

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2011

The British Museum

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Contents

	Page
Trustees' and Accounting Officer's Annual Report	3
Chairman's Foreword	3
Structure, governance and management	4
Constitution and operating environment	4
Governance	4
Management	5
Friends' organisations	5
Strategic direction and performance against objectives	5
To manage and research the collection more effectively	6
The Collection	6
Conservation and Scientific Research	6
Fieldwork and research	7
To enhance access to the collection	8
Exhibitions	8
Debate, dialogue and learning	9
National exhibitions and programmes	10
Media and publications	10
International exhibitions and programmes	11
A History of the World in 100 Objects	12
To invest in our people	13
Employees	13
Diversity	14
Volunteers	14
To increase self-generated income	14
Plans for future periods	14
Fundraising and finance	15
World Conservation and Exhibitions Centre	15
Exhibitions	15
Acquisitions	15
Grant-in-Aid	16
Trading	16
Capital expenditure	16
Grants	16
Reserves	16
Reserves policy	16
Monitoring levels of reserves	17

Maintaining Reserves	17
Reviewing the reserves policy	17
Designations	17
Investments and financial risks	17
Public benefit, sustainability, social and community issues	18
Public benefit	18
Estates management and sustainability	18
Suppliers	19
Activity under immunity from seizure	19
Reference & administrative details	20
The Board of Trustees	20
Trustees' committees and membership	20
Trustee membership of related Councils and Boards	21
Official addresses as at 31 March 2011	21
DCMS' performance indicators	22
Basis of Preparation of Financial Statements and Accounting Policies and Practices	23
Remuneration Report	24
Statement of Trustees' and Accounting Officer's responsibilities	26
Statement on internal control	27
Scope of Responsibility	27
The Purpose of the System of Internal Control	27
Capacity to Handle Risk	27
The Risk and Control Framework	27
Review of Effectiveness	28
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	29
Respective responsibilities of the Board of Trustees, the Director and Auditor	29
Scope of the audit of the financial statements	29
Opinion on regularity	29
Opinion on financial statements	29
Opinion on other matters	29
Matters on which I report by exception	30
Report	30
Financial Statements for the year ended 31 March 2011	31

Trustees' and Accounting Officer's Annual Report

Chairman's Foreword

'The best radio programme I've ever heard,' wrote one admirer – and she'd been listening for 65 years. *A History of the World in 100 Objects* drew praise from across the globe. The innovative collaboration between the BM and BBC Radio 4 produced an immense popular response, not least in attracting visitors to the Museum itself to see the objects that had so enticed them on the radio.

In 2010, 5.9 million people visited the BM in London, making it for the fourth year running the UK's top visitor attraction. They could explore the afterlife with rare Egyptian papyri, visit a South Africa Landscape in the Forecourt, or enjoy Renaissance feasts or Nigerian films. Fascinating objects from Afghanistan were displayed in an exhibition that included ivories looted from the National Museum of Afghanistan between 1992 and 1994, dramatically found and generously purchased by a donor for return to Kabul.

The World Conservation and Exhibitions Centre has received outstandingly generous support. The major building project at the BM will improve facilities and extend the BM's national and international presence, increasing the number of loans the BM will be able to make and supporting joint projects in conservation, research and training. In September 2010, the Sainsbury family through the Linbury Trust, chaired by Lord Sainsbury of Preston Candover, and the Monument Trust, established by the late Simon Sainsbury and now chaired by Stewart Grimshaw, donated £25 million towards the £135 million project – one of the largest gifts to the arts in the United Kingdom in recent decades. Major support has also been given by the Wolfson Foundation, Garfield Weston Foundation, Clothworkers' Foundation, A.G. Leventis Foundation and the family of Constantine Leventis, as well as a continued pledge by the Government to provide significant financial support. In addition, we are delighted that the Heritage Lottery Fund have confirmed their initial support.

The Trustees are immeasurably grateful for the timely generosity of these donors, as well as of those who wish to remain anonymous. Fundraising continues, but the building's importance and success is in no doubt. It will raise BM conservation, scientific research, collection management and exhibitions to a new level of efficiency and excellence. The WCEC will be a fitting platform for the international scholarship and collaborations that BM staff have strived so hard to achieve, often in less than ideal working conditions.

The BM seeks to be a museum for the nation not by building outposts, but by collaborating with regional partners, expert as they already are in their own collections and audiences. Partnership galleries such as this year's new Roman gallery at the Yorkshire Museum have been a particular success. Such galleries draw on the BM collection to support and extend regional collections and produce a richer visitor experience than would otherwise have been possible for the public across Britain.

Times are difficult, and the BM remains thankful for the financial support of all its donors and supporters. Most recent among them has been Citi's generous sponsorship of the new presentation of the Money Gallery, which draws on the BM's rare collection of more than one million coins, from the 7th century BC to the present day. When funds are short, it is often difficult to make great acquisitions, so we should like particularly to thank the Friends of the British Museum, who gave £725,000 toward the purchase of the Nimrud ivories, possibly the most important addition to the Museum's collection in the year under review. The BM's increasing presence nationally and internationally has also drawn support from a wide range of individuals and bodies across the globe, and we are pleased to see those wider endeavours so honoured. This year we lost the remarkable contribution of three Trustees. Both Stephen Green and James Sassoon answered the greater challenge to serve in Government, and Lord Powell came to the end of his second term. My grateful thanks to both on behalf of the BM.

For their hard work and dedication, the Trustees would like to thank all BM staff and volunteers. Without them, the collection could not achieve its distinctive scholarship, care, public presence and affection in the hearts of visitors worldwide.

Niall FitzGerald KBE

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

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

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

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

Governance

The governing body of the Museum is the Board of Trustees whose members are appointed for fixed terms of service. They are non-executive and unpaid. The Board may consist of up to 25 members, of which 15 are appointed by the Prime Minister, one by the Sovereign, one each by the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society, and five by the Museum’s Trustees. The Chairman is appointed by the Board from its members. The names of Trustees serving during the year are listed on page 20.

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

The Board generally meets at least four times a year to lead and control the Museum and is aided in this respect by three permanent committees – the Standing Committee, the Audit Committee, and the Nominations and Governance Committee – and three sub-committees – the Investment Sub-committee, the World Conservation and Exhibitions Centre Committee, and the International Strategy Committee. Matters for the Board’s decision and the respective responsibilities of the Board, Trustees’ Committees and Management are clearly defined in the Museum’s Governance Policies and Principles.

The Board appoints the Director, defines the strategic direction of the Museum, approves its execution in an annual plan drawn up in consultation with the Director, and monitors the achievement of the plan. The Standing Committee discharges the Board’s functions between quarterly Board meetings.

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

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

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

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

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

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

Management

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

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

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

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

and from the British Museum Company Limited.

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

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

Friends' organisations

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

Strategic direction and performance against objectives

The Operating Plan for 2010/11 set out the priorities for the Museum in pursuit of its strategic objectives to 2012. The Strategy to 2012 (published on the Museum's website) identifies four key objectives that the Museum will need to deliver to further develop its world-class status:

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

During 2010/11 the Museum made significant progress in working towards these objectives, although the uncertain economic and political climate prior to the Spending Review in October 2010, and reductions in grant-in-aid during the year followed by the announcement of further reductions in funding over the next four years, was a key challenge.

To manage and research the collection more effectively

The Collection

The BM collection is a vast public resource. It is subject to constant change and reinterpretation as we ask new questions of the past. The enormous success in 2010 of the BM/BBC Radio 4 series *A History of the World in 100 Objects*, which drew several million listeners across the UK and the globe each week, showed just how inspiring the collection and its stories could be. Acquisitions during the year included two significant collections: the Nimrud ivories and a set of mezzotints.

The Nimrud ivories date from the 9th to 7th century BC. A few were carved in the Assyrian capital of Nimrud, but most were produced in Phoenicia (modern Lebanon), Syria and perhaps Egypt. Excavated in Iraq between 1949 and 1963, they are one of the world's great sources of information about the ancient world. Significant funding from the British Museum Friends (raised in part by an appeal that saw over 1800 BM Members donate), along with contributions from The Art Fund, National Heritage Memorial Fund and the Headley Trust, has enabled the BM to acquire over 6000 of these outstanding artefacts and fragments.

In 2010, the BM print collection gained its largest acquisition in the past 100 years. The major purchase of 7250 mezzotints – with support from the National Heritage Memorial Fund, BM Friends, The Art Fund and others – will shed invaluable light on British social history and fill significant gaps in the collection. Mezzotint, or 'la manière anglaise', was the medium that made English prints so widely celebrated on the Continent. The selection ranges widely – 17th-century 'drolls' or humorous scenes; an album of satires assembled by the Duchess of Northumberland in the 1770s; 19th-century prints based on fashionable paintings and people of the day.

For the nearly six million annual visitors to the BM, the way in which the permanent collection is presented is central to their experience. The latest scholarship is incorporated, as are new acquisitions. Such a heavily used public space requires constant care and refurbishment. 2010 was the tenth anniversary of the Korea Foundation Gallery, and a year of activities began with the repapering by BM conservators of the gallery's *sarangbang* or scholar's study. The Sainsbury Africa Gallery was modified to highlight objects relevant to the summer's *South Africa Landscape* in the BM Forecourt. A new display was designed for the marble frieze showing Centaurs and Lapiths from the Temple of Apollo at Bassae. Work undertaken in the Sudan, Egypt and Nubia gallery enabled the BM to install recent donations of rock art and rock gongs from the fourth cataract of the Nile, where BM staff have been engaged in a programme of rescue archaeology.

Conservation and Scientific Research

The BM is known across the world for its standards of conservation and scientific research. Exhibitions are opportunities to devote significant attention to different parts of the collection, offering new prospects for in-depth study. Conservation of over 160 Egyptian papyri, stone and wood coffins, black-varnished divine figures and scribes' implements for the exhibition *Journey through the Afterlife* was not just essential to permit the fragile items to go on display, but became a focus of popular interest, both in the exhibition itself, where conservation techniques were explained, and online, where a YouTube campaign showed videos of BM conservators treating the objects.

The three-year long exploration of 47 Italian Renaissance drawings in the exhibition *Fra Angelico to Leonardo*, with support from the Andrew W. Mellon Foundation, broke new ground in the close collaboration between scientists, conservators and the curator. Non-invasive analysis of the works uncovered new information about the papers and media the artists chose, hitherto unseen underdrawings by artists such as Mantegna and Leonardo, and fascinating evidence of the working methods of the Italian masters. The discoveries were presented in the exhibition, its accompanying publication, a conference and a special journal.

Conservation work can often involve tough decisions, and can often be about the relationship between materials. During the year, a 19th-century Sikh fortress turban posed a particular challenge. Iron-based black dye in the cotton has made the cloth disintegrate beyond repair and has placed the metal ornaments that decorate the turban at risk of corrosion. With the advice and help of the Sikh community, the BM was encouraged to conserve the metal ornaments separately and construct a new ceremonial turban on which to mount them (setting aside the original cloth in safe storage for future study). Conservators worked with Sikh contributors, using traditional techniques to tie 37 metres of cloth into a towering 71cm-high turban, with the results shown in an Asahi Shimbun Display in 2011.

In 2011, the BM showed 20 fragments of intricately carved ivory inlays to the public for the first time since war broke out in Afghanistan in 1979. They were stolen during the looting of the National Museum of Afghanistan between 1992 and 1994, but were later reacquired by a private individual on behalf of the National Museum.

With support from the Bank of America Merrill Lynch Art Conservation Programme, the BM conserved these outstanding 1st-century AD ivories from the ancient city at Begram, today better known for its airbase than its ivories. Featured in the exhibition *Afghanistan: Crossroads of the Ancient World*, they formed part of a larger discussion of projects to safeguard the country's cultural heritage, after which they return to the National Museum in Kabul.

Fieldwork and research

The BM continues to be active in fieldwork and research across the world. In 2010/11 BM archaeologists in northern Sudan, with the support of the Leverhulme Trust, continued to excavate houses at Amara West from the New Kingdom and its aftermath (1300–950 BC), to uncover evidence for changes in health and diet in ancient Nubia. Excavations at Dangeil with the Sudanese National Corporation for Antiquities and Museums discovered traces of wall paintings in an Amun temple (1st century AD). In Egypt, a team recorded and conserved pharaonic rock-tombs in Hagr Edfu, supported by the American Research Center in Egypt.

Relations between Egypt and Greece are the subject of work on Naukratis and Daphnae (Tell Deffeneh) in Egypt, supported by the Leverhulme Trust and the Leon Levy Foundation, while other fieldwork and research included excavations at Sidon, Lebanon; a geo-physical survey in the area of Hadrian's villa, in collaboration with the British School at Rome; studies of Minoan pottery in Crete; cataloguing Parthian coins with the National Museum of Iran; and excavations at Miletus and Domuztepe in Turkey.

Several of these projects were made possible through major funding from the Leverhulme Trust, as was the long-term programme *Money in Africa*. The work can entail running learning programmes alongside the excavations. For the Dangeil Training Initiative, staff offered training in excavation, conservation and site protection. The FitzGerald African Scholarship Fund also provided research placements at the BM and UK partner institutions for colleagues from Kenya and Ghana.

A joint project between the BM, National Museum of Australia and Australian National University received a major grant from the Australian Research Council for research and a later exhibition on indigenous communities and how their histories are represented in museum collections.

Academic collaborations with Japan include a three-year research programme on *shunga*, erotic Japanese art. This is a joint BM project with SOAS, the International Centre for Japanese Studies, Kyoto and Ritsumeikan University, Kyoto.

In the UK, three substantial site excavations at Happisburgh have proved to be of international importance. Evidence for the earliest human habitation in northern Europe, between 800,000 and a million years ago, was discovered and the findings published in *Nature* in July 2010. Meanwhile, the twelve Iron Age cauldrons discovered near Chiseldon, Wiltshire – the largest single group ever found in northern Europe – are being conserved and studied, with support from the Leverhulme Trust. Scientific analysis will show how they were used and the results are also being posted on a museum blog for the public to follow.

