



Annual Report and Account 2011–2012

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Imperial War Museum

Annual Report and Account 2011–2012

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Contents

	Page
1. Introduction	4
2. Strategic objectives	7
3. Achievements and performance	8
4. Plans for future periods	20
5. Financial review	23
6. Personnel policies	26
7. Environmental sustainability report	27
8. Reference and administrative details of the charity, the Trustees and advisers	31
9. Remuneration report	36
10. Statement of Trustees' and Director-General's responsibilities	40
11. Governance statement	41
The certificate and report of the Comptroller and Auditor General to the Houses of Parliament	49
Consolidated Statement of Financial Activities	51
Consolidated and Museum Balance Sheets	52
Consolidated Cash Flow Statement	53
Notes to the Financial Statements	54

1. Introduction

1.1 Our vision

Our ambition is to be recognised as the world's leading authority on conflict and its impact – focusing on Britain, its former Empire and the Commonwealth, from the First World War to the present.

Our vision is to enrich people's understanding of the causes, course and consequences of war and conflict.

1.2 What we do

We are dedicated to recording people's experiences of modern conflict, exploring the causes of war and its impact on people's lives. Our collections are made up of the everyday and the exceptional, drawn from people of all walks of life. They reflect the total nature of war and reveal stories of people, places, ideas and histories. Across our five branches, we make our unique collections relevant to contemporary audiences by creating vivid personal stories and powerful physical experiences that engage visitors of all ages with the issues of war and conflict.

1.3 Our values

Four values form the heart of our brand. They help to define how we feel and act in all areas of our work and business.

- **Courageous** – we're confident and have the courage to challenge the established wisdom, championing debate and innovative approaches
- **Authoritative** – Our deep and dynamic knowledge of our rich collections makes us the first port of call on the history of modern conflict, and sets standards of excellence in everything we do
- **Relevant** – we strive to make everything we do relevant to contemporary society, while maintaining a balanced and impartial point of view
- **Empathetic** – we're sensitive to people's emotions, respecting different points of view and the deep significance of our collections

1.4 What makes us unique?

- Our collections are heterogeneous and diverse. They are made up of the everyday and the exceptional, drawn from people of all walks of life, and reflect the nature of total war
- We interpret modern history with media that bring it to life – in film, art, photographs, sound, digital media – all of which are immediately resonant for people today
- IWM comprises historic sites and museums, a library, an art collection, archives and objects. We use this unique mixture to create a space for public response and debate
- We are the only national, modern social history museum in the UK. Our subject matter helps to explain why British society is like it is today and is crucial to the understanding of world history
- Our subject matter is inextricably linked with the sense of identity, both national and personal
- We have a uniquely symbiotic relationship with our audiences, a significant part of whom have a real and personal connection with war and conflict. People of any age can be an expert in our subject matter, because veterans and eyewitnesses of war and conflict can be of any age

1.5 Our approach

IWM will continue to be a relevant, sustainable and influential institution if (and only if):

Our stories matter

- IWM should be a place where, regardless of knowledge or experience, our audiences can make sense of conflict, understand its causes, course and consequences and see how it affects human behaviour for good or for bad
- Our stories should be resonant and significant to our audiences
- We will have impact. We will draw on our audiences' understanding of our subject matter to show different perspectives, embrace uncertainties, debate difficult issues, ask new questions and find answers and meaning
- Our stories should be rich, complex, imaginative and intelligent. They must address different audiences and different learning styles

Our authority is well founded

- It will be built on relevance and integrity, and will support our visitors
- We will be informed and engaged with our subject and our service, through ongoing research and personal development
- We must be dynamic, responsive to new issues and alive to new possibilities
- We will act as guide, expert and support to users

- We will address controversial and difficult subjects, particularly contemporary issues, with informed sensitivity and care

Our collections are rich

- They are the building blocks for the delivery of our remit
- They need to be accessible and understood in their depth, range and complexity
- They need to be valued and cared for appropriately
- They need to be shaped and developed to support our business

Our service is seamless

- We will build our understanding of our audiences and support them through interpretative narrative, learning opportunities, accessible resources, customer care, retail, commercial and other service provisions. Everything from the quality of the cleaning and the freshness of our food to the way we deliver our remit will affect our audiences' experiences
- We will consistently achieve high levels of customer satisfaction, and through understanding our audiences, meet and exceed expectations
- We want audiences to engage deeply with our subject matter and so we will offer a high-quality and seamless service in order to remove all obstacles to engagement in our offer. In other words we will focus on our audiences' needs, rather than our own
- Our subject matter is relevant and resonant to a worldwide audience. Our offer and service should reflect this

Our resources can support us

- We need to be 'fit' in order to be flexible; to take opportunities and recover quickly (for example, following a large project, significant event or resource crisis)
- Our intellectual capital and collections need to be relevant to support our remit. One way we will achieve this is through our research activity and collections management approach
- Our systems and delivery mechanisms need to be directed to serving our audiences as effectively and efficiently as possible
- Our fixed cost base needs to be as low as possible, without compromising on our values or strategic objectives
- Our business planning and management will seek to take new opportunities, to meet need as well as preparing for future economic uncertainty
- Team work, often in unfamiliar patterns, across all levels and branches of the museum is essential. Our development and training programmes (the *Open Programme*) will be geared to support this

2. Strategic objectives

The strategic objectives of IWM are to be, by 2020:

1. Audience-centred through our temporary exhibitions, gallery spaces, learning programmes, events, services, digital content, publications and products. We will maintain exceptionally high levels of customer satisfaction
2. Relevant to our audiences, ensuring that our activities are designed to have long-term impact
3. Continuously evolving in order to deliver excellence, bringing audiences and stakeholders with us
4. High profile, so that we maximise our impact on a local, regional, national and international scale
5. Efficient and effective, delivering the best possible value for money by continuing to focus on core, high-impact activity

We have continued to seek to effectively respond to the challenges and opportunities we face. Our strategy is informed by, and takes account of, Government priorities and our work will continue to be shaped by our long term programme of change, *Fit for the Future*.

3. Achievements and performance

3.1 Overview

IWM corporate performance indicators '000s	2011–12 actual	2010–11 actual	Per cent (%) change year on year	2011–12 target*	Per cent (%) target achieved
Total number of visits to IWM (excluding corporate hospitality guests)	2,250	2,318	-3	2,239	99
Total number of website visits	3,962	3,478**	+14	4,100	97
Net profit from commercial activity (£)	6,690	5,416	+24	7,385	91

* Performance targets set in IWM's Corporate Plan 2011–15

** Counting methodology for our new website has changed to Google Analytics. 2010–11 figure restated using Google Analytics

3.1.1 Audience-centred

More than 2.2 million visitors attended the branches during the year. This figure represents a marginal decrease of 1 per cent against our Corporate Plan target – a positive outcome in light of the temporary closure of HMS *Belfast* following the gangway collapse in late November 2011. Our visitor satisfaction rate has remained exceptionally high this past year, with the proportion of visitors likely to recommend a visit at 99 per cent.

Just over 3.9 million people visited our website this year. Since the launch of our new website in November 2011, the volume of digital users has increased and we have experienced 14 per cent growth overall compared with last year. Research has indicated that our global reach has grown as content is picked up more effectively by search engines such as Google and Bing. The wider range of online services, content and social media channels offered by our new website also means that visitors are staying on our website for longer, and engaging with our collections more extensively.

Our Audience Development Plan focuses on expanding and developing target audiences, while our public programming ensures that our offer is inclusive. In terms of audience diversity, the total proportion of visitors from lower socio-economic groups (NS-SEC 5-8 UK adults) has dropped from 15 per cent in 2010–11 to 13 per cent in 2011–12, possibly reflecting the pressures on domestic consumer spending patterns this year. We have seen overseas visitor levels grow by 4 per cent year on year (now representing 42 per cent of our visitors), which reflects the significant contribution that we make to the economy through tourism. The proportion of repeat visitors across the branches has been sustained at 35 per cent, which as a proxy measure of satisfaction, suggests that

our core audiences value their visitor experience, and corroborates the very strong 'likelihood to recommend' visitor satisfaction ratings.

3.1.2 Relevant

In 2011 we launched a new brand platform and have phased the implementation of this to be as efficient, impactful and economical as possible. Our brand values and design guidelines now provide a new and exciting mechanism for designing activities, products and services to meet our objectives and reach target audiences.

Our change management programme, *Fit for the Future*, focuses on building sufficient flexibility, capability and capacity to deliver our long-term strategic objectives. The programme provides a very clear focus on our audiences and high priority activity, and sets out to deliver an organisational model that is affordable and sustainable. The change management process has seen the restructuring and re-establishment of Collections and Research division. This has achieved organisational and financial efficiencies, while safeguarding the body of specialist knowledge. The centralisation of our London branch learning teams has had considerable benefits in terms of efficiencies and will help make sure that we continue to meet the requirements of the National Curriculum for formal learners. A strategic review of how design is managed across the organisation was undertaken earlier this year to dovetail with the launch of our new brand and a rota has since been implemented to streamline decision-making processes.

3.1.3 Continuously evolving

Significant progress has been made in the development of our major project; Regeneration: First World War Centenary. Detailed planning and stakeholder consultation has been undertaken to develop new First World War galleries at IWM London, reconfigure the Large Exhibits Gallery and improve visitor facilities and circulation by June 2014, in time to mark the centenary of the Great War. A recommendation to the Board that IWM London close for a temporary six month period in 2013 was endorsed by the Department for Culture, Media and Sport (DCMS) in order to mitigate the impact of disruptive construction works on the visitor experience. This will also enable us to build our organisational capacity in preparation for the First World War Centenary programme, which will run from 2014 to 2018.

In addition we continue to focus on building a sustainable collection management infrastructure. Formal processes have been implemented for reviewing and agreeing acquisitions and disposals. We have made strong progress in this area with substantial amounts of material moving through disposal approval stages as well as a number of significant acquisitions approved. Ongoing documentation and digitisation programmes continue to support public learning and interpretation programmes, as well as commercial activity.

The development of MediaCityUK and the land surrounding IWM North has led to the opening of a new entrance on the quayside to capitalise on this. As a result, visitor numbers to the branch have increased.

Our internal university, the Open Programme, supports staff skills development through bespoke training opportunities. Over the summer, we ran an inaugural Opportunities Fair to share skills and promote the Open Programme to staff.

3.1.4 High profile

We have been developing an ambitious programme to mark the centenary, which includes the establishment of a Centenary Partnership of national and international members, the digital creation of on-demand resources, and plans for the collection of legacy information. In November 2011 we introduced a Centenary Wall online, and in the existing First World War gallery at IWM London. This initiative encourages people to sign up to support the centenary and drives people to our dedicated website (1914.org), helping us build a global audience of loyal followers and supporters.

An application to the Arts and Humanities Research Council to upgrade our Independent Research Organisation status from 'Managed' to 'Responsive' mode was successful and will further enhance our reputation and ability to drive research and influence thinking relating to our remit.

In terms of our economic impact, we have used the Association of Independent Museums toolkit to calculate the effect of visitors to our branches (segmenting local, day and overseas visitors and applying a spend per visitor type assumption). This calculation shows that IWM's economic impact in terms of tourism is forecast to be £83.6 million per annum in 2012–13. The model has also been used to calculate the anticipated impact of the Regeneration project on IWM London, as this project will have a regenerative effect on the local area. As such, the net additional benefit in terms of economic impact is forecast to be £8.5 million by 2014–15.

3.1.5 Efficient and effective

Our capital maintenance programme continues to address critical plant replacement and fabric repairs, which over the past year have included fixing all heating oil tanks at IWM Duxford, installing new boilers at IWM North and replacing the air conditioning chillers at IWM London. Energy consumption continues to be a very important area of focus, in line with our sustainable development objectives. We have achieved significant savings of 11 per cent this year, over and above the reductions already achieved in previous years. With the completion of the South East Block project last year, 25 per cent of the collection is now in suitable storage. The next phase of work now focuses on the delivery of the Duxford north-side project, to progressively improve the storage conditions for the remainder to the collection. A ten year plan is in development which will detail the investment required in the building infrastructure comprising some 113 buildings in total.

IWM's new website, launched in November 2011, is designed to provide interpreted content and historical information relating to our remit and collections. It provides opportunities for direct engagement and discussion with and between our online audiences. Collections Online has been integrated into our new website, making over 500,000 more collection items available for public access, including film and a small number of sound files. The new website also supports our commercial activities, with the integration of the Online Shop, Prints and Image Sales and Licensing. In the future we will be better able to monitor and track usage on the website and other social media channels and be more responsive to audience needs.

We have maintained a clear focus on maximising self-generated income and have achieved some strong improvement in spite of unfavourable trading conditions and the

temporary closure of HMS *Belfast* since November 2011. Admissions net income reached over £6.1 million – an increase of 3 per cent on last year and 1 per cent above target. The introduction of a voluntary gift aid donation at the charging branches has further bolstered income. Retail sales amounted to £3.97 million. This is slightly less than last year, however, net profit increased to a new record level.

Looking ahead, overall trading forecasts for the year 2012–13 are cautious, reflecting anticipated volatility across the market and the short-term interruption of IWM London closing temporarily to allow for disruptive Regeneration-related construction works to progress.

3.2 Exhibitions

Our temporary exhibition programme complements the permanent displays and is designed to align with our mission and values. We aim to engage diverse audiences and encourage new visitors, as well as provide something different for returning visitors – expanding our use of new technologies and multimedia interactivity where appropriate.

Sharing temporary exhibitions at IWM London and IWM North has made them more accessible to visitors across the country. The exhibition *Once Upon a Wartime* brought to life the themes and historical backgrounds of five children's books. It ran for eight months at IWM London before transferring to IWM North in February 2012. Following a successful run at IWM North in 2010–11, *Shaped by War: Photographs by Don McCullin* transferred to IWM London in October 2011. The photographs of one of the most important photographers of our generation were accompanied by a newly commissioned film interview, magazine spreads and personal memorabilia.

Further temporary exhibitions at IWM London included: *Women War Artists* – a display that focused on work by women, from the First World War to the conflict in Kosovo; *Legacy: Roderick Buchanan* – a film and photographic installation commissioned by the IWM Art Commissions Committee which considered the legacy of the Troubles in Northern Ireland; *Memory Remains: 9/11 Artefacts at Hangar 17*. *Francesc Torres* – a small display of photographs marking the tenth anniversary of 9/11 in which Spanish American artist Francesc Torres explores Hangar 17 at JFK Airport, which was filled with material cleared from the World Trade Center site; *War Story: Serving in Afghanistan* – a display which was a result of the personal artefacts, videos and photographs collected through the IWM War Story project; and *Ori Gersht: This Storm is What We Call Progress* – a new exhibition of work by the Israeli-born, London-based artist Ori Gersht that opened at the start of IWM London's Holocaust Memorial Day commemorations.

At Churchill War Rooms, a number of objects were added to the displays. Amongst these were a rare telegram and a small Graham Sutherland oil sketch, received on loan. Dating from 12 December 1899, the telegram relates to an incident in Churchill's early career when he escaped from a prisoner of war camp in Pretoria after being captured by the Boers during the South African war. The Sutherland sketch is of Churchill in old age. It is a study for a full-length portrait commissioned by Parliament in 1954.

HMS *Belfast* saw a number of interpretation updates, which included the addition of simulated radar and interactives (based on the real-life Pony Express exercise of 1961) to enliven the visitor offer within the Operations Room. The new Gun Turret Experience launched at the end of July 2011. The addition of lights, audio, videos and projections in

one of HMS *Belfast's* Triple Gun Turrets gives visitors a sense of what fighting at sea would have really been like; highlighting the hectic and cramped conditions of active service.

At IWM Duxford, planning has progressed on the development of *Historic Duxford* (due to open in spring 2013) with the opening of a small taster photographic display in *AirSpace* and a series of consultations being run with local community groups, disabled groups and staff. The redevelopment of the *American Air Museum*, due to be completed in 2015, has also progressed.

IWM North has run a diverse programme which included *War Correspondent: Reporting Under Fire Since 1914*, the UK's first major exhibition to reveal the people behind the news. The new display in *The WaterWay, In Our Own Words*, by Derek Eland reflected on individual experiences on the front line. Soldiers from 16 Air Assault Brigade recorded their personal thoughts on small pieces of card while on tour in Afghanistan in 2011. *In the Spotlight* series continued with a display within the Main Exhibition Space marking the tenth anniversary of the 9/11 attacks and featuring the British Union flag recovered from Ground Zero together with a piece of steel salvaged from the wreckage of the World Trade Center. New creative works were also delivered for the *Big Picture Show* such as *Al-Mutanabbi Street: A reaction* which linked to the display of Jeremy Deller's car, *Baghdad 5 March 2007*; *Service and Separation: A Volunteer Nurse in Afghanistan* which explores the experiences of Claire Davies-Griffith, a female Territorial Army nurse who served with the locally-based 207 (Manchester) Field Hospital (Volunteers) in Afghanistan in late 2010; and one on the subject of Remembrance which ran throughout November 2011.

3.3 Learning and interpretation

Learning for all is central to the IWM vision. Each branch is committed to providing a high-quality and varied on-site learning programme for visitors while also supporting staff development. We recognise the changing needs of a diverse audience and our learning offer seeks to attract a broad range of users through inclusive, dynamic and relevant learning programmes. We are increasingly looking at how digital materials can support this.

