

ANNUAL REPORT AND ACCOUNT 2008–2009

IMPERIAL WAR MUSEUM LONDON
CHURCHILL MUSEUM and CABINET WAR ROOMS
HMS BELFAST
IMPERIAL WAR MUSEUM DUXFORD
IMPERIAL WAR MUSEUM NORTH

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IMPERIAL WAR MUSEUM

ANNUAL REPORT AND ACCOUNT 2008–2009

Annual Report and Account for the year ending 31 March 2009

Ordered by the House of Commons to be printed on 17 June 2010

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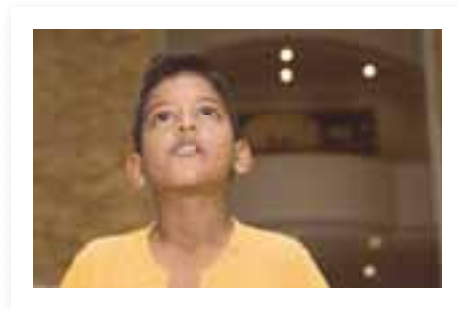
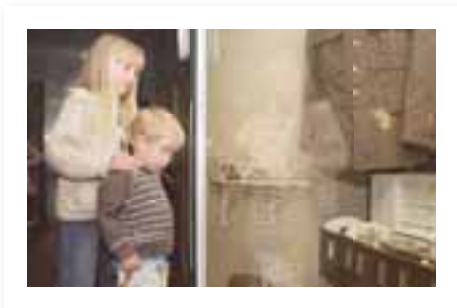
INTRODUCTION

**THE IMPERIAL WAR MUSEUM
IS A WAR MUSEUM**

**RATHER THAN
A MILITARY MUSEUM**

**WE CONCENTRATE ON
PEOPLE'S
EXPERIENCE
OF WAR**

**AND ITS
IMPACT ON SOCIETY**





LONDON

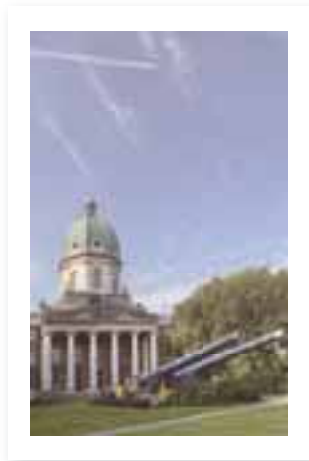
IMPERIAL WAR MUSEUM LONDON
CHURCHILL MUSEUM and CABINET WAR ROOMS
HMS BELFAST

DUXFORD

IMPERIAL WAR MUSEUM DUXFORD

MANCHESTER

IMPERIAL WAR MUSEUM NORTH



Clockwise from top left: Imperial War Museum London, Churchill Museum and Cabinet War Rooms, Imperial War Museum Duxford, Imperial War Museum North, HMS *Belfast*

I.0 OUR MISSION AND BUSINESS

To enable people to understand human behaviour through the lens of war and conflict.

How societies and individuals create and respond to war and conflict from 1900 to the present day.

We will be relevant and inspirational for our audiences by encouraging them to:

Explore the dynamics between destructive and creative forces

Debate how people and societies deal with war and conflict

Understand human behaviour

Relate to human dilemmas

Understand how the indescribable elements of human behaviour such as genocide can be expressed

The Imperial War Museum is a war museum rather than a military museum: we concentrate on people's experience of war and its impact on society.

I.1 OUR KEY MESSAGES AND OUTCOMES

Our key messages are:

War reveals people at their best and their worst

War amplifies human dilemmas

War is the most destructive force in history – but can be immensely creative

War is the most extreme human experience

War drives people to bear witness to their experiences



2

STRATEGIC OBJECTIVES

2.0 STRATEGIC OBJECTIVES FOR 2008–2009

During 2008–09, the Imperial War Museum delivered strategic plans informed by an ongoing modernisation and change agenda. Plans were implemented that responded to the challenges and opportunities faced by the Museum. Strategy was informed by, and took account of, Government priorities and planned activity reflects the objectives and aspirations described in the Funding Agreement of the Museum.

Business planning was organised around five corporate priorities aligned to the long-term strategic objectives of the Museum: income, efficiency, modernisation, stewardship and learning and access.

Activity was undertaken that delivered high impact to our audiences. An integrated approach to working, using project teams across the organisation, sought to increase both efficiency and effectiveness.

A long term planning review, *Fit for the Future*, was launched in order to determine our future business priorities and to support the creation of a dynamic new organisational model aligned to this focus. Relevance and appeal to the widest possible audience, through an organisation-wide audience-centred approach, will continue to be key factors in this process of change.

The work of the Museum throughout the year was underpinned by an ongoing drive for excellence and sustainability.



3

**ACHIEVEMENTS
AND
PERFORMANCE**

3.0 OVERVIEW

| Imperial War Museum Corporate Performance Indicators '000s | 2008–09 actual | 2007–08 actual | % change year on year | 2008–09 target* | % target achieved |
|--|-------------------|-------------------|-----------------------------|--------------------|----------------------|
| Total number of visits to the Museum (excluding corporate hospitality guests) | 2,007 | 1,904 | +5 | 1,847 | 109 |
| Number of children aged 15 and under visiting the Museum | 580 | 550 | +5 | 546 | 106 |
| Total number of website visits | 9,780 | 10,234 | -4 | 10,400 | 94 |
| Net income from admissions, trading, fees and royalties (£) | 8,128 | 7,528 | +8 | 7,394 | 110 |

* The target set in the Museum's Corporate Plan 2008–11

Performance against indicators agreed with the Department for Culture, Media and Sport in the Imperial War Museum Funding Agreement 2008–11 are shown on page 33 of this report.

Over two million visitors attended the branches of the Museum during the year. This figure represents an increase year on year and exceeds the Museum's Corporate Plan target by 9 per cent. Children made up 29 per cent of total visitors to the Museum. Visitor satisfaction remains exceptionally high, with the proportion of visitors likely to recommend a visit at 98 per cent.

Almost 10 million people visited the Imperial War Museum website over the course of 2008–09, marginally less in comparison to the previous year. The high number of virtual visitors reflects the importance of online services and information. A wide range of content is available on the website, including learning resources and exhibition microsites. Web development will continue to provide an important focus for activity in order to sustain this success.

An Audience Development Plan was implemented to expand and develop target audiences. In terms of audience diversity, the total proportion of visitors from lower socio-economic groups (NS-SEC 5–8 UK adults) during 2008–09 was 14 per cent (against 17 per cent during 2007–08). The proportion of repeat visitors increased in comparison to the previous year, from 34 per cent to 38 per cent. Considering these factors in combination, this trend would appear to indicate that during an economic downturn, the Museum is attracting a larger number of more affluent repeat visitors who are less sensitive to the challenging prevailing economic conditions. Overseas visitors declined year on year in line with wider inbound tourism trends, again reflecting the impact of a worsening global financial climate.

Black and Minority Ethnic visitors made up 6 per cent of UK adult audiences at the Museum over the year, marking an increase on the level (of 4 per cent) achieved during 2007–08. Visitors with a limiting disability represented 3 per cent of total visitors during 2008–09. The Museum continues to deliver against the *Equality Strategy* which outlines how the organisation will focus on promoting equality of opportunity and the delivery of workforce diversity as well as enabling participation and access to the widest possible audiences. The action plans underpinning the strategy detail how these objectives will be achieved.

In late Autumn 2008, the Museum launched the *Fit for the Future* review. This is an exercise designed to define and clearly articulate the long term strategic objectives of the organisation and ensure that there is sufficient capability and capacity to enable their delivery. The review will provide a very clear direction of travel for the Museum, focusing on core, high priority activity with high impact on visitors and with a creative new organisational model that is affordable and sustainable.

Ongoing Information and Communication Technology (ICT) improvements have included the installation of a Wide Area Network (WAN) with greater bandwidth capacity to increase the speed of web connections and enhance the capacity of the organisation to operate efficiently. This upgrade is the latest development in the ongoing ICT improvement programme, ensuring that the Museum has a solid foundation on which to continue its digital development. The appointment of a Head of New Media will ensure that this development is achieved through an integrated programme and with particular focus on the website.

A new Collections Cataloguing Management System (CCMS) has been implemented, allowing for significant improvement to the way in which the Museum's Collections and associated data are managed. Ongoing documentation and digitisation programmes have been delivered in order to support public learning and access programmes, as well as revenue generation activity. Funding for several important projects has been successfully secured, including *War Story*, *Build the Truce* and *Explore History*. A major tranche of display conservation work was achieved through the completion of a further phase of the *On the Case* project.

Trading performance was very strong during 2008–09 exceeding target and income levels attained in the previous financial year. Retail profit increased by 7 per cent year on year, reflecting improvements to product and stock management and the positive impact of a strong exhibitions programme on secondary spend, in particular at Imperial War Museum London and Imperial War Museum North. Catering and corporate hospitality also performed well, with net profit up by 4 per cent year on year. Admissions income net profit was up by 1 per cent on 2007–8, a positive result in spite of the challenges faced by the charging branches in terms of visitation in the context of an economic downturn. Trading forecasts for the year 2009–10 are cautious, reflecting anticipated volatility across the market and the ongoing challenge presented by a hostile economic environment.

Efficiency savings continued, and the Museum reached its *Value for Money* efficiency cash saving target for 2008–09. The sum, agreed with the Department for Culture, Media and Sport (DCMS), was achieved through expenditure reduction by virtue of corporate planning budget adjustments, renegotiation of Facilities Management contracts and the successful reconfiguration and reorganisation of the foyer area at Imperial War Museum North. Energy consumption was an important area of focus over the year, in line with the sustainable development objectives of the Museum.

The Museum was awarded Strategic Commissioning funding from DCMS and the Department for Children, Schools and Families (DCSF) to support ongoing community outreach learning programmes at Imperial War Museum London, Imperial War Museum Duxford and Imperial War Museum North.

The success of *Their Past Your Future*, a UK-wide education project led by the Imperial War Museum in partnership with the Museums, Libraries and Archives Council, National Library of Wales, Northern Ireland Museum Council and Scottish Museums Council, and supported by the Big Lottery Fund, continued during the year with commemorative study visits to France, Belgium and Germany. The project aims to increase young people's understanding and appreciation of history, national identity, commemoration, civic participation and responsibility through learning programmes, engaging with veterans and eyewitnesses of conflict, historic sites, and with primary sources from UK museums, libraries and archives. The project, established in 2004, explores the impact of conflict on people and places from the First World War to today. The *InSite* programme, an inspiring and all-expenses-paid immersive learning programme for teachers, museum educators and education professionals, has provided a unique continuing professional development opportunity. Participants have been able to increase their knowledge of twentieth century conflict and commemoration, and their confidence in teaching and learning outside the classroom.



Former MV *Empire Windrush* passengers and RAF veterans Donald Clarke (left) with George Mason and Sam King (middle and right) whose stories are featured in the exhibition *From War to Windrush*



3.1 EXHIBITIONS

The Museum presented a number of successful temporary exhibitions across the branches in addition to the permanent displays. The public programme was designed to align with the organisational mission and values of the Museum and all exhibitions were presented and interpreted in a way that engaged with our audiences, using new technologies where appropriate.

The Museum is committed to producing excellent temporary exhibitions which engage diverse audiences and encourage new visitors and this can be clearly demonstrated by examples from the past year:

Exhibitions at Imperial War Museum London included *For Your Eyes Only: Ian Fleming and James Bond* (left), which was the first major exhibition to examine the life and work of Ian Fleming; *In Memoriam: Remembering the Great War*, commemorating the ninetieth anniversary of the end of the First World War with over 90 personal stories using a wide range of archival material; *From War to Windrush*, marking the sixtieth anniversary of the arrival of the MV *Empire Windrush* in Britain by telling the personal stories of the involvement of Black men and women from the West Indies and Britain in the First and Second World Wars; and *Unspeakable: The Artist as Witness to the Holocaust*, which has drawn on the Museum's extensive art collection to include works from the eyewitnesses and camp inmates created in the 1940s, the reflections of survivors produced in later decades, and the responses of contemporary artists.

At the Churchill Museum and Cabinet War Rooms, the success of the *Dig for Victory* allotment in St James's Park was repeated with an accompanying *Dig for Victory: War on Waste* display (below). The branch also presented *Last Post: Remembering the First World War*, an exhibition on the story of the Post Office in the First World War, mounted in partnership with the British Postal Museum and Archive. On HMS *Belfast*, film footage, hands-on activities and computerised interactive displays were used to help create the family-orientated display *Launch! Shipbuilding Through the Ages*.



At Imperial War Museum Duxford, the ninetieth anniversary of the airfield was marked with the *First World War at Duxford* exhibition. Additionally, *AirSpace* was extended and improved firstly, with the Airborne Forces' Airborne Assault Museum (opened by HRH The Prince of Wales), the Museum of the Parachute Regiment and Airborne Forces Trust, and secondly with the production of an audio guide for blind and partially sighted visitors.

The temporary exhibitions programme at Imperial War Museum North included *Stranger in the House*, where personal testimonies as well as photographs, were used to explore the experience of women welcoming their men folk back from war; *Witness: Women War Artists*, which is the first exhibition for over 50 years to bring together the works and personal reflections of key female war artists from the First World War to the Kosovo conflict; *Military Pride* which, through interviews, personal testimonies and specially commissioned portrait photographs, examined how war and conflict has shaped lives in gay and lesbian communities; and *Horrible Histories: Frightful First World War – the exhibition* (below), which used sounds and smells with author Terry Deary's words and artist Martin Brown's visuals alongside the Imperial War Museum's unrivalled Collections, