charity (registration number: 1140844). It has no Trustees in common with the BM. Its objectives are to advance, in a manner in which the trustees of BMT see fit, the charitable objects of the Trustees of the British Museum; and to advance culture, heritage, science, education and the arts for public benefit throughout the world in any manner incidental, conducive to or compatible with the charitable objects of the Trustees of the British Museum. The Museum provides administrative support for BMT under terms governed by a commercial service level agreement;
- Grants of £1m (2015/16: £1m) under the Portable Antiquities Scheme. 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;
- Grants of £0.2m (2015/16: £0.1m) as part of research in the field of bioarchaeology.

6(b) Costs of the BM and the BMGC that cannot be directly attributed to one of the BM's objectives are allocated to activities on a basis consistent with the use of resources. Finance costs, including irrecoverable VAT, and governance costs are allocated using the proportion of direct expenditure spent on each of the objectives. Human resources and legal services costs are allocated based on staff numbers. Information Systems costs are allocated using staff numbers adjusted for non-computer based roles. Support costs related to grant-making activities are considered minimal and hence no support costs have been included in the grant figure. Depreciation and amortisation have been allocated according to the proportion of space occupied by each activity.

	Finance Information	Human	Legal Governance	2017
	Services	Resources	Services	Total
	£000s	£000s	£000s	£000s
Care, research and conservation	1,186	1,641	883	4,050
Public access and events	510	370	599	1,680
Charitable trading	129	144	77	415
Charitable activities	1,825	2,155	1,559	6,145
Raising donations and legacies	31	126	68	244
Other trading activities	95	305	164	655
	1,951	2,586	1,791	7,044

	Finance Information	Human	Legal Governance	2016
	Services	Resources	Services	Total
	£000s	£000s	£000s	£000s
Care, research and conservation	747	1,244	612	2,913
Public access and events	408	302	416	1,314
Charitable trading	92	132	65	344
Charitable activities	1,247	1,678	1,093	4,571
Raising donations and legacies	23	63	31	128
Other trading activities	101	256	126	563
	1,371	1,997	1,250	5,262

6(c) Governance costs	2017	2016
	£000s	£000s
Staff costs	129	123
British Museum auditors' remuneration	53	56
Subsidiary charities auditors' remuneration	52	54
Professional services	4	5
Internal audit costs	64	89
Cost of meetings	43	42
Reimbursement of trustee expenses	3	6
	348	375

6(d) Staff costs	2017	2016
	£000s	£000s
Wages and salaries	28,026	28,542
Social security costs	2,789	2,232
Pension costs (note 20)	5,363	5,405
Agency staff costs	3,319	3,362
Early retirement and redundancy costs	416	78
	39,913	39,619

In addition to the total above, £561k (2015/16: £259k) of staff costs has been capitalised.

There was no expenditure on consultancy during 2016/17 (2015/16: nil).

The number of employees whose full time equivalent emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows:

	2017	2016
£60,001 – £70,000	21	16
£70,001 – £80,000	5	6
£80,001 – £90,000	4	1
£90,001 – £100,000	–	1
£100,001 – £110,000	1	1
£110,001 – £120,000	1	1
£120,001 – £130,000	1	1
£130,001 – £140,000	1	1
£190,001 – £200,000	1	1

30 staff (2015/16: 23) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 5 staff (2015/16: 5) are members of a defined contributions scheme. Contributions of £493k (2015/16: £395k) were paid on behalf of the members of the defined benefit scheme and £38k (2015/16: £33k) on behalf of the members of the defined contributions scheme.

6(e) The average number of full time equivalent employees, analysed by function was:

2017	Agency and contract		Total
	Staff	staff	
Care, research and conservation	407	8	415
Public access and events	280	112	392
Charitable trading	75	14	89
Raising donations and legacies	21	2	23
Other trading activities	117	8	125
	<u>900</u>	<u>144</u>	<u>1,044</u>

2016	Agency and contract		Total
	Staff	staff	
Care, research and conservation	419	9	428
Public access and events	290	97	387
Charitable trading	75	15	90
Raising donations and legacies	22	2	24
Other trading activities	127	8	135
	<u>933</u>	<u>131</u>	<u>1,064</u>

The average head count during the year excluding agency and contract staff was 1,019 (2015/16: 1,064).

6(f) Reporting of Civil Service and other compensation schemes – exit packages

The number of exit packages agreed during the year are shown by cost band in the table below:

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages for 2016/17	Total number of exit packages for 2015/16
0 – 24,999	4	2	6	6
25,000 – 49,999	2	1	3	–
50,000 – 74,999	–	3	3	–
Total	<u>6</u>	<u>6</u>	<u>12</u>	<u>6</u>
Total cost (£000)	<u>142</u>	<u>230</u>	<u>372</u>	<u>78</u>

Where applicable, redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Where the BM has agreed early retirements under the Civil Service Compensation Scheme, the additional costs are met by the BM and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

6(g) Trustees:

None of the trustees have been paid any remuneration or received any other benefits during 2016/17 (2015/16: £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2016/17, travel and subsistence expenses of £43k (2015/16: £51k) were paid, including £3k (2015/16: £6k) reimbursed to 2 Trustees (2015/16: 4) and £40k (2015/16: £45k) paid directly to third parties.

6(h) Off-payroll engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012 and implemented on 23 August 2012, departments and their arm's length bodies must publish information on their highly paid and/or senior off-payroll engagements.

- a** For all off-payroll engagements as of 31 March 2017, for more than £220 per day and that last for longer than six months:

No. that have existed for less than one year at time of reporting	–
No. that have existed for between one and two years at time of reporting	–
No. that have existed for between two and three years at time of reporting	–
No. that have existed for between three and four years at time of reporting	–
	—
	–

Each year, the BM ensures that assurance regarding the income tax and NICS obligations of off-payroll appointees has been received for all those engaged with more than six months of elapsed service as at 23 August; the anniversary of the date of implementation of this government requirement.

- b** For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2016 and 31 March 2017, for more than £220 per day and that last for longer than six months:

No. of new engagements, or those reaching 6 months in duration, during the period	–
No. of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	–
No. for whom assurance has been requested	–
Of which:	
No. for whom assurance has been received	–
No. for whom assurance has not been received	–
No. that have been terminated as a result of assurance not being received	–

- c** For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2016 and 31 March 2017:

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	–
No. of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year	27

6(i) Losses

During the year, one item from the collection valued at £750,000 was declared lost under the Procedure for the Reporting of Unlocated and Lost Objects. It has been written-off in these accounts.