IWM's War Story project, which launched in 2009, has continued to make links with current service personnel. This year, it resulted in an interactive display opening at IWM London in October 2011. The response from visitors, press and armed services has been very positive, with service personnel attending several times a month to engage the public in discussions about the issues and experiences embedded within the display. A related season of events has included evening talks, addressing issues such as the relationship between the military and the media, soldiers' stories and popular culture. The War Story team continue documenting and collecting material for IWM's collection. Recent collecting workshops included units who have recently returned from Afghanistan and those the team has not yet had a chance to work with, such as units based in Germany.

IWM Build the Truce project examines the potential of truce, especially for the processes of conflict prevention and resolution. Truce is a suspension of violence: a pivotal moment of opportunity in the cycle of conflict. IWM Build the Truce takes this concept as the direction for an ongoing enquiry into our subject matter, collecting and continuing

relevance. The project has led to a series of events organised in partnership with schools. These have included formal learning sessions at IWM London and a pilot *Working for Peace* Expo at IWM North linked to the International Day of Peace, as well as a series of blogs. The London Olympic Committee confirmed the award of Inspire mark status in September 2011. In addition to this, other formal learning sessions targeted at Key Stage 4 and post-16 students based on the Cold War have taken place at IWM London and IWM North, and a new programme has been piloted at IWM Duxford.

Engagement, particularly with local communities, encourages visitation from our immediate audiences and allows for the incorporation of local feedback into public programming. One example of this has been Churchill War Rooms where we have worked with local schools on *The Art of Public Speaking*, as part of a partnership project with Blenheim Palace and Chartwell. This has involved after-school sessions, with a showcase event for all participating schools scheduled to take place at Blenheim Palace in June 2012. At IWM London, our Holocaust Education section has run a series of teacher training workshops, and also given a talk to a visiting group from the Religion and Ethnic Minority Network at the Department of Energy and Climate Change. At IWM North a series of partnership learning programmes have been developed and delivered with BBC Sport, Willow Tree Primary, Manchester Weekender, Manchester Jewish Museum, The Quays and Manchester Museums Consortium.

A varied programme of drop-in learning sessions has run during weekends and school holidays. Examples of the sorts of activities carried out were wartime toys and games sessions and another successful lecture day with a former pilot at IWM Duxford; interactor and handling sessions on HMS *Belfast*; a meet the artist session at IWM North which featured Gerry Judah, creator of *The Crusader* work displayed in the Main Exhibition Space; and at IWM London a collaboration with the National Theatre for making puppets to narrate different scenes from *War Horse* as well as activities relating to Remembrance, and a 1940s Christmas.

In terms of the volume of learners across our branches, the table below shows that on-site learners have increased year on year and performed well against target. This positive result follows a period of review of our learning provision. We have continued to shift our emphasis away from outreach learning programmes which are resource-intensive and reach smaller audience numbers in relative terms as reflected in the figures on page 25.

IWM Learner numbers '000s	2011–12 actual	2010–11 actual	Per cent (%) change year on year	2011–12 target	Per cent (%) target achieved
Learners in on-site educational programmes	464	403	+15	400	116
Children in on- and off-site educational programmes	295	261	+13	300	98

3.4 Collections and research

We received a total of 70,000 collections enquiries over the course of the year. The numbers of visitors to the Collections Search pages online has increased to over 203,000 and is partly due to the new IWM website which is making it easier for digital users to navigate and find what they need.

The *Explore History* centre at IWM London continues to attract large numbers of visitors with walk-in collections research and advice queries approaching 40,000 – an increase on the 29,000 users last year. The centre gives visitors the opportunity to engage with collections, finding out more about the variety of items held by IWM and giving them the opportunity to view them. The Research Room, which allows pre-booked visitors to access documents, sound and library collections had just over 4,000 visits this year.

Several major loans took place including thirty nine of official war artist Sir Stanley Spencer's acclaimed series of paintings *Shipbuilding on the Clyde*, to the Stanley Spencer Gallery, Cookham. A number of significant items were acquired by IWM over the past year. Among them were an original holograph manuscript of Siegfried Sassoon's poem *The General*; the large piece of steelwork from the World Trade Center; and the painting by the late Joseph Llamias Clatworthy *To Helmand and Back Again: Portrait of Lance Corporal Nick Davis* – who lost his right leg during an incident when a bomb was detonated during a patrol.

We were successful in an application for funding from the European Film Gateway's EFG1914 project which will see First World War film records from twenty five countries digitised in time for the start of the First World War Centenary. External funding has also enabled a tranche of 3,000 aerial photographs to be digitised in support of a partnership project with Ghent University, Belgium.

The Research Department continues to encourage the development of subject expertise, through communicating conference and seminar opportunities, and through its seminar series *Reappraising the First World War*, organised in partnership with King's College London and Queen Mary University of London. A new Research Associates system had a successful first year and a Research Grants Group was established. All four Collaborative Doctorate Awards applications to the Arts and Humanities Research Council were successful and included two on the history of IWM's displays; one on Sumatra Railway POWs and their families; and one on the large collection of First World War advertisements collected by IWM's former director, Leslie Bradley. We launched a new Research Blog and were represented at various conferences including the Australian War Memorial's conference *Korea: In from the Cold*; the Memorial at Caen's conference on representations of D Day; and the Federation of Human Rights Museums conference. We also hosted a two-day conference on how the media and popular culture have shaped our understanding of the Vietnam War to complement our exhibition *Shaped by War*.

3.5 Publications

The following books have been published in association with, or by, IWM:

- *Women War Artists* by Kathleen Palmer, published by Tate
- *Dear Joan* (pbk) by Tony Ross, published by Mainstream

- *Forgotten Voices: Desert Victory* by Julian Thompson, published by Ebury
- *Forgotten Voices of Dunkirk* (pbk) by Joshua Levine, published by Ebury
- *War Correspondent* by Jean Hood, published by Anova
- *Churchill's Bunker* (pbk) by Richard Holmes, published by Profile Books
- *Little Manfred* by Michael Morpurgo, published by HarperCollins
- *Second World War Cards*, compiled by Struan Reid, published by Usborne
- *War Diaries: A Chaplain at Gallipoli* edited by Gavin Roynon, published by Simon&Schuster
- *Forgotten Voices: Victoria Cross* by Rod Bailey, published by Ebury
- *War Diaries: A Nurse at the Front* edited by Ruth Cowan, published by Simon&Schuster
- *Collins Big Cat: Animals in War* by Jillian Powell, published by HarperCollins
- *Collins Big Cat: Through Children's Eyes*, published by HarperCollins
- *British Posters of the Second World War* reprint by Richard Slocombe, published by IWM
- *British Posters of the Second World War* app in association with Artfinder
- Reprint of IWM North guidebook, published by IWM
- Reprint of IWM Duxford guidebook, published by IWM
- Reprint of Churchill War Rooms guidebook, published by IWM
- Reprint of HMS *Belfast* guidebook, published by IWM
- Reprint of *The Holocaust Exhibition* guidebook, published by IWM
- Reprint of Tanks flip book, published by IWM
- Reprint of Spitfire flip book, published by IWM

3.6 Events

We have held a variety of events at each of our branches including air shows, film screenings and literature festivals.

IWM London ran a Children's Literature Festival in August 2011 to complement *Once Upon a Wartime*. It offered participants a fresh look at the art of storytelling through a series of workshops held over a week. Events included puppet making, drawing activities and poetry workshops as well as readings and discussions with authors – some of whose books were featured in the exhibition. The eleventh IWM Film Festival took place, with public screenings of the shortlisted films shown in the Cinema at IWM London and winners being announced at a ceremony in March 2012. IWM London also took part in the Open House London event for the last time prior to the first phase of the Regeneration project commencing. The Dome and the Board Room were open to the public, who dropped in for talks on the history of IWM and to find out more about Regeneration plans for the branch.

Churchill War Rooms held a 1940s themed event in May 2011. Following the success of this, a series of after-hours events were rolled out, including an American themed evening to celebrate the 'Special Relationship' between the UK and US in August 2011 and a 1940s inspired valentine's themed dance in February 2012. The branch also ran a 1940s inspired street party, timed with the Royal Wedding celebrations, and complete with bunting, interactors and a traditional afternoon tea offer. The 2012 series of Churchill lectures launched in March, with a talk by Taylor Downing on *Churchill and the Secrets of Photo Intelligence*.

HMS *Belfast* hosted the annual Russian VE Day commemoration with an event attended by HRH The Duke of Kent, the Russian Ambassador and veterans of the Arctic Convoys. On Trafalgar Day, 21 October 2011, HMS *Belfast* celebrated the fortieth anniversary of her opening to the public in the Pool of London. The occasion was marked with a 40-gun salute and flags on the masthead signalled special messages. The branch also worked with the organisers of the Thames Festival and the composer Orlando Gough to stage the performance of a percussion piece using the ship's structure as the sounding board. The drummers gave four 5-minute performances on 10 September, the first of which marked the opening of the Festival. On Sunday 13 November 2011, our annual Remembrance Day service was held on the quarterdeck, attracting a large invited audience.

The summer season at IWM Duxford attracted large numbers of visitors. The Spring Air Show (with the theme Women in Aviation) saw the launch of new initiatives including a Smartphone app, the Make & Paint activity zone in association with Airfix, and a Hands On History Zone, sponsored by the Military History Channel, all of which proved very successful. Flying Legends, September and Autumn air shows also took place. Other events held at IWM Duxford included the Spring Car Show, the Military Vehicle Show, the American Air Day, aero testing by the Lotus Renault F1 Team, the new Queen's Air Race Challenge Cup and the first Sally B and Friends Day Show, held in July in conjunction with the Sally B supporters, which attracted some 5,000 visitors. A new tour on the subject of Women at War was introduced to link in with the theme of the Spring Air Show. Other tours focussing on the north side of the site and a full day tour taking in Land Warfare, the American Air Museum, Hangar 4: Battle of Britain and *AirSpace* have complemented the regular free introductory tours and taster talks offered on many weekdays.

At IWM North, particular attention was paid to the tenth anniversary of 9/11. During the weekend of the anniversary, visitors were able to join a limited number of tours exploring two new exhibits relating to the events in New York. This included a "behind the scenes" visit to see a 7m piece of steel from the World Trade Center. Also marking the anniversary on 11 September the branch joined forces with Wake Forest University, North Carolina, for a transatlantic event featuring performances of two new orchestral pieces composed especially by Kevin Malone, Head of Composition at the University of Manchester. One of these was performed at IWM North, the other in North Carolina. The opening of *Once Upon a Wartime* at IWM North launched with a special family day on 11 February 2012. The event was attended by the Storytelling Laureate, Katrice Horsley, who kept children entertained throughout the day.

3.7 Awards

Shaped by War: Photographs by Don McCullin, at IWM North, was given a Highly Commended at the Museum and Heritage Awards in May 2011.

Also recognised at these awards was *The Lord Ashcroft Gallery: Extraordinary Heroes* at IWM London which was shortlisted in the Permanent Exhibition category.

3.8 Key supporters in 2011–12

While we show the following donations and sponsorships of £10,000 or more, it is not possible to report here all the contributions that we receive. IWM wishes to acknowledge the many generous donations made during the year by individuals as well as companies and charitable trusts. Such support is essential in helping us to achieve our charitable mission and goals. We also wish to thank those donors who wish to remain anonymous.

During the year, major support was received from:

29th May 1961 Charitable Trust
Friends of Duxford
IWM Friends
Boeing UK
Mr T Boone Pickens Jnr
PZ Cussons
JISC
MILITARY HISTORY™
BAE Systems
Wellcome Trust
Arts and Humanities Research Council
The Art Fund
The Oglesby Charitable Trust
The Steinberg Family Charitable Trust
The Eric Anker-Petersen Charity
The Gerry Holdsworth Special Forces Charitable Trust
The Bromley Trust
The H K Leventis Foundation

3.9 IWM Friends

The work of IWM is supported by IWM Friends (registered charity no 294360), which was established in 1986 to advance the education of the public by providing assistance to the organisation. It has no legal link with the Trustees of The Imperial War Museum. Amongst many other activities, the Friends provide guided tours for visitors. While we have seen a downturn in our membership (from 5,624 last year, to a current base of 5,086) the IWM Friends donated £50,000 last year, which is the first of a series of four grants to cover the cost of the Your Country Needs You display in the new First World War Galleries.

IWM Duxford also receives valuable assistance from the Friends of Duxford. Over the past year they donated £146,000, most of which went towards the *Historic Duxford* project.

In 2010, an independent fundraising body, the IWM Foundation, was established. Under the Chairmanship of Lord Rothermere, the IWM Foundation has high profile membership and HRH Prince William The Duke of Cambridge as its patron. Over the year work has continued in support of the Regeneration campaign at IWM London.

3.10 Corporate responsibility

3.10.1 Inclusivity

IWM's *Equality Strategy* describes how we will promote equality and outline measurable targets to monitor progress in terms of staff and visitor diversity and equality. The Equalities Monitoring Group (EMG), headed by the Director of Corporate Services, oversees the development and implementation of the strategy. EMG meetings are attended by equality champions, who are responsible for setting their respective equality strategy action plans, which are reviewed annually.

We seek to adopt best practice in inclusive design in all our projects, activities and visitor service provision, to ensure that physical, sensory and intellectual access is maximised. Access, equality and diversity issues are always considered when developing our integrated public programmes at IWM London and IWM North; from project initiation documents and throughout all exhibition project team meetings. One of our key objectives this past year has been to prioritise diversity and access as part of the Regeneration project and major capital projects such as *Historic Duxford* and the redevelopment of the American Air Museum at IWM Duxford, and new visitor entrances at HMS *Belfast* and the Churchill War Rooms. Project design teams have been working closely with their access advisory groups to ensure that the physical layout of our buildings (entrances, circulation, visitor routes, and wayfinding), services and amenities (café, toilets, shops) and new exhibition spaces are considered.

Access to our collections has been greatly facilitated by our new website and Explore History Centre facilities. This approach continues to be a major consideration as we develop our Centenary Programme. Our research department has also focused on improving equality of access to our collections, and the Arts and Humanities Research Council 'Connected Communities' grant secured in 2011 will support research on ex-colonial communities and their experience of two world wars.

3.10.2 Local communities

The First World War Centenary presents us with a significant opportunity to engage with local communities. Earlier this year, our learning department undertook research on our Centenary outreach projects. Focus groups and key educators examined the themes of proposed projects, which will see young people from selected schools in the local area researching a specific subject relating to the history of the First World War. This will involve working with schools which have large black and minority ethnic communities, to discover and explore the hidden histories of black and minority ethnic experience during the First World War and its aftermath. The teachers we worked with are supportive of the fact that the projects represent diverse histories and encourage students to think differently about the First World War.

IWM Duxford and HMP Highpoint collaborated on two educational outreach projects this year. *Changing Times* is a project, funded by the Bromley Trust, which involves working with prisoners who are studying Literacy, English as a Second or Other Language and Graphic Design. Our handling collection is used to embed learning and to provide resources for teaching and learning. As part of our *Veterans in Prison* project, learners who have a service history are invited to join the course which explores how their service relates to conflicts since 1914. Students are also given an opportunity to share their

service experiences and to reflect on the role they have played in the armed services. The key objectives of these projects is for prisoners involved to improve their employment prospects on release by gaining educational qualifications while serving their sentence.

3.10.3 Volunteers

The level of interest in volunteering to support IWM remains high. The large volunteer force continues to provide a significant source of practical support to our operations and the delivery of a range of our access, learning and wider business objectives. During the past year, an average of 1,162 volunteers jointly contributed an estimated 21,279 days or 127,674 hours of effort on behalf of IWM. This is equivalent to over 78 full time posts. The largest number of volunteer days given was in conservation activity, with some 7,946 days contributed.

At our London branches we have continued to recruit volunteers for established roles such as the IWM Friends desk, interaction team, photograph archive support, tour guiding and warship conservation, and have more recently begun to look at new volunteer opportunities linked with the Regeneration project. Communications with London branches volunteers have been maintained via team meetings, an email group, and regular visits to volunteer work locations.

IWM Duxford currently has 618 active volunteers: 381 individuals volunteering for the Duxford Aviation Society and 237 on IWM projects. Volunteers have been involved in a number of successful projects with a particular focus on conservation activity.

In December 2011 IWM North received a First Round Pass from the HLF (Heritage Lottery Fund) in support of *Improving Futures: Volunteering for Wellbeing* programme, which is being developed in partnership with The Manchester Museum. Work to develop our activity plan and stage 2 application is currently underway. The programme is scheduled to be delivered from 2013 and is an immersive social learning programme that will make a positive and lasting difference for people and the heritage sector in the region. IWM North currently supports over 60 volunteers, on average six volunteers in attendance per day. Volunteers help out in the public galleries providing excellent customer service and guidance. They also deliver short artefact handling sessions and support visitors on Your History, our interactive computer network allowing access to IWM online collections and family military history research.

The UK National Inventory of War Memorials (UKNIWM) has 7 regular office volunteers, 129 volunteer fieldworkers, 2 remote cataloguers, 74 remote data names input volunteers and involved 4 student placements in 2011–12. UKNIWM continues to be popular for fieldwork volunteers throughout the UK as they can research the memorials in their local area whilst contributing to a national archive. Over the year, volunteers catalogued 1,330 memorial records and updated 5,216. In 2012, we initiated a volunteer project to catalogue the 3,000 postcards of First World War memorials for the First World War Centenary.

4. Plans for future periods

Our Corporate Plan for 2012–15 focuses on increasing the proportion of self-generated income and reducing fixed costs in response to challenges presented by the uncertain economic climate and threats to government funding. Effective and efficient delivery of activities across IWM is a key consideration, as is maximising commercial income profit. The Corporate Plan addresses our highest business needs and covers elements of our product, infrastructure and organisational behaviour.