Scientific research is an essential element of the BM's scholarship. Studies in 2010/11 included analysis of the pitch and tars used on medieval ships, supported by the European Commission; a partnership with the Kerala Council for Historical Research to address maritime technology, pottery and personal adornment in Indian Ocean trade; and an examination of colorants and dyeing technologies in Andean textiles, supported by the Leverhulme Trust. Scientists from the BM and other museums and universities in the UK have set up *Heritage Smells*, an innovative study funded by the Arts and Humanities Research Council. Run from the University of Strathclyde, the project aims to develop new technology that will be non-invasive, non-contact, portable and simple to use, providing real-time data about decay and stability in heritage collections.

In 2010, BM staff published over 200 books and articles. They included studies of Iron Age mirrors, ancient Syrian writings, hollow-handled spade money in China and a biography of Eirik Bloodaxe, the last king of Northumbria. Talks given by BM curators ranged from a lecture in São Paulo on ushnus, apachetas, sayhuas and wankas in the Andean landscape, to an address on Yongle and Xuande ceramics in Beijing. Among academic events was a conference on the future of numismatics, held to mark the 150th anniversary of the BM's Department of Coins and Medals. Nearly 11,000 people visited the departmental study rooms and libraries to examine an estimated 163,000 artefacts. The BM supervised 26 doctoral candidates, in partnership with 16 universities across the country.

To enhance access to the collection

Exhibitions

2010/11 saw another successful exhibition programme at the BM.

'The first thing you'll notice,' wrote Richard Dorment in the *Telegraph* of the BP Special Exhibition *Fra Angelico to Leonardo: Italian Renaissance Drawings* 'is the intensity with which visitors are looking, engaging with their mind as well as with their eyes.' This major exhibition held in collaboration with the Uffizi Gallery in Florence drew 116,000 people to the Reading Room. The 100 drawings selected from the BM and the Uffizi featured masterpieces by some of the greatest artists of the Italian Renaissance, including Botticelli, Mantegna, Raphael, Michelangelo and Titian. These exquisite works were contextualised by the inclusion of related paintings, a classical sculpture and specially commissioned films showing relevant sites in Venice and Florence.

It was a 'magnificent exhibition' said the *Wall Street Journal*. Reviewers from *Time Out* to *The Times* gave the exhibition five stars. Rachel Campbell-Johnston called it 'the finest show of its kind', taking the absorbed visitor on a trip through time as if 'you are back in the workshop, looking over the shoulder of the master absorbed in his thoughts'.

The BM's annual collaboration with the Royal Botanic Gardens, Kew, to plant a world landscape in the BM Forecourt has proved an immense success. In 2010, the *South Africa Landscape*, supported by Barclays, brought into bloom African lilies, bright orange treasure flowers and shocking pink fig marigolds amid a range of flora from the Eastern and Western Capes. Related displays from continental Africa inside the BM included the continuing run of the major exhibition *Kingdom of Ife: Sculptures from West Africa*, supported by Santander with additional support provided by the A.G. Leventis Foundation, and *Impressions of Africa*, a display of money, medals and stamps from South Africa, Ghana, Nigeria, Zimbabwe and other African states. Both proved popular, with *Kingdom of Ife* garnering a string of superlative reviews. 'Nobody,' wrote Waldemar Januszczak in the *Sunday Times*, 'and I mean nobody – in Britain should miss it. Why? Because it changes our understanding of civilisation. Because it rewrites the story of art. Because it is a once-in-a-lifetime revolutionary event.'

That death could be the subject of so much vitality struck most reviewers of the BP Special Exhibition *Journey through the Afterlife: Ancient Egyptian Book of the Dead*. The ancient book is a varying compilation of spells to guide the dead safely through the afterlife, and exists in many forms. The drama of the deceased, the spells to ward off perils, the attendants and judges, were set out in hieroglyphics and drawings on fragile papyrus, sarcophagi, stone blocks and amulets.

192,000 visitors attended, including over 20,000 schoolchildren and their teachers. Many found the displays astounding, showing as they did the Ancient Egyptians' 'passion for the world', as the *Guardian* put it. The *Independent* encouraged its readers to hurry to Bloomsbury to revel in the 'sheer beauty' of the books. The exhibition climax was a great curving display of the 37-metre Greenfield Papyrus, the longest Book of the Dead in the world, never before shown in its entirety and specially conserved to permit this rare public outing.

Afghanistan: Crossroads of the Ancient World, supported by Bank of America Merrill Lynch, was 'a must-see exhibition', according to *Night Waves* (BBC Radio 3). The displays explored four millennia of culture at this crossroads along the Silk Road, for Afghanistan linked the great trading routes of ancient Iran, Central Asia, India, China and Europe. Its unique location left an extraordinary legacy.

The exhibition was opened by Hamid Karzai, President of the Islamic Republic of Afghanistan, in March 2011. The displays were a significant opportunity for the public to consider not just the politics of Afghanistan, but its culture, with over 200 loans from the National Museum in Kabul, all of which only survive as they were hidden during the turbulent decades of the late 20th century. Rarely seen exhibits ranged from gold treasure from 2000 BC, the earliest found in Afghanistan, to ivory carvings of women, exquisite inlaid gold jewellery, bronze statuettes, precious glass vessels and a sparkling gold crown of the 1st century AD that folded up for easy transport.

A range of smaller displays also achieved critical acclaim and high visitor numbers, including *The Printed Image in China from the 8th to the 21st Centuries*, *Picasso to Julie Mehretu: Modern Drawings from the British Museum Collection*; *Jewish Living and Giving*; *Treasures from Medieval York*; and *Images and Sacred Texts: Buddhism across Asia*.

The popular Asahi Shimbun Displays continued to explore a single object and in 2010, three of the objects chosen featured in the *A History of the World in 100 Objects* radio series: an Ice Age swimming reindeer, a Mayan relief of royal blood-letting and an Akan drum, brought to Virginia from West Africa around 1735.

Debate, dialogue and learning

Work at the BM is increasingly engaged with the public eye. The collection has become much more than what is on display in the galleries. From collaborative research to children's storytelling, the BM encourages visitors to approach the collection in a variety of ways.

Public programmes at the BM aim to stimulate and challenge the visitor. A series of sold-out debates linked to exhibitions took culture as a starting point to discuss politics, the environment and immortality. During the *Kingdom of Life* exhibition, a Guardian Public Forum at the BM asked whether Nigeria might be Africa's superpower. Chaired by Jon Snow, the debate brought together a theologian, a barrister, an academic and a novelist to create a rounded portrait of Nigeria today.

Andrew Marr chaired a debate held in conjunction with the Royal Botanic Gardens, Kew. *Conserving Biodiversity: Whose money, whose rules?* united plant conservationists with representatives of government and business to challenge received opinion about the tensions between environmentalism and economic development. A Spectator discussion was held in November in connection with *Journey through the Afterlife*. The Ancient Egyptians had clear protocols for life after death, but speakers asked how modern cultures have fared dealing with the question of our own mortality. Bonnie Greer chaired a debate with Henry Louis Gates Jr, Isaac Julien and others on 'the image of the Black' in western art.

In February 2011, the Sudanese-born author Jamal Mahjoub discussed with Egyptian novelist and political commentator Ahdaf Soueif how Ancient Egypt is represented in modern cultures. Soueif spoke of the Ancient Egyptian ideal of Maat (truth and justice) that features in the Book of the Dead and talked passionately about how the same concerns had inspired the recent revolution in Egypt. She noted how the protests had echoed Ancient Egyptian poems such as 'The Eloquent Peasant', reflecting the same values in the ancient and modern Egyptian character. As well as her first-hand accounts of Tahrir square, she and Mahjoub discussed the continuity of ancient culture and its importance for modern Egyptian identity.

Community events draw in those whom the BM might not normally reach, bringing groups into the Museum or working with them more flexibly off-site. *Our Hearts in the Balance* – a reference to the Ancient Egyptian belief that the deceased's heart would be weighed in the afterlife – was a community project connected to the exhibition *Journey through the Afterlife*.

The BM worked with three groups: Modernisation Initiative for End of Life Care, Rosetta Life and the National Theatre Studio. Using storytelling and music, the team worked with care home residents and their carers to develop a script addressing how we prepare for death and what we wish to leave behind. On 27 November 2010, alongside a community evening view of the exhibition – itself about death and the afterlife in Ancient Egypt – the group performed the work in the BM.

Programmes of learning, both formal and informal, make use of the BM as a vast resource for young people. In 2010/11, 221,000 schoolchildren booked visits at the BM, nearly half of those from overseas. The extensive programme of taught sessions included helping children to understand chronology and change in medieval Britain, and everyday life in ancient Greece. Students of art and design were encouraged to develop their own ideas in the galleries, drawing inspiration from some of the greatest works of antiquity.

Training teachers is essential in order to reach pupils beyond the BM's immediate access. In November, children's authors and literacy experts led gallery workshops for over 120 primary school teachers. The one-day course showed how to use the BM and its collection to develop children's writing. A partnership with the University of East London, supported by the Museums, Libraries and Archives Council (MLA), trained 240 student teachers in using storytelling techniques to bring museum objects to life for their pupils.

Keeping relevant is a question of listening to new audiences. BMuse, the BM's first youth panel, is a new direction not just for its 16–25-year-old participants, but for the BM itself. Working with the community partnerships team, panel members organised 'Old Objects, New Voices', an event showcasing 'Talking Objects' a BM programme supported by John Lyon's Charity in London and the Esmée Fairbairn Foundation that gets young people thinking and talking about objects differently.

People & Place (www.peopleandplace.org.uk) is a national programme managed by the BM to put young people at the heart of museum displays, resources, events and volunteering opportunities, including young people with learning difficulties and other groups who can suffer social marginalisation. Funded by the Department for Culture, Media and Sport and the Department for Education, the programme saw young people from Bristol to Wallsend form clubs, make films and even, for a lucky ten from Colchester, travel to China.

To mark the 67 years that Nelson Mandela has been involved with human rights work, the BM organised a day-long event as part of the South Africa Landscape programme, supported by Barclays. The programme was part of the international celebrations of Nelson Mandela Day. Over 22,000 people attended the free event in July 2010, 30% of them making their first visit to the BM. There was a video message from Nelson Mandela; storytelling for children and readings by author Gillian Slovo and others; documentary films about South Africa; gospel choirs and marimba bands; beat-boxers, Zulus and gumbboot dancers. The focal point was the BM's *South Africa Landscape*, where 22 voluntary organisations – from the Nelson Mandela Children's Fund to the African Foundation for Development – set up stalls to encourage people to volunteer just 67 minutes of their time.

National exhibitions and programmes

Touring exhibitions ranged from Ghanaian fabrics, to prints by Toulouse-Lautrec, to Iranian art – all included objects in the BM collection that might not otherwise be seen by the many visitors who viewed them outside the capital in 2010. The Lewis chessmen were among 2,891 BM objects loaned to 178 UK venues in 2010/11, an increase of 47% on the previous year. Other loans included sending the fragile Roman Vindolanda tablets, loaned for the first time, to Hexham; a Bronze Age gold piece to Penzance; and Ice Age sculpture to the Henry Moore Institute in Leeds.

The Yorkshire Museum and the BM have worked in partnership since the late 19th century. In 2010, the two institutions collaborated on the Yorkshire Museum's redevelopment. Celebrated medieval artefacts from York were put on show at the BM while the museum was closed, and the BM has loaned a number of artefacts for the new Roman York gallery. Sharing staff expertise was very much part of the exchange, and the two museums continue to collaborate on their numismatic collections. Future BM collaborations include partnership galleries in Carlisle and Norwich.

Last year's collaboration with the London Museums Hub, a consortium of four London museums funded by the Museums, Libraries and Archives Council, improved visitor activity at the Brent Museum, where the celebrated Gayer-Anderson Egyptian cat from the BM was displayed. Such transformative loans to smaller museums are a focus for attracting public attention and resources and have proved a successful model. In 2010/11, the BM made similar loans, providing staff support and expertise, to a number of UK museums including the Museum of Croydon; the Mill Green Museum in Hatfield; Ely Museum; and Dunwich Museum in Suffolk.

A Heritage Lottery Fund grant to the BM helped establish a new UK programme to train young curators. In collaboration with five regional museums, MLA and the Museums Association, the programme will provide work-based placements to train curators across the country in collections expertise and public engagement.

The Portable Antiquities Scheme (PAS) encourages the public to report all Treasure and other finds in England and Wales – from Bronze Age bracelets to Civil War silver – so that valuable knowledge of our past is not lost. In 2010, the Government announced that as of April 2011, the scheme is to be managed directly by the BM, ensuring an effective mechanism is in place for the next four years to deal with archaeological finds made by the public.

A new online database has made contributing to PAS much simpler. Finds recorded grew as a result, with 90,000 reported in 2010, an increase of 36% from 2009. There were 859 cases of Treasure in 2010, an increase of 10% from 2009. Among the year's fascinating finds was an 11th-century lead spindle-whorl found at Saltfleetby, Lincolnshire, with a runic inscription naming the Norse gods Odin and Heimdallr. The most astounding of the year's discoveries was made in April 2010 in a soggy ridge near Frome, Somerset, where a pot of 52,503 Roman coins was uncovered. It is the largest hoard of coins ever found in England.

Media and publications

Many television and radio programmes draw on the BM and its staff. Two episodes of Channel 4's *The Genius of British Art*, presented by David Starkey and Gus Casely-Hayford, were filmed at the BM and featured objects from the collection, as did *Seven Ages of Britain*. Presented by David Dimbleby, the series was shown on BBC1, with repeats on BBC2 and BBC4, and overall reached an estimated 8–10 million viewers. Other filming at the BM included *Ancient Worlds*, with historian Richard Miles (BBC2), and *Inside Incredible Athletes* about the British men and women preparing for the 2012 Paralympics (Channel 4), while BM fieldwork and research played a large part in the BBC2 television series *Digging for Britain*. An episode of the *Antiques Roadshow* was filmed in the BM Forecourt, to which members of the public brought their objects for evaluation by the show's experts. Shown on BBC1 in November 2010, the episode and its later repeats attracted on average 5.5 million viewers per broadcast.

Engaging with online social spaces takes the BM to people who might not otherwise hear of its activities. Launching its own YouTube channel in 2010, the BM screens short videos about exhibitions and museum events and shows viewers what goes on behind the scenes, from installing an Afghan princess's crown in an exhibition case to conserving papyri from Ancient Egypt.

The BM was the first institution globally to host a Wikipedian-in-residence. Articles such as Wikipedia's on the Rosetta Stone are viewed five times more often than the BM's own and the site is one of the largest sources of referrals to the BM website. The five-week residency was devoted to improving the quality and amount of information about BM objects. A two-day conference was also held to explore collaboration between Wikipedia and cultural organisations.

A BM blog launched in April 2010 shows the variety of the BM's work, with curators, conservators and others discussing excavations, exhibitions, conservation and international programmes. Digital access to BM information included its first-ever App, launched for iPhone users about the Ancient Egyptian Book of the Dead exhibition. A featured App on the iTunes store, it was downloaded by over 96,000 people by the time the exhibition closed.

The BM website continued to diversify with the launch in 2010 of a Chinese language version and a version in Arabic, both supported by the World Collections Programme; a DCMS funded programme to establish partnerships with institutions in Asia and Africa and increase their access to the UK collection and expertise. Online collection records grew to just under 2 million, approximately one third of those with images. Web-users had free access to an increasing number of online research publications, from the *BM Technical Research Bulletin* to scholarly studies of Roman Republican coins, and paper money in England and Wales. About 8.7 million people accessed the main BM website in 2010/11, with 21 million visits overall to all the BM websites.

The British Museum Press published 46 new books in 2010/11, including exhibition books and catalogues, children's books, a boxed set of *Objects in Focus* books on five iconic artefacts in the BM: the Gayer-Anderson cat, Hoa Hakananai'a, Rosetta stone, Lewis chessmen and Sutton Hoo helmet.

International exhibitions and programmes

In 2010/11 the BM loaned 1607 objects to 125 venues outside the United Kingdom, an increase of 39% on the previous year. They included sending Vorticists to Venice, ancient Greek vases to Malibu, Islamic art to Munich, Celtic swords to Saarbrücken, drawings by Degas to Toronto, medieval floor tiles to Los Angeles and a Maori neck ornament to Leiden.

Over one million people visited the National Museum of Iran – including Iranian schoolchildren, as the Tehran Times reported – to see the Cyrus Cylinder. The celebrated artefact made in Babylon in 539 BC was loaned to Tehran from September 2010 to April 2011. Excavated in Iraq in 1879, this declaration of human rights records in cuneiform script that when Cyrus captured Babylon (aided by the God Marduk), he restored shrines dedicated to different gods and allowed those forced to the ancient capital to return to their homelands. As author Karen Armstrong noted, 'at a time of political tension, it is essential to keep as many doors of communication open as possible ... This cultural exchange may make a small but timely contribution towards the creation of better relations between the West and Iran.' The display was opened by director Neil MacGregor and the President of the Islamic Republic of Iran, Mahmoud Ahmadinejad.

The BM also toured a number of exhibitions abroad, including *Gods, Heroes and Mortals: Art and Life in Ancient Greece* at the National Museum of Korea and the National Palace Museum in Taipei; and *Treasures of World Cultures* in Madrid. In Shanghai, 683,000 people visited *India: The Art of the Temple*. This joint exhibition by the BM and V&A displayed in China the visual culture of Buddhism, Hinduism and Jainism in India. The tour's 106 sculptures, paintings, bronzes and textiles spanning more than a millennium included a 2nd-century stone Buddha from Gandhara and a bronze of the Hindu god Shiva dancing in a ring of flames. The BM also loaned 20 objects from the collection to Shanghai for the World Expo Urban Footprint Pavilion, which was visited by 5.41 million people from May to October 2010.

Cultural ties with both India and China are central to the BM's work. As part of the UK government's World Collections Programme, the BM, British Library and V&A signed a Memorandum of Understanding with the Indian Ministry of Culture in June 2010 to promote future collaborations that include exhibitions, digitising collections and conservation. Director Neil MacGregor visited India in July 2010 as part of a UK delegation led by Prime Minister David Cameron, and joined a similar prime ministerial delegation to China in November. BM links with China are extensive and include an ongoing staff exchange between the BM and Shanghai Museum. Lectures in New Delhi, Kolkata and Mumbai by the director received significant press coverage in India, where he was praised for his 'innovative approach to global history'.

In December 2010, plans were unveiled for the new Basrah Museum. The BM is actively supporting the new museum, which is to be housed in the former Lakeside Palace in southern Iraq. Gallery development, retrieving and storing collections, staff training and research are among the programmes the BM is helping the museum to achieve in extremely challenging circumstances.

The BM works with partners across the Middle East on a variety of projects. BM exhibitions on Afghanistan and Oman drew public attention to those cultures, but also prompted collaborations with colleagues – from helping to identify stolen Afghan objects to building international ties through loan arrangements, having visiting curators work at the BM and shared research.

Sheikh Zayed bin Sultan Al Nahyan is considered the founding father of the United Arab Emirates. To tell his story and that of the UAE, from its prehistoric landscape to the present day, the Zayed National Museum is one of a group of museums being built on Saadiyat Island. Research, collections development, conservation, international loans, gallery design, learning and visitor programmes are some of the many areas in which BM experts are working with colleagues in Abu Dhabi.

In East Africa, the BM provides training and programmes to share expertise and develop the capacity of museums. With funding from the Getty Foundation, the BM has visited 40 institutions in East Africa to define areas of particular need – from collections management to visitor engagement – and find solutions that fit each location, whether in smaller centres or busier ones such as Dar es Salaam or Zanzibar.

Over the past three years, with support from the World Collections Programme, the BM has worked with the National Museums of Kenya (NMK) to find solutions to issues of humidity, dust, overcrowding and security in storing museum objects. In 2010 new storage spaces, a study room, office, workshop and wet room were completed and in December the Cultural Heritage store in Nairobi was officially opened. The new facilities have made the collections more accessible to students and researchers.

With support from the BM, NMK is arranging a touring exhibition on the popular East African printed cloth, the kanga. Lead staff were invited to the BM on work placements, and BM staff travelled to Nairobi to provide training sessions on textile mounting and other processes for NMK colleagues, as well as participants from regional museums in Mombasa, Kisumu and Kitale. The exhibition opened in Nairobi, before touring to Mombasa and western Kenya.

The BM's work in West Africa was highlighted by the success of the exhibition, *Kingdom of Ife*, in which 20 colleagues from museums across Nigeria played an essential role in researching, conserving and installing the African sculptures. Behind-the-scenes access to the BM has been a fruitful method of sharing ideas and providing training.

With support from the Ford Foundation, the BM delivered training programmes in museum storage, display, documentation and interpretation in Nigeria, Ghana and Sierra Leone. They included a 'Train the Trainer' project focusing on the care and display of textiles to ensure a legacy of specific skills within the region.

The BM's highly successful International Training Programme is an annual summer school for curators, archaeologists and other museum specialists. In 2010, the 22 participants came from China, Egypt, India, Iraq, Palestine, Sudan, Kenya, Nigeria, UAE and Turkey. Participants are introduced to various specialist areas at the BM, from conservation to learning programmes, as well as given time to take up their own research, profiting from access to both the BM collection and its experts. The work is complemented by visits to regional museums. In 2010 these included placements in Birmingham, Cardiff, Lincoln, Bristol, Manchester and Newcastle. Exposure to the variety of museum practices in the UK is among the programme's successes.

A History of the World in 100 Objects

The enormous success of the BM/BBC Radio 4 series *A History of the World in 100 Objects* catapulted the BM's activity to extraordinary new levels of popularity in 2010. The programmes reached an international audience through radio, television, print and online.

Over the year, BBC Radio 4 broadcast 100 15-minute episodes, each taking a single object in the BM collection to wander down the known and less well-known paths of world history. An omnibus edition was broadcast on the BBC World Service, and a 13-part children's television series, *Relic: Guardians of the Museum*, was broadcast on BBC1.

Director Neil MacGregor narrated the programmes, with a variety of BM experts and notable contributors. The episodes could be listened to again online or downloaded from a special *A History of the World* website. A CD of the entire series was produced for release in 2011. When the book was published by Allen Lane (Penguin)

in October 2010, it reached several best-seller charts. It will appear in Spanish, German, Chinese, Taiwanese and Korean, with further translations planned. Public participation was immense. A guide to finding the objects in the galleries was produced, talks and events were run, and 90% of visitors to the BM engaged in some form with the project. Across the UK, 550 museums raised the profile of their own objects of world history: putting them on display and on the web, and running events that attracted over 145,000 people. Online, over 4000 people uploaded an object of their choice and narrated their own world histories. An additional 50 hours of regional radio and television programming was tied in with the series, and *Relic* trails akin to those the BM produced drew children across the country to more than 170 museums, historic houses and cathedrals. An estimated 45,000 children have already taken part in this introduction to the nation's heritage, most of whom first encountered the series on television or online.

A History of the World in 100 Objects has changed public perception of the BM. Its audience has widened, with nearly two thirds of visitors in 2010 saying they were aware of the radio series before visiting. Many longstanding visitors noted that the project had introduced a new sense of the collection's world stories, widening their understanding of and interest in the BM. Evaluation showed that for many visitors, the project led to a deeper engagement with the collection. Scholarship within the BM has also changed, with a greater sense of the need to tell history across, rather than within, disciplines. The series won the 2010 Voice of the Listener and Viewer Award for Best New Radio Programme and the 2011 Art Fund Prize as a 'groundbreaking and enormously successful project exploring world history through the British Museum's unparalleled collection'.

To invest in our people

Employees

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

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

- the British Museum Consultative Committee meets quarterly to allow management and union representatives to discuss issues raised by staff; employees are encouraged to raise relevant matters with their representatives. The Director attends one meeting each year;
- information from the Museum Management Group is disseminated through departmental meetings and informal briefings. A quarterly Management Report is published on the intranet;
- a summary of the issues discussed by the Directorate Group is also published on the intranet;
- the Museum holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues;
- Office Notices are issued twice a week to advise staff of events, job opportunities, organisational changes, common procedures and where to find information;
- the Museum runs an Employee Opinion Survey on a biennial basis to encourage feedback on a range of areas.

During 2010/11 the Director held a number of open meetings to discuss the impact of the Spending Review with staff. A dedicated website captured over 700 suggestions covering potential efficiencies and opportunities for income generation.

The British Museum 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.

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

In 2010/11, the average number of days lost for sickness and absenteeism was 6.99 days per person, compared with 6.72 in 2009/10. The Museum's operating plan for 2011/12 includes the aim of enhancing the reporting system to support absence management.

The pay and grading system, based on job families and market rates, an appraisal process, and a forward programme of learning and development activities are fully deployed across the Museum. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 18 to the financial statements.

Diversity

Central to the Museum's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The British Museum is an equal opportunities employer. It recruits people based on merit and endeavours to recruit from the diverse communities in London and nationally. It has a published policy on the recruitment, employment and the development of staff regardless of their gender, ethnicity, sexual orientation, age or disability. The current ethnic profile of staff is: 80% white, 8% black, 4% Asian, 2% mixed, 1% Chinese, 4% other and 1% unstated. The gender profile is 50% female and 50% male.

The Museum continues to identify diversity as one of its core values. Resource has been allocated to a number of initiatives that develop the organisation's understanding of, and response to, its diverse audiences:

- The establishment of the museum's first youth panel, BeMuse, in particular has allowed a significant opportunity to consult teenagers from across London and involve them in aspects of the museum's public programme.
- Audiences have also been involved in display in the museum, with an impressive Sikh turban being shown in Room 3 with community support (and attracting a large community audience).
- Staff training on diversity continues to expand with the development of online resources as well as face-to-face training.
- The Museum was involved for the final year in hosting the Young Graduates for Museums and Galleries diversity programme to introduce sector careers to sixth formers as well as hosting an intern from the Arts Council Inspire scheme.
- The role of the Access Manager has broadened to reflect a new focus on equality under the Equality Act and the museum is now developing a single policy to reflect its approach to all aspects of diversity.

Volunteers

More than 500 volunteers freely contribute their time to support the Museum's activities. They contribute to almost every area of the BM, in the departments, where they provide valuable assistance with administration, library or scanning work, on projects where they help with collating and recording vital collection information; they deliver the free *Hands On* handling programme and the free eye-opener tours and they ensure that events, lectures and family activities run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

To increase self-generated income

The Museum continues to rely on the generosity of a large number of private donors, sponsors, trusts and foundations. Pledges totalling £10 million were received during the year, allowing investment to improve gallery space; essential work on the infrastructure to bring it up to international standards; additions to, conservation of and research into the collection; and a rich and varied public programme.

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

Plans for future periods

The Museum faces some major financial challenges over the next four years, the main ones being the completion of the World Conservation and Exhibitions Centre and the need to address a significant reduction in funding from government announced as part of the 2010 Spending Review. At the same time, the Museum will ensure that priority is given to the care of the collection, to delivering a lively public programme and continued

investment in its people. The activities set out in the Museum's Operating Plan for 2011/12 seek to achieve these aims and ensure that the Museum's unique standing as a museum of the world for the world is maintained.

Following a reduction of 3% in the government grant for 2010/11, resource grant-in-aid for the Museum will be cut by a further 15% in real terms over the next four years. Without action, the Museum faces a significant structural deficit by 2015. In order to ensure a balanced budget the Museum will prioritise income generation and efficiency savings. There will also need to be tight control of the operating cost base. The establishment of a Financial Sustainability Programme will ensure that these three activities are co-ordinated to deliver balanced budgets for the periods 2011/12 to 2014/15, and a sustainable operating model for the Museum in the longer term. Given the changes in activity this will require across the Museum, the Strategy to 2012/13 will be revised during 2011/12.

The key priorities for the Museum in 2011/12 will be:

- World Conservation and Exhibitions Centre.
- Financial Sustainability Programme.
- Research Programme.
- Membership.
- Zayed National Museum.

Fundraising and finance

The Trustees would like to express their thanks to all those who so generously supported the BM in 2010/11. Private philanthropy and corporate sponsorship remain of prime importance to the BM's achievements. The BM continues to rely on the extraordinary generosity of a large number of individuals, international companies, trusts and foundations.

World Conservation and Exhibitions Centre

The World Conservation and Exhibitions Centre (WCEC) will ensure the Museum maintains its position as a leading institution for the study of human culture, in London, the United Kingdom and the World. Through an upgrade of key facilities, the development will address urgent needs in terms of the BM's infrastructure and will provide a new exhibition space, state-of-the-art conservation and science laboratories and studios, and world-class accommodation for the study collection, as well as facilities to support the BM's extensive UK and international loan programmes. It will allow the BM to enhance the exhibition experience, lend more artefacts and "most importantly" continue to preserve the collection for future generations.

The project is progressing well, and piling work commenced in March 2011. The Museum will remain open as usual throughout the building works. Completion is scheduled for late 2013. Measures are in place to control vibration and noise levels, and work has been done to ensure objects in the collection and people in the buildings next to the site are protected. Funding for the £135 million project is well underway, with £99 million already raised. The funds have come from a variety of sources, including the Department for Culture, Media and Sport. The Trustees are confident the BM can raise the remaining funding to complete the project.

Exhibitions

A wide range of sponsors, individuals, trusts and foundations was also vital in ensuring the delivery of a very strong exhibitions programme in 2010/11, including generous support from Barclays, Bank of America Merrill Lynch, Santander and BP.

Acquisitions

The BM continues to enrich its collection in many ways, spending around £3.6 million on acquisitions during the year, as well as receiving significant donated objects valued at £4 million in total. A relevant, dynamic and evolving collection is the lifeblood of any museum responsive to the ever-changing needs of society, taste and cultural perspectives. The Trustees are particularly grateful to the patrons and donors who generously supported this important area of BM activity. Inflationary pressure and reduced funding opportunities have threatened this essential activity in recent years, but there is a huge potential across the UK for individual philanthropy. Tax relief now covers lifetime gifts of cash, land, stocks and shares, but not of objects that would be valuable additions

to museums, galleries, libraries and archives. The BM would be keen to build on the success of schemes such as acceptance-in-lieu by extending tax relief to lifetime gifts of significant cultural objects in order to preserve them for public benefit, and welcomes the announcement in Budget 2011 that the government will consult on proposals to encourage donations of pre-eminent works of art or historical objects to the nation in return for a tax reduction.

Grant-in-Aid

The British Museum received £43.4 million revenue and £2.9 million capital grant-in-aid from the Department for Culture, Media and Sport in 2010/11 (£44.8 million and £3.5 million in 2009/10). The Department has confirmed the level of revenue funding it is making available for the four years of the current Spending Review period, ending 31 March 2015; see the section "Plans for future periods" above for further details.

Trading

Retail activity benefited from the flourishing onsite exhibitions programme and strong visitor numbers. Consultancy work and a run of successful international exhibitions continue to cement relationships with other museums across the world, as well as providing funding. Overall trading income at the end of the year was £11.2 million (2009/10: £5.4 million).

Capital expenditure

Capital expenditure, mainly on the World Conservation and Exhibition centre but also on plant and building fabric amounted to £12.6 million, compared with £8.8 million in 2009/10.

Grants

The British Museum made grants totalling £17.4 million during the financial year. This consists of grants to regional museums to support the work of find liaison officers working on the Portable Antiquities Scheme, the only proactive mechanism in England and Wales for recording archaeological finds made by the public; grants made to partner institutions for the final year of the World Collections Programme; grants to the British Museum Trust Limited, an independent registered charity (registered number 1140844); and grants to a range of other institutions

Reserves

At 31 March 2011 the Museum's reserves were as follows:	£m
Collection items acquired since 31 March 2001	49
Museum Land, buildings, plant and equipment	434
Permanent Endowment	11
Restricted funds	22
Designated funds	51
Investment estate	3
Unrestricted trust funds	8
Unrestricted funds	5
Total	583

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

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

The restricted funds represent disposal proceeds and donations over which there are specific conditions or legal restrictions relating to their application. Note 14 to the accounts summarises the value and purposes of the Museum's principal restricted funds.

Reserves policy

During the year, and with reference to guidance from the Charity Commission, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of between one and three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at March 2011 represents cover of just under two months.

Monitoring levels of reserves

The Standing Committee monitors the levels of reserves at the Museum on a quarterly basis as part of their review of the Management Accounts. During the year, the total level of reserves was increased by the upward revaluation of the Museum's tangible fixed assets (£0.7m) and gains on investments (£0.9m).

Maintaining Reserves

The operating plan ensures adequate levels of reserves are maintained.

Reviewing the reserves policy

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

Designations

Note 14 to the accounts sets out the Trustees' designation of funds, including the quantity, purpose and likely timing of expenditure from the funds.

Investments and financial risks

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

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

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

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

The financial risks relating to investments are managed by:

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

In 2010/11, the Museum made total net returns on its investments, including investment properties, of £2.8 million, of which £0.9 million represented net realised and unrealised gains (shown on the face of the SOFA) and £1.9 million net interest, dividends and investment management fees. During the year the ISC revisited asset allocations and made a number of adjustments in light of changes in the wider economic environment and the Museum's likely future cash flow requirements.

Towards the end of the year the Museum realised a substantial portion of its existing investments (in both general and restricted portfolios) in order to support the cash flows associated with the Museum's forthcoming activities and to give flexibility for the procurement of a longer term contract for the provision of investment advice.

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

Further information on the Museum's financial risk management, including quantitative disclosures, is included in note 20 to the accounts.

Public benefit, sustainability, social and community issues

Public benefit

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

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

The BM is one of the marvels of the Enlightenment. Access to the greatest achievements of humanity was made free to all, and what was once the preserve of privilege became the right of everyone. Annual visitors grew from 5,000 to 12,000 in the 18th century; there were nearly 300,000 a year by the mid-1830s; 5.9 million visited in 2010/11.

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, it is accessed online by millions of visitors annually. Their presence increasingly redefines the BM today as an international online space where records of around 2 million objects can be freely seen and downloaded by anyone at any time. The collection is also taken across the UK and the globe by means of the BM's Partnership UK programme; its Africa, Asia and Middle East programmes; and the World Collections programme, which seeks to deepen links between the great collections of the UK and partner institutions around the world.

The Trustees have complied with the duty in section 4 of the Charities Act 2006 to have due regard to public benefit guidance published by the Charities Commission in defining the strategic direction of the Museum.

Estates management and sustainability

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

The Museum is committed to sustainable development throughout all aspects of its operations. A sustainable development strategy complements the policy which was approved by the Trustees in 2007. The Sustainable Development in Government framework is currently under review but the Museum will strive to meet or exceed the published targets when defined, and meanwhile will continue to work to the former SOGE (Sustainable Operations for the Government Estate) targets. These include measures to reduce waste sent to landfill and to increase energy efficiency.

The Museum has achieved its commitment to improve its Display Energy Certificate (DEC) rating in 2010 from F to E, through the continued implementation of energy saving initiatives. These have included the installation of time clocks on certain plant, and of motion sensors on basement lighting to ensure it comes on as required for safety.

The Coalition Government is also revising the Carbon Reduction Commitment legislation and programme. The Museum has registered as required, and is keeping abreast of proposed and actual legislative issues.

The Museum sector as a whole has focussed much attention on the sustainability agenda during the past 12 months. Museum Facilities staff have participated actively in the IAMFA (International Association of Museum Facility Administrators) annual conference and UK Chapter meetings to share knowledge about such topics as LED lighting and the relaxation of stringent environmental controls for display of artefacts, a topic under discussion by the Bizot Group (which comprises directors of the world's leading museums and galleries). The British Museum recently hosted a meeting of the Sustainable Exhibitions Group at which these topics were again aired.

A pilot scheme is currently underway to improve our recycling rate on site (already over 80%) by separating waste at source and ensuring less waste goes to landfill.

Suppliers

The Museum aims to settle bills within 30 days or by the due date. During the year the new accounts processing team has made progress in strengthening processes around invoice approval and payment. In 2010/11 it paid 67% of all invoices within the target (66% in 2009/10).

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.

Since 31 March 2010 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>Journey through the Afterlife: Ancient Egyptian Book of the Dead</i>	4/11/10 – 6/3/11	3
<i>Treasures of Heaven: Saints, Relics & Devotion in Medieval Europe</i>	23/6/11 – 9/10/11	46

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

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

In the case of unpublished objects, lending institutions and individuals were asked to provide information about the circumstances in which objects were acquired or excavated, and where appropriate, copies of export licences were requested. Searches were made on the Art Loss Register where provenance history appeared incomplete (particularly during the period 1933-45 or where objects were excavated after 1970).

During the period from 1 April 2010 to 31 March 2011 the British Museum had received no requests for the provision of information from potential claimants pursuant to article 7 Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

Reference & administrative details

The Board of Trustees

Mr Niall FitzGerald KBE (Chair) (6)

Chief Emeka Anyaoku (1)
Ms Karen Armstrong
Professor Sir Christopher Bayly (3)
Lord Broers of Cambridge FREng, FRS (6)
Sir Ronald Cohen
Mr Francis Finlay
Dame Liz Forgan OBE
Professor Clive Gamble (4) (appointed 02/08/10)
Ms Val Gooding CBE (Deputy Chair)
Mr Antony Gormley OBE (2)
Mr Stephen Green (resigned 18/11/10)
Ms Bonnie Greer OBE (Deputy Chair)

Ms Penny Hughes
Mr George Iacobescu CBE
Dr Olga Kennard OBE (5)
Baroness Kennedy of the Shaws, QC, FRSA
Sir Richard Lambert (Deputy Chair)
Mrs Edmée P. Leventis
Mr David Norgrove
Lord Powell of Bayswater KCMG (6) (retired 31/12/10)
Lord James Sassoon (resigned 19/5/10)
Professor Amartya Sen (6) (appointed 19/07/10)
Sir Martin Sorrell (6) (appointed 01/04/11)
Lord Stern of Brentford, Kt, FBA
Baroness Wheatcroft of Blackheath (appointed 02/08/10)

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

- ⁽¹⁾ the Sovereign
- ⁽²⁾ the Royal Academy
- ⁽³⁾ the British Academy
- ⁽⁴⁾ the Society of Antiquaries of London
- ⁽⁵⁾ the Royal Society
- ⁽⁶⁾ the Trustees

A register of Trustees' interests is maintained by the Governance Manager and is open to inspection at the Museum on application to him. Details of related party transactions are disclosed at note 16 to the accounts.

Trustees' committees and membership

Standing Committee

Mr Niall FitzGerald KBE (*Chair*)
Mr Francis Finlay (appointed 21/01/11)
Dame Liz Forgan
Ms Val Gooding
Ms Bonnie Greer
Sir Richard Lambert
Mr David Norgrove
Lord Powell (retired 31/12/10)
Lord Stern

Audit Committee

Mr David Norgrove (*Chair*)
Lord Broers
Professor Sir Barry Cunliffe
(co-opted 1/07/10; retired 18/1/11)
Professor Clive Gamble (appointed 7/4/11)
Mr Stephen Green (resigned 18/11/10)
Sir Ian Johnston (co-opted 26/10/10)
Sir Richard Lambert
Mr David Lindsell (co-opted)
Mr Francis Plowden (co-opted)
Baroness Wheatcroft (appointed 02/08/10)

Nominations and Governance Committee

Ms Val Gooding (*Chair*)
Mr Niall FitzGerald
Chief Emeka Anyaoku
Baroness Kennedy
Dr Olga Kennard

World Conservation & Exhibitions Centre Committee

Dame Liz Forgan (*Chair*)
Mr George Iacobescu
Dr Olga Kennard
Mr David Lindsell (co-opted)
Mr David Norgrove (re-appointed 10/12/10)

Investment Sub-committee

Mr Francis Finlay (*Chair*)
Baroness Wheatcroft (appointed 02/08/10)
Sir Richard Lambert (appointed 21/4/10)

International Strategy Committee

Mr Niall FitzGerald KBE (*Chair*)
 Chief Emeka Anyaoku
 Ms Karen Armstrong
 Professor Sir Christopher Bayly
 Mr Antony Gormley
 Mr Stephen Green (resigned 18/11/10)
 Lord Powell (co-opted 01/01/11)
 Lord Stern

Trustee membership of related Councils and Boards**British Museum Company Limited: Board of Directors**

Ms Penny Hughes (*Chair*)
 Ms Bonnie Greer

British Museum Company Limited: Audit Committee

Ms Penny Hughes

British Museum Friends: Council

Mr David Norgrove (*Chair*)
 Ms Penny Hughes

The American Friends of the British Museum

Mr Francis Finlay (*Chair*)
 Mr Niall FitzGerald KBE (*ex officio*)

Official addresses as at 31 March 2011

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Company Limited:	38 Russell Square, London WC1B 3QQ
Auditors:	
The Museum, Trust Funds and the group	The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP
British Museum Company Limited	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
British Museum Great Court Limited	
Bankers:	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX
	Government Banking Service, Southern House (7th Floor), Wellesley Grove, Croydon, CR9 1WW
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum
Investment advisers:	Partners Capital LLP, 5 Young Street, London W8 5EH.

DCMS' performance indicators

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

	2010/11	2009/10	2008/09
Number of visits to the Museum (excluding virtual visits)	5.9m	5.7m	5.5m
Number of unique website visits	21.5m	15.0m	10.7m
Number of visits by children under 16	851k	831k	724k
Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8	142k	102k	159k
Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	289k	208k	242k
Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity	71k	52k	73k
Number of overseas visits	3.6m	3.5m	3.2m
Number of facilitated and self-directed visits to the Museum by children under 16 in formal education	231k	221k	219k
Number of instances of children under 16 participating in on-site organised activities	127k	128k	82k
Number of instances of children under 16 participating in outreach activities outside the Museum	3.4k	3.7k	1.4k
Number of instances of adults aged 16 and over participating in organised activities at the Museum	270k	258k	232k
Number of instances of adults aged 16 and over participating in outreach activities outside the Museum	4.5k	1.9k	1.8k
% of visitors who would recommend a visit	96%	97% ²	85%
Admissions income	£2.4m	£2.2m	£3.4m
Trading income ³	£11.2m	£5.4m	£4.2m
Fundraising ⁴	£16.6m	£15.2m	£8m
Number of UK loan venues	178	151	152
Number of object records and images available online	2.7m	2.5m	1.7m
Fundraising for research programmes	£1.02m	£1.83m	£505k
% of collection storage space type A, B and C	75%	68%	76%
Staff diversity (black and minority ethnic groups)	18.72%	19.50%	19.66%

² This has been revised from the provisional figure of 99.6% included in 2009/10.

³ Net profit from activities which involve selling a product or service to a customer, including international touring exhibitions, consultancy and retail.

⁴ Defined as activities which involve seeking financial support, e.g. from sponsors, private benefactors, charitable trusts.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

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

So far as the Accounting Officer and Board are aware, the Museum has disclosed all relevant information to its auditors. The Accounting Officer believes he has taken all the steps that he ought to make himself aware of any information relevant to the audit and to establish that the auditors are aware of that information. The auditors of the British Museum Company Limited were paid a fee of £2,500 for non-audit work during 2010/11.

Remuneration Report

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

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

As additional disclosure, the details of the emoluments and pension of the Deputy Director and Director of Administration are also presented below.

The disclosures in this table are subject to audit.

	Salary ⁵	Real increase in pension and related lump sum at pension age	Accrued pension at age 65 as at 31/3/11 and related lump sum	CETV ⁶ at 31/3/11	CETV at 31/3/11 ⁷	Real increase in CETV ⁸
Neil MacGregor Director	£180-185k (2009/10: £175-£180k)	£2.5-5.0k plus £7.5- 10k lump sum	£95-100k plus £290- 295k lump sum	£2,128k	£2,011k	£69k
Andrew Burnett Deputy Director	£140-145k (2009/10: £135-140k)	£2.5-5.0k plus £7.5- 10k lump sum	£65-70k plus £205-210k lump sum	£1,544k	£1,379k	£58k
Christopher Yates Director of Administration	£100-105k (2009/10: £95-100k)	£0-£2.5k plus £2.5- 5.0k lump sum	£15-20k plus £50-55k lump sum	£192k	£161k	£15k

⁵ Salary includes gross salary payable during the year. None of these senior managers received bonuses, overtime, or allowances during the year.

⁶ A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

⁷ The actuarial factors used to calculate CETVs were changed in 2010/11. The CETVs at 31/03/10 and 31/03/11 have both been calculated using the new factors, for consistency. The CETV at 31/03/10 therefore differs from the corresponding figure in last year's report which was calculated using the previous factors.

⁸ This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

None of these senior managers received other cash or non-cash benefits of value, and no severance or compensation payments were made to senior managers during the year (2009/10: £Nil). All are members of the Principal Civil Service Pension Scheme and, as such, early termination of their contract would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. No amounts were payable to third parties for services of a senior manager.

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

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

The Museum has a job family pay structure. Members of staff are allocated to clusters within each job family according to their responsibilities and competencies.

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

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

Employee contributions are set at the rate of 1.5% of pensionable earnings for Classic and 3.5% for Premium, Classic Plus and Nuvos. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 worked out as in Premium. In Nuvos a member builds up a pension based on his 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. 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 Partnership Pension Account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

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

Further details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/my-civil-service/pensions/index.aspx>

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

30 June 2011

Statement of Trustees' and Accounting Officer's Responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Trustees of The British Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Olympics, Media and Sport with the consent of the Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Museum and of its net incoming resources, recognised gains and losses, and cash flows for the financial year.

In preparing the Museum'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 them 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 Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport designated Neil MacGregor as the Accounting Officer for the Museum.

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

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

30 June 2011

Statement on Internal Control

1. Scope of Responsibility

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

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

The Museum had a three-year Funding Agreement to 31 March 2011 with its sponsor department, the Department for Culture, Media and Sport (DCMS), under which it supplied DCMS with regular financial information and returns against agreed performance indicators demonstrating its contribution to the delivery of DCMS's departmental strategic objectives. This relationship has been extended on similar terms from April 2011 under an interim Funding Agreement.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the British Museum for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to Handle Risk

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

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

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

4. The Risk and Control Framework

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

The Audit Committee reviews the risk register and actions taken at each of its meetings. During the year the Committee approved a new format risk register. In addition to an agreed 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 Museum's officers for evidence of good management and routinely requires middle managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

The Trustees approved the Museum's Information Risk Policy in September 2009 and an information risk governance framework has been established. Budget holders have been designated information asset owners and their annual statements of assurance cover information risk management; a programme of training and awareness for key staff on information management issues is ongoing. An internal audit follow-up review of information risk confirmed that significant progress has been made in further strengthening risk management measures. The Museum has suffered no significant losses or thefts of personal or other protected data during 2010/11 and has made no report to the Information Commissioner's Office.

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

5. Review of Effectiveness

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

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

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

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

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

30 June 2011

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 2011 under the Museums and Galleries Act 1992. These comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Museum Balance Sheet, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

As explained more fully in the Statement of Trustees' and Accounting Officer's Responsibilities, the Trustees of the British Museum and Chief Executive as 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 and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Trustees' and Accounting Officer's Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions 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 British Museum's and the group's affairs as at 31 March 2011 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder with HM Treasury's consent.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Secretary of State directions issued with HM Treasury's consent under the Museums and Galleries Act 1992; and

- the information given in the Fundraising and finance; Public benefit, sustainability, social and community issues; and Reference and administrative details sections of the Trustees' and Accounting Officer's 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
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C. E. Morse
Comptroller and Auditor General

8 July 2011

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

The British Museum

Financial Statements for the year ended 31 March 2011

Consolidated Balance Sheet as at 31 March 2011

	Notes	2011 £000s	2010 £000s
Fixed asset			
Tangible assets	6(a)	436,261	432,866
Heritage assets	7	49,592	42,026
Investments	8(a)	93,523	81,807
		579,376	556,699
Current assets			
Stock-goods for resale	9(c)	1,582	2,265
Debtors	10	13,538	10,319
Short term investments	8(b)	6,875	7,005
Cash at bank and in hand	8(c)	27,716	22,332
Total current assets		49,711	41,921
Creditors: amounts falling due within one year	11	(42,135)	(17,656)
Net current assets		7,576	24,265
Total assets less current liabilities		586,952	580,964
Provision for liabilities and charges	12	(468)	(701)
Net assets excluding pension liability		586,484	580,263
Liability on defined benefit pension scheme	18	(3,390)	(3,220)
Net assets including pension liability		583,094	577,043
Represented by:			
Permanent endowments		11,207	10,871
Restricted funds		506,228	492,872
Unrestricted funds			
Designated funds		50,899	59,102
General funds		15,420	14,408
General funds held in subsidiaries		(660)	(210)
		65,659	73,300
Total funds	14(a)	583,094	577,043

The notes on pages 36 to 64 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

30 June 2011

Museum Balance Sheet as at 31 March 2011

	Notes	2011 £000s	2010 £000s
Fixed assets			
Tangible assets	6(b)	434,427	430,920
Heritage assets	7	49,592	42,026
Investments	8(a)	93,523	81,807
Investment in subsidiaries	9(a)	1,250	1,250
		578,792	556,003
Current assets			
Debtors	10	24,277	13,170
Short term investments	8(b)	6,870	7,000
Cash in bank and in hand	8(c)	23,550	19,909
		54,697	40,079
Creditors: amounts falling due within one year	11	(49,267)	(18,128)
Net current assets		5,430	21,951
Total assets less current liabilities		584,222	577,954
Provision for liabilities and charges			
	12	(468)	(701)
Net assets		583,754	577,253
Represented by:			
Permanent endowments		11,207	10,871
Restricted funds		506,228	492,872
Unrestricted funds			
Designated funds		50,899	59,102
General funds		15,420	14,408
		66,319	73,510
Total funds	14(a)	583,754	577,253

The notes on pages 36 to 64 form part of these accounts

Neil MacGregor
Accounting Officer

Niall FitzGerald KBE
Chairman

30 June 2011

Consolidated Cash Flow Statement for the year ended 31 March 2011

	Notes	2011 £000s	2010 £000s
Net cash inflow from operating activities	15(a)	30,157	14,860
Returns on investments and servicing of finance:			
Interest received		121	143
Dividends received		309	295
Rents receivable		246	17
Net cash inflow from returns on investments and servicing of finance	2	676	455
Investing activities:			
Capital expenditure and financial investments:			
Sale of fixed asset investments	8	25,581	61,071
Purchase of tangible fixed assets	6	(12,591)	(8,835)
Receipts from sale of tangible fixed assets		4	11
Purchase of heritage assets	7	(3,579)	(2,003)
Purchase of fixed asset investments	8	(35,007)	(67,418)
Net cash outflow from investing activities		(25,592)	(17,174)
Management of liquid resources			
Net sale of short term investments		130	2,000
Increase in cash	15(c)	5,371	141

The notes on pages 36 to 64 form part of these accounts

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting Conventions

- (a) The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Olympics, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Department for Culture, Media and Sport.
- (b) The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the treatment of investments which have been included at market value, and in accordance with the Statement of Recommended Practice (Revised 2005) *Accounting and Reporting by Charities* and the Financial Reporting Manual and generally accepted accounting practice so far as considered appropriate or as modified by Treasury guidance.

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

It is expected that the Museum will have a 15% grant-in-aid reduction over the next four years. In response to this, the Museum has put in place a Financial Sustainability Programme to coordinate income generation and efficiency savings. The accounts have therefore been prepared on a going concern basis.

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

- (i) This statement discloses the totality of the resources receivable by the Museum during the year and their disposition. The Museum provides enhanced disclosure in the Statement of Financial Activities beyond the requirements of the SORP in order to allow readers of the accounts to distinguish between the ongoing revenue income and costs of operating the Museum, and the impact of donations in support of capital expenditure and collection acquisitions. The value of such donations is often material, and can vary significantly from year to year. While donations and grants in support of capital expenditure and collections acquisitions are recognised in the SOFA on a receivable basis, the associated capital 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 to acquire an inalienable asset. Aggregation of capital and revenue funding therefore disguises the funding of running costs, limiting any assessment of future financial performance.
- (ii) In general, incoming resources are accounted for on a receivable basis. Grant-in-aid is taken to the SOFA in the year in which it is received. Grants for fixed assets are recognised in the SOFA when they are receivable. Donations are recognised as incoming resources when the conditions for their receipt have been met. Legacies are recognised as incoming resources when there is certainty that the conditions have been met and there is certainty as to the amount. Income from endowment funds is restricted.

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

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

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

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

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

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

(d) *Gifts in Kind*

Heritage Assets

The Museum accounts for the objects in its collection as heritage assets, in accordance with FRS 30. A heritage asset is defined under FRS 30 as “a tangible asset with historical, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.” The Museum’s archives, digital records and libraries are not treated as heritage assets.

Heritage assets acquired since 1 April 2001

The Museum 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 the cost of revaluation is not considered to be commensurate with the benefits 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 Museum 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 Museum. The service is valued at the cost the Museum would have incurred if the services had not been donated.

(e) *Tangible Fixed Assets*

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All the Museum’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 15 - Tangible Fixed Assets every five years. A full valuation of

the Museum's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009. The valuation included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House. The Museum is valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties are valued on an existing use basis. Between the quinquennial valuations, Gerald Eve undertakes a desktop valuation to update the values of land, buildings and plant and machinery,

Exhibitions and galleries are revalued annually using relevant indices provided by the Office of National Statistics.

Furniture, fit out and equipment are carried at 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
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	10 to 25 years
Plant and machinery	10 to 28 years
Furniture, fit out and equipment	1 to 15 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 in accordance with FRS11 to ensure that the carrying values of the assets do not exceed their recoverable amounts.

(f) *Financial instruments*

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

The Museum classifies its financial instruments in the following categories: at fair value through profit or loss, loans and receivables, and available-for-sale. None of its financial instruments are considered to be held-to-maturity investments. Material classes of financial instruments are separately identified under these categories in the notes to the accounts.

Fair value through profit or loss

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

Loans and receivables

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

Available-for-sale

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

Impairment of financial assets

An assessment of whether there is objective evidence of impairment is carried out for material financial assets or groups of financial assets at the balance sheet date. Objective evidence includes, for example, significant financial difficulty of the issuer or debtor, disappearance of an active market for the financial asset because of financial difficulties, or data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition.

Where there is objective evidence that an L&R financial instrument is impaired, its loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted where material. The impairment loss is recognised in the SOFA. Where there is objective evidence that an AFS investment is impaired, for example through a significant or prolonged decline in the fair value of the asset below its cost, the loss is reflected in the SOFA.

Investment properties

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

Investments in subsidiaries

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

(g) Stock

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

(h) Liabilities

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

(i) Provisions

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

(j) Liquid resources

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

(k) Leases

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

(l) Foreign Currencies

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

(m) *Pensions*

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

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

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

The British Museum Company Limited operates both defined benefit and defined contribution pension schemes. The defined benefit scheme is subject to a full actuarial valuation every three years by an independent qualified actuary. Pension liabilities are disclosed in accordance with FRS No 17 Retirement Benefits in note 18.

(n) *Notional Cost*

In accordance with Treasury instructions, for accounting periods ending 31 March 2011, the notional cost of capital is no longer charged and reversed in the SOFA. The impact of this change is zero.

(o) *Taxation*

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

(p) *Funds Structure*

The Museum has the following categories of funds:

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

The major funds comprising each category, the summary results for the year and a description of the movements between the funds are described in Note 14.

2. Investment income and rent receivable

	SOFA Total 2011 £000s	SOFA Total 2010 £000s
Income from UK bank deposits	87	88
Income from overseas bank deposits	0	0
Income from UK fixed interest investments	1,711	11
Income from overseas fixed interest investments	12	44
Income from UK listed investments	35	97
Income from overseas listed investments	273	198
	2,118	438
Rents receivable	246	17
	2,364	455

Investment income has increased due to changes in the investment portfolio resulting in a higher proportion of interest bearing bonds being held. Note that £1,688k of the above income from UK fixed interest investments was accrued at year end, hence it not being included in the cash flow under returns on investments.

3. Analysis of incoming resources from charitable activities

	Total 2011 £000s	Total 2010 £000s
Care, research and conservation	4,025	3,491
Public access and events	1,402	1,019
Charitable trading	3,981	5,365
	9,408	9,875

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

£361k of EU funding is included within care, research and conservation (2009/10: £102k)

4. Net incoming resources

is stated after charging:	2011 £000s	2010 £000s
Auditors' remuneration: Comptroller and Auditor General audit fee	56	59
Auditors' remuneration: Subsidiary companies audit fee	37	36
Auditors' remuneration: Other audit work	1	0
Operating lease rentals: Hire of plant and machinery	4	1
Operating lease rentals: Land and buildings	331	181
(Profit)/Loss on disposal of fixed assets:	252	(1)
Movement on bad debt provision	61	(15)

5. Total resources expended

5(a)	Direct Costs £000s	Grants £000s	Depreciation £000s	Support Costs £000s	2011 Total £000s	2010 Total £000s
Care, research and conservation	27,152	17,246	4,591	3,117	52,106	38,574
Public access and events	12,772	147	4,192	1,121	18,232	19,289
Charitable trading	3,235	0	195	199	3,629	5,268
Charitable activities	43,159	17,393	8,978	4,437	73,967	63,131
Costs of generating voluntary income	827	0	16	86	929	897
Commercial trading activities	13,835	0	478	551	14,864	13,512
Investment management costs	199	0	0	4	203	84
Governance costs	333	0	4	23	360	386
	58,353	17,393	9,476	5,101	90,323	78,010

The main elements of the grant figure are as follows:

A grant of £15,200,000 (2009/10: £0) to the British Museum Trust Limited, restricted for furtherance of the British Museum's charitable objectives. Grants of £1,148,084 (2009/10: £1,083,716) 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 £752,287 (2009/10: £924,261) as part of the World Collections programme.

5(b) Costs that cannot be directly attributed to one of the Museum's objectives are allocated to activities on a basis consistent with the use of resources. Finance 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 and information service costs are allocated using staff numbers adjusted for non-computer based roles. Depreciation has been allocated according to the proportion of space occupied by each activity.

	Finance Information Services	Human Resources	Legal Services	2011 Total	2010 Total
Care, research and conservation	653	1,553	773	3,117	3,069
Public access and events	261	279	493	1,121	1,183
Charitable trading	69	82	41	199	239
Charitable activities	983	1,914	1,307	4,437	4,491
Costs of generating voluntary income	18	43	21	86	79
Commercial trading activities	97	276	151	551	448
Investment management costs	4	0	0	4	2
Governance costs	6	11	5	23	24
	1,108	2,244	1,484	5,101	5,044

5(c) Governance costs

Analysis of direct governance costs:

	2011 £000s	2010 £000s
Staff costs	115	111
British Museum auditor's remuneration	56	59
Subsidiary charities auditors' remuneration	37	36
Other audit work	1	0
Internal audit costs	91	115
Cost of meetings	32	35
Reimbursement of trustee expenses	1	1
	333	357

5(d) Staff costs

	2011	2010
	£000s	£000s
Wages and salaries	30,175	29,731
Social security costs	2,366	2,283
Pension costs	5,112	4,965
Agency staff costs	1,472	1,542
Early retirement and fixed term redundancy costs	156	228
	<u>39,281</u>	<u>38,749</u>

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

	2011	2010
£60,001 – £70,000	15	13
£70,001 – £80,000	8	6
£80,001 – £90,000	2	4
£90,001 – £100,000	2	1
£100,001 – £110,000	1	1
£110,001 – £120,000	1	0
£130,001 – £140,000	0	1
£140,001 – £150,000	1	0
£170,001 – £180,000	0	1
£180,001 – £190,000	1	0

26 staff (2009/10: 22) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 5 staff (2009/10: 5) are members of a defined contributions scheme. Contributions of £41k (2009/10: £39k) were paid on behalf of the members of the defined contribution scheme.

Senior Managers' remuneration is disclosed in the remuneration report on page 24.

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

2011	Agency and contract		Total
	Staff	staff	
Care, research and conservation	479	11	490
Public access and events	305	26	331
Charitable trading	26	0	26
Generating voluntary income	14	2	16
Commercial Trading Activities	212	18	230
Governance	3	0	3
	<u>1,039</u>	<u>57</u>	<u>1,096</u>

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

5(f) Compensation for loss of office

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

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages for 2010/11	Total number of exit packages 2009/10
0 – 24,999	1	3	4	5
25,000 – 49,999	0	1	1	1
50,000 – 99,999	0	0	0	1
100,000 – 149,999	0	0	0	1
Total	1	4	5	8

All redundancies in 2009/10 were compulsory apart from one in cost band £0- £24,999

Redundancy and other departure costs have been paid in accordance with the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Museum has agreed early retirements, the additional costs are met by the Museum 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.

5(g) Trustees:

The Trustees neither received nor waived any emoluments during the year (2009/10 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2010/11, 3 Trustees (2009/10: 2) were reimbursed £846 (2009/10: £1,201). The costs borne by the Museum associated with trustee meetings are disclosed under governance costs at note 5(c).

6. Tangible fixed assets

6(a) Consolidated tangible fixed assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2010	349,940	12,340	27,553	48,110	10,656	448,599
Additions during the year	97	10,992	53	834	615	12,591
Disposals during year	0	0	(49)	0	(1,272)	(1,321)
Transfer	0	(745)	0	741	4	0
Revaluation adjustment	(4,143)	0	155	(1,795)	0	(5,783)
Impairment	0	(189)	0	0	0	(189)
At 31 March 2011	345,894	22,398	27,712	47,890	10,003	453,897
Depreciation						
At 1 April 2010	0	0	10,034	0	5,699	15,733
Disposals during year	0	0	(30)	0	(1,004)	(1,034)
Provided during the year	2,802	0	1,384	3,793	1,497	9,476
Revaluation adjustment	(2,802)	0	56	(3,793)	0	(6,539)
Impairment	0	0	0	0	0	0
At 31 March 2011	0	0	11,444	0	6,192	17,636
Net Book Value						
At 31 March 2011	345,894	22,398	16,268	47,890	3,811	436,261
At 31 March 2010	349,940	12,340	17,519	48,110	4,957	432,866

Fixed assets were revalued by £756k in 2010/11. This movement is offset by disposals through the revaluation reserve totalling £31k to give a total movement on the revaluation reserve of £725k as shown on the face of the SOFA.

6(b) Museum tangible fixed assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2010	349,940	12,340	27,553	48,110	7,239	445,182
Additions during the year	97	10,934	53	834	298	12,216
Disposals during year	0	0	(49)	0	(572)	(621)
Transfer	0	(745)	0	741	4	0
Revaluation adjustment	(4,143)	0	155	(1,795)	0	(5,783)
Impairment	0	(189)	0	0	0	(189)
At 31 March 2011	345,894	22,340	27,712	47,890	6,969	450,805
Depreciation						
At 1 April 2010	0	0	10,034	0	4,228	14,262
Disposals during year	0	0	(30)	0	(313)	(343)
Provided during the year	2,802	0	1,384	3,793	1,019	8,998
Revaluation adjustment	(2,802)	0	56	(3,793)	0	(6,539)
Impairment	0	0	0	0	0	0
At 31 March 2011	0	0	11,444	0	4,934	16,378
Net Book Value						
At 31 March 2011	345,894	22,340	16,268	47,890	2,035	434,427
At 31 March 2010	349,940	12,340	17,519	48,110	3,011	430,920

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

6(c) A full valuation of the Museum's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009 and an update valuation was carried out on 31 March 2011. The valuations included the main Museum site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House.

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

7. Heritage assets – Group and Museum

7(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 collections is sometimes estimated to contain about seven million objects, the question about what constitutes a single object does not have a definitive answer, for example does the Museum's eighteenth century pack of circular ganjifa playing cards count as one object, forty-one objects being the cards themselves or forty-three objects including the painted box and lid?

The Museum records its collection on a database that includes a description of the objects and often image, age, location and other information. Currently, just under two million objects are available to review online at:

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

The Museum continues to enhance the database to expand the information recorded on each asset, add objects not yet included and improve 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 Museum department:

Africa, Oceania & the Americas	The collection consists of objects that represent the cultures of the indigeous people of the four continents. The scope of the collection is contemporary, archaeological and historical. It includes most of Africa (outside of Ancient Egypt, Sudan and the Mediterranean) the Pacific and Australia as well as the Americas.
Ancient Egypt & Sudan	The collection includes objects that illustrate every aspect of the cultures of the Nile Valley, from the Neolithic period (about 10,000 BC) until the twelfth century AD. Highlights of the collection include the coffin of the priest Amenemipet, papyrus from the Book of the Dead of Nakht, the Siltstone sarcophagus of Sasobek and the Rosetta Stone whose inscriptions in hieroglyphics, demotic and Greek provided the key for translating hieroglyphs.
Asia	The collection includes material from a vast geographical area embracing Japan, Korea, China, Central Asia, Afghanistan, South Asia and South East Asia and spans the Neolithic from about 4000 BC to the present day. The collection includes a large and comprehensive collection of sculpture from the Indian subcontinent, including the celebrated Buddhist limestones reliefs from Amaravati, Japanese antiquities, Japanese graphic art and Chinese ceramics, porecelain, jade and bronzes. The Chinese collection is most famous for the Buddhist paintings from the Dunhuang caves in central Asia.
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 earliest century Chinese banknotes to the euro, and a magnificent selection of commemorative and 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.
Midde East	The collection includes a wide range of archaeological material and ancient art from Mesopotamia (Iraq), Iran, the Levant (Syria, Jordan, Lebanon and Israel), Anatolia (Turkey), Arabia, Central Asia and the Caucasus. Highlights of the collection include Assyrian reliefs, treasure from the Cemetery of Ur, the Oxus Treasure, Phoenician ivories, and the library of cuneiform tablets from Nineveh.
Prehistory & Europe	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 fifteen 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, Raphael and Goya, 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.

7(b) Museum policies on acquisitions, preservation, management and disposal

Acquisition

The Museum 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 Museum's website at:

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

Preservation and Management

The Museum has a dedicated Conservation & Scientific Research department and Collection Services department.

The Conservation & Scientific Research department works alongside other departments in the Museum to care for and preserve the collection. The team of conservators work to clean, repair and stabilise the objects in the collection. The study of objects while they are being conserved contributes to better understanding of the collections and the mechanisms by which they deteriorate. This information is important to the development of new conservation techniques and allows advice to be given on the best conditions for the display and storage of objects to prevent further decay.

The Collection Services department 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 Museum storage guidelines.

The Museum has a policy on storage, conservation and documentation. The key features of this policy are:

- The collection will be conserved to internationally recognised standards using both passive and interceptive techniques. All conservation treatments carried out on objects are documented as part of the object documentation record.
- The Museum aims to restrict storage to rooms or buildings that meet security requirements, are structurally sound, and where suitable environmental conditions can be maintained for the objects in question. The environmental conditions will normally reflect those to which the objects have been exposed since they were collected. Their stability is monitored and the cause of any change in stability is investigated and the environmental conditions modified accordingly.

The new World Conservation and Exhibitions Centre is due to be completed in 2013. It will provide state of the art conservation and storage facilities to enhance the current Museum facilities.

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

When complete, the database will contain a record of every object in the Museum 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. Currently just under 2 million objects are available to view on the database. The database can be found on the Museum website at:

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

Disposal

Objects vested in the Trustees as part of the Collection of the Museum 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 the restitution or repatriation) is limited and there is a strong legal presumption against this. The detail of the Museum's policy on de-accession can be found on the Museum's website at:

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

7(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 for donated assets; valued at the time of acquisition. The table shows the details of additions for the current and previous four years.

	2010/11 – £'000		Total
	Donated	Purchased	
Opening balance	9,659	32,367	42,026
Additions	3,987	3,579	7,566
Disposals	0	0	0
Impairment	0	0	0
Closing balance	13,646	35,946	49,592
	2009/10 – £'000		Total
	Donated	Purchased	
Opening balance	7,440	30,364	37,804
Additions	2,219	2,003	4,222
Disposals	0	0	0
Impairment	0	0	0
Closing balance	9,659	32,367	42,026
	2008/09 – £'000		Total
	Donated	Purchased	
Opening balance	6,155	28,828	34,983
Additions	1,285	1,536	2,821
Disposals	0	0	0
Impairment	0	0	0
Closing balance	7,440	30,364	37,804
	2007/08 – £'000		Total
	Donated	Purchased	
Opening balance	5,221	27,813	33,034
Additions	934	1,015	1,949
Disposals	0	0	0
Impairment	0	0	0
Closing balance	6,155	28,828	34,983
	2006/07 – £'000		Total
	Donated	Purchased	
Opening balance	4,053	26,093	30,146
Additions	1,168	1,720	2,888
Disposals	0	0	0
Impairment	0	0	0
Closing balance	5,221	27,813	33,034

Details of significant acquisitions during the year can be found on page 6.

8. Investments

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

	2011	2010
	£000s	£000s
Investment assets in the UK:		
Common investment funds	22,165	25,625
Listed equities	1,488	813
Fixed interest	33,537	1,090
Cash held as part of investment portfolio	18,085	33,604
Commodity funds	542	497
Investment assets outside the UK:		
Common investment funds	7,495	11,547
Listed equities	2,652	2,557
Unlisted equities	3,123	1,980
Fixed interest	1,756	1,594
Commodity funds	86	109
Investment properties	2,594	2,391
	93,523	81,807
Investments at 1 April	81,807	63,721
Additions	35,007	67,418
Disposals	(25,581)	(61,071)
Gain in value	2,290	11,739
Investments at 31 March	93,523	81,807

All investments are stated at fair value at 31 March 2011. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date, adjusted as appropriate to reflect any material changes in market conditions. Valuations for investments where there is no active market have been estimated with reference to recent transaction prices and market data for similar instruments.

The Museum has entered into a long term commitment to invest a further \$5.4m (£2.8m) in unlisted equities outside the UK under subscription agreements with two companies.

The valuation of investment properties in Bloomsbury was carried out by Kinney Green at 31 March 2011 in accordance with the RICS Appraisal and Valuation manual.

8(b) Current Asset Investments

	Group	Group	Museum	Museum
	2011	2010	2011	2010
	Cost	Cost	Cost	Cost
	£000s	£000s	£000s	£000s
Short term cash deposits	6,875	7,005	6,870	7,000

8(c) Cash at bank and in hand

	Group	Group	Museum	Museum
	2011	2010	2011	2010
	£000s	£000s	£000s	£000s
Balance with Office of Paymaster General	9,085	3,645	9,085	3,645
Balance with commercial banks and in hand	18,631	18,687	14,465	16,264
	27,716	22,332	23,550	19,909

9. Subsidiaries

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

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

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

9(b) Results of trading subsidiaries

	BM Co	BMGC	Total	Total
	2011	2011	2011	2010
	£000s	£000s	£000s	£000s
Turnover	11,422	14,689	26,111	17,452
Cost of sales	(4,097)	(3,607)	(7,704)	(6,858)
Gross profit	7,325	11,082	18,407	10,594
Selling and distribution costs	(3,174)	0	(3,174)	(3,002)
Administrative expenses	(2,854)	(915)	(3,769)	(3,308)
Other operating income	563	0	563	535
Operating profit	1,860	10,167	12,027	4,819
Finance cost	0	0	0	(140)
Interest receivable	6	38	44	42
Actuarial (loss) on defined benefit scheme	(380)	0	(380)	(1,540)
Taxation payable	0	0	0	0
Contribution to the Trustees of the British Museum	(1,982)	(10,159)	(12,141)	(4,246)
Surplus/(deficit) retained in the Company	(496)	46	(450)	(1,065)

The operating profit of the British Museum Company Limited is stated after charging staff costs of £4,184,000 (2009/10: £4,211,000) and depreciation of tangible fixed assets of £466,000 (2009/10: £379,000).

The operating profit of the British Museum Great Court Limited is stated after charging depreciation of tangible fixed assets of £11,000 (2009/10: £12,000). The two subsidiaries made cash payments during the year to the British Museum for the 2009/10 contribution of £4,641,489 (2008/09: £2,712,238).

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

	2011	2011	2010	2010
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From the British Museum Company Limited	11,422	12,107	10,329	10,391
Other operating income	563	0	535	0
Interest	44	0	42	0
From the British Museum Great Court Limited	14,689	14,681	7,123	7,163
less transactions with the group	(1,744)	(12,410)	(1,766)	(4,418)
	24,974	14,378	16,263	13,136
Plus allocated support costs	0	550	0	448
Less interest	(44)	0	(42)	0
Less governance costs	0	(64)	0	(72)
Total in Commercial Trading lines	24,930	14,864	16,221	13,512

Net assets at 31 March 2011 comprise:

	BM Co	BMGC	BM Co	BMGC
	2011	2011	2010	2010
	£000s	£000s	£000s	£000s
Tangible fixed assets	1,712	122	1,871	75
Current assets	4,977	11,973	4,367	7,408
Creditors due within one year	(3,289)	(11,515)	(2,512)	(6,949)
Creditors due after one year	(3,390)	0	(3,220)	0
Net assets	10	580	506	534

The current assets of BM Co includes £1,582k of stock which comprises £55k of work in progress and £1,527k of finished goods and goods for resale.

10. Debtors

	Group		Museum	
	2011	2010	2011	2010
	£000s	£000s	£000s	£000s
Trade debtors	3,299	1,973	2,092	300
Other debtors	282	273	259	228
Prepayments and accrued income	8,318	7,086	8,127	6,948
Taxation and social security	1,424	898	1,796	1,165
Derivative financial instruments	0	89	0	89
Payments receivable on long term contracts	215	0	0	0
Amount due from subsidiaries	0	0	12,003	4,440
	13,538	10,319	24,277	13,170

Payments receivable on long term contracts are accounted for in accordance with SSAP9 as detailed in the accounting policy.

The debtors include £2,713k with central government departments (2009/10: £1,335k), no balances with local government (2009/10: £17k) and £14K with public corporations (2009/10: £7k).

11. Creditors

Amounts falling due within one year:

	Group		Museum	
	2011	2010	2011	2010
	£000s	£000s	£000s	£000s
Trade creditors	5,473	4,074	4,614	3,077
Other creditors	816	1,023	773	975
Derivative financial instruments	102	0	102	0
Taxation and social security	761	660	678	660
Early retirement	553	767	553	767
Other provisions falling due within one year	365	0	365	0
Accruals	16,726	1,529	16,342	1,207
Payments received on account	0	2,016	0	0
Deferred income	17,339	7,587	16,298	6,263
Amount due to subsidiaries	0	0	9,542	5,179
	42,135	17,656	49,267	18,128

Payments received on account relate to long term contracts which are accounted for in accordance with SSAP9 as detailed in the accounting policy. The creditors include £909k with central government departments (2009/10: £1,350k), £87k with local government (2009/10: £31k), no balances with NHS Trusts (2009/10: £28k) and no balances with public corporations (2009/10: £1k). The prior year figure has been reanalysed to move superannuation from the tax and social security line to other creditors.

The movement on the deferred income account is as follows:

	Group		Museum	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
Deferred Income at 1 April	7,587	2,007	6,263	1,263
Released in year	(2,587)	(2,007)	(1,263)	(1,263)
Deferred in year	12,339	7,587	11,298	6,263
Deferred income at 31 March	<u>17,339</u>	<u>7,587</u>	<u>16,298</u>	<u>6,263</u>

12. Provisions and charges – Group and Museum

Early retirement and voluntary redundancy commitments at 31 March 2011 are as follows:

	2011 £000s	2010 £000s
Early retirement provision brought forward	1,468	1,928
Provision made in year	67	222
Payments in year	(514)	(682)
	<u>1,021</u>	<u>1,468</u>
Less current portion - included in creditors amounts falling due within one year	(553)	(767)
	<u>468</u>	<u>701</u>

The £1,021,000 represents the provision for annual compensation payments to those employees who retire under an approved redundancy scheme aged 50 years or over for the period until they reach the normal retirement age of 60 years. £553,000 is payable in the next year. £433,000 is payable between 2011 and 2015 and £35,000 before 2019.

Other provisions for liabilities and charges at 31 March 2011 are as follows:

	£000s
At 1 April 2010	29
Arising during the year	336
Utilised during the year	0
Reversed unused	0
At 31 March 2011	365
Less current portion – included in creditors amounts falling due within one year	(365)
	<u>0</u>

13. Financial commitments

At 31 March 2011 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2011 £000s	2010 £000s	2011 £000s	2010 £000s
Leases which expire:				
within one year	92	78	1	1
in the second to fifth year	89	184	1	0
over five years	104	103	0	0
	<u>285</u>	<u>365</u>	<u>2</u>	<u>1</u>

14 Statement of funds

14(a) Statement of funds

	At 1 April 2010 £000s	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2011 £000s
<i>Permanent Endowment Funds</i>	10,871	23	(21)	334	336	0	11,207
<i>Restricted Funds</i>							
Collection Acquisitions Fund	42,026	3,987	0	0	3,987	3,579	49,592
Collection Purchase Fund	1,150	2,463	(34)	19	2,448	(2,658)	940
Fixed Asset Revaluation Fund	294,701	0	0	725	725	0	295,426
Fixed Asset Fund	136,219	0	(9,435)	0	(9,435)	12,217	139,001
Estates Proceeds	3,068	21	(5)	95	111	0	3,179
Construction Projects Fund	3,708	4,097	(31)	195	4,261	(3,466)	4,503
Restricted Income Trust Funds	4,733	111	(87)	143	167	(486)	4,414
Deferred Income Fund	7,267	8,138	(5,445)	188	2,881	(975)	9,173
	492,872	18,817	(15,037)	1,365	5,145	8,211	506,228
<i>Unrestricted Funds: Museum</i>							
<i>Designated:</i>							
World Conservation & Exhibition	42,250	0	(281)	0	(281)	(4,524)	37,445
Gallery Projects	4,745	0	(17)	0	(17)	0	4,728
Infrastructure Projects	2,203	0	(265)	0	(265)	(76)	1,862
Capital & Maintenance Work	9,000	0	0	0	0	(3,000)	6,000
Designated Trust Funds	904	20	(39)	(3)	(22)	(18)	864
	59,102	20	(602)	(3)	(585)	(7,618)	50,899
<i>General:</i>							
Investment Estate	2,391	0	0	203	203	0	2,594
Unrestricted Trust Funds	7,323	256	(9)	(21)	226	0	7,549
General Funds	4,694	51,001	(60,276)	(215)	(9,490)	10,073	5,277
	14,408	51,257	(60,285)	(33)	(9,061)	10,073	15,420
<i>Unrestricted Funds: Subsidiaries</i>							
British Museum Co Ltd	(2,115)	11,582	(9,856)	(380)	1,346	(1,683)	(2,452)
British Museum Co Ltd Fixed Assets	1,871	0	0	0	0	(159)	1,712
British Museum Great Court Ltd	(41)	13,392	(4,522)	0	8,870	(8,871)	(42)
British Museum Great Court Ltd Fixed Assets	75	0	0	0	0	47	122
	(210)	24,974	(14,378)	(380)	10,216	(10,666)	(660)
<i>Unrestricted Funds: Group</i>	73,300	76,251	(75,265)	(416)	570	(8,211)	65,659
Total Funds	577,043	95,091	(90,323)	1,283	6,051	0	583,094

The British Museum Co Ltd reserve includes a liability on a defined benefit pension scheme of £3.39m (2009/10 £3.22m), see note 18 for further details.

	2011 £000s
Investments at fair value	93,523
Investments at historic cost	86,650
Fair value reserve	<u>6,873</u>

The investment properties (fair value of £2,594k) were acquired in the nineteenth century and have been included at a zero historic cost.

Analysis of group net assets between funds

	Permanent Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	Total 2010 £000s	Total 2009 £000s
Fund balances at 31 March 2011 are represented by:					
Tangible fixed assets	0	434,427	1,834	436,261	432,866
Heritage assets	0	49,592	0	49,592	42,026
Fixed asset investments	8,425	19,346	65,752	93,523	81,807
Net current assets	2,782	2,863	1,931	7,576	24,265
Early retirement provision	0	0	(468)	(468)	(701)
Liability on defined benefit pension scheme	0	0	(3,390)	(3,390)	(3,220)
Total net assets	<u>11,207</u>	<u>506,228</u>	<u>65,659</u>	<u>583,094</u>	<u>577,043</u>

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

Permanent Endowment Funds

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

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

Restricted funds

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

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

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

Unrestricted Designated Funds

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

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

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

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

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

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

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

Unrestricted General Funds

Investment estate: this represents the value of investment properties.

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

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

14(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases from unrestricted capital & revenue funds	921	0	(515)	(406)
Capital assets funded from unrestricted funds	8,681	(7,147)	(60)	(1,473)
Rationalisation of funds	70	0	(886)	815
Movement on designated funds for WCEC	0	(565)	0	565
	<u>9,672</u>	<u>(7,712)</u>	<u>(1,461)</u>	<u>(499)</u>

15. Cash flow information

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

	2011	2010
	£000s	£000s
15(a) Net incoming resources before revaluations	4,768	7,565
Actuarial loss on defined benefit scheme	(380)	(1,540)
Gains/(losses) on derivative financial instruments	323	(33)
Donated Assets - collection items	(3,987)	(2,219)
Investment income	(2,364)	(455)
Depreciation	9,476	9,830
Loss on disposal of fixed assets	252	1
(Increase)/decrease in stocks	683	(662)
(Increase) in debtors	(3,219)	(2,719)
Increase in creditors	24,479	1,687
Decrease in provisions	(233)	(401)
Increase in pension fund liability	170	1,450
Impairment of fixed assets	189	2,356
Net cash inflow from operating activities	<u>30,157</u>	<u>14,860</u>

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

	2011	2010
	£000s	£000s
Increase in cash in the period	5,371	141
Decrease in liquid resources	(130)	(2,000)
Movement in net funds in the period	5,241	(1,859)
Foreign currency exchange rate difference	13	(456)
Net funds at 1 April	29,337	31,652
Net funds at 31 March	<u>34,591</u>	<u>29,337</u>

15(c) Analysis of net funds

	2010	Cash Flow	Foreign	2011
	£000s	£000s	currency	£000s
			exchange	
			rate	
			£000s	
Liquid Resources:				
Short term deposits	7,005	(130)	0	6,875
Cash at bank and in hand	22,332	5,371	13	27,716
	<u>29,337</u>	<u>5,241</u>	<u>13</u>	<u>34,591</u>

16. Related party transactions

The British Museum is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year the British Museum had a number of material transactions with the Department and with other entities for which the Department is regarded as the parent department; for example; Tate Modern, The National Gallery, National Museums Liverpool, The Victoria and Albert Museum, Tate Britain, The Science Museum, the National Portrait Gallery, The Natural History Museum and The British Library. The British Museum in addition has transactions with other central government bodies namely Royal Botanic Gardens, Kew.

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

Related party transactions						
Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2011	Expenditure for the year ended 31 March 2011	Creditor balance as at 31 March 2011	Debtor balance as at 31 March 2011
			£'000	£'000	£'000	£'000
The British Museum Friends	Mr David Norgrove serves as Chair and Ms Penny Hughes is on the Council of the British Museum Friends	Grants awarded during the year and reimbursement of costs	2,389	2	27	1,724
The American Friends of the British Museum	Mr Francis Finlay is Chairman of the American Friends of the British Museum	Grants awarded during the year and administration costs associated with grant making	683	70	0	0
Leverhulme Trust	Mr Niall FitzGerald KBE is a Trustee of the Leverhulme Trust	Grants and Leverhulme fellowships awarded during the year	299	0	0	819
BBC	Ms Val Gooding is a non-Executive Director for the BBC	Commercial and sundry income	142	0	0	14
HSBC Bank plc	Mr Stephen Green is Chairman of HSBC Bank plc. Professor Lord Stern of Brentford is special advisor to the Group Chairman of HSBC, Stephen Green	Corporate and interest income	117	0	50	13
British Academy	Professor Sir Christopher Bayly is a Trustee and Mr Andrew Burnett is a Fellow of the British Academy	Research grant and trust and foundation income	37	0	0	20
School of Oriental and African Studies	Baroness Kennedy of the Shaws is President of the School of Oriental and African Studies	Research grant and sundry income	36	0	0	4
Apax Partners LLP	Sir Ronald Cohen is a member of Apax partners LLP	Corporate partner income	35	0	26	0
Thomson Reuters	Mr Niall Fitzgerald is Deputy Chairman of Thomson Reuters	Corporate partner income	32	0	37	0
Arts Council	Dame Liz Forgan is Chair of the Arts Council England	Statutory income	9	0	0	0
Partners Capital	Sir Ronald Cohen is a registered shareholder of Partners Capital Investment Group	Management fee	0	61	0	0
Ashmolean Museum	Lord Powell of Bayswater KCMG is a Honorary Fellow of the Ashmolean Museum	Grants awarded during the year	0	46	0	0
J Sainsbury	Ms Val Gooding is a non-executive director of J Sainsbury	Recovery of costs	2	33	0	0
Cambridge University	Professor Sir Christopher Bayly is a Trustee of the University of Cambridge	Grants awarded during the year and printing and material costs	0	23	0	0
London Business School	Mr Francis Finlay is Governor of the London Business School	Corporate hire	0	0	17	12

17. Capital commitments

At the balance sheet date the value of capital commitments was in the range £11.4m - £16.4m (2009/10: £2.0m). The most significant commitment is for the World Conservation and Exhibition Centre.

18. Pensions

British Museum

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

For 2010/11 employer's contributions of £65,449 were paid to the partnership pension scheme (£57,384:2009/10) and employer's contributions of £4,630,057 (£4,509,199:2009/10) were payable to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2010/11 the rates were as follows: for salaries under £21,000, 16.7%, for salaries between £20,001 and £43,000, 18.8%, for salaries between £43,001 and £74,000, 21.8% and for salaries over £74,001, 24.3%. For 2011/12 the rates will be as follows: for salaries under £21,000, 16.7%, for salaries between £21,001 and £43,500, 18.8%, for salaries between £43,501 and £74,500, 21.8% and for salaries over £74,501, 24.3%.

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

British Museum Company Limited

Defined Contribution Scheme

The Company operates a defined contribution pension scheme for the benefit of the employees who commenced their employment after 1 January 2000. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contributions to this scheme during the year was £115,000 (2009/10: £101,000).

Defined Benefit Scheme

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

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

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

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

The total employer's pension contributions for entities adhering to the scheme was £278,000 (2009/10: £242,000).

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

Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for 31 March 2008, for the purpose of calculating the Financial Reporting Standard No.17 disclosures for the year ended 31 March 2011.

The amounts recognised in the balance sheet are as follows:

	2011	2010
	£m	£m
Fair value of scheme assets	8,260	7,640
Present value of funded obligations	(11,650)	(10,860)
Surplus/(deficit)	(3,390)	(3,220)

The amounts recognised in the balance sheet are as follows:

	2011	2010
	£000s	£000s
Assets	0	0
Liabilities	(3,390)	(3,220)
	(3,390)	(3,220)

The amounts recognised in the SOFA are as follows:

	2011	2010
	£000s	£000s
Current service cost	70	70
Interest cost	600	510
Expected return on scheme assets	(600)	(370)
Total	70	210
Actual return on scheme assets	500	1,800

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

	2011	2010
	£000s	£000s
Opening defined benefit obligation	10,860	7,460
Current service cost	70	70
Interest cost	600	510
Contribution by scheme participants	10	10
Actuarial losses / (gains)	280	2,970
Benefits paid	(170)	(160)
Closing defined benefit obligation	11,650	10,860

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

	2011	2010
	£000s	£000s
Opening fair value of scheme assets	7,640	5,690
Expected return	600	370
Actuarial gains/(losses)	(100)	1,430
Contributions by employer	280	300
Contributions by scheme participants	10	10
Benefits paid	(170)	(160)
Closing value of scheme assets	8,260	7,640

The Company expects to contribute £280,000 to its defined benefit pension scheme in the year ended 31 March 2012.

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

	2011	2010
Cash	0%	0%
Bonds	14%	14%
Equities	17%	17%
Property	15%	15%
Target return funds	54%	54%

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

	2011	2010
Discount rate at 31 March	5.5%	5.6%
Expected return on scheme assets at 31 March	7.3%	7.8%
Future salary increases	3.4%	3.4%
Future pension increases		
Pre 1 May 1991	3.0%	3.0%
1 May 1991 to 31 December 2007	5.0%	5.0%
1 January 2002 to 31 December 2007	3.4%	3.4%
Post 31 December 2007	2.5%	2.5%
Inflation assumption	3.4%	3.4%

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

The underlying market expected return rates used are 7.9% for equity type investments, 5.9% for corporate bond funds, and 4.3% for cash.

Mortality	SAPS mc	SAPS mc
Life expectancy of male aged 60 in 2010 (65 in 2009)	85.40	85.40
Life expectancy of male aged 60 in 2030 (65 in 2029)	86.70	86.50
Life expectancy of female aged 60 in 2010 (65 in 2009)	87.90	87.90
Life expectancy of female aged 60 in 2030 (65 in 2029)	89.00	89.00

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

<i>Defined benefit pension scheme</i>	2011	2010	2009	2008	2007
	£000s	£000s	£000s	£000s	£000s
Defined benefit obligation	(11,650)	(10,860)	(7,460)	(7,930)	(9,220)
Plan assets	8,260	7,640	5,690	6,730	6,950
Surplus / (deficit)	(3,390)	(3,220)	(1,770)	(1,200)	(2,270)
Experience adjustments on scheme liabilities*	0	0	710	0	0
Experience adjustments on scheme assets**	100	1,430	(1,700)	(790)	70

*Where positive numbers represent increases to liabilities

**Where positive numbers represent increases to assets

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

19. Contingent liabilities

The Museum has no contingent liabilities at the year end.

20. Financial instruments

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

Financial assets and liabilities by category

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 March 2011, together with net gains and losses for each classification.

Group	Loans and receivables £000s	Available- for-sale £000s	Fair value through profit or loss (held for trading) £000s	Other financial liabilities £000s	Total £000s
Investments	0	93,523	0	0	93,523
Trade debtors	3,299	0	0	0	3,299
Short-term investments	6,875	0	0	0	6,875
Cash at bank and in hand	27,716	0	0	0	27,716
Trade creditors	0	0	0	(5,473)	(5,473)
Derivative financial instruments	0	0	(102)	0	(102)
	<u>37,890</u>	<u>93,523</u>	<u>(102)</u>	<u>(5,473)</u>	<u>125,838</u>

Gains/(losses) on investment assets

	£000s
Gains/(losses) on derecognition of investments	1,871
Gains/(losses) on retranslation of foreign denominated cash and investments	13
Gains/(losses) on derivative financial instruments	323
Total investment gains/(losses), recognisable in SOFA	2,207
Net movement in fair value of available for sale investments, taken to reserves	(1,269)
	<u>938</u>

At 31 March 2011, the Museum held foreign exchange forward contracts with a fair value of £ (102,352), to hedge its exposure to foreign exchange rate risk on investments and cash balances. The Museum had sold US\$6.6 million at a forward rate of \$1.64, and sold €0.9 million at a forward rate of €1.15, both maturing in June 2011. All movements in the fair value are attributable to changes in market conditions, and have been reflected in the Statement of Financial Activities.

Financial risk management

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

Credit risk

The Museum is not exposed to significant trading credit risks. 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. The Museum has not suffered any loss in relation to cash held by bankers.

The objective of managing credit risk is to minimise counterparty default on the Museum's financial assets causing financial loss to the Museum. The Museum aims to mitigate its counterparty credit risk exposure by monitoring the size of its credit exposure to and the creditworthiness of counterparties, including setting appropriate exposure limits and maturities. Counterparties are selected based on their financial ratings, regulatory environments and specific circumstances. The following details the risk management policies applied to the financial assets exposed to credit risk:

For Interest bearing securities the credit rating of the issuer is taken into account to minimise the risk to the Museum of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk;

- Transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk;
- Direct cash management mandate is limited to the use of selected banks (the credit ratings of which are taken into account to minimise credit risk).

Liquidity risk

Approximately 49% of the Museum's incoming resources before transfers, notional costs and revaluations is provided by Grant-in-Aid from the Department for Culture, Media and Sport. The Museum's reserves policy is set out in the Annual Report. The Trustees believe that the level of unrestricted reserves at year-end and careful planning based on expected funding levels allows the Museum to be free from unacceptably high liquidity risks.

The Museum monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The Museum holds highly liquid assets amounting to £35 million as at 31 March 2011 (2009/10: £29 million), which comprises cash at bank and in hand and short term investments. A further £18 million of cash was held as part of the investment portfolio as at 31 March 2011. The level of highly liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Sub-committee on a quarterly basis. The Museum also mitigates its exposure to liquidity risk through the investment of £70 million (2009/10: £82 million) of funds that are readily realisable.

Market risk: interest rate risk

The Museum's financial assets, excluding short term debtors and creditors, are made up of investments and cash. Information about the Museum's investments is disclosed in the "Fundraising and Finance" section of the Annual Report and at note 8.

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

	Floating rate	Fixed rate	Non-interest bearing	2011 Total	2010 Total
	£000s	£000s	£000s	£000s	£000s
Sterling	20,372	6,870	6,660	33,902	24,826
US \$	2	0	687	689	4,509
Euro	0	0	0	0	2
	<u>20,374</u>	<u>6,870</u>	<u>7,347</u>	<u>34,591</u>	<u>29,337</u>

The weighted average interest rate on fixed rate financial assets is 0.4% (2009/10: 1.1%) and the weighted average period of deposit is 45 days (2009/10: 39 days). The interest receivable on the floating rate deposits is at a variable rate determined by the Museum's bankers. The non-interest bearing cash includes trades pending settlement of £4.7m.

Interest income for the year made up about 2.1% (2009/10: 0.2%) of the Museum's incoming resources before transfers, notional costs and revaluations and the Museum does not hold any loans, so exposure to interest rate risk is minimal.

Market risk: foreign currency risk

Approximately 9% of the Museum's financial assets are denominated in currencies other than pounds sterling, the base currency for the Museum's operations. In order to protect funds from exposure to currency risk the Museum reviews underlying investment manager exposure and deploys hedging strategies. Euro exposure is hedged if it constitutes more than 20% of the portfolio, US dollar and Japanese Yen exposures if they represent more than 10% of the portfolio, and all other currencies if they together constitute more than 10% of the portfolio. Unhedged assets will include illiquid private equity investment where the long-term nature of the investment removes the need to hedge short-term fluctuations and the uncertainty surrounding the quantum and timing of distributions makes accurate currency hedging problematic.

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

Currency	Value 2011 £000s	Value 2010 £000s
US\$	9,833	15,104
Japanese Yen	0	0
Euro	1,035	2,821
	10,868	17,925

Note that this summary reflects the denominations of holdings and does not therefore reflect the underlying investment manager exposure, which is a factor in determining the value to be hedged.

Assets considered to be exposed to US\$ risk	£000s 15,762	£000s 22,911
Less forward contract:- US\$	(6,570)	(11,770)
Total value exposed to US\$ currency risk	9,192	11,141
Assets considered to be exposed to Euro risk	1,169	2,821
Less forward contract:- Euro	(940)	0
Total value exposed to Euro currency risk	229	2,821

Market risk: other price risk

The Museum 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. For 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 Museum's investment portfolio is shown in note 8 (a). This shows that the majority of the investment value is in UK companies in both quoted and unquoted investments. It is recognised that an investment's country of domicile or of listing does not necessarily equate to its exposure to the economic conditions in that country.

21. Post balance sheet events

The financial statements were authorised for issue by the Trustees and Accounting Officer on 8 July 2011.



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