7. TANGIBLE ASSETS

7(a) Group tangible assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Cost							
At 1 April 2016	158,781	384,034	4,242	35,397	118,287	12,103	712,844
Additions during the year	–	728	10,892	111	3,347	522	15,600
Disposals during the year	–	–	(9)	–	–	(369)	(378)
Transfer from assets under construction	–	1,624	(2,163)	85	442	12	–
Transfer to investment properties	(8,418)	(1,381)	(5,372)	–	–	–	(15,171)
Impairment	–	(33)	–	–	(37)	–	(70)
Revaluation adjustment	1,181	(15,666)	–	–	(10,337)	–	(24,822)
At 31 March 2017	151,544	369,306	7,590	35,593	111,702	12,268	688,003
Accumulated depreciation							
At 1 April 2016	–	–	–	(18,908)	–	(8,531)	(27,439)
Disposals during the year	–	–	–	–	–	340	340
Provided during the year	–	(4,575)	–	(1,575)	(6,810)	(1,174)	(14,134)
Revaluation adjustment	–	4,575	–	–	6,810	–	11,385
At 31 March 2017	–	–	–	(20,483)	–	(9,365)	(29,848)
Net Book Value							
At 31 March 2017	151,544	369,306	7,590	15,110	111,702	2,903	658,155
At 31 March 2016	158,781	384,034	4,242	16,489	118,287	3,572	685,405

7(b) Museum tangible assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Cost							
At 1 April 2016	158,781	384,034	4,242	35,397	118,287	8,222	708,963
Additions during the year	–	728	10,892	111	3,347	347	15,425
Disposals during the year	–	–	(9)	–	–	(175)	(184)
Transfer from assets under construction	–	1,624	(2,163)	85	442	12	–
Transfer to intangible fixed assets	–	–	–	–	–	–	–
Transfer to investment properties	(8,418)	(1,381)	(5,372)	–	–	–	(15,171)
Impairment	–	(33)	–	–	(37)	–	(70)
Revaluation adjustment	1,181	(15,666)	–	–	(10,337)	–	(24,822)
At 31 March 2017	151,544	369,306	7,590	35,593	111,702	8,406	684,141
Accumulated depreciation							
At 1 April 2016	–	–	–	(18,908)	–	(5,489)	(24,397)
Disposals during the year	–	–	–	–	–	146	146
Provided during the year	–	(4,575)	–	(1,575)	(6,810)	(786)	(13,746)
Revaluation adjustment	–	4,575	–	–	6,810	–	11,385
At 31 March 2017	–	–	–	(20,483)	–	(6,129)	(26,612)
Net Book Value							
At 31 March 2017	151,544	369,306	7,590	15,110	111,702	2,277	657,529
At 31 March 2016	158,781	384,034	4,242	16,489	118,287	2,733	684,566

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

7(c) A full valuation of the BM's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2014. The valuations included the main BM site at Great Russell Street, its perimeter buildings, the WCEC building, and two properties used for storage at Orsman Road and Blythe House. The British Museum owns the freehold on all land and buildings apart from Blythe House.

An interim desktop valuation has been obtained to update the values of land, buildings and plant and machinery. The valuation used the depreciated replacement cost method which has led to a devaluation at year end rather than the revaluations seen in recent years.

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 BM's balance sheet. The value of Blythe House land and buildings is £2,204k (2015/16: £2,081k) and £3,708k (2015/16: £3,661k) respectively.

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

8. INTANGIBLE ASSETS

Group and Museum intangible assets

	Assets in the				Total £000s
	Software Licences £000s	Websites £000s	Developed Software £000s	Course of Construction £000s	
Cost					
At 1 April 2016	176	30	216	891	1,313
Additions during the year	5	–	106	950	1,061
At 31 March 2017	181	30	322	1,841	2,374
Accumulated amortisation					
At 1 April 2016	(63)	(6)	(104)	–	(173)
Provided during the year	(66)	(6)	(157)	–	(229)
At 31 March 2017	(129)	(12)	(261)	–	(402)
Net Book Value					
At 31 March 2017	52	18	61	1,841	1,972
At 31 March 2016	113	24	112	891	1,140

9. HERITAGE ASSETS – GROUP AND MUSEUM

9(a) Nature and scale of the collection

The British Museum is a universal museum holding an encyclopaedic collection of material from across the world and all periods of human culture and history. Although the collection is sometimes estimated to contain about eight million objects, the question of what constitutes a single object often does not have a definitive answer: for example, a pack of playing cards could be considered to be a single object or a collection of individual objects.

The BM records its collection on a database that includes a description of the objects and often image, age, location and other information. Currently, more than 4 million objects are available to review online at: http://www.britishmuseum.org/research/search_the_collection_database.aspx. The BM continues to enhance the database to expand the information recorded on each asset, add objects not yet included and improve the functionality of the database.

The collection is a truly global one, and its great strength is the way it records the interrelated histories of humanity as a whole. To that extent, any attempt to break the collection into categories is necessarily reductive. However, for illustrative purposes, the following table gives information about the collection by BM department:

Africa, Oceania & the Americas	This department holds a wide range of historical, archaeological, ethnographic and contemporary collections from the peoples of Africa, Australia and the Pacific, and the whole of the Americas. It also has important pictorial collections, including photographs, drawings and prints, relating to these regions.
Ancient Egypt & Sudan	The collection illustrates every aspect of the cultures of the Nile Valley, from the Neolithic period (about 10,000 BC) until the late nineteenth century AD. Highlights include the important collection of the Book of the Dead, papyri, coffins, mummies and monumental sculptures such as the colossus of Rameses II. The Rosetta Stone, inscribed with hieroglyphics, demotic and Greek, provided the key to decipher hieroglyphs.
Asia	The collection includes material from a vast geographical area embracing all of East Asia, South Asia, Southeast Asia, and parts of Central Asia and covers a broad chronological range from humanity's earliest artefacts to contemporary times. The collections encompass archaeological materials, artworks, and objects that reflect daily life and social structure and issues. Among the many special highlights of the collection are Chinese antiquities, ceramics, and graphic arts; Japanese antiquities, graphic arts, and modern crafts; Korean ceramics and lacquer; Indian paintings and sculpture, and Indonesian shadow puppets.
Coins & Medals	The collection includes coinage from its origins in the seventh century BC to the present day and related material such as coin weights, tokens and money boxes, the national collection of paper money ranging from one of the first Chinese banknotes to the euro, and a world-class collection of commemorative art medals from the Italian Renaissance to the present.
Greece & Rome	This is one of the most comprehensive collections of antiquities from the Classical world which range in date from the beginning of the Greek Bronze Age (about 3200 BC) to the reign of the Roman emperor Constantine in the fourth century AD. The Cycladic, Minoan and Mycenaean cultures are represented and the Greek collection includes important sculpture from the Parthenon in Athens as well as elements of two of the Seven Wonders of the Ancient World: the Mausoleum at Halikarnassos and the Temple of Artemis at Ephesos. The collection also includes ancient jewellery and bronzes, Greek vases and Roman glass and silver.
Middle East	The collection includes a wide range of archaeological material, ancient and contemporary art from Mesopotamia (Iraq), Iran, the Levant (Syria, Jordan, Lebanon, Palestine and Israel), Anatolia and Urartu (Turkey and Armenia), Arabia and the Gulf, Central Asia and the Caucasus. Highlights of the collection include the Assyrian reliefs, treasures from the cemetery of Ur, the Oxus Treasure, Phoenician ivories from Nimrud, the Cyrus Cylinder and the library of cuneiform tablets from Nineveh.
Britain, Europe & Prehistory	This department is responsible for collections that cover a vast expanse of time from human tools in Africa and Asia two million years ago to the art and archaeology of Europe from the earliest times to the present day including the history of Britain under the Roman occupation.
Prints & Drawings	This is the national collection of Western prints and drawings dating from the beginning of the fifteenth century to the present day. The collection covers the history of drawing and print making as fine arts with large holdings of the works of important artists such as Durer, Michelangelo, Rembrandt, Goya and Picasso, large documentary collections of historical, satirical and topographical prints and important collections of printed ephemera such as trade and visiting cards, fans and playing cards.

9(b) BM policies on acquisitions, preservation, management and disposal

Acquisition

The BM is committed to sustaining and improving its collection for the benefit of its audience now and in the future. Acquisitions are made in accordance with the policy which can be found on the BM's website at: http://www.britishmuseum.org/about_us/management/museum_governance.aspx

Preservation and Management

The BM has dedicated Collection Services, Conservation and Scientific Research teams.

Collection Services provides advice and expertise on storage of the collection, coordinating loans and collection documentation. The storage aspect of the department's work involves implementing a rolling programme of improvements to storage of the collection and ensuring compliance with BM storage guidelines.

Conservation and Scientific Research teams work alongside other departments in the BM to care for and preserve the collection. As stated in the BM Conservation Policy, where possible the collections are preserved by reducing or halting deterioration and damage rather than through treatment and repair. That is preventive conservation methods are applied in preference to interventive conservation treatments.

Preventative conservation methods used by the BM include providing guidelines for the appropriate environmental conditions in which to store, handle, display, study and transport the collection, reducing the risk of damage to the collection by implementing a comprehensive integrated pest management programme operating across the entire BM estate, and having systems in place to monitor and measure the state of the collections and the environments and spaces in which they are stored or displayed.

When interventive conservation treatment is required the BM ensures that these are conducted by qualified conservators (or trainees under supervision) in accordance with international best practice and ethical guidelines. All treatments carried out on the collections are documented fully and the resultant records are available for study. Treatment methods are safe, stable and use tested materials that, where possible, do not compromise future conservation treatment or scientific examination.

The new World Conservation and Exhibitions Centre opened in 2014 provided state of the art conservation and storage facilities.

The BM has a statutory obligation to make the collection available to members of the public. Members of the public can view objects online using the BM database or request to inspect objects in person. Paper and/or digital records ensure that BM objects can be located.

When complete, the database will contain a record of every object in the BM collection with associated conservation and scientific reports. The current database is the result of 30 years work but it is still in its early stages. The database of more than 4 million objects can be found on the BM website at:

http://www.britishmuseum.org/research/collection_online/search.aspx

Disposal

Objects vested in the Trustees as part of the collection of the BM cannot be disposed of by them except in circumstances allowed by the British Museum Act 1963. Therefore the Trustees' power to de-accession from the collection whether by sale, exchange, or gift (including response to any third party claim for restitution or repatriation) is limited and there is a strong legal presumption against this. The detail of the BM's policy on de-accession can be found on the BM's website at:

http://www.britishmuseum.org/about_us/management/museum_governance.aspx

9(c) Heritage assets capitalised

As detailed in the accounting policy, heritage assets acquired before 1 April 2001 are not included on the balance sheet because information on value is not readily available and cannot be obtained at a cost commensurate with the benefits to users of the financial statements. Acquisitions since 1 April 2001 have been capitalised and are held at historic cost for purchased assets and valuation at the time of acquisition for donated assets. The table shows the details of additions for the current and previous four years.

	2016/17 – £000s		
	Donated	Purchased	Total
Opening balance	50,349	30,224	80,573
Additions	7,492	1,734	9,226
Write-off*	(750)	–	(750)
Closing balance	<u>57,091</u>	<u>31,958</u>	<u>89,049</u>
	2015/16 – £000s		
	Donated	Purchased	Total
Opening balance	48,472	29,141	77,613
Additions	1,877	1,083	2,960
Closing balance	<u>50,349</u>	<u>30,224</u>	<u>80,573</u>
	2014/15 – £000s		
	Donated	Purchased	Total
Opening balance	45,443	26,104	71,547
Additions	3,029	3,037	6,066
Closing balance	<u>48,472</u>	<u>29,141</u>	<u>77,613</u>
	2013/14 – £000s		
	Donated	Purchased	Total
Opening balance	38,090	23,472	61,562
Additions	7,353	2,632	9,985
Closing balance	<u>45,443</u>	<u>26,104</u>	<u>71,547</u>
	2012/13 – £000s		
	Donated	Purchased	Total
Opening balance	31,147	22,378	53,525
Additions	6,943	1,094	8,037
Closing balance	<u>38,090</u>	<u>23,472</u>	<u>61,562</u>

* During the year, one item from the collection valued at £750,000 was declared lost under the Procedure for the Reporting of Unlocated and Lost Objects. It has been written-off in these accounts.

10. INVESTMENTS

10(a) Fixed asset investments – Group and Museum

Investments comprised the following:

	2017	*Restated
	£000s	2016
		£000s
Investment assets in the UK:		
Investment funds	27,810	22,134
Investment assets outside the UK:		
Investment funds	56,833	53,507
Unlisted equities	3,437	3,467
	88,080	79,108
Investments at 1 April	79,108	63,604
Additions	42,353	50,630
Disposals	(37,655)	(35,903)
Transfer to tangible fixed assets	–	(1,850)
Gain in value	4,274	2,627
Investments at 31 March	88,080	79,108

The investment funds for 2016 have been restated to reflect funds held outside the UK, previously classified as funds in the UK.

All investments are stated at fair value at 31 March 2017. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date. Valuations for investments where there is no active market have been estimated with reference to recent valuation reports.

The BM has entered into a long term commitment to invest a further \$0.7m (£0.6m) in unlisted equities outside the UK under subscription agreements with one investment manager.

Details of the BM's investment policy can be found in the investments and financial risks section in the Annual Report.

10(b) Investment properties – Group and Museum

	2017	2016
	£000s	£000s
Investments at 1 April	2,128	3,416
Additions	118	–
Transfer in from tangible fixed assets	15,171	–
Gain/(loss) in value	7,352	(1,288)
Investments at 31 March	24,769	2,128

The investment properties comprise buildings on the perimeter of the Bloomsbury site. During 2016/17 and 2015/16 the majority were subject to long leases on low or peppercorn rents. At the end of 2016/17, £15m was transferred from tangible fixed assets for properties reclassified as investment properties following refurbishment. No new leases for these properties were signed during the year.

The valuation of the investment properties at open market value as at 31 March 2017 was carried out by chartered surveyors Montagu Evans. The valuation is in accordance with the RICS Appraisal and Valuation Manual. The Museum is subject to historic restrictions and central government controls relating to the disposal of and retention of proceeds of investment properties.

10(c) Current asset investments

	Group 2017 Cost £000s	Group 2016 Cost £000s	Museum 2017 Cost £000s	Museum 2016 Cost £000s
Short term cash deposits	7,739	6,706	-	-

10(d) Cash at bank and in hand

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Balance with commercial banks and in hand	12,076	9,613	3,490	3,555

11. TRADING SUBSIDIARIES

11(a) The BM owns 100% of the issued share capital of BMCo. BMCo has capital consisting of 750,000 £1 shares all of which have been issued at par. BMCo owns the whole of the issued share capital of the British Museum Ventures Limited which consists of 1 million ordinary shares at £1 each.

The BM owns 100% of the issued share capital of the BMGC. The BMGC has an authorised share capital of 10 million ordinary shares at £1 each, 500,000 of which have been issued at par.

The British Museum Friends (BMF) is a registered charity and a company limited by guarantee. The Board of Trustees of the British Museum, as a body corporate, is the sole company law member of the BMF.

The figures for subsidiaries in this note are those included within the consolidated accounts. They differ from the individual subsidiary accounts as a result of a difference in interpretation between the auditors of the consolidated and the subsidiary accounts.

Following changes to the legal interpretation, payments made under Gift Aid from subsidiary companies to their parent charities are deemed to be distributions rather than donations. As a discretionary distribution, the Gift Aid payment is only to be recognised at the balance sheet date if there is a binding obligation in place.

At 31 March 2017, binding obligations, in the form of Deeds of Covenant, existed for BMGC to make a charitable donation to The Trustees of the British Museum and for BMV to make a charitable donation to BMCo of taxable profit limited to the value of its distributable reserves. During 2014/15 and 2015/16, although no Deed of Covenant was in place, the Directors of BMGC and BMV had expressed a clear intention to make Gift Aid payments in line with an established pattern of past practice, and had created a valid expectation that they would do so. In these consolidated accounts, therefore, no adjustment has been made to prior year accounts and the Gift Aid payments continue to be recognised in the year to which they relate.

11(b) Summary of results of consolidated entities

	BMF	BMCo	BMGC	BM Intercompany Transactions		Total
	2016/17 £000s	2016/17 £000s	2016/17 £000s	2016/17 £000s	2016/17 £000s	2016/17 £000s
Income and endowments from						
Grant-in-aid	–	–	–	53,569	–	53,569
Donations and legacies	220	–	–	35,535	(13,761)	21,994
Charitable activities	4,928	6,672	–	10,986	(1,924)	20,662
Other trading activities	–	8,977	12,656	–	(1,189)	20,444
Investments	7	35	46	973	–	1,061
	<u>5,155</u>	<u>15,684</u>	<u>12,702</u>	<u>101,063</u>	<u>(16,874)</u>	<u>117,730</u>
Expenditure on						
Raising donations and legacies	(21)	–	–	(1,401)	–	(1,422)
Other trading activities	–	(6,314)	(4,358)	–	14	(10,658)
Investment management costs	–	–	–	(9)	–	(9)
Charitable activities	(1,509)	(4,745)	–	(84,666)	3,204	(87,716)
Contribution/grants to the BM	(3,829)	(1,500)	(8,327)	–	13,656	–
	<u>(5,359)</u>	<u>(12,559)</u>	<u>(12,685)</u>	<u>(86,076)</u>	<u>16,874</u>	<u>(99,805)</u>
Net gains on investments	–	–	–	11,626	–	11,626
Net (expenditure)/income	<u>(204)</u>	<u>3,125</u>	<u>17</u>	<u>26,613</u>	<u>–</u>	<u>29,551</u>
Loss on revaluation of fixed assets	–	–	–	(13,437)	–	(13,437)
Actuarial losses on defined benefit scheme	–	(5,215)	–	–	–	(5,215)
Other gains	–	–	–	89	–	89
Net movement in funds	<u>(204)</u>	<u>(2,090)</u>	<u>17</u>	<u>13,265</u>	<u>–</u>	<u>10,988</u>

In the Consolidated Statement of Financial Activities, expenditure on other trading activities includes a corporation tax charge of £nil (2015/16: £12k) for BMGC. The profit for the year before taxation of BMGC is £17k (2015/16: £12k) and the profit after taxation is £17k (2015/16: £nil).

	BMF	BMCo	BMGC	BM Intercompany	Total
	2015/16	2015/16	2015/16	2015/16	2015/16
	£000s	£000s	£000s	£000s	£000s
Income and endowments from				BM Intercompany Transactions	
Grant-in-aid	–	–	–	41,768	–
Donations and legacies	189	–	–	42,982	(17,241)
Charitable activities	4,725	6,416	–	9,920	(1,835)
Other trading activities	–	8,445	16,325	–	(1,057)
Investments	8	52	45	577	–
	<u>4,922</u>	<u>14,913</u>	<u>16,370</u>	<u>95,247</u>	<u>(20,133)</u>
Expenditure on					
Raising donations and legacies	(17)	–	–	(1,233)	–
Other trading activities	–	(5,992)	(5,630)	(437)	–
Investment management costs	–	–	–	(25)	–
Charitable activities	(1,310)	(4,907)	–	(84,022)	2,958
Contribution/grants to the BM	(3,335)	(3,100)	(10,740)	–	17,175
	<u>(4,662)</u>	<u>(13,999)</u>	<u>(16,370)</u>	<u>(85,717)</u>	<u>20,133</u>
Net gains on investments	–	–	–	1,339	–
Net (expenditure)/income	<u>260</u>	<u>914</u>	<u>–</u>	<u>10,869</u>	<u>–</u>
Gains on revaluation of fixed assets	–	–	–	112,669	–
Actuarial losses on defined benefit scheme	–	(45)	–	–	–
Other gains	–	–	–	307	–
Net movement in funds	<u>260</u>	<u>869</u>	<u>–</u>	<u>123,845</u>	<u>–</u>

In the Consolidated Statement of Financial Activities, expenditure on other trading activities includes a corporation tax charge of £12k (2014/15: £10k) for BMGC. The profit for the year before taxation of BMGC is £12k (2014/15: £10k) and the profit after taxation is £nil (2014/15: £nil).

11(c) Balance sheet of consolidated entities

Net assets at 31 March 2017 comprise:

	BMF	BMCo	BMGC	BM	Intercompany	Total
	2017	2017	2017	2017	2017	2017
	£000s	£000s	£000s	£000s	£000s	£000s
Fixed assets	1	550	75	862,649	(1,250)	862,025
Current assets	2,302	18,382	10,803	36,639	(18,500)	49,626
Creditors due within one year	(553)	(1,741)	(10,164)	(55,022)	18,440	(49,040)
Creditors due after one year	(60)	(13,636)	(183)	(266)	60	(14,085)
Net assets	<u>1,690</u>	<u>3,555</u>	<u>531</u>	<u>844,000</u>	<u>(1,250)</u>	<u>848,526</u>

Net assets at 31 March 2016 comprise:

	BMF	BMCo	BMGC	BM	Intercompany	Total
	2016	2016	2016	2016	2016	2016
	£000s	£000s	£000s	£000s	£000s	£000s
Fixed assets	1	784	54	848,765	(1,250)	848,354
Current assets	2,509	14,633	23,251	39,861	(20,660)	59,594
Creditors due within one year	(551)	(1,296)	(22,557)	(56,377)	20,660	(60,121)
Creditors due after one year	(65)	(8,476)	(234)	(1,514)	–	(10,289)
Net assets	<u>1,894</u>	<u>5,645</u>	<u>514</u>	<u>830,735</u>	<u>(1,250)</u>	<u>837,538</u>

The current assets of BMCo include £2,152k (2015/16: £1,680k) of stock which comprises £30k (2015/16: £68k) of work in progress and £2,122k (2015/16: £1,612k) of finished goods and goods for resale.

12. DEBTORS

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Amounts falling due within one year:				
Trade debtors	3,188	16,188	803	1,024
Other debtors	1,655	1,982	365	504
Prepayments and accrued income	15,347	13,793	14,785	13,274
Taxation and social security	1,700	1,054	2,338	1,603
Amount due from subsidiaries	–	–	9,089	11,323
	21,890	33,017	27,380	27,728
	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Amounts falling due after more than one year:				
Accrued income	5,769	8,578	5,769	8,578
Total debtors	27,659	41,595	33,149	36,306

Accrued income falling due to the Group and the Museum after more than one year relates to income from grants and donations. This is recognised where a formal offer of funding has been communicated to the museum and terms and conditions have been met.

13. CREDITORS

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Amounts falling due within one year:				
Trade creditors	4,788	5,806	4,215	5,299
Other creditors	1,616	1,752	1,445	1,646
Taxation and social security	682	635	640	580
Early retirement	286	318	286	318
Other provisions falling due within one year	937	985	936	924
Accruals	15,316	16,747	14,747	16,302
Deferred income	25,415	33,878	24,037	22,554
Amount due to subsidiaries	–	–	8,716	8,754
	49,040	60,121	55,022	56,377
	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Amounts falling due after more than one year:				
Deferred income	449	1,806	266	1,507

The Group deferred income falling due after more than one year relates to sponsorship, loan fees and corporate partners, recognised over the term of the contracts, and life membership fees which are recognised over the expected length of the lifetime memberships. The Museum deferred income falling due after more than one year relates to sponsorship and loan fees, recognised over the term of the contract.

The movement on the deferred income account is as follows:

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Deferred income brought forward	35,684	35,512	24,061	24,389
Released in year	(11,789)	(12,142)	(601)	(1,572)
Deferred in year	1,969	12,314	843	1,244
Deferred income carried forward	25,864	35,684	24,303	24,061

14. PROVISION FOR LIABILITIES AND CHARGES – GROUP AND MUSEUM

Early retirement and voluntary redundancy commitments at 31 March 2017 are as follows:

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Early retirement provision brought forward	325	379	325	379
Provision made in year	-	4	-	4
Payments in year	(39)	(58)	(39)	(58)
	286	325	286	325
Less current portion – included in creditors amounts falling due within one year	(286)	(318)	(286)	(318)
	-	7	-	7

This provision is 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. At the end of last year £325k was expected to be payable in 2016/17, but only £39k was paid. £286k is expected to be payable in 2017/18 but there is some uncertainty about timing.

Other provisions for liabilities and charges at 31 March 2017 are as follows:

	Group 2017 £000s	Group 2016 £000s	Museum 2017 £000s	Museum 2016 £000s
Other provisions brought forward	985	1,035	924	974
Arising during the year	29	7	29	1
Utilised during the year	(75)	(14)	(14)	(9)
Reversed unused	(2)	(43)	(2)	(42)
Other provisions carried forward	937	985	937	924
Less current portion – included in creditors amounts falling due within one year	(937)	(985)	(937)	(924)
	-	-	-	-
Total provision for liabilities and charges falling due after more than one year:	-	7	-	7

Of the six provisions included here, four relate to legal claims and one relates to the potential return of funds to the Paul Hamlyn Foundation (note 16(a)).

15. FINANCIAL COMMITMENTS

At 31 March 2017 the British Museum had commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2017 £000s	2016 £000s	2017 £000s	2016 £000s
Leases which expire: within one year	104	104	93	93
in the second to fifth year	418	17	254	347
over five years	540	–	–	–
	1,062	121	347	440

16(a) STATEMENT OF FUNDS

SOFA Classification	At 1 April 2016 £000s	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2017 £000s
<i>Permanent endowment funds</i> PE	14,573	2,156	(3)	2,143	4,296	(459)	18,410
<i>Expendable endowment funds</i> EE	4,809	260	(234)	690	716	986	6,511
<i>Restricted funds</i>							
Collection acquisitions CA	80,573	7,492	–	–	7,492	984	89,049
Collection purchase fund RC	2,160	1,399	(65)	56	1,390	(1,408)	2,142
Fixed asset revaluation RC	484,097	–	–	(13,437)	(13,437)	(15,171)	455,489
Fixed assets RC	201,609	–	(14,083)	–	(14,083)	16,486	204,012
Estates proceeds RC	3,922	99	(1)	564	662	–	4,584
Construction projects fund RC	6,489	19,059	(686)	224	18,597	(16,192)	8,894
Restricted income trust funds RR	1,594	8	(181)	101	(72)	279	1,801
Restricted income funds RR	19,167	7,342	(6,432)	279	1,189	(1,263)	19,093
British Museum Friends RR	–	129	–	–	129	(129)	–
	799,611	35,528	(21,448)	(12,213)	1,867	(16,414)	785,064
<i>Unrestricted funds: BM</i>							
<i>Designated:</i>							
WCEC UC	–	–	(449)	–	(449)	449	–
Designated trust funds UR	452	–	(28)	4	(24)	–	428
	452	–	(477)	4	(473)	449	428
<i>General:</i>							
Investment properties UC	2,128	–	–	7,353	7,353	15,288	24,769
Unrestricted trust funds UR	8,396	82	–	67	149	–	8,545
General funds UR	766	47,899	(62,368)	234	(14,235)	13,742	273
	11,290	47,981	(62,368)	7,654	(6,733)	29,030	33,587
<i>Unrestricted funds: subsidiaries</i>							
BMCo UR	4,111	15,286	(10,032)	(5,215)	39	(1,895)	2,255
BMCo fixed assets UC	784	–	–	–	–	(234)	550
BMF UR	1,893	4,991	(901)	–	4,090	(4,294)	1,689
BMF fixed assets UC	1	–	–	–	–	–	1
BMGC UR	(40)	11,528	(4,342)	–	7,186	(7,190)	(44)
BMGC fixed assets UC	54	–	–	–	–	21	75
	6,803	31,805	(15,275)	(5,215)	11,315	(13,592)	4,526
<i>Unrestricted funds: group</i>	18,545	79,786	(78,120)	2,443	4,109	15,887	38,541
Total funds	837,538	117,730	(99,805)	(6,937)	10,988	–	848,526

SOFA Classification	At 1 April 2015	Income	Expenditure	Net movement on investments and revaluation	Movement during year	Transfers between funds	At 31 March 2016
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
<i>Permanent endowment funds</i> PE	13,274	347	(7)	(208)	132	1,167	14,573
<i>Expendable endowment funds</i> EE	–	4,045	(95)	265	4,215	594	4,809
<i>Restricted funds</i>							
Collection acquisitions fund CA	77,613	1,877	–	–	1,877	1,083	80,573
Collection purchase fund RC	2,112	788	(55)	32	765	(717)	2,160
Fixed asset revaluation fund RC	369,578	–	–	112,669	112,669	1,850	484,097
Fixed asset fund RC	204,345	–	(12,434)	–	(12,434)	9,698	201,609
Estates proceeds RC	3,611	30	(2)	283	311	–	3,922
Construction projects fund RC	19	16,175	(716)	228	15,687	(9,217)	6,489
Restricted income trust funds RR	3,519	7	(85)	30	(48)	(1,877)	1,594
Restricted income funds RR	20,253	5,126	(6,048)	161	(761)	(325)	19,167
British Museum Company RR	–	36	(36)	–	–	–	–
British Museum Friends RR	–	135	–	–	135	(135)	–
	681,050	24,174	(19,376)	113,403	118,201	360	799,611
<i>Unrestricted funds: BM</i>							
<i>Designated:</i>							
WCEC UC	–	–	(993)	–	(993)	993	–
Designated trust funds UR	486	3	(36)	(1)	(34)	–	452
	486	3	(1,029)	(1)	(1,027)	993	452
<i>General:</i>							
Investment properties UC	3,416	–	–	562	562	(1,850)	2,128
Unrestricted trust funds UR	8,296	131	(5)	(26)	100	–	8,396
General funds UR	368	48,051	(63,869)	320	(15,498)	15,896	766
	12,080	48,182	(63,874)	856	(14,836)	14,046	11,290
<i>Unrestricted funds: subsidiaries</i>							
BMCo UR	2,950	14,472	(9,897)	(45)	4,530	(3,369)	4,111
BMCo fixed assets UC	1,076	–	–	–	–	(292)	784
BMF UR	1,633	4,743	(747)	–	3,996	(3,736)	1,893
BMF fixed assets UC	1	–	–	–	–	–	1
BMGC UR	(86)	15,353	(5,590)	–	9,763	(9,717)	(40)
BMGC fixed assets UC	100	–	–	–	–	(46)	54
	5,674	34,568	(16,234)	(45)	18,289	(17,160)	6,803
<i>Unrestricted funds: group</i>	18,240	82,753	(81,137)	810	2,426	(2,121)	18,545
Total funds	712,564	111,319	(100,615)	114,270	124,974	–	837,538

Each fund is categorised in the SOFA as a permanent endowment (PE), expendable endowment (EE), collection acquisition (CA), restricted revenue (RR), restricted capital (RC), unrestricted capital (UC) or unrestricted revenue fund (UR).

The BMCo reserve includes a liability on a defined benefit pension scheme of £13.6m (2015/16 £8.5m), see note 20 for further details.

	2017 £000s	2016 £000s
Investments (including investment properties) at fair value	112,849	81,236
Investments (including investment properties) at historic cost	88,112	75,213
Fair value reserve	24,737	6,023

Analysis of group net assets between funds

	Permanent Endowments £000s	Expendable Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	Total 2017 £000s	Total 2016 £000s
Fund balances at 31 March 2017 are represented by:						
Tangible fixed assets	–	–	657,529	626	658,155	685,405
Intangible fixed assets	–	–	1,972	–	1,972	1,140
Heritage assets	–	–	89,049	–	89,049	80,573
Fixed asset investments	17,752	6,462	27,675	36,191	88,080	79,108
Investment properties	–	–	–	24,769	24,769	2,128
Net current assets / (liabilities)	658	49	8,839	(8,960)	586	(527)
Early retirement and other provision	–	–	–	–	–	(7)
Creditors: amounts falling due after more than one year	–	–	–	(449)	(449)	(1,806)
Liability on defined benefit pension scheme	–	–	–	(13,636)	(13,636)	(8,476)
Total net assets	18,410	6,511	785,064	38,541	848,526	837,538

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 the 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 and medals
<i>Lukonin Memorial Lecture</i>	for 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 purposes
<i>Sackler Lecture in Egyptology</i>	for an annual lecture in Egyptology and associated costs
<i>Fuller</i>	for field work by the Department of Africa, Oceania & the Americas
<i>Birch</i>	for the salaries of three under-librarians
<i>The Archibald Bequest</i>	for the purchase of coins, medals, tokens or bank notes

Expendable endowment funds

Expendable endowment funds are donations that have been given to the BM to be held as capital, where the trustees have a discretionary power to use the funds as income for these purposes:

<i>Michael Bromberg Fellowship</i>	for the promotion of education by the study of prints and their history
<i>Monument Trust</i>	to support the Department of Prints and Drawings by endowing the Keeper's role and funding a series of curators and fellows
<i>Rootstein-Hopkins</i>	for the acquisition of the works of qualifying artists in the fields of drawing and printmaking

Robert Hatfield Ellsworth legacy for Asia Dept. for maintaining staff in the China division of the Department of Asia

Restricted funds

A significant proportion of these funds represents the capitalised value of fixed assets (both tangible and intangible), 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. The Paul Hamlyn reference library was closed in 2011 and the British Museum is in discussion with the Paul Hamlyn Foundation about the future of the library and the associated fund. In the meantime, a provision has been made in the accounts for the potential return of the funds to the Paul Hamlyn Foundation
<i>Sharp</i>	for the purchase of books concerned with ancient Greece or Rome
<i>Sir Joseph Hotung Charitable Settlement – Asia</i>	to support research by the Department of Asia
<i>Hamlyn Bequest</i>	in furtherance of the study of the natural sciences
<i>Oppenheimer</i>	for the Department of Prints & Drawings
<i>Lloyd Bequest</i>	to acquire cabinets or other suitable accommodation for 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 & the Americas
<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 & the 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.

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

<i>B.M. Publications Donations</i>	for BM publications. Based on historic spending patterns, the donations will be spent in the next ten to fifteen years.
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Unrestricted general funds

Investment properties: this represents the value of investment properties.

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

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

16(b) Analysis of transfers between funds

	Restricted Capital Funds*	Unrestricted Capital Funds	Restricted Revenue Funds	Unrestricted Revenue Funds	Expendable Endowment Funds	Permanent Endowment Funds
	£000s	£000s	£000s	£000s	£000s	£000s
Collection purchases from revenue funds	314	–	(207)	(78)	(29)	–
Capital asset purchases	206	(206)	–	–	–	–
Fixed asset transfers	(15,957)	15,288	–	669	–	–
Endowment transfers	–	–	457	2	–	(459)
Subsidiary transfers	129	(213)	(129)	213	–	–
Designation of funds	–	655	–	(655)	–	–
Reclassification of funds	7	–	(1,234)	212	1,015	–
Transfers as shown on the statement of funds note (16a)	<u>(15,301)</u>	<u>15,524</u>	<u>(1,113)</u>	<u>363</u>	<u>986</u>	<u>(459)</u>

* Restricted capital funds include collection acquisition funds.

16(c) Total return approach to investments

	Trust for Investment	Unapplied Total Return	Total Permanent Endowments (Total Return)	Other Permanent Endowments	Total Permanent Endowments
	£000s	£000s	£000s	£000s	£000s
Closing balance at 31 March 2016	2,090	12,475	14,565	8	14,573
Transfers	–	–	–	(2)	(2)
Gift component of the permanent endowment	–	–	–	–	–
Unapplied total return	–	–	–	–	–
Total	<u>2,090</u>	<u>12,475</u>	<u>14,565</u>	<u>6</u>	<u>14,571</u>
Movements in the year					
Gift of endowment funds	1,790	–	1,790	–	1,790
Investment income	–	366	366	–	366
Investment management costs	–	(3)	(3)	–	(3)
Net gains on investments	–	2,139	2,139	1	2,140
Other gains / (losses)	–	3	3	–	3
Total	<u>1,790</u>	<u>2,505</u>	<u>4,295</u>	<u>1</u>	<u>4,296</u>
Unapplied total return allocated to income in the reporting period (transfers to restricted income)	–	(457)	(457)	–	(457)
Net movements in the year	<u>1,790</u>	<u>2,048</u>	<u>3,838</u>	<u>1</u>	<u>3,839</u>
Closing balance at 31 March 2017	<u>3,880</u>	<u>14,523</u>	<u>18,403</u>	<u>7</u>	<u>18,410</u>

Details of the power to adopt a total return approach to investment can be found in the Investments and Financial Risks section of the Annual Report.

17. CASH FLOW INFORMATION

Reconciliation of net income/(expenditure) to net cash flow from operating activities.

	2017	2016
	£000s	£000s
Net income for the year	29,551	12,043
Gain on investments	(11,626)	(1,339)
Actuarial loss on defined benefit scheme	(5,215)	(45)
Donated assets – collection items	(7,492)	(1,877)
Investment income	(767)	(682)
Depreciation	14,134	11,937
Amortisation	229	173
Impairment of fixed assets	70	–
Loss on disposal of fixed assets	38	792
Write off – collection items	750	–
(Increase)/decrease in stocks	(472)	353
Decrease in debtors	13,936	794
(Decrease)/increase in creditors	(12,438)	972
(Decrease) in provisions	(7)	(99)
Increase/(decrease) in pension fund liability	5,160	(18)
Net cash provided by operating activities	25,851	23,004

18. 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 transactions with the Department and with other entities for which the Department is the sponsor, for example; the British Library, the National Gallery, the Natural History Museum, the National Portrait Gallery, the Royal Armouries Museum, Sir John Soane's Museum, Tate Britain, the Victoria and Albert Museum, and the Wallace Collection.

The British Museum also entered into transactions with other related parties during the year as set out below:

Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2017	Expenditure for the year ended 31 March 2017	Debtor balance as at 31 March 2017	Creditor balance as at 31 March 2017
			£000s	£000s	£000s	£000s
The American Friends of the British Museum	A number of Trustees and BM staff members had roles with the AFBM.	Grants awarded during the year and administration costs associated with grant making	745	74	114	–
Pearson Plc	Elizabeth Corley is a non-executive director of Pearson Plc	Royalties, book purchases and training courses	65	122	–	2
DLA Piper LLP	Baroness Wheatcroft of Blackheath is an advisor to DLA Piper LLP	Legal services	–	1	–	–
Ernst & Young LLP	Sir Richard Lambert is an independent non-executive director of Ernst & Young	Corporate partnership and professional services	35	35	35	35
Slaughter & May	The Hon Nigel Boardman is a partner of Slaughter & May	Legal services in kind	5	5	–	–
The Metropolitan Museum of Art	Paul Ruddock is a trustee of the The Metropolitan Museum of Art	Loan fees, royalty income and trade sales	55	48	–	–
Greenhill & Co. International LLP	Lord Lupton is the Managing Director of Greenhill & Co.	Corporate partnership	35	–	–	–

Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2017	Expenditure for the year ended 31 March 2017	Debtor balance as at 31 March 2017	Creditor balance as at 31 March 2017
			£000s	£000s	£000s	£000s
BT Group Plc	Mr Gavin Patterson is Chief Executive of BT Group Plc	Corporate partnership and telephone costs	35	96	38	-
British Airways Plc	Mr Gavin Patterson is a non-executive director of British Airways Plc	Flight costs	-	16	-	-
J Paul Getty Museum	Paul Ruddock is a member of the President's International Council of The J. Paul Getty Trust	Research grants and trade sales	528	-	-	-
EDF Energy Plc	Sir Richard Lambert is Chair of the EDF Energy Stakeholder Panel	Electricity	-	1,686	-	128
London Review of Books	Professor Linda Colley is a board member of the London Review of Books	Advertisements	-	11	-	-
V&A Foundation	Paul Ruddock is a Trustee of V&A Foundation	Image rights	1	-	-	-
Peotona Group Holdings Ltd	Cheryl Carolus is a Director of Peotona Group Holdings Ltd	Reimbursement of travel expenses, disclosed within amount in note 6c	-	3	-	-
Sir Richard Lambert	Chair of the Board of Trustees	Diary Management Services	3	-	3	-
Royal Anthropological Institute	Professor Clive Gamble is a trustee of the Royal Anthropological Institute	Research grants	-	-	22	-
John Lewis Partnership	Keith Williams is Deputy Chairman and Non-Executive Director of John Lewis Partnership	Materials	-	4	-	-

A number of trustees and their family members are members of the British Museum Friends and patrons of the Museum.

Trustees, Directors and employees of the British Museum, the British Museum Company and British Museum Ventures Limited are entitled to discounts on purchases from the Museum's shops and cafés.

Members of the Art Fund are given discounted entry to the special exhibitions of the British Museum.

19. CAPITAL COMMITMENTS

At the balance sheet date the value of capital commitments was £4.1m (2015/16: £6.8m).

20. PENSIONS

British Museum

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for civil servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age (or 65 if higher). From that date all newly appointed civil servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: 3 providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on a whole career basis (nuvos) with a normal pension age of 65.

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, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between 10 years and

13 years and 5 months from their normal pension age on 1 April 2012 will switch into alpha sometime between 1 June 2015 and 1 February 2022. All members who switch to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes.) 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 salary-related and range between 3.9% and 8.05% of pensionable earnings for members of classic (and members of alpha who were members of classic immediately before joining alpha) and between 4.6% and 8.05% for members of premium, classic plus, nuvos and all other members of alpha. 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 uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32%. 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, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages.)

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

For 2016/17 employer's contributions of £5,178,917 (2015/16: £5,163,568) were paid to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £113,291 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 8% to 14.75%. Employers also match employee contributions up to 3% of pensionable earnings. In addition, employer contributions of £4,572, 0.5% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service or ill health retirement of these employees.

One individual retired early on ill-health grounds; the total additional accrued pension liability in the year amounted to £0.5k.

Contributions due to the partnership pension providers at the balance sheet date were £0. Contributions prepaid at that date were £0.

*British Museum Company Limited*Defined Contribution Scheme

BMCo 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 were £118k (2016: £109k).

Defined Benefit Scheme

BMCo 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 BM Co Pension Trustee Company Limited.

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.

Actuarial valuation

The pension scheme undertakes a full triennial actuarial valuation. This valuation establishes how much the scheme's assets are worth and how much the scheme needs in order to pay pensions as they fall due (the 'technical provisions'). Legislation states that pension trustees must be prudent when choosing the assumptions on which to base the valuation and sets a statutory funding objective that assets should be sufficient to cover a scheme's technical provisions, with a recovery plan drawn up to address any funding gap.

As at 31 March 2014, the date of the last completed full actuarial valuation, the scheme had 104 members, and the market value of the scheme was £10,784,000. The actuarial value of those assets was sufficient to cover 79% of the benefits that had accrued to members, after allowing for expected future increases in earnings on a statutory funding objective basis. Current and future contributions reflect the deficiency.

With effect from 1 April 2015, a schedule of contributions has been put in place to fund the scheme's defined benefits at the rate of 28.7% per annum of pensionable salary for scheme members together with a deficit reduction payment of £356k per annum from 1 April 2015 to 31 March 2021.

Employer's pension contributions to the scheme during the year totalled £384k (2016: £384k). The company expects to contribute approximately £384k to its defined benefit pension scheme in the year ending 31 March 2018.

Please note that the next triennial actuarial valuation is due as at 31 March 2017. A new schedule of contributions will be agreed as part of this process. Therefore, the actual contributions payable until 31 March 2021 could be different from that set out above.

FRS 102 valuation

There are different ways of valuing a pension scheme. The valuation included in these accounts is based on the results of the last completed triennial actuarial valuation of the scheme as at 31 March 2014, updated to 31 March 2017 by an independent qualified actuary and adjusted to take account of the requirements of FRS 102.

In contrast with the requirement under the statutory funding objective basis that assumptions must be prudent, FRS 102 stipulates that the assumptions should lead to the best estimate of the future cash flows that will arise under the scheme liabilities. It also specifies that the discount rate should be based on the current rate of return on high quality corporate bonds of equivalent currency and term to the scheme liabilities.

The amounts recognised in the balance sheet are as follows:

	2017	2016
	£000s	£000s
Fair value of scheme assets	12,142	11,765
Present value of scheme obligations	(25,778)	(20,241)
Defined benefit pension scheme liability	(13,636)	(8,476)

The amounts recognised in the SOFA are as follows:

	2017	2016
	£000s	£000s
Current service costs	38	38
Net interest costs	291	283
Total	329	321

Changes in the present value of the defined benefit obligation:

	2017	2016
	£000s	£000s
Opening value of defined benefit obligation	20,241	20,313
Current service cost	38	38
Interest cost	705	688
Actuarial loss / (gain) – effect of changes in assumptions	5,028	(590)
Benefits paid	(234)	(208)
Closing value of defined benefit obligation	25,778	20,241

Changes in the fair value of the scheme assets:

	2017	2016
	£000s	£000s
Opening value of scheme assets	11,765	11,819
Interest income	414	405
Actuarial loss – return on scheme assets excluding interest	(187)	(635)
Contributions by employer	384	384
Benefits paid	(234)	(208)
Closing value of scheme assets	12,142	11,765
Actual return on scheme assets	227	(230)

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

	2017	2016
Target Return Funds	76%	82%
Property	18%	17%
Cash	5%	0%
Insured Pensioner	1%	1%

Employer-related assets

The value of the scheme's assets does not include any financial instruments issued by, or any property occupied by, or any other asset used by, BMCo.

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

	2017	2016
Discount rate at 31 March	2.6%	3.5%
Future salary increases	3.3%	3.1%
Future pension increases		
Pre 1 May 1991	3.0%	3.0%
1 May 1991 to 31 December 2001	5.0%	5.0%
1 January 2002 to 31 December 2007	3.3%	3.1%
Post 31 December 2007	2.5%	2.5%
Commutation allowance	25.0%	25.0%
RPI inflation	3.3%	3.1%
CPI inflation	2.3%	2.1%
Mortality – base table	S2PA	S2PA
Mortality – future improvements	CMI 2015	CMI 2015
	1.0%	1.0%
Life expectancy of male aged 60 now	86.6	86.6
Life expectancy of male aged 60 in 20 years	88.1	88.0
Life expectancy of female aged 60 now	88.8	88.7
Life expectancy of female aged 60 in 20 years	90.3	90.3

21. CONTINGENT LIABILITIES

The British Museum is currently contesting a case relating to the withdrawal of charitable relief against business rates on elements of the Bloomsbury site. The possible obligation is estimated at c. £1.6m. The hearing of the contested issues is expected within the 17/18 financial year. The same liability was reported as at 31 March 2016 with an estimated obligation of c. £1m.

22. FINANCIAL INSTRUMENTS

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 March 2017, together with net gains and losses for each classification.

Group	Measured at cost £000s	Measured at fair value £000s	Total £000s
Investments	–	88,080	88,080
Investment properties	–	24,769	24,769
Trade debtors	3,188	–	3,188
Current asset investments	7,739	–	7,739
Cash at bank and in hand	12,076	–	12,076
Trade creditors	4,788	–	4,788
	<u>27,791</u>	<u>112,849</u>	<u>140,640</u>

Financial risk management

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

Credit risk

The BM is not exposed to significant trading credit risks. Most major customers are familiar. Term deposits and cash holdings, other than cash held as part of the investment portfolio, are placed only with approved UK banks and are spread across several institutions where appropriate. The BM has not suffered any loss in relation to cash held by bankers.

Liquidity risk

Approximately 45% (2015/16: 38%) of the BM's income before transfers and revaluations is provided by grant-in-aid from the Department for Culture, Media and Sport. The BM's reserves policy is set out in the Annual Report. The Trustees believe that the level of liquid unrestricted reserves at year-end and careful planning based on expected funding levels allows the BM to be free from unacceptably high liquidity risks.

The BM monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The BM holds highly liquid assets amounting to £20 million as at 31 March 2017 (2015/16: £16 million), which are comprised of cash at bank and in hand and current asset investments. The level of highly liquid assets held is regularly reviewed by senior management. The BM also mitigates its exposure to liquidity risk through the investment of £85 million (2015/16: £76 million) in funds that are readily realisable.

Market risk: interest rate risk

The BM's financial assets, excluding short term debtors and creditors, are made up of investments and cash. Information about the BM's investments is disclosed in the "Investments and financial risks" section of the Annual Report and at note 10.

Cash at bank and in hand and current asset investments are held in a variety of bank accounts, split between non-interest bearing, fixed rate and floating rate accounts as follows:

Currency	Floating rate £000s	Fixed rate £000s	Non-interest bearing £000s	2017 Total £000s	2016 Total £000s
Sterling	18,922	609	179	19,710	16,215
US \$	–	–	92	92	85
Euro and other	–	–	13	13	19
	<u>18,922</u>	<u>609</u>	<u>284</u>	<u>19,815</u>	<u>16,319</u>

The weighted average interest rate on fixed rate financial assets is 0.73% (2015/16: 0.71%) and the weighted average period of deposit is 121 days (2015/16: 91 days). The interest receivable on the floating rate deposits is at a variable rate determined by the BM's bankers.

Interest income for the year was 0.1% (2015/16: 0.2%) of the BM's income before transfers and revaluations and the BM does not hold any loans, so exposure to interest rate risk is minimal.

Market risk: foreign currency risk

The BM has very limited foreign currency risk, with only approximately 3% (2015/16: 4%) of the BM's financial assets denominated in currencies other than pounds sterling, the base currency for the BM's operations.

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

Currency	Value 2017 £000s	Value 2016 £000s
US\$	3,595	3,638
Euro	3	12
Other	11	7
	<u>3,609</u>	<u>3,657</u>

Market risk: other price risk

The BM is exposed to risks associated with market fluctuations on its investments – details of the investment policy and risk management are disclosed in the "investment and financial risks" section of the Annual Report above. For non-investment transactions, exposure to wider market price risks is reduced by competitive tendering and securing two or three year fixed price contracts, where appropriate.

Concentration of exposure to other price risk

An analysis of the BM's investment portfolio is shown in note 10(a). Approximately a third is held within the UK, with the majority of the overseas funds held in sterling.

23. POST BALANCE SHEET EVENTS

There were no reportable events between 31 March 2017 and the date the accounts were authorised for issue.

The financial statements were authorised for issue by the Trustees and Accounting Officer on the date they were certified by the Comptroller and Auditor General.

ISBN 978-1-4741-4425-4



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