A number of projects are in place to lead us towards the achievement of our long-term vision. Our top priority continues to be the development and delivery of Regeneration: First World War Centenary Project, which includes implementing the first phase of our Masterplan to transform IWM London. This involves:

- New First World War Galleries, opening at IWM London in June 2014. This is the first phase of the ambitious redevelopment programme to transform our visitor experience and create exciting and new interactive galleries and exhibition spaces
- IWM's Centenary Programme is a vibrant programme that includes digital output, exhibitions and events at IWM London, IWM North and IWM Duxford, learning activities, touring exhibitions, loans, events, TV programmes, retail product and publishing
- 2015 is an important anniversary of the Second World War which we will mark

The Corporate Plan is framed around our five key strategic objectives: to be audience-centred, relevant, continuously evolving and improving, high profile and efficient and effective.

4.1 Audience-centred

Our fundamental principle to be audience-centred is pivotal. In responding effectively to the needs of stakeholders and target audiences, public programming will continue to be linked to major events and anniversaries and will optimise income generation when appropriate.

The exhibitions programme at IWM London will include *A Family in Wartime*, *Build the Truce*, *Cecil Beaton: Theatre of War*, *Horrible Histories: Spies* and the First World War galleries which open in 2014. The programme at IWM North will feature *10 @10: A Decade of Surprising Stories*, *Frontline Medicine*, *Reactions*, *Art from the Troubles* and *The First World War Exhibition* in 2014.

Our Regeneration project will build IWM London audiences and market share. We forecast that by 2014–15, IWM London visitor numbers will increase by 30 per cent to over 1.3 million. We are also aiming to increase the conversion rate to our First World War galleries, from the current rate of 59 per cent to 80 per cent of all audiences by 2014–15. Other outcomes of this project will see us attracting a broader audience profile, more formal and informal learners and more volunteer support.

At Churchill War Rooms, the new front entrance, completed in May 2012, delivers a striking bronze sculptural design and enhanced external signage; significantly improving

the street presence of the branch. The new entrance lobby features an audio-visual wall, showing more of the visitor offer to prospective visitors.

At HMS *Belfast*, a new quayside entrance, shop and rooftop bar will be developed to raise the profile of the ship and drive more visitors to the branch. Higher visitor numbers will be supported through improved interpretation, upgrading public displays and improvements to the retail and public catering offer.

4.2 Relevant

We will continue to build our profile by implementing our new brand across all strands of activity.

Our Centenary Programme aims to re-connect audiences, particularly children and young people, with the enduring legacy of the First World War. It will enable everyone to reflect on the impact of the First World War on society and individuals at that time, as well as its relevance today. We plan to widen access to our First World War collections and to engage a broad audience with the personal stories that derive from them. This will be made accessible to the public through our dedicated website 1914.org.

Over the past year we successfully applied for funding from the National Endowment for Science, Technology and the Arts (NESTA) for a research project around social digital interpretation. NESTA project funding will enable us to develop and evaluate re-useable digital ways of interacting with exhibitions and collections. This will inform our interpretation approach for *The First World War Exhibition* and other displays.

IWM Duxford will be delivering two major capital projects to renew and reinvigorate the branch. *Historic Duxford* is a new display which will focus on the personal stories and history of the airfield. Fundraising for *Historic Duxford* phase one was achieved in 2011–12 and the exhibition content is now being developed with the view to open in early 2013. Redevelopment of the American Air Museum by 2015 will see improvements to the building and object conservation as well as the redisplay of existing exhibitions.

4.3 Continuously evolving

The first phase of IWM London's Regeneration project will create new, larger First World War galleries by June 2014, a reconfigured Large Exhibitions Gallery, a new café with a terrace opening onto the park, new shop space, lifts and stairs and new visitor amenities. The new gallery spaces will increase in size by a third and the number of collections assets on display relating to the First World War will double to over 4,000. Commercial net profit (through the café, shop and corporate events) is forecast to increase by 67 per cent overall.

We will develop digital services and products (online, mobile and multimedia), in digital publishing, marketing and learning. E-commerce development work will focus on developing our services to achieve the delivery of integrated sound, film and still images sales and we will continue to upgrade our sales websites in order to build business and increase online revenues.

IWM North will maximise the opportunities presented by increased footfall to the quays, with relocation of the BBC to MediaCityUK last year and the arrival of Coronation Street and ITV in 2013. The use of digital media will be a crucial part of developing the offer in the Main Exhibition Space, options for which will be appraised over the next year.

4.4 High profile

We will act as the international leader in the contemporary interpretation and legacy of the First World War. IWM's Centenary Partnership develops and supports a network of organisations from around the world involved in commemorating the centenary. There are already over 360 member organisations who are involved in planning and linking events for the centenary. Digital publishing products being developed for 2014 include a complete scheme of work about the First World War for secondary schools (Key Stage 3), a guide to teaching the First World War for teachers and curated digital packages of assets and content for higher education.

Key partnerships and projects, including IWM Build the Truce and IWM War Story, will have a far reaching impact in terms of the strategic relationships developed and advances in contemporary collecting and interpretation.

The Research Department has a programme of activity designed to enhance IWM's reputation in academic circles, including high profile partnerships and seminars on the First World War Centenary. The department will lead on research initiatives and opportunities available through research grants, to ensure that staff subject expertise is properly channelled and disseminated.

4.5 Efficient and effective

It is a constant aim of IWM to find ways of working that will improve the efficiency and effectiveness of all areas. *Fit for the Future* will continue to focus on investing in organisational change to get maximum return from our resource and reduce fixed costs now and in the future.

Effective prioritisation of all lifecycle works across our large estate and the overall reduction in energy consumption continues to be a top priority. Our Information and Communication Technology team will concentrate on further improving our infrastructure, by standardising and modernising software to reduce the cost of supporting old legacy systems, and supporting the digitisation programme which is essential for future ecommerce activities and our centenary programme.

We will continue to streamline our procurement processes and reduce our supplier cost base. Shared services and long-term collaboration within the museum sector will be pursued so as to contract as a group of organisations for cost-effective services.

5. Financial review

IWM's financial statements include the grant in aid received from Government and the consolidation of the commercial and learning activities performed by the IWM Trading Company. During the financial year the IWM Development Trust became independent of the Museum. Funds raised and managed by the Trust are included up until that date, 7 March 2012. The Consolidated Statement of Financial Activities is to be found on page 50.

Net outgoing resources, after depreciation but before revaluation changes, were £7.230 million for this year. This compares to net incoming resources of £1.012 million in the previous year. Apart from the decoupling of the Trust there is another major change in this financial year. There has been the grant of funds external to the group. This is for a sum of £3.358 million. If this is excluded then the change in funds is a reduction of £4.884 million.

The reason for this difference lies wholly within restricted funds. In the previous financial year incoming restricted funds totalled £8.942 million. This year they were £3.590 million which is £5.352 million less. Such funds are for capital projects principally, for example the Lord Ashcroft Gallery in the prior year, and will vary year by year. Related expenditure will comprise the depreciation following completion of the respective project. This will necessarily lag behind the receipt of income and in lower income years, such as this, a net deficit will occur naturally.

The very positive performance is that the net unrestricted funds generated for the year have moved from a net surplus of £0.493 million to £1.729 million, excluding the grant detailed above. Whilst income saw a reduction of £0.855 million, costs were lowered by £2.091 million.

Self-generated income generation has achieved successful results in the face of challenging economic trading conditions. Income from admissions at the charging branches increased by 1 per cent year on year notwithstanding that HMS *Belfast* had to close from 29 November following the gangway collapse. The loss of income from the ship is subject to a specific insurance claim and is accounted for separately under external funds.

The overall profit from trading activities saw a reduction of £0.281 million in comparison to the previous year. Last year was a windfall one with an exceptionally successful Battle of Britain anniversary Air Show and a very popular temporary charging exhibition at IWM London. Compared to the one previous, net profit shows an increase of 9 per cent or £0.278 million. This financial year has seen record net profit achieved from retail on a reduced turnover.

The other significant influence on the financial performance has been the control of expenditure and the realisation of efficiency savings, in line with IWM's *Fit for the Future* programme of business change. Staff costs have fallen by 2 per cent and governance costs by 6 per cent.

Overall the level of funds carried forward at 31 March 2012 reduced by £7.476 million in comparison to an increase of £8.585 million in the previous year. This is due chiefly to the granting of funds externally, inclusive of those that were held as unrestricted funds

within the IWM Development Trust in the prior financial year.

The Trustees continued to apply the approved investment policy during the year. The policy states that the credit rating of the banks with which IWM and its subsidiaries place funds must be at least a 'double A' rating, as assessed by the Standard and Poor's index. In addition, in order to spread risk as widely as possible, the museum entities have a cap of £4 million or 25 per cent of the total Group funds available for investment at that date, whichever is the lower, with any one institution unless exceptional amounts of cash are being held. All investments were held in cash at 31 March 2012.

5.1 Reserves policy

Objective

The policy, approved by Trustees as part of the Corporate Plan, incorporates policies for contingency to cope with short-term variations in estimates of market conditions, and to build longer-term reserves to ensure financial stability for the future and investment for essential projects.

Contingency

The successful regime of expenditure controls and cash flow management will continue. Budget forecasts are subject to detailed review on a quarterly basis. Budget holders have real-time access to their budget information and commitments against these. They are required to complete a formal review on a monthly basis. Specifically, a third of the annual budget amount is withheld until the actual results of the first six months of activity are known. In addition, projects that are to be funded from externally raised income will not be started until such funding is secure. These mechanisms have worked effectively in allowing us to adapt and respond within financial years without significant disruption.

In addition, IWM has a contingency plan to provide for a fund of three per cent of operational expenditure. In arriving at this, a sensitivity analysis has been performed on two areas of potential volatility: unrestricted income and utility costs. Plans for revenue generation have been formulated on a prudent basis in light of the current recessionary market conditions.

Reserves

The reserves policy is an integral part of the strategic approach to financial management of IWM. Funds held by IWM comprise restricted monies and/or funds designated to capital expenditure. Unrestricted funds are kept to the minimum that Trustees deem appropriate given the contingency plan that is in place.

5.2 Public sector payment policy

IWM has implemented the Confederation of British Industries' Prompt Payers Code. All suppliers are informed by standard letter of IWM's payment procedure and the system for addressing complaints and disputes. The percentage of invoices paid promptly in 2011–12 was 81 per cent, an increase on the level achieved in 2010–11 which was 79 per cent.

Key performance indicators

The results reported below represent the 12 performance indicators based on our Funding Agreement with DCMS. Results are shown in '000s unless otherwise stated.

Performance indicator ('000s)	2011–12	2010–11	Per cent (%) change
Access			
Number of visits to IWM (excluding corporate hospitality guests and virtual visitors)	2,250	2,318	-3
Number of unique website visits	3,962	3,478*	+14
Audience profile			
Number of children aged 15 and under visiting IWM	428	456	-6
Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8	138	183	-25
Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	61	75	-18
Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness	56	61	-9
Number of overseas visitors	837	784	+7
Learning and outreach			
Number of facilitated and self-directed visits to IWM by children under 16 in formal education	192	168	+14
Number of instances of children under 16 in on-site organised activities	104	91	+14
Number of instances of children under 16 in outreach activities outside IWM	1	2	-59
Number of instances of adults aged 16 and over in organised activities at IWM	169	143	+18
Number of instances of adults aged 16 and over in outreach activities outside IWM	2	3	-42**
% of visitors who would recommend a visit	99%	99%	0
Income generation			
Admissions income	£6,147	£6,083	+1
Trading net profit	£4,414	£4,997	-12
Fundraising income	£2,478	£5,897	-58**
Regional engagement			
Number of UK loan venues (<i>exact number reported</i>)	376	90	318

Figures above reflect the closure of HMS *Belfast* from 29 November 2011 to 18 May 2012, when the formal and informal learning programme at the branch were suspended

* 2010–11 figure restated using Google Analytics

** The figures reflect the strategic shift away from outreach learning programmes

6. Personnel policies

IWM follow policy guidelines issued by the Cabinet Office about the employment of disabled people. We are an Equal Opportunity Employer and have agreed statements of safety policy under section 2(3) of the Health and Safety at Work Act 1974.

At the end of March 2012, 1 per cent of our staff considered themselves to have a limiting disability. With regard to diversity, 2 per cent of staff surveyed considered themselves to be black or minority ethnic. On average (over the period), our workforce is made up of 53 per cent male and 47 per cent female employees. The Senior Management Team comprises six male Directors and three female Directors (inclusive of the Director-General).

Our Personnel Strategy pivots on the need to deliver a flexible workforce and organisational structure that is creative, affordable and sustainable, ensuring that we can develop and make the best use of the knowledge and skills of our workforce. The strategy describes how the successful management and development of our workforce will deliver the *Fit for the Future* change agenda. Objectives include people management, such that professional and effective management of staff delivers the required capacity, capability and staff wellbeing key to our success and productivity.

Over the year, we have seen the average number of staff sick days reduced from 7.9 days in 2010–11, to 6.9 in 2011–12. This is a reduction of 13 per cent and falls below the average for our sector, with the equivalent within the public sector being 9.6 days, the not-for-profit sector being 8.3 days, and the UK average being 7.7 days (July 2011 figures). If long-term sickness (21 days or more) is excluded from our tally above, then IWM's average this year falls by 33 per cent, from 3.2 days from 4.8 days in 2010–11.

6.1 Informing and consulting employees

The preparation and circulation of our annual Corporate Plan is one of the key ways in which the Senior Management Team communicates with staff. As part of this business planning process, all senior staff and managers participate in a series of workshop sessions, providing a platform for questions and debate.

We strive to achieve good internal communication by encouraging regular team, departmental and cross-divisional meetings. Our intranet is regularly refreshed with relevant updates and corporate information; and in 2012 will be upgraded to facilitate more collaborative and effective ways of communicating and working across IWM.

A monthly team brief system has continued, with the circulation of briefing documents which contain key performance updates, progress on projects and the sharing of information agreed at Senior Management Team meetings. Team Brief is distributed to all staff for use at their regular team meetings. An internal web-based newsletter, *Radar*, is also edited and produced in-house on a bi-monthly basis and continues to be a popular and informative internal communications mechanism. Branch Staff Consultation Forums (BSCFs) are also attended by staff, union and personnel representatives.

6.2 Personal data

There were no personal data related incidents to report for the period 2011–12.

7. Environmental sustainability report

We are committed to reducing our carbon footprint and the impact of our operations on the environment. Our *Sustainable Development Policy* aims to improve our environmental performance by, amongst many other points, meeting all relevant current and foreseen statutory regulations and official codes of practice, using passive and low energy systems wherever practicable, and achieving the sustainable development targets set by Government policy.

We record our carbon footprint in terms of energy consumption and waste generated and actively seek to conserve energy, water, paper and other resources – particularly those which are scarce or non renewable. We aim to reduce waste through reuse and recycling and by using reconditioned and recycled products and materials where such alternatives are available.

7.1 Exhibition programme

We recycle and reuse equipment and building material wherever possible and in relation to construction, all timber bought for our exhibitions comes from sustainable sources, with suppliers required to provide us with certificates to validate this. In developing exhibition dressing and display, we reclaim materials wherever possible and avoid commissioning large numbers of new acrylic mounts unless bespoke support for objects is required. A sustainable, reusable mounting system was devised for *Once Upon a Wartime*, to allow the easy transfer of the exhibition to IWW North, which meant that no new or additional mounts were required for object dressing.

We have a stock of 'Click' showcase fronts which we reuse for exhibition projects. IWM's Exhibitions Production Manager regularly attends the Sustainable Exhibitions Group which brings together staff across the museum sector to look at developments and experiences in this area. If we have any items for disposal that might be of use for other museums we will advertise them via the Sustainable Exhibitions email group.

7.2 Energy consumption

Energy consumption reduction across our estate is a priority and measured as one of our corporate performance indicators. Our Facilities Management department continues to explore the procurement of cheaper energy and energy conservation opportunities, while our lifecycle maintenance programme progressively addresses the replacement of outdated plant and equipment with new, energy-efficient equipment. Much progress has been made this past year in modernising our plant equipment. New boilers were installed at IWM North, oil tanks at IWM Duxford were repaired and we undertook a project to replace the chillers for air conditioning at IWM London. This has led to an 11 per cent reduction, compared with last year; and has brought us closer to meeting our targets (with 97 per cent of Corporate Plan target for 2011–12 achieved).

Energy consumption performance indicator '000s	2011–12 actual	2010–11 actual	Per cent (%) change year on year	2011–12 target	Per cent (%) target achieved
Energy consumed (kWh) electricity, gas and oil consumption combined	20,776	23,458	-11	20,128	97

7.3 Greenhouse gas emissions

We have registered with the government's CRC Energy Efficiency (Carbon Reduction Commitment) and are fully compliant with its requirements. We complete annual assessment of consumption at each site and display our performance using Display Energy Certificates. Performance continues to improve across our branches, with the exception of All Saints Annexe which has seen a significant increase in computing load this past year.

Total CO² emissions '000s	2011–12 actual	2010–11 actual	Per cent (%) change year on year	2011–12 target	Per cent (%) target achieved
Tonnes CO ² per year	9	9,5	-5	n/a	n/a

7.4 Waste management and minimisation

In 2011–12 our waste management and recycling contract for IWM London, IWM Duxford and offices at All Saints Annexe and Walnut Tree Walk was re-tendered, with the intention of significantly reducing our waste to landfill. This and other similar initiatives are supported by a communications plan, aimed at modifying behaviour and inspiring staff to live and work in an environmentally sustainable manner. The new waste contract has seen simple systems introduced to improve our rigour in recycling. All individual desk bins were removed from offices and replaced by communal recycling and waste banks. We aim to achieve zero waste to landfill during 2012.

Waste minimisation and management '000s	2011–12 actual	2010–11 actual	Per cent (%) change year on year	2011–12 target	Per cent (%) target achieved
Total standard waste arising (tonnes)	245	276	-11	n/a	n/a
% recycled	16%	11%	45	n/a	n/a
Expenditure of the above	£60	£62	-4	n/a	n/a

7.5 Print buying policy

Our print buying policy recommends using Forest Stewardship Council certified or recycled paper for our marketing materials, leaflets and books. We favour suppliers who can demonstrate their commitment to sustainability, for example through achieving environmental accreditations. We avoid using materials and print finishes that are non-recyclable, and regularly review print volumes and stock levels to minimise wastage. We are a member of the Publishers Green Network, a group of UK publishing houses promoting environmental awareness and best practice.

7.6 Procurement

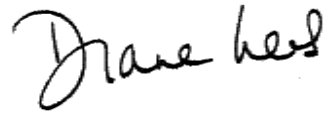
As part of our tendering process, our questionnaire always asks suppliers to provide their environmental policy, inclusive of sustainability, and this is always assessed as part of the overall response to the questionnaire. A good or bad response will, however have a limited affect on the overall review outcome.

Where sustainability issues are critical to the performance of a product or service, and will therefore inform our selection process, we always request specific information. This might be linked to energy consumption, the lifecycle of the consumables and the lifetime of the product. Examples of this approach are the installation of a new external lighting system at IWM North and the digitisation of the Big Picture Show, also at IWM North.



Sir Francis Richards KCMG CVO DL
Chairman of the Trustees

Date 4 July 2012



Diane Lees FMA FRSA
Director-General and
Accounting
Officer

8. Reference and administrative details of the charity, the Trustees and advisers

8.1 Addresses

IWM London

Lambeth Road
London
SE1 6HZ

Churchill War Rooms

Clive Steps
King Charles Street
London
SW1A 2AQ

IWM Duxford

Duxford
Cambridgeshire
CB22 4QR

HMS Belfast

The Queen's Walk
London
SE1 2JH

IWM North

The Quays
Trafford Wharf Road
Manchester
M17 1TZ

Website

iwm.org.uk

8.2 Principal Advisers

Solicitors

IWM employs the Treasury Solicitor and commercial solicitors on an ad hoc basis.

Principal Bankers

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

8.3 Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Museum's consolidated accounts for the year ended 2011–12. The audit fee in respect of this work was £39,000.

Auditors

Consolidated Accounts

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

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

Imperial War Museum Trading Company Limited and Development Trust Auditors

Kingston Smith
Devonshire House
60 Goswell Road
London EC1M 7AD

Internal Audit

RSM Tenon
66 Chiltern Street
London
W1U 4JT

8.4 The Imperial War Museum Trading Company

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

The principal activity of the Trading Company is the operation of the commercial and educational activities of IWM, including retailing, corporate hospitality and the IWM Duxford Air Shows. The registered office of the Trading Company is the Imperial War Museum London.

The Directors of the Imperial War Museum Trading Company

Mr Tom Wright CBE (Chair)
Mr Keith Cameron
Mr Jon M Card ACA
Ms Diane Lees FMA FRSA
Lord Black of Brentwood (until 31 December 2011)
Ms Catharine Pusey
Professor Sir Miles Irving DSc FRCS (from 1 January 2012)

8.5 The Imperial War Museum Development Trust

The Imperial War Museum Development Trust was originally constituted as an exempt charity, by a Declaration of Trust dated 8 September 1969, varied in June 2004. The Trustees of the Imperial War Museum Development Trust are empowered to receive, hold and administer funds or other assets entrusted to them by grant, gift or bequest for purposes appropriate to the functions of the Trust. Their remit includes the development of longer-term resources for IWM.

On 7 March 2012 existing Trustees agreed a further amendment of the Trust Deed, enabling the reconstitution of the Trust in order to give it complete independence from the Imperial War Museum. The Charity was registered with the Charity Commission with effect from that date.

The financial activities of the Trust up to 7 March 2012 are consolidated with those of the Museum in these financial statements.

The Trustees of the Imperial War Museum Development Trust

Air Chief Marshal Sir Peter Squire GCB DFC AFC DL DSc FRAes (Chairman) (until 18 December 2011)

Sir Francis Richards KCMG CVO DL (Chairman) (19 December 2011 – 7 March 2012)

Ms Diane Lees FMA FRSA (Director-General) ex officio

Sir John Scarlett KCMG OBE

From 7 March 2012, following the Reconstitution of the Trust:

Mr Christopher Fisher (Chairman)

Sir Thomas Harris KBE CMG MA

Ms Diane Lees FMA FRSA (Director-General) ex officio

8.6 Director-General and Accounting Officer

The Director-General and Accounting Officer for IWM is Diane Lees.

8.7 Delegation of Public Appointments

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

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

8.8 Members of the Board of Trustees

The Board of Trustees of the Imperial War Museum

President:

His Royal Highness The Duke of Kent KG GCMG GCVO

Chairman:

Air Chief Marshal Sir Peter Squire GCB DFC AFC DL DSc FRAeS (until 18 December 2011)

Sir Francis Richards KCMG CVO DL (from 19 December 2011)

Deputy Chairman:

Sir Francis Richards KCMG CVO* (until 18 December 2011)

Lieutenant General Sir John Kiszely KCB MC* (from 19 December 2011)

Board Members:

Lord Black of Brentwood

Mr Jon Day CBE

Professor Sir Miles Irving DSc FRCS* (retired from Audit Committee in January 2012 to take up appointment on Trading Company)

Lieutenant General Sir John Kiszely KCB MC DL*

Dame Judith Mayhew Jonas DBE*

ACM Sir Stuart Peach KCB CBE FRAeS ADC RAF (from 19 December 2011)

Sir John Scarlett KCMG OBE

Admiral The Lord West of Spithead GCB DSC

Professor Hew Strachan PhD FRSE

Mr Jonathan Watkins (from 25 July 2011)

Mr Nick Williams

Mr Tom Wright CBE

Ms Bronwen Maddox*

His Excellency Mr John Dauth AO LVO (Australian High Commissioner)

His Excellency Mr Gordon Campbell (Canadian High Commissioner) (from September 2011)

His Excellency Mr James Wright (Canadian High Commissioner) (until August 2011)

His Excellency Mr Nalin Surie (Indian High Commissioner) (until July 2011)

His Excellency Dr Jaimini Bhagwati (Indian High Commissioner) (from March 2012)

His Excellency Mr Derek Leask (New Zealand High Commissioner)

His Excellency Mr Wajid Shamsul Hasan (High Commissioner for Pakistan)

His Excellency Dr Zola Skweyiya (South African High Commissioner)

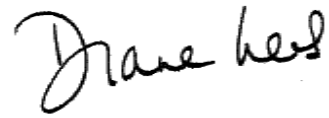
His Excellency Dr Chris Nonis (Sri Lankan High Commissioner) (from 1 September 2011)

** Members of the Trustees' Audit Committee*



Sir Francis Richards KCMG CVO DL
Chairman of the Trustees

Date 4 July 2012



Diane Lees FMA FRSA
Director-General and
Accounting
Officer

9. Remuneration report

9.1 Remuneration Committee and policy

The Board's Remuneration Committee meets annually to consider pay awards for the Director-General. The Committee comprises the Chairman and Deputy Chairman of the Board of Trustees and the Chair of the Audit Committee. The Director-General is eligible for a discretionary bonus of up to 15 per cent of which up to 2 per cent may be consolidated into pay as the annual rise. In addition the Committee receives details of the Senior Management Team pay. The Senior Managers are set objectives based on IWM's business plans. The Director-General reviews their performance against these. They could be eligible for performance pay of up to 5 per cent of basic salary. Their pay is subject to benchmarking on a periodic basis.

9.2 Salary and pension entitlements

The audited salary and pension entitlements of senior staff with corporate responsibilities as at 31 March 2012 were as follows:

	D Lees Director-General	J Card Director of Business and Governance	A Stoneman Director of Corporate Services
	£'000	£'000	£'000
Salary	125–130	85–90	80–85
Prior year comparative salaries	125–130	85–90	80–85
Bonus	Nil	Nil	Nil
Prior year comparative bonus	Nil	Nil	Nil
Benefits in kind*	10.6	0	0
Prior year benefits in kind	4.89	0	0
Real increase in pension at age 60	0–2.5	0–2.5	0–2.5
Real increase in lump sum at age 60	0–2.5	0–2.5	0–2.5
Total accrued pension at age 60 at 31 March 2012	30–35	15–20	35–40
Lump sum at age 60	35–40	55–60	110–115
Cash Equivalent Transfer Value (CETV) at 31 March 2011**	430	337	630
Cash Equivalent Transfer Value at 31 March 2012	495	368	688
Employee contributions and transfers-in	2.5–5	0–2.5	0–2.5
Real increase in CETV as funded by employer	25	2	5

*The Director-General, Diane Lees, has use of a room for accommodation purposes within IWM London. The value of the assessed benefit in kind, is being based on comparable

accommodation in the vicinity. The value of this has increased in 2011–12 to reflect exclusive use by the Director-General. No other benefits in kind were made available to the Director-General or Senior Management in the year.

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

The Director-General and Senior Managers have permanent contracts of employment with notice periods of three months. Other than those stated in the table above, no other benefits in kind were made attributable to them for the year. No severance, compensation or bonus payments were made and no payments were made to former Senior Managers. In the event of early termination of employment the provisions of the Principal Civil Service Pension Scheme would be followed. There were no payments to third parties for the services of Senior Managers at any time.

The Chairman and Board of Trustees received no remuneration for their services during 2011–12 or 2010–11. Travel and subsistence expenses paid to eight Trustees amounted to £9,375 (2010–11, £10,697).

9.3 The Cash Equivalent Transfer Value (CETV)

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

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

9.4 The real increase in the value of the CETV

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

9.5 The relationship between the remuneration of the highest paid director and the median remuneration of IWM's workforce

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

	2011–12	2010–11
	£'000	£'000
Band of highest paid director's total remuneration	135–140	130–135
Median total remuneration	£21,698	£21,492
Ratio	6.34	6.17

The banded remuneration of the highest-paid director in IWM in the financial year 2011–12 was £135,000–£140,000 (2010–11, £130,000–£135,000). This was 6.34 times (2010–11 – 6.17) the median remuneration of the workforce, which was £21,698 (2010–11, £21,492).

In 2011–12, no employees (2010–11, nil) received remuneration in excess of the highest-paid director.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

The increase in the ratio reflects the change in the value of, the benefit-in-kind to the highest-paid director. In addition, all staff paid £21,300 and above were subject to a pay freeze in both years.

9.6 Reporting of civil service and other compensation schemes – exit packages (Comparative data is shown in brackets for previous years)

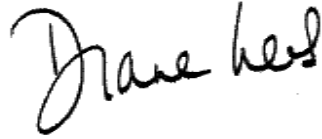
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil (nil)	2 (2)	2 (2)
£10,000–£25,000	Nil (nil)	1 (5)	1 (5)
£25,000–£50,000	Nil (nil)	1 (1)	1 (1)
Total number of exit packages	Nil (nil)	4 (8)	4 (8)
Total resource cost / £	Nil (nil)	£ 60,437 (£123,546)	£60,437 (£123,546)

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



Sir Francis Richards KCMG CVO DL
Chairman of the Trustees

Date 4 July 2012



Diane Lees FMA FRSA
Director-General and
Accounting
Officer

Statement of Trustees' and Director-General's responsibilities

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

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

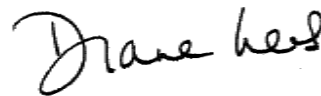
1. Observe the accounts direction issued by the Secretary of State and the Government Financial Reporting Manual, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
2. Make judgements and estimates on a reasonable basis;
3. State whether applicable accounting standards as set out in the Government Financial Reporting Manual and the Statements of Recommended Practice have been followed, and disclose and explain any material departures in the financial statements
4. Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that IWM will continue in operation

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director-General, Diane Lees, as the Accounting Officer for IWM. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records and the safeguarding of IWM assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Managing Public Money.



Sir Francis Richards KCMG CVO DL
Chairman of the Trustees

Date 4 July 2012



Diane Lees FMA FRSA
Director-General and Accounting
Officer

10. Governance Statement

10.1 Governance statement scope of responsibility

The Trustees and Director-General, as Accounting Officer, have responsibility for maintaining a sound system of internal control to support the achievement of our aims and objectives. IWM's governance system ensures that public funds and our assets are safeguarded in accordance with HM Treasury's Managing Public Money, and specifically, the Management Statement and Financial Memorandum between IWM and the Department for Culture, Media and Sport (DCMS). Internal audit is provided by RSM Tenon; an independent company which operates within the government Internal Audit Standards. External, independent sources of assurance are provided by The National Audit Office, and Kingston Smith, who audit our Trading Company.

10.2 Corporate governance framework

Board of Trustees

The Board of Trustees approves IWM's objectives, as set out in the Corporate Plan, and the targets agreed annually with DCMS through the Funding Agreement process. Along with strategic development, the Board also monitors performance and is supported in performing its duties by a number of subcommittees, including the Audit Committee, Regeneration Committee, Arts Commissions Committee and Remuneration Committee:

- The Audit Committee regularly reviews risk management, including risks relating to Regeneration: First World War Centenary project. It approves the Annual Report and Accounts and is responsible for policy review. The Committee regularly reviews internal and external audit reports, and this year, agreed a three year audit strategy based on our strategic risks and other key issues. The annual report from IWM Duxford's Flight Safety Committee, annual Health and Safety Report and Physical Security Report are also reviewed by the Audit Committee, as is HMS *Belfast's* business continuity following the collapse of the gangway and closure of HMS *Belfast* in November 2011.
- The Regeneration Committee supports the Board in relation to oversight of our major redevelopment project. It provides assurance to the Trustees that the programme of work is implemented within agreed parameters and in compliance with the Office of Government Commerce guidelines. This committee also undertakes regular reviews of Regeneration: First World War Centenary project risks.
- The Art Commissions Committee is empowered by the Trustees to select and agree terms with artists for the commission of works relating to all aspects of British and Commonwealth Forces' activities, including their role as part of UN military, humanitarian or civilian operations. It also agrees interpretative or retrospective commissions which relate specifically to IWM's remit.
- The Remuneration Committee oversees the review of the Director-General's pay and performance.

During the financial year the Board has approved IWM's Corporate Plan, Annual Report and Accounts, collection disposals and acquisitions above £100k. It has supported and

approved strategies, as well as key decisions, relating to Regeneration: First World War Centenary project, including the historical narrative for the exhibition, and other major capital projects. Specifically it has approved the increase in project scope for the HMS *Belfast* entrance facility and received a demonstration of our new website. In addition the Board has undertaken an annual review of risk management and received annual reports from Committees and Trading Company Directors. It has monitored financial and Corporate Plan performance throughout the year. In terms of the underlying quality of information, performance and financial data provided for Board consumption is regularly reviewed for its effectiveness with audit or financial Trustees.

Board attendance and effectiveness review

The Board of Trustees meets four times each year. Trustees' record of attendance is considered to be important and is monitored. Over the past year, Board attendance averaged at 83 per cent. Individual attendances area recorded as follows:

Trustee	Attendance
HE Dr Jaimini Bhagwati (or representative)	100%
Lord Black	100%
HE Gordon Campbell (or representative)	100%
HE John Dauth (or representative)	100%
Mr Jon Day	25%
HE Wajid Shamsul Hasan (or representative)	75%
Professor Sir Miles Irving	100%
Lt General Sir John Kiszely	100%
HE Derek Leask (or representative)	75%
Ms Bronwen Maddox	50%
Dame Judith Mayhew Jonas	100%
HE Dr Chris Nonis (or representative)	50%
ACM Sir Stuart Peach	100% (1 of 1)
Sir Francis Richards	100%
Sir John Scarlett	100%
HE Dr Zola Skweyiya (or representative)	75%
ACM Sir Peter Squire	100% (3 of 3)
Professor Hew Strachan	100%
Mr Jonathan Watkins	100% (3 of 3)
The Lord West	75%
Mr Nick Williams	25%*
Mr Tom Wright	75%

*medical and OFSTED related absences

The Audit Committee also meets four times a year and its attendance level is reported to the Board in the context of the annual Committee report, and in accordance with HM Treasury guidelines for best practice. Average attendance over the past year averaged at 87 per cent, which is an unusually low figure for this Committee, due to the impact of two members being unavailable for one meeting. The matter of attendance and its importance was addressed by the new Committee chair in January 2012. Individual membership attendances are as follows:

Committee Member	Attendance
Professor Sir Miles Irving	100% (3 of 3)
Sir John Kiszely	100%
Ms Lynn Krige (co-opted)	0 (0 of 2)
Ms Bronwen Maddox	75%
Dame Judith Mayhew Jonas	100%
Sir Francis Richards	100% (3 of 3)
Sir John Scarlett	100% (2 of 2)

An effectiveness review of IWM's Board and Audit Committee, scheduled to take place this year, has been put on hold owing to the appointment of a new Chair, Sir Francis Richards in December 2011 and pending the outcome of a review on boards in culture and heritage bodies commissioned by DCMS. The effectiveness review will now be undertaken early next year and will include a self assessment of compliance with the Corporate Governance Code.

A Committee has been established to support the Board in undertaking its responsibilities in relation to oversight of the Regeneration: First World War Centenary project. The Committee met six times this year. Individual membership attendance is as follows:

Committee Member	Attendance
Dame Judith Mayhew Jonas (Chair)	100%
Nick Williams	84%
Ms Lynn Krige (co-opted)	66%
Mr Mike Griffiths (co-opted)	100% (1 of 1)
Mr Tony Halmos (co-opted)	100% (1 of 1)

Over the past year, IWM has complied with the Corporate Governance Code in so far as it is appropriate.

Executive managers

The Senior Management Team (SMT) is an executive decision-making body which, in the context of our corporate governance model, leads on strategic planning, approves the allocation of resource and monitors progress against our Corporate Plan. SMT is responsible for the ratification of key areas of IWM policy and process, prior to presentation to the Board for final approval. It maintains an overview of the compliance and regulatory systems of IWM and regularly reviews the strategic risk register. Information from Board meetings and audit reviews are disseminated to SMT.

10.3 Risk management

IWM's internal control system is designed to manage risk to a reasonable level, rather than eradicate all risk of failure. It can therefore only provide reasonable and not absolute assurance of effectiveness. In managing risk we identify the opportunities and risks in achieving our strategic objectives, evaluate the likelihood of those risks being realised, the impact should they be realised and the controls in place to manage them efficiently and effectively. Our highest priority risk areas are grouped into ten strategic

risks.

Risk management overall is viewed as a dynamic process which actively seeks to incorporate good practice. It is responsive and current and is managed through ongoing review and horizon scanning – where political, social, economic, demographic, technological, environmental and legal developments are examined to ascertain our level of exposure to risks and future opportunities.

As a Non Departmental Public Body (NDPB) IWM has a low risk appetite in relation to compliance, regulation and to our ten strategic risks. In areas where we aim to be relevant and influential, we are prepared to take calculated risks, such as adopting a medium risk appetite for programming and content. Our risk appetite is reviewed by SMT and reported for approval to the Audit Committee annually. SMT determine whether our overall risk profile is commensurate with our risk appetite.

Risk profile

Our response to emerging risks over the past year is summarised below:

- The risk for ‘serious deterioration in financial resources’ was raised to a higher level during the year. Our strategic response is to build financial sustainability through our three-year Corporate Plan, which funds our highest priorities and focuses on increasing commercial revenue and profit. Long-term business change through *Fit for the Future* will bring greater financial flexibility by reducing fixed costs. This risk remains a significant challenge in the short to medium term, owing to the uncertain economic climate and greater reliance on self-generated income.
- Our risk level for ‘audience stagnates and declines’ continues to reflect visitor number volatility, particularly with the potential impact of the Olympic Games and closure of IWM London for six months from January 2013. However, capital development projects across our branches, Regeneration of IWM London and the opening of the new First World War galleries in 2014 will bring significant positive change to IWM’s audience development and market share by 2014–15.
- Progress has been made in mitigating the risk for ‘inefficient and outmoded infrastructure’, especially in terms of investment in building, plant infrastructure and ICT. However, the overall residual risk remains at a high level in light of the acute pressure on existing capital funds and the potential for reduction in capital grant in aid funding in coming years.
- Significant improvement in collections management and storage have also been made in response to the risk ‘loss or damage to collection and other assets’. Further improvement will be achieved through long-term, continued investment in storage conditions at IWM Duxford northside and ongoing documentation and digitisation.
- The implementation of our Research Strategy over the past year and our International Research Organisation status means that a low risk level for the risk ‘Collection and scholarly expertise not developed’ is sustainable. Over the past year, four successful Collaborative Doctoral Awards have been accepted and IWM successfully applied for NESTA funding in respect of a research project around social digital interpretation.

- The risk 'serious harm to people' has lowered in level over the year, reflecting our continued focus on cultivating staff awareness of Health and Safety. We anticipate that this position will be sustained through the prioritisation of activity, further staff training and clear policies and procedures to ensure the health and safety of visitors and staff.
- 'Staff motivation and productivity low' would seriously hamper the ability of IWM to deliver its mission. Over the past year, improved internal communications and positive changes to ways of working brought about by the *Fit for the Future* programme have been achieved. Changes to pay and pension terms will come into effect from April 2012 and as a result of this, the risk level may potentially worsen. Staff morale and motivation is carefully monitored; for example through a staff engagement survey commissioned in March 2012.
- Clear governance structures are in place in response to the risk 'breach of laws, regulations and standards'. The implementation of our Information Security Policy is monitored through the quarterly report mechanism. Copyright issues being addressed include the centralisation of copyright agreement storage and preservation and the effective management of risk around Intellectual Property Rights (IPR) and the website. Detailed corporate planning has built transparency into resource allocation and allows the Board to gain full understanding of IWM's business and operation.
- Whilst there are limitations to the actions which can be taken in the event of a security attack on IWM, appropriate training and our Business Continuity planning regime mitigates the risk 'significant business interruption' as far as possible. Long term, estates masterplanning and major capital investment (such as the Regeneration: First World War Centenary project) will also support this work, although reduced capital grant in aid funding exerts significant pressure on maintenance and lifecycle programmes.
- Regeneration: First World War Centenary project is an enormous opportunity and major progress has been made in developing transformational plans. The risk 'Regeneration: First World War Centenary project opportunity not fully exploited' reflects the magnitude and impact of the project.

Our strategic risk register is monitored at regular intervals to ensure that actions are being carried out, that the identified controls are effective, and to monitor the direction of travel.

Managing information security risk

All staff handling IWM information or using our information systems are responsible for ensuring that they comply with IWM's Information Security Policy and procedures. Every IWM information asset has a nominated Information Asset Owner (IAO), responsible for regularly auditing their system.

Risk relating to Information Security is assessed by Information Asset Owners on a regular basis, in the context of our ten strategic risks and through the quarterly reporting process. IAO's provide our Senior Information Risk Owner (Director of Business and

Governance) with an annual statement of assurance for the system they are responsible for. An annual audit of information assets and ICT systems is also carried out by our Information Technology Security Officer (Head of ICT) in order to provide a statement of assurance to the SIRO. Our annual records audit covers departmental compliance with IWM's Information Security Policy and over the past year, there have been no significant lapses in protective security or the loss of data.

10.4 Response to challenges

This year was the first year of our current four year settlement from the DCMS. Resource grant in aid was reduced by 15 per cent in real terms by 2014–15 and total grant in aid has been subject to a real reduction of 21.4 per cent. Funding in the final two years of the agreement may be subject to a change of up to five per cent. In response to this, we have implemented initiatives aimed at reducing cost and increasing income streams, driven by *Fit for the Future*. We are achieving overall self-generated income targets in spite of challenging economic conditions. Crucially, we continued to control expenditure and realise efficiency savings. Of our total operating income, 53 per cent is now forecast to be self-generated. The Corporate Plan for 2012–15 seeks to build on our financial sustainability and fund top priority areas so as to reach our long-term vision.

The ongoing maintenance of our buildings is linked to the challenges outlined above, particularly our capital grant in aid reduction. Our annual corporate planning process is the chief mechanism whereby we prioritise the lifecycle programme and respond to the challenges of maintaining our large estate. A ten year maintenance plan is also in development, which will detail the investment required in the building infrastructure of some 113 buildings in total. The Exceptional Control Bid process also allows for a flexible and rapid response to unforeseen failure, however, due to the acute pressure on existing capital funds, the programme is tight and any unplanned maintenance issues create a backlog of works. In light of this pressure, our capital funding levels remain a significant risk to the effective management of our buildings and estate.

Our audiences are changing rapidly. Their expectations are high and we strive to exceed them by remaining relevant and engaging. Digital opportunities are a crucial means by which to build dialogue with our users, and we are testing means of applying social media interaction and interpretation within our galleries and online. Our new website also allows us to build our ecommerce offer, integrating the online shop, collections licensing and other commercial activity to maximise revenue. Our digital vision encompasses how we will increasingly use new technologies to communicate with our audiences, maximise access to our collections and exchange knowledge about them, deliver our commercial activity and build our relationship with supporters in an integrated and dynamic way. In order to do this, improving the processes which support customer services remains a priority area.

10.5 Internal accountability mechanisms

Executive managers

At branch and divisional level, Directors and their management teams review their Corporate Plan objectives and the risks involved in achieving them. As part of their review of risk via the quarterly report process, controls are checked to ensure they are operating effectively to provide assurance to SMT, the Audit Committee and the Board

that the controls in place are fit for purpose. Each Branch Director has signed a Memorandum of Representation, which is their representation on the operation of governance procedures and internal controls, including controls on the security or personal information in their areas of responsibility.

Board of Trustees

The Trustees, as a non-executive board, are collectively responsible for the management and control of IWM and have delegated responsibility for monitoring risk management to its Audit Committee. The Committee advises the Director-General and the Board on the adequacy of audit arrangements, risk management and internal control. A review of risk management is undertaken at every Audit Committee meeting and the Board in turn reviews the effectiveness of the process on an annual basis. Each member of the Board provides an annual assurance statement that confirms that she or he has no related party transactions or conflicts of interest which may compromise their position within the rules and procedures laid down by the government for the operation of a public body. Any conflicts of interest are asked to be notified at the commencement of each meeting of the Trustees.

Internal Audit assessment

Internal Audit (RSM Tenon) carried out an audit on IWM's corporate governance this year. A green assurance level was granted. Specific examples of sound governance controls included:

- Delegated authority and responsibilities of committees are specified within the terms of reference, to help ensure clarity over the decision-making authority of the relevant committee
- The terms of reference reflect HM Treasury guidance
- Meeting agenda and papers are distributed to the relevant committee in good time and clearly identify whether a decision is required or if for information purposes only
- Actions arising from meetings are identifiable and tracked to ensure they are implemented
- Testing of departmental quarterly reports confirmed they had been submitted to SMT with each report covering governance arrangements for the period in question

One medium category recommendation was made to ensure reviews of Board and committee effectiveness are undertaken on a more regular basis. An effectiveness review will be undertaken in the next financial year.

An audit of budget setting and monitoring was also undertaken as part of the approved internal audit periodic plan this year. The report gave an amber/green rating and found that controls are suitably designed, consistently applied and effective. The following were identified as examples of good practice;

- The Corporate Plan, detailing the annual budget and budget forecasts across three years, is approved by Trustees on an annual basis

- Our policies and procedures for budget setting and monitoring process are consistent and communicated across the branches and departments
- The responsibilities of the Board, Senior Management Team and budget holders are clearly defined for budget setting and monitoring
- Budget holders prepare budget review reports on a monthly basis and on a quarterly basis, with each report detailing any significant variances and exception control bids submitted in the period

In response to RSM Tenon's first audit review covering risk management, a Risk Strategy was drawn up, reviewed by the Audit Committee and presented to the Board for approval at their meeting in July 2011. Other improvements and adjustments to the risk management process and strategic risk register have included a new risk covering Regeneration: First World War Centenary project and enhanced introductory pages to the Risk Register which highlight changes and progress since the previous review.

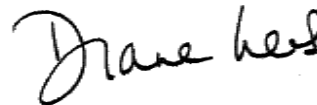
10.6 Assurance statement by the Audit Committee

In accordance with HM Treasury guidance contained in their Audit Committee Handbook (March 2007), the Audit Committee are reasonably confident, that the reliability, integrity, quality and comprehensiveness of the assurances provided by IWM's internal and external auditors, and by management, are presently sufficient to support the Board and Accounting Officer in their decision taking and in the fulfilment of their accountability obligations, and that the Audit Committee will continue to draw to the Board's and Accounting Officer's attention any matters of serious concern.



Sir Francis Richards KCMG CVO DL
Chairman of the Trustees

Date 4 July 2012



Diane Lees FMA FRSA
Director-General and
Accounting
Officer

The certificate and report of the Comptroller and Audit General to the Houses of Parliament

I certify that I have audited the financial statements of the Imperial War Museum for the year ended 31 March 2012 under the Museum and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, 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-General and auditor

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Imperial War Museum's affairs as at 31 March 2012 and of its net outgoing resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Museums and Galleries Act 1992; and
- the information given in Achievements and Performance; Financial Review; Environmental Sustainability Report; and Reference and Administrative Details of the Charity, Trustees and Advisors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

Date 10 July 2012

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

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Consolidated Statement of Financial Activities for the year ended 31 March 2012

	Notes	Unrestricted funds £'000	Restricted funds £'000	Total 2,012 £'000	Total 2011 £'000
Incoming resources					
<u>Incoming resources from generated funds</u>					
Voluntary income					
Grant in Aid	2a	19,760	2,201	21,961	23,910
External funds	2b	1,120	1,358	2,478	5,323
Lottery funding		-	-	-	163
Donated objects and services		-	-	-	411
		<u>20,880</u>	<u>3,559</u>	<u>24,439</u>	<u>29,807</u>
Activities for generating funds					
Income from commercial activities	13	7,723	-	7,723	8,723
Fees		1,013	-	1,013	878
Royalties	13	680	-	680	675
Disposals of assets		7	-	7	1
		<u>9,423</u>	<u>-</u>	<u>9,423</u>	<u>10,277</u>
Investment income	3	<u>99</u>	<u>31</u>	<u>130</u>	<u>179</u>
		<u>30,402</u>	<u>3,590</u>	<u>33,992</u>	<u>40,263</u>
<u>Incoming resources from charitable activities</u>					
Admissions		<u>6,147</u>	<u>-</u>	<u>6,147</u>	<u>6,083</u>
Total incoming resources		<u>36,549</u>	<u>3,590</u>	<u>40,139</u>	<u>46,346</u>
Resources expended					
<u>Costs of generating funds</u>					
Fundraising and publicity		<u>2,200</u>	<u>237</u>	<u>2,437</u>	<u>2,437</u>
Commercial costs	13	<u>4,913</u>	<u>175</u>	<u>5,088</u>	<u>5,441</u>
		<u>7,113</u>	<u>412</u>	<u>7,525</u>	<u>7,878</u>
Charitable Expenditure:					
<u>Cost of activities in furtherance of the charitable objectives</u>					
Education, exhibitions and visitor services		<u>13,708</u>	<u>2,016</u>	<u>15,724</u>	<u>16,016</u>
Building care and preservation		<u>6,711</u>	<u>6,404</u>	<u>13,115</u>	<u>13,887</u>
Collections management and conservation		<u>6,928</u>	<u>347</u>	<u>7,275</u>	<u>7,158</u>
Grants		<u>3,358</u>	<u>-</u>	<u>3,358</u>	<u>-</u>
Purchases for the collection		<u>39</u>	<u>12</u>	<u>51</u>	<u>52</u>
		<u>30,744</u>	<u>8,779</u>	<u>39,523</u>	<u>37,113</u>
Governance costs	5	<u>321</u>	<u>-</u>	<u>321</u>	<u>343</u>
Total resources expended	5	<u>38,178</u>	<u>9,191</u>	<u>47,369</u>	<u>45,334</u>
Net (outgoing)/incoming resources before transfers		<u>(1,629)</u>	<u>(5,601)</u>	<u>(7,230)</u>	<u>1,012</u>
Gross transfer between funds	19	<u>46</u>	<u>(46)</u>	<u>-</u>	<u>-</u>
Net (outgoing)/incoming resources before recognised gains and losses	4	<u>(1,583)</u>	<u>(5,647)</u>	<u>(7,230)</u>	<u>1,012</u>
(losses)/Gains on revaluation of fixed assets		<u>(43)</u>	<u>2,782</u>	<u>2,739</u>	<u>7,903</u>
Depreciation on revaluation of fixed assets		<u>16</u>	<u>(169)</u>	<u>(153)</u>	<u>(330)</u>
	7	<u>(27)</u>	<u>2,613</u>	<u>2,586</u>	<u>7,573</u>
Disposal of the Imperial War Museum Development Trust	19	<u>(2,832)</u>	<u>-</u>	<u>(2,832)</u>	<u>-</u>
Net movement in funds		<u>(4,442)</u>	<u>(3,034)</u>	<u>(7,476)</u>	<u>8,585</u>
Reconciliation of funds					
Fund balances brought forward at 1 April 2011		<u>35,908</u>	<u>158,572</u>	<u>194,480</u>	<u>185,895</u>
Fund balances carried Forward at 31 March 2012	19	<u>31,466</u>	<u>155,538</u>	<u>187,004</u>	<u>194,480</u>

All operations of IWM continued until 7 March 2012 and no operations were acquired, but the IWM Development Trust operation was discontinued on 7 March 2012.

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

The notes on pages 54 to 73 form part of these accounts

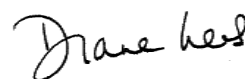
IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Consolidated and IWM Balance Sheets as at 31 March 2012

	Notes	<u>Consolidated</u>		<u>IWM</u>	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Fixed assets					
Tangible assets	7	186,138	187,022	186,138	186,778
Heritage assets	8	3,727	3,655	3,727	3,655
Investments	13	-	-	600	2,600
		<u>189,865</u>	<u>190,677</u>	<u>190,465</u>	<u>193,033</u>
Current assets					
Stock	9	373	432	-	-
Debtors	10	2,479	2,089	2,143	2,657
Short-term Investments	11a	6,673	11,930	6,673	6,604
Cash at bank and in hand	11b	1,826	3,395	1,656	2,276
		<u>11,351</u>	<u>17,846</u>	<u>10,472</u>	<u>11,537</u>
Current liabilities					
Creditors: amounts falling due within one year	12a	(6,937)	(6,284)	(6,666)	(5,853)
Net current assets		<u>4,414</u>	<u>11,562</u>	<u>3,806</u>	<u>5,684</u>
Total assets less current liabilities					
		<u>194,279</u>	<u>202,239</u>	<u>194,271</u>	<u>198,717</u>
Creditors: amounts falling due after more than one year	12b	(7,198)	(7,530)	(7,198)	(7,530)
Provisions for liabilities and charges	12e	(77)	(229)	(77)	(229)
		<u>(7,275)</u>	<u>(7,759)</u>	<u>(7,275)</u>	<u>(7,759)</u>
Net assets		<u>187,004</u>	<u>194,480</u>	<u>186,996</u>	<u>190,958</u>
Represented by:					
Restricted funds					
Restricted funds	19	103,078	106,376	103,001	103,732
Restricted funds buildings revaluation		52,460	52,196	52,460	52,196
		<u>155,538</u>	<u>158,572</u>	<u>155,461</u>	<u>155,928</u>
Unrestricted funds:					
Designated funds	19	18,868	15,988	18,900	15,882
Designated funds buildings revaluation		12,594	13,130	12,594	13,022
		<u>31,462</u>	<u>29,118</u>	<u>31,494</u>	<u>28,904</u>
General funds	19	4	6,790	41	6,126
Total funds		<u>187,004</u>	<u>194,480</u>	<u>186,996</u>	<u>190,958</u>



Sir Francis Richards KCMG CVO
Chairman of the Trustees



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date 4 July 2012

The notes on pages 54 to 73 form part of these accounts

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Consolidated Cashflow Statement for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Net cash inflow from operating activities	21a	583	10,060
Returns on investments and servicing of finance			
Interest received		130	179
Interest element of finance lease rental payments		<u>(421)</u>	<u>(426)</u>
		(291)	(247)
Capital expenditure and financial investment			
Payments to acquire tangible fixed		<u>(3,994)</u>	<u>(8,062)</u>
		(3,994)	(8,062)
Cash inflow before financing and management of liquid resources		<u>(3,702)</u>	<u>1,751</u>
Financing and management of liquid resources			
Capital element of finance lease rental payments		(292)	(287)
(Decrease) in funds relating to the disposal of IWM Development Trust		(2,832)	-
Decrease/(Increase) in short term deposits		5,257	(848)
(Decrease)/Increase in cash in the year	21b	<u>(1,569)</u>	<u>616</u>

The notes on pages 54 to 73 form part of these accounts

Notes to the Financial Statements

1 Accounting Policies

(a) Basis of accounting

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

IWM is exempt from corporation tax on charitable activities under section 505 of the Income and Corporation Taxes Act 1988. Income arising from the activities of the trading subsidiary is gift aided to IWM.

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

The statutory accounts are consolidated and represent the combined accounts of IWM, the Imperial War Museum Development Trust up until 7 March 2012, and the Imperial War Museum Trading Company Limited and have been consolidated on a line-by-line basis. On the 7 March 2012 the Imperial War Museum Development Trust was reconstituted to form a new body, independent of and no longer controlled by, IWM.

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, which was varied in June 2004. On the 7 March 2012, existing Trust Trustees agreed a further amendment of the Trust deed enabling the reconstitution of the Trust in order to give it complete independence from IWM. The financial activities of the Trust, up until 7 March 2012 are consolidated within these financial statements. A summary of the SOFA, also at this date, is provided in Note 14.

(b) Funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of IWM. Some unrestricted funds are designated by the Trustees to the funding of long-term objectives of IWM, including initiatives for collections management and conservation, exhibitions replacement and management of the estate.

Restricted funds are funds subject to specific restrictions imposed by donors. Restricted funds and the purpose for which their income may be applied are detailed in note 19.

(c) Incoming resources

All income is recognised in the statement of financial activities when the conditions for receipt have been met and there is reasonable assurance of receipt.

The following accounting policies are applied to Income:

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

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

National Lottery income

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

Donated objects and services

Items and services of a value above £10,000, given to IWM free of charge are recognised as incoming resources at their estimated market value when receivable. If the items are not capitalised they are expensed.

External funds

These comprise grants, sponsorship and donations and are reported gross when receivable. Tax recoverable is accounted for when receivable.

Investment Income

Investment income is accounted for when receivable.

(d) Expenditure

Allocation of costs

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

Where possible, expenditure has been directly attributed to the activities to which it relates.

Support service costs, which comprise Directorate and Office services, Personnel, Finance and Planning, IT and Communications and Facilities Management are allocated between the activities on the basis of staff numbers.

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

Costs of generating funds

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

VAT

Irrecoverable VAT is charged as a cost to the SOFA.

(e) Heritage assets*Purchased heritage assets*

All heritage assets that are purchased by IWM above £2,000 are capitalised in the balance sheet. Heritage assets purchased by IWM with a cost of under £2,000 are expensed on the SOFA.

Donated heritage assets

Donated heritage assets are valued by IWM and, when regarded as having a market value of £10,000 or above are capitalised and recognised on the balance sheet at the valued amount.

Depreciation and revaluation of heritage assets

Both purchased and donated heritage assets are not depreciated as they have indefinite lives.

Heritage assets are revalued when there is evidence of impairment.

Heritage assets not on the balance sheet

Heritage assets that were acquired by IWM before 2001 have not been capitalised on the balance sheet as no valuations are available for these items. IWM considers that the cost of obtaining valuation for the collection of assets held, which is the majority of IWM's works of Art, objects and records, is significant, and is not commensurate with the benefit obtained by including additional capitalised value in the financial statements.

(f) Tangible fixed assets

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

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

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

The useful economic lives, over which the assets are being depreciated are as follows:

Buildings and runway - structure	- between 10 and 84 years
Buildings - plant and machinery	- between 3 and 30 years
Buildings - fit-out	- between 3 and 30 years
Equipment	- 4 years
Permanent exhibitions	- over the life of the exhibition

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

Land and buildings (structure, - by external professional valuation at least every five years and using appropriate indexation in the intervening plant and machinery and fit-out) years.

Equipment - equipment comprises IT/electronic items. As IT assets are low in value and have short lives, depreciated cost is deemed to be suitable proxy for current value and are therefore not subject to indexation.

Permanent exhibitions - historic depreciated cost. Permanent Exhibitions have not been revalued as their current cost is equal to their actual cost, but the life of these assets are reviewed annually to reflect their true value.

Impairment reviews are only carried out if there is an indication that the recoverable amount of an asset is below the asset's net book value.

(g) Stocks

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

(h) Leases

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

Rental costs in respect of operating leases are charged to the statement of financial activities on a straight line basis over the life of the lease.

(i) Permanent exhibitions

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

(j) Imperial War Museum Trading Company Limited

IWM Trading Company Limited is a wholly owned subsidiary of the Trustees of the Imperial War Museum. It commenced trading on 1 April 1999. The authorised share capital of the company is 3,500,000 shares of £1 each, of which the 2,600,000 issued, was reduced to 600,000 on 27 October 2011. Under gift aid agreement all taxable profits from IWM Trading Company Limited are paid to IWM. A summary of the income and expenditure account is provided in Note 13.

(k) Foreign currencies

Assets and liabilities denominated in foreign currencies are recorded at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate prevailing at the time of the transaction. All exchange differences are taken to the statement of financial activities.

(l) Pension costs

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

(m) Financial instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on IWM's balance sheet when IWM becomes a party to the contractual provisions of the instruments.

Financial assets consist of debtors and are recorded at their carrying values less any provision for bad or doubtful debts.

Financial liabilities consist of creditors. Creditors that fall due within one year are recorded at their carrying values. Creditors that fall due after one year are also recorded at their carrying values which is deemed to be fair value.

(n) Cash and liquid resources

Funds placed on money market deposit for more than one day are defined as liquid resources. Funds held in cash or in current or call accounts are defined as cash.

2a Grant in Aid

£21,961K of Grant in Aid (Department for Culture, Media and Sport) has been received during the year (2010-11 £23,910K). This represents 55% of the annual resources expended in running the organisation. The balance of funding needs, including most capital improvements, is delivered from resources that are self-generated. £2,201K (2010-11 £3,511K) of the Grant in Aid was for refurbishment and renewals of buildings, plant and equipment and the digitisation programme.

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

	2012 £'000	2011 £'000
2b External funds		
Grants and donations	2,432	5,204
Sponsorship	46	114
Legacies	-	5
	2,478	5,323

External funds of £2,478K relates to IWM (£1,964K) the Imperial War Museum Trading Company (£394K) and the Imperial War Museum Development Trust of (£120K).

	2012 £'000	2011 £'000
3 Investment income		
Interest receivable	130	179
	130	179

The interest receivable is on cash and short-term deposits.

Interest of £130K relates to IWM (£83K) the Imperial War Museum Trading Company (£7K) and the Imperial War Museum Development Trust (£40K).

	2012 £'000	2011 £'000
4 Net outgoing resources before transfers		
Net outgoing resources before transfers of £(7,230) is stated after charging:		
Auditors remuneration		
National Audit Office - IWM consolidated accounts	39	41
Kingston Smith LLP - Imperial War Museum Development Trust	-	4
Kingston Smith LLP - Imperial War Museum Trading Company	11	11
Kingston Smith LLP /Buzzacott LLP- additional fee for prior year	3	1
Other Services - Kingston Smith LLP/ Buzzacott LLP Tax Advice in relation to Imperial War Museum Trading Company	5	2
Hire purchase on equipment	40	46
Operating leases - equipment	159	136
Operating leases - Land and buildings	290	290
Interest payable on finance lease	421	426
Depreciation of owned assets	6,729	7,064
Depreciation of assets held under finance leases	486	492
(Release of provision)/provision for bad debts	(27)	30

National Audit Office did not provide any non-audit services.

	Staff Costs £'000	Other Costs £'000	Depreciation £'000	2012 Total £'000	2011 Total £'000
5 Total resources expended					
Costs of generating funds					
Fundraising and publicity	1,111	1,310	16	2,437	2,437
Commercial costs	1,817	3,271	-	5,088	5,441
	2,928	4,581	16	7,525	7,878
Costs of activities in furtherance of the IWM's objectives					
Education, exhibitions and visitor services	10,191	3,681	1,852	15,724	16,016
Building management	433	7,607	5,075	13,115	13,887
Collections management and conservation	4,878	2,123	274	7,275	7,158
Other grants	-	3,358	-	3,358	-
Purchases for the collection	-	51	-	51	52
	15,502	16,820	7,201	39,523	37,113
Governance costs*	140	181	-	321	343
Total resources expended	18,570	21,582	7,217	47,369	45,334

Resources expended are shown after eliminations on consolidation of transactions between IWM, the Imperial War Museum Development Trust and Imperial War Museum Trading Company of £8,876K (2010-11 £7,220K).

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

* Governance costs	2012	2011
	£'000	£'000
Internal audit	55	84
External audit	53	57
Staff costs	140	140
Other strategic costs	73	62
	<u>321</u>	<u>343</u>

The Internal audit function was outsourced to RSM Tenon in February 2011. The cost of this, £55,362, (2010-11; £24,392) is the Internal audit figure above.

5a Division of direct and indirect expenditure	Direct costs	Allocated support costs	2012 Total	2011 Total
	£'000	£'000	£'000	£'000
Costs of generating funds				
Fundraising and publicity	2,315	122	2,437	2,437
Commercial costs	5,088	-	5,088	5,441
	<u>7,403</u>	<u>122</u>	<u>7,525</u>	<u>7,878</u>
Charitable activities				
Education, exhibitions and visitor services	12,096	3,628	15,724	16,016
Building care and preservation	12,749	366	13,115	13,887
Collections management and conservation	4,664	2,611	7,275	7,158
Other grants	3,358	-	3,358	-
Purchases for the collection	51	-	51	52
	<u>32,918</u>	<u>6,605</u>	<u>39,523</u>	<u>37,113</u>
Governance	181	140	321	343
<i>Total resources expended</i>	<u>40,502</u>	<u>6,867</u>	<u>47,369</u>	<u>45,334</u>

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

5b Allocation of support	Directorate & office services	Human resources	Finance and planning	IT and communication	Subtotal 2012
	£'000	£'000	£'000	£'000	£'000
Costs of generating funds					
Fundraising and publicity	3	10	31	47	91
	<u>3</u>	<u>10</u>	<u>31</u>	<u>47</u>	<u>91</u>
Charitable activities					
Education, exhibitions and visitor services	39	116	602	550	1,307
Building care and preservation	1	4	8	19	32
Collections management and conservation	18	61	119	724	922
	<u>58</u>	<u>181</u>	<u>729</u>	<u>1,293</u>	<u>2,261</u>
	<u>61</u>	<u>191</u>	<u>760</u>	<u>1,340</u>	<u>2,352</u>
Allocated					
Allocation of support (continued)					
		Facilities management	Depreciation	Support salary costs	Support costs Total 2012
		£'000	£'000	£'000	£'000
Costs of generating funds					
Fundraising and publicity		22	16	(7)	122
		<u>22</u>	<u>16</u>	<u>(7)</u>	<u>122</u>
Charitable activities					
Education, exhibitions and visitor services		274	180	1,867	3,628
Building care and preservation		8	6	320	366
Collections management and conservation		130	94	1,465	2,611
		<u>412</u>	<u>280</u>	<u>3,652</u>	<u>6,605</u>
Governance		-	-	140	140
		<u>434</u>	<u>296</u>	<u>3,785</u>	<u>6,867</u>

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

6 Staff costs	2012 £'000	2011 £'000
Salaries and wages	14,815	14,927
Temporary / agency staff	151	180
National Insurance	1,085	1,084
Superannuation	2,453	2,514
Early retirement and severance costs	60	60
Provision for early retirement and early exit	6	127
	18,570	18,892

Pensions

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. IWM is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2007. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2011-12, employers' contributions of £2,451,117 were payable to the PCSPS (2010-11 £2511,337) at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2011-12 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees may opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of **£2,295** were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. No employer contributions were paid to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees during the year.

Contributions due to the partnership pension providers at the balance sheet date were **£214** Contributions prepaid at that date were nil.

From 30 July 2008, employees may be in one of four defined benefit schemes; either a 'final salary' scheme (classic, premium or classic plus); or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with changes in the Retail Prices Index (RPI). Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a good quality 'money purchase' stakeholder pension with a significant 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 1/80 th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits in respect of service from October 2002 calculated 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 updated in line with RPI. In all cases members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

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

Number of Employees

The following number of employees, including the Accounting Officer, received remuneration within the ranges below:

	2012 No	2011 No
£60,001 - £70,000	3	3
£70,001 - £80,000	2	2
£80,001 - £90,000	3	1
£90,001 - £100,000	1	2
£100,001 - £110,000	-	-
£110,001 - £120,000	-	-
£120,001 - £130,000	1	1

The number of staff paid above £60K (2010-11 nil) to whom retirement benefits are accruing under defined contribution schemes is nil and under defined benefit schemes is 10 (2010-11 8).

Please see the Remuneration report on page 36 of the Annual Report for more details of senior staff costs.

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

The number of employees (this is the full time equivalent), analysed by function was:

					2012	2011
	Permanent staff	Temporary staff	Managerial staff	Capitalised staff costs	Total No of staff	Total No of staff
Education, exhibitions and visitor services	320	3	4	-	327	319
Building management	10	1	-	-	11	12
Collections management and conservation	146	2	3	-	151	141
Trading / Commercial	45	-	1	-	46	61
Fundraising and publicity	24	-	1	-	25	26
Management and administration of the charity	2	-	-	-	2	2
	547	6	9	-	562	561

The Managerial staff are the members of the IWM's Senior Management Team, which consists of the Director-General and Branch Directors.

Trustees

The Chairman and Board of Trustees received no remuneration for their services during 2011-12. Travel and subsistence expenses paid to eight Trustees amounted to £9,375 (2010-11 £10,697 paid to eight Trustees).

The Trustees are appointed for periods of up to four years and may be reappointed for one further four year term.

Ex-gratia payments

During the year the IWM made no material ex-gratia payments.

7 Consolidated tangible fixed assets

	Land freehold and leasehold £'000	Structure £'000	Plant and machinery £'000	Fit-out £'000	Assets under construction £'000
Cost/valuation at 1 April 2011	22,564	105,764	37,203	17,990	2,086
Additions	-	-	222	(14)	3,126
Transfers between categories	-	-	58	-	(416)
Revaluation	686	1,409	733	120	-
Disposals	-	-	-	-	-
Value at 31 March 2012	23,250	107,173	38,216	18,096	4,796
Depreciation at 1 April 2011	-	5,951	5,039	2,800	-
Provided in year	-	1,782	1,774	1,010	-
Depreciation due to revaluation	-	68	139	21	-
Disposals	-	-	-	-	-
Depreciation at 31 March 2012	-	7,801	6,952	3,831	-
Net Book Value at 31 March 2012	23,250	99,372	31,264	14,265	4,796
Net Book Value at 1 April 2011	22,564	99,813	32,164	15,190	2,086

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Consolidated tangible fixed assets (continued)	Exhibitions £'000	Equipment £'000	Assets held under finance lease £'000	Total £'000
Cost/valuation at 1 April 2011	28,415	5,726	9,278	229,026
Additions	25	409	-	3,768
Transfers between categories	358	-	-	-
Revaluation	-	-	(209)	2,739
Disposals	-	(275)	-	(275)
Value at 31 March 2012	<u>28,798</u>	<u>5,860</u>	<u>9,069</u>	<u>235,258</u>
Depreciation at 1 April 2011	20,166	4,790	3,258	42,004
Provided in year	1,539	624	486	7,215
Depreciation due to revaluation	-	-	(75)	153
Disposals	-	(252)	-	(252)
Depreciation at 31 March 2012	<u>21,705</u>	<u>5,162</u>	<u>3,669</u>	<u>49,120</u>
Net Book Value at 31 March 2012	<u>7,093</u>	<u>698</u>	<u>5,400</u>	<u>186,138</u>
Net Book Value at 1 April 2011	<u>8,249</u>	<u>936</u>	<u>6,020</u>	<u>187,022</u>

On 12 October 2001 IWM entered into a finance lease for the current accommodation of the Churchill War Rooms, for additional space, and for refurbishment of the space. The landlord is EP3 Ltd. Rent is payable until 2030-31. Cost £6,313K.

In March 2008 IWM entered into a finance lease for the corporate Fire and Security project. The lease is with the Bank of Scotland. Rent is payable until 2013-14. Cost £823K, Accumulated Depreciation £588K, Net Book Value as at 31 March 2012 £235K.

In March 2009 IWM entered into a finance lease for the corporate fire and security project. The lease is with Lombard North Central. Rent is payable until 2014-15. Cost £626k, Accumulated Depreciation £358k, Net Book Value as at 31 March 2012 £268k.

On 7 December 2011, the Trustees of the Imperial War Museum Development Trust approved the transfer of the ownership of the Gate Lodge to IWM. As a result all tangible fixed assets of the group are now being held by IWM.

The Lambeth Road (or Southwark) branch and other properties, were originally valued as at 31 March 1989 by the Chief Valuer's Department of the Inland Revenue. The Cabinet War Rooms, part of the basement of the South Block Treasury Building converted in 1938, was deemed to be of nil market value. The sites were revalued on 31 March 2008 by external professional valuers Gerald Eve, in accordance with the Royal Institute of Chartered Surveyors guidance notes.

In accordance with Financial Reporting Standard 15 - *Tangible Fixed Assets*, buildings are split between structure, plant and machinery and fit-out. Each of the major components has substantially different economic lives.

Property	Title	Net book value at 31 March 2012 £'000	Basis of valuation
Lambeth Road, London SE1	Long leasehold	57,730	Depreciated replacement cost
Gate Lodge, Lambeth Road, London SE1	Freehold	242	Existing use
All Saints Annexe, Austral Street, London SE11	Freehold	1,863	Existing use
Duxford Airfield, Cambridgeshire	Freehold	76,104	Depreciated replacement cost
Ickleton Film Store, Cambridgeshire	Leasehold	4,900	Depreciated replacement cost
IWM North, Manchester	Long Leasehold	25,423	Depreciated replacement cost

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

8a Heritage assets	Acquisition at historic costs £'000	Donated assets at valuation £'000	Total £'000
Cost/valuation at 1 April 2011	3,029	626	3,655
Additions	72	-	72
Disposals	-	-	-
Value at 31 March 2012	3,101	626	3,727

IWM acquires donated objects by gift, bequest and from the translation of long term loans for the collections into permanent acquisitions. Objects wholly or partially donated to the IWM in 2011-12 were valued at £nil comprising assets and equipment capitalised in the IWM's Balance Sheet (2010-11 £200K).

No capitalised collection objects were disposed of during the year

8b Five year financial summary of heritage asset transactions

	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000	2007-08 £'000
Additions	72	130	72	123	163
Purchases	-	200	79	50	-
Donations	72	330	151	173	163
Total additions	72	330	151	173	163

8c The nature and scale of the IWM's heritage assets

IWM is the national museum of conflict involving British and Commonwealth forces from the First World War onwards. It illustrates and records all relevant aspects of modern war, and of the individual's experience of war and wartime life, whether allied or enemy, service or civilian, military or political, social or cultural. Its remit embraces the causes, conduct and consequences of conflict.

IWM's collections are remarkably broad. The collections include extensive holdings of art and objects. The archival holdings of written, audio and visual records are major specialist resources which support internal and external research which has world-wide audiences. The collections as a whole allow the presentation and interpretation of IWM's subject matter in its full historical context. In addition to British and Commonwealth material, there are extensive holdings relating to allied and enemy forces.

Collection description	Total size
Art: IWM holds more works of modern British art than any museum other than the Tate. The core is paintings, prints and drawings commissioned or purchased during the First and Second World Wars, added to by the acquisition of both historical and contemporary works of art. The collection includes almost 20,000 international posters and smaller numbers of sculptures, cartoons and camouflage designs.	84,980 items
Documents and Sound: IWM is a major repository for the private papers of those involved in twentieth century warfare. The extensive series of foreign records from Germany, Japan and Italy during the Second World War were deposited in IWM as captured enemy documents under the Public Records Act 1958. The archive of sound recordings includes interviews, speeches, poetry and sound effects totalling over 37,000 hours, and is now one of the largest in the world.	24,800 document collections 32,000 sound recordings
Exhibits: The range of three dimensional material is diverse, covering the full spectrum of objects associated with warfare. These include uniforms, medals, models, currency and a wide range of associated material. IWM is the repository of the National Collection of modern firearms. HMS Belfast is included as a heritage asset but subject to a conservation exercise.	155,000 items
Vehicles and Aircraft: IWM's collection of vehicles and aircraft illustrates the impact of technology on the conduct of modern conflicts.	357 items
Film Archive: IWM is believed to be the longest established national film archive, and now holds in excess of 23,000 hours of cine film, video tape and digital footage. The IWM is the official repository for relevant film under the terms of the Public Records Act 1958.	222,116 film collections
Photograph Archive: The Archive contains approximately 11 million images from official and private photographers. IWM is the official repository for relevant photographs under the terms of the Public Records Act 1958.	17,263 photograph collections
Collections Access: The library holdings are divided into heritage assets and reference material. The collections classed as heritage assets include maps, proclamations and books categorised as rare.	Over 80,000 items

Collection description	Total size
<p>Collections Access: The reference collection includes at least 150,000 books as well as significant reference collections of pamphlets and periodicals.</p>	<p>Over 254,000 items</p>

Where documentation backlogs exist current estimates have been used. Where the estimated collection sizes have increased from last year, the variance is due primarily to inventory work and the more accurate count of items that this provides, with a much slighter increase due to acquisition. A reduction in the reference collection of library material is due to the managed exit of duplicate or otherwise unsuitable material.

8d Acquisitions and disposals policy

IWM records and interprets all relevant aspects of modern war, and of the individual's experience of war and wartime life, whether allied or enemy, service or civilian, military or political, social or cultural. In order to explain the causes of the First World War onwards, IWM collects from 1900 to the present day. IWM delivers its Mission through the acquisition, public access and interpretation of diverse holdings; art, material culture and artefact collection, archives of documents, film, video, photographs and sound records, and a library with reference materials and publications.

IWM acquires objects and collections through donation and purchase and is the official repository for relevant film and photographs under the terms of the Public Records Act 1958.

IWM was granted the power to "exchange, sell, or otherwise dispose of any duplicate objects belonging to IWM, and with the consent of the Treasury exchange, sell, or otherwise dispose of any objects belonging to IWM which the Board consider unfit to be preserved or not to be required for the purposes thereof" by the Imperial War Museum Act (1920).

IWM's Acquisition and Disposal Policy is based upon the requirements of the Accreditation Standard now administered by Arts Council England and complies with the Museums Association's ethical guidelines.

The Board of Trustees will ensure that the disposal process is carried out openly and with transparency. By definition, IWM has a long-term purpose and holds collections in trust for society in relation to its stated objectives. The Board of Trustees therefore accepts the principle that sound curatorial reasons for disposal must be established before consideration is given to the disposal of any items in IWM's collection.

IWM will confirm that it is legally free to dispose of an item and agreements on disposal made with donors, depositors and transferors will be taken into account. When disposal of an object is being considered, IWM will establish if it was acquired with the aid of an external funding organisation. In such cases, any conditions attached to the original grant will be followed.

A decision to dispose of a specimen or object, whether by gift, exchange, sale or destruction, will be the responsibility of the IWM Board of Trustees acting on the advice of the Collections Review Committee and not of any Archivist, Collections Manager, Curator, or Librarian acting alone.

8e Collections management policies and procedures

IWM delivers its Mission through the acquisition, public access and interpretation of diverse holdings; art, material culture and artefact collection, archives of documents, film, video, photographs and sound records, and a library with reference materials and publications. The Collection is defined as the total body of culturally significant items held by the IWM.

The Department of Collections Management is actively responsible for policy, procedure, strategy and its implementation through training (ensuring competency in staff that undertake collection management tasks) and monitoring (ensuring that competency in all staff is maintained), of all museum staff and collection users.

Documentation

IWM is committed to the protection of vital records and information about the collections. Paper records are archived in line with the *Code of Practice on Archives for Museums and Galleries in the United Kingdom* (3rd ed., 2002). Electronic collection records and digital collections are maintained by IWM's ICT department. All electronic data is replicated to a back-up server on a daily basis. In order to safeguard IWM's electronic collection information, the collection management system (Adlib) is backed up every two hours.

All policies and procedures relating to the management of collections information are fully compliant with the *Spectrum* standard for Collections Management. IWM is committed to developing and maintaining a centralised and accessible collection management system in support of information retrieval. A software database, *Adlib*, is employed in this respect. A Digital Asset Management System (DAMS) is employed to consolidate and manage IWM's digital assets within centralised storage. The DAMS is integrated with the collection management system, ensuring a consolidated and accessible collection information resource.

Access

The IWM is committed to the provision of access to physical collections and collections information to all potential users, and to balancing sustainable collection care with collection access and use.

Collection care

Collection care priorities are determined through a risk management approach and in accordance with corporate priorities: balancing programs for long-term care (as determined by collection surveys and risk analysis) with collection access and use (through exhibitions and loan programs and the overall public offer).

IWM's approach to the management of its heritage assets is determined by its experienced and professional staff, guided by legislation, best practice and international conventions.

Legislation

Imperial War Museum Act, 1920

Imperial War Museum Act, 1955

Museums and Galleries Act, 1992

Public Records Act, 1958, amended 1967

Control of Substances Hazardous to Health Regulations, 2002

Copyright and Related Rights Regulations, 2003

Copyright, Designs and Patents Act, 1988

Ionising Radiation Regulations, Environment Agency, 1999

Human Tissue Act, 2004

Firearms Act, 1968

The Control of Asbestos Regulations, 2006

Misuse of Drugs Regulations, 2001

Manufacture and Storage of Explosives Act, 2005

EC Regulation 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) (in force from 1st June 2007)

International conventions

Convention for the Protection of Cultural Property in the Event of Armed Conflict, UNESCO, First Protocol 1954 and Second Protocol 1999

Convention for the Safeguarding of the Intangible Cultural Heritage, UNESCO, 2003

Convention on International Trade in Endangered Species of Wild Fauna and Flora, CITES, 1973

Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property, UNESCO, 1970

Convention on the Protection of the Underwater Cultural Heritage, UNESCO, 2001

UNIDROIT Convention on Stolen and Illegally Exported Cultural Objects, UNIDROIT, 1995

National standards and guidelines

SPECTRUM: The UK Museum Documentation Standard

PAS 197: Code of practice for cultural collections management

BS 5454: Recommendations for the storage and exhibition of archival documents

Museums, Libraries and Archives Council Accreditation Standard

IWM's policies and procedures relating to acquisition, preservation, management and disposal

Acquisition and Disposal Policy (last approved March 2011)

Due Diligence Policy (last approved March 2011)

Collections Management Policy based upon PAS 197 (2012)

Entry Procedure (2010)

Location and Movement Procedure (2010)

Loans In Procedure (2010)

Loans Out Procedure (2010)

Loss Policy and Procedure (2008)

Exit Procedure (2010)

Procedure for the Operation and Use of Museum Objects (2010)

Policy for the display of Museum items (2010)

8f Obstacles to a meaningful valuation of the Collection

In 2011 IWM calculated the cost of valuing the Collection in its entirety, using an item-level, research-based approach to determine current market values, at well over £5 million (equivalent to 247 person years at 2011 costs). It has therefore determined that fully accurate values cannot be obtained for a reasonable cost.

Even a partial valuation project would be large in scope, ambitious in targets and costly in resource. For various reasons the provision of internal valuations is neither a simple nor a cost-effective solution.

Expertise

IWM employs specialist curators, archivists and librarians but they are neither trained nor experienced in providing valuations. Expertise is not available equally for all elements of the Collection; significant collections do not have specialist curators.

Logistics

The Collection is displayed and stored across the IWM's five branches, adding travel time to valuations.

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Market value	IWM's Collection contains much that is unique and for which no market price could be ascertained. Market values, where ascertainable, are subject to trend, so that all First World War items (a significant subset of the IWM's holdings) are likely to appear at inflated prices in the few years preceding the centenary.
Ownership	Parts of the Collection within the Film and Photograph Archives, as well as Documents and Sound, are deposited under the Public Records Act and therefore not 'owned' by IWM. The practicalities of valuing this material would need to be established.
Digital	The Collection includes a growing proportion of digital material (primarily film and photographs). The extent to which these would be classed as heritage assets, given the definition's inclusion of the term 'tangible', must be determined.

The employment of external valuers may cost more overall than the use of internal valuations, including both fees paid and staff time. Significant staff time would be required to create lists of objects, to provide direct access to them, and to draw together the various sources of information available. The number of experts required to value the breadth of Collection items would be high, requiring many separate contracts and arrangements.

The purely financial difficulties of obtaining fair valuations are not the only obstacle. IWM has determined that public money is best spent and the needs of its visitors, commercial users, stakeholders and staff are best served by directing staff time towards the creation of an accountable, accessible and sustainable Collection. This involves the creation of inventory and catalogue records where these do not already exist. Whilst the Collection is not fully catalogued, attempts towards full valuation would be both partial and flawed. IWM has embarked upon a Collections Review. The completion of this project will ensure that the collection is fully documented and its significance assessed. After this point, IWM will be in a far more robust position to begin a valuation programme.

The net book value at 31 March 2011 represents fixed assets for:

8g Fixed and heritage assets	Charitable activities £'000	Other activities £'000	Total £'000
Land and buildings	168,151	-	168,151
Exhibitions	7,093	-	7,093
Equipment	698	-	698
Assets under construction	4,796	-	4,796
Heritage assets	3,727	-	3,727
Assets held under finance lease	5,400	-	5,400
Total	189,865	-	189,865

9 Stock

Stock consists of retail goods and IWM Publications

10a Debtors	Group 2012 £'000	Group 2011 £'000	IWM 2012 £'000	IWM 2011 £'000
Amounts falling due within one year				
Trade debtors	615	499	65	56
Other debtors	98	248	99	202
Amount owed by Imperial War Museum Development Trust	-	-	-	643
Amount owed by Imperial War Museum Trading Company Ltd	-	-	355	473
VAT debtor	601	658	808	870
Prepayments and accrued Income	1,183	729	817	448
Provision for bad debts	(18)	(45)	(1)	(35)
Total Debtors falling due within one year	2,479	2,089	2,143	2,657

Group - Accrued Income comprise £604K for the insurance claim regarding HMS Belfast closure from the 29 November 2011 until the end of the financial year, following the partial collapse of the ship's gangway.

IWM - Debtors falling due within one year - The Imperial War Museum Trading Company is indebted to the IWM by £355K which relates to the balance of gift aid profit for the year and the outstanding amounts due for rent overheads and staff and other costs.

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

10b Intra-Government debtor balances	Group 2012 £'000	Restated Group 2011 £'000	IWM 2012 £'000	Restated IWM 2011 £'000
<i>Balances with other central government bodies</i>				
The Art fund	10	-	10	-
DCMS	-	111	-	-
HM Revenue & Customs	659	767	808	979
Scottish Arts Council	-	3	-	3
East of England Development Agency (EEDA)	-	18	-	18
Other	1	2	1	2
	<u>670</u>	<u>901</u>	<u>819</u>	<u>1,002</u>
Balances with local authorities	8	1	8	-
Balances with public corporations and trading funds	16	23	-	-
Balances with bodies external to government	1,785	1,164	1,316	1,655
Total Debtors	<u>2,479</u>	<u>2,089</u>	<u>2,143</u>	<u>2,657</u>

11a Short-term investments	IWM £'000	2012 Total £'000	2011 Total £'000
Short-term deposits	<u>6,673</u>	<u>6,673</u>	11,930

Included in the 2011 figure of £11,930K, £5,326K related to the Imperial War Museum Development Trust.

11b Cash at bank and in hand	IWM £'000	IWM Trading Company Limited £'000	2012 Total £'000	2011 Total £'000
Commercial bank balance and cash in hand	<u>1,656</u>	<u>170</u>	<u>1,826</u>	3,395

Included in the 2011 figure of £3,395K, £680K related to the Imperial War Museum Development Trust.

12a Creditors	Group 2012 £'000	Group 2011 £'000	IWM 2012 £'000	IWM 2011 £'000
Amounts falling due within one year				
Trade creditors	782	1,067	735	987
Other creditors	600	697	600	609
Amounts owing to the Imperial War Museum Trading Company	-	-	13	-
Obligations under finance lease	297	292	297	292
Accruals and deferred income	5,258	4,228	5,021	3,965
Total creditors falling due within one year	<u>6,937</u>	<u>6,284</u>	<u>6,666</u>	<u>5,853</u>

12b Amounts falling due after more than one year				
Obligations under finance lease	6,279	6,577	6,279	6,577
Deferred income - operating lease	919	953	919	953
Total creditors falling due after more than one year	<u>7,198</u>	<u>7,530</u>	<u>7,198</u>	<u>7,530</u>
Total creditors	<u>14,135</u>	<u>13,814</u>	<u>13,864</u>	<u>13,383</u>

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

	Group 2012 Total £'000	Restated Group 2011 Total £'000	IWM 2012 Total £'000	Restated IWM 2011 Total £'000
12c Intra-Government creditor balances				
<i>Balances with other central government bodies</i>				
HM Revenue & Customs	577	586	577	586
Other	-	5	-	5
	<u>577</u>	<u>591</u>	<u>577</u>	<u>591</u>
<i>Balances with bodies external to government</i>	13,558	13,223	13,287	12,792
Total creditors	<u>14,135</u>	<u>13,814</u>	<u>13,864</u>	<u>13,383</u>

12d Obligations under finance leases

At 31 March 2012 IWM had commitments under finance leases as set out below:

	2012 Building £'000	2012 Exhibitions £'000	2012 Total £'000	2011 Total £'000
Finance lease obligations: payments due				
Within one year	207	90	297	292
in the second to fifth year	504	602	1,106	1,239
in more than five years	-	5,173	5,173	5,338
	<u>711</u>	<u>5,865</u>	<u>6,576</u>	<u>6,869</u>

	Balance as at 1 April 2011 £'000	Additions in year £'000	Provision utilised £'000	Balance as at 31 March 2012 £'000
12e Provisions for liabilities and charges				
Early exit scheme	116	-	(116)	-
Early retirement costs	113	6	(42)	77
	<u>229</u>	<u>6</u>	<u>(158)</u>	<u>77</u>
Amounts falling due within one year				37
Amounts falling due after more than one year				40
Total provisions				<u><u>77</u></u>

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

13 IWM Trading Company Limited

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

	2012 £'000	Restated 2011 £'000
Profit and loss account		
Turnover	9,440	10,289
Cost of goods sold	(6,790)	(7,159)
Gross profit	2,650	3,130
Other operating income	1,867	1,772
	4,517	4,902
Administrative expenses	(1,245)	(1,351)
Operating profit	3,272	3,551
Interest receivable	7	9
Profit	3,279	3,560
Amount paid to IWM under gift-aid	(3,279)	(3,560)
Profit on ordinary activities after gift-aid	-	-

Reconciliation of results of the trading company to the Consolidated Statement of Financial Activities

Turnover	9,440	10,289
<i>Intercompany transactions</i>	(35)	(26)
Included in trading income per SOFA	7,722	8,645
Included in fees income per SOFA	1,003	857
Included in royalties per SOFA	680	761
External funds	1,867	1,772
<i>Intercompany transactions</i>	(1,473)	(1,333)
Included in external funds per SOFA	394	439
Cost of goods sold	6,790	7,159
<i>Intercompany transactions</i>	(32)	(32)
Included in commercial costs (£5,088K), education (£1,654K) and governance (£16K) per SOFA	6,758	7,127
Indirect costs	1,245	1,351
<i>Intercompany transactions</i>	(1,245)	(1,351)
	-	-
Interest receivable	7	9
<i>Intercompany transactions</i>	-	-
Included in investment income per SOFA	7	9

	2012 £'000	2011 £'000
Balance sheet		
Current assets	1,455	1,637
Current liabilities	(846)	(1,028)
Net assets	609	609
Called up share capital	600	2,600
Profit and loss account	9	(1,991)
Capital and reserves	609	609

The authorised share capital of the company is 3,500,000 shares of £1 each, of which the 2,600,000 issued, was reduced to 600,000 on 27 October 2011.

The future plans of the Company forecast longer term growth but with uncertainty in the immediate future due to external economic conditions.

The IWM London will be temporarily closed from January 2013 for a period of six months, while major building works are in progress.

The Financial Statements of the IWM Trading company have been prepared on a going concern basis.

14 IWM Development Trust as at 7 March 2012

At the 7 March 2012, Trustees of the Imperial War Museum Development Trust passed a resolution to form a new body, independent and no longer controlled by IWM. Represented below is the Statement of financial activities and balance sheet of IWM Development Trust at 7 March 2012.

	2012 Unrestricted funds £'000	2012 Restricted funds £'000	2012 Total £'000	2011 Total £'000
Statement of financial activities for the period 1 April 2011 to 7 March 2012				
<i>Incoming resources</i>	44	125	169	545
<i>Resources expended</i>				
Charitable activities	(244)	(2,606)	(2,850)	(1,304)
Net movement in funds	(200)	(2,481)	(2,681)	(759)
Fund balances brought forward at 1 April 2011	2,970	2,543	5,513	6,272
Transfer between funds	62	(62)	-	-
Fund balances carried forward at 7 March 2012	2,832	-	2,832	5,513

£62K was transferred from the American Air Museum fund to the General fund. This is an exchange rate difference resulting from the timing of funds being made available to the American Air Museum and the repayment of them.

At 7 March 2012, the restricted balance of £2,301K previously held in the IWM Development Trust, with the approval of the Trust Trustees, was transferred to IWM.

The Trustees of the IWM approved a grant of unrestricted reserves to the Imperial War Museum Development Trust of £3,358K

Reconciliation of results of the Development Trust to the consolidated Statement of Financial Activities

<i>Incoming resources</i>	169	545
<i>Intercompany transactions</i>	(9)	(13)
Included in external funds and Investment income	160	532
Charitable activities	2,850	1,304
<i>Intercompany transactions</i>	(2,591)	(1,061)
Included in resources expended per SOFA	259	243

	2012 Unrestricted funds £'000	2012 Restricted funds £'000	2012 Total £'000	2011 Total £'000
Balance sheet as at 7 March 2012				
Fixed assets	-	-	-	244
Current assets	2,832	-	2,832	6,052
Current liabilities	-	-	-	(783)
Net assets	2,832	-	2,832	5,513
Funds	2,832	-	2,832	5,513

At 7 March 2012, the balance on the restricted funds held in the IWM Development Trust were transferred to IWM. The remaining fund held in the independent Trust was unrestricted. This represents the transfer out of the group upon the IWM Development Trust becoming independent.

IWM has an operating agreement with the Imperial War Museum Development Trust to recharge for any costs incurred.

15 Capital commitments

At the balance sheet date, outstanding capital commitments, authorised by the Board of Trustees but not yet contracted, amounted to some £1,957K (2010-11 £2,778K) which relates to the HMS Belfast entrance project £981K; IWM Duxford shop £250K; IWM Duxford Northside Buildings £386K; Historic Duxford £350K.

At the balance sheet date, outstanding capital commitments contracted but not provided, amounted to some £795K which relates to the HMS Belfast Entrance, £601K and the CWR Entrance £194K.

16a Commitments under operating leases

At 31 March 2012 IWM had annual commitments under non cancellable operating leases as set out below:

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

	2012 Land and other buildings £'000	2011 Land and other buildings £'000	2012 Equipment £'000	2011 Equipment £'000
Operating leases which expire:				
Within one year	68	78	28	15
In the second to fifth years inclusive	-	-	120	82
Over five years	209	211	-	-
	<u>277</u>	<u>289</u>	<u>148</u>	<u>97</u>

16b Commitments under hire agreements

At 31 March 2012 IWM had annual commitments under non cancellable hire agreements as set out below:

	2012 Equipment £'000	2011 Equipment £'000
Hire agreements which expire:		
Within one year	6	7
In the second to fifth years inclusive	5	30
Over five years	-	-
	<u>11</u>	<u>37</u>

17 Contingent liabilities

There are no contingent liabilities

18 Post balance sheet events

There were no post balance sheet events requiring disclosure in or adjustment to the accounts.

The accounts were authorised for issue by the Accounting Officer and the Board of Trustees on the date given on the audit certificate.

	At 1 April 2011	Income	Expenditure	Revaluations/ capital restructure	IWM Development Trust	Transfers	At 31 March 2012
Consolidated statement of	£'000	£'000	£'000	£'000	£'000	£'000	£'000
19 funds							
Unrestricted funds							
<i>Designated funds:</i>							
Buildings, collections, equipment and exhibitions	15,988	3,790	(1,024)	-	-	107	18,861
Buildings revaluations	13,130	-	(402)	(27)	-	(107)	12,594
Collections	-	46	(39)	-	-	-	7
Total designated funds	<u>29,118</u>	<u>3,836</u>	<u>(1,465)</u>	<u>(27)</u>	<u>-</u>	<u>-</u>	<u>31,462</u>
General funds	8,781	32,713	(36,713)	(2,000)	(2,832)	46	(5)
IWM Trading Company reserve	(1,991)	-	-	2,000	-	-	9
	<u>6,790</u>	<u>32,713</u>	<u>(36,713)</u>	<u>-</u>	<u>(2,832)</u>	<u>46</u>	<u>4</u>
Total unrestricted funds	<u>35,908</u>	<u>36,549</u>	<u>(38,178)</u>	<u>(27)</u>	<u>(2,832)</u>	<u>46</u>	<u>31,466</u>
Restricted funds							
Buildings, collections, donated objects equipment and exhibitions	103,343	208	(3,456)	-	-	455	100,550
Buildings revaluations	52,196	-	(2,349)	2,613	-	-	52,460
Tied funds	487	3,257	(3,375)	-	-	2,159	2,528
IWM restricted funds	<u>156,026</u>	<u>3,465</u>	<u>(9,180)</u>	<u>2,613</u>	<u>-</u>	<u>2,614</u>	<u>155,538</u>
IWMMDT Redevelopment appeal	780	19	-	-	-	(799)	-
IWMMDT Tied donations	1,766	106	(11)	-	-	(1,861)	-
Total restricted funds	<u>158,572</u>	<u>3,590</u>	<u>(9,191)</u>	<u>2,613</u>	<u>-</u>	<u>(46)</u>	<u>155,538</u>
Total funds	<u>194,480</u>	<u>40,139</u>	<u>(47,369)</u>	<u>2,586</u>	<u>(2,832)</u>	<u>-</u>	<u>187,004</u>

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

At 7 March 2012, the Imperial War Museum Development Trust was disposed of from the Imperial War Museum Group to form an independent charity. At this date, the unrestricted balance of £2,832K, remaining with the reconstituted Trust was transferred out of the Group. In addition, the restricted balance of £2,301K previously held in Trust with the approval of the Trust Trustees, was transferred to IWM. Of the £2,301K transferred from the Trust, £799K for the Redevelopment Appeal, are funds which have been donated for the redevelopment of the museum at IWM London. The remaining Tied donations (£1,502K) comprise funds donated for the application of specific projects. These include the AirSpace at IWM Duxford, the Churchill War Rooms and the Holocaust exhibition at IWM London.

Funds of £46K have been transferred from Unrestricted funds to Restricted funds to cover eliminations on consolidation of transactions

The Unrestricted buildings, collections, equipment and exhibitions fund £18,861K, Buildings revaluation £12,594K and the Restricted buildings, collections, donated objects, equipment and exhibitions fund £100,550K, Buildings revaluation £52,460K, represent the Net Book Value of the tangible fixed assets and heritage assets less the assets held under finance leases £184,465K.

Designated funds comprise assets funded by IWM, including capital building works, collections, equipment and exhibitions. Restricted funds comprise funds received specifically for expenditure on such assets. These include the American Air Museum and AirSpace at IWM Duxford, IWM North, the Churchill War Rooms expansion project, and the redevelopment of IWM London and the Holocaust exhibition.

	Unrestricted funds £'000	Restricted funds £'000	Total 2012 £'000
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20 Analysis of group net assets between funds

Fund balances at 31 March 2012 are represented by:

Tangible fixed assets	36,855	153,010	189,865
Net current assets	967	3,447	4,414
Long-term creditors	(6,356)	(919)	(7,275)
Total net assets	31,466	155,538	187,004

21 Cash flow information

(a) Reconciliation of changes in resources to net inflow from operating activities

	2012 £'000	2011 £'000
Net (outgoing)/incoming resources before revaluations	(7,230)	1,012
Investment Income	(130)	(179)
Interest element of finance lease rental payments	421	426
Loss on disposal of Tangible fixed assets	22	12
Depreciation charge for the year	7,215	7,556
Decrease in stocks	59	79
(Increase) in debtors	(390)	(89)
Increase in creditors	616	1,243
Net cash inflow from operating activities	583	10,060

(b) Analysis of cash flows

(Decrease)/increase in cash in the period	(1,569)	616
(Decrease)/Increase in liquid resources in the period	(5,257)	848
Cash flow arising from decrease in finance lease	292	287
Movement in net debt in the period	(6,534)	1,751
Net funds at 1 April	8,457	6,706
Net funds at 31 March	1,923	8,457

(c) Changes in net debt/funds

	1 April 2011 £'000	Cash flow £'000	31 March 2012 £'000
Cash at bank and in hand	3,395	(1,569)	1,826
Liquid resources - Short-term deposits	11,930	(5,257)	6,673
Finance lease	(6,868)	292	(6,576)
Net funds	8,457	(6,534)	1,923

22 The role of financial instruments

FRS 29, *Financial Instruments: Disclosure*, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks IWM faces in undertaking its activities.

The following disclosures relate to the whole group.

Credit, liquidity or market Risk

Grant in Aid from the Department for Culture, Media and Sport comprises 55% of total incoming resources. The remaining amount is funded via self generated income, which tends to fluctuate around historically predictable performance. The majority of financial instruments relate to contracts to buy non-financial items in line with IWM's expected purchase and usage requirements. As a result, IWM is exposed to some credit, liquidity or market risk.

IWM is exposed to credit risk of £499K of trade debtors - however this risk is not considered significant as major customers are familiar to IWM. Bad and doubtful debts are provided for on an individual basis.

IWM has sufficient unrestricted funds to cover its current liabilities.

Cash is held by IWM's bankers and invested in compliance with the Trustees' approved policy to spread risk and impose minimum credit ratings for institutions. IWM has not suffered any loss in relation to cash held by bankers.

Interest rate risk

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

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

Interest rate profile	Fixed rate financial assets £'000	Non- interest bearing financial assets £'000	Weighted average interest rate	Weighted average period for which rate is fixed
As 31 March 2012				
Sterling	8,484	15	0.65	48 Days
	8,484	15		
As 31 March 2011				
Sterling	15,292	33	1.15	181 Days
	15,292	33		

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

Foreign currency risk

IWM's exposure to foreign currency risk is not significant.

23 Related party transactions

IWM is a statutory non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS). DCMS is regarded as a related party and during the year IWM has had various material transactions with the Department. IWM received grants from the Big Lottery Fund (BLF) for which the DCMS is also recognised as the parent body. None of the Trustee board members, key managerial staff or other related parties has undertaken any material transactions with the Museum during the year.

During the year IWM had significant related party transactions with the following bodies:

IMPERIAL WAR MUSEUM ACCOUNT 2011-12

Related party	Amount Purchased	Amount Sold	Donations / Grants Received	Donations / Grants Given	Year End Balance
	£'000	£'000	£'000	£'000	£'000
American Air Museum in Britain (AAMiB).	-	-	524	-	-
FIWM	-	-	26	-	26
IWM Development Trust	-	-	-	3,358	-
IWM Foundation	-	12	-	-	12
Gerry Holdsworth Special Forces Charitable Trust	-	-	27	-	-
King's College	2	2	-	-	-
RAF Charitable Trust	2	1	-	-	-
Royal British Legion	-	2	-	-	-
Ministry of Defence	2	-	-	-	-

The nature of these related parties is as follows:

Diane Lees, Director General and Air Chief Marshal Sir Peter Squire, former Chairman of the Board of Trustees are Vice President and President respectively of the AAMiB. During the year IWM received significant donations from the AAMiB. Sir Peter Squire stepped down from his position of Chairman of the Board of Trustees on 18 December 2011.

Diane Lees, Director General is a member of The Council of FIWM.

The IWM Development Trust became independent from IWM on 7 March 2012. Diane Lees, Director General, is a Trustee of the IWM Development Trust. The IWM made a grant of £3,357,976 to the IWM Development Trust in year.

The IWM Foundation is an independent charitable body, of which Lord Black of Brentwood is a Trustee. Services to the amount of £12,000 were provided to the IWM Foundation in year.

Diane Lees, Director General and the Sister of Sir Frances Richards, Trustee are Trustees of the Gerry Holdsworth Special Forces Charitable Trust. During the year the Holdsworth Trust made a grant of £27,026 to IWM.

King's College London was an IWM customer and supplier during the year. Fees of £1,790 were charged to King College in relation to conference fees, speaker fees and various school visits during the year. IWM also paid contributions amounting to £1,516 to Kings College towards a research project. Sir John Kizely is a Visiting Professor in War Studies at King's College.

Retail sales amounting to £832 were made to The RAF Charitable Trust during the year. Fees of £1,500 were paid to the RAF Charitable Trust for advertising air time during the RIAT Air Show. Sir Peter Squire is Vice President of the RAF Charitable Trust.

Sales of £1,887 relating to corporate hospitality, images sales, and trade stand space were made to the Royal British Legion of which Sir John Kizely is National President.

Fees amounting to £1,597 were paid to the Ministry of Defence for various goods and services including aeronautical information documents, flight information publications and Air Show display fees. Hew Strachan is Chief of Defence for the Strategic Advisory Panel (MOD).

24 Losses, special payments and gifts.

Costs falling into the category of losses, special payments and gifts were below the level currently £100,000 at which they need to be reported separately.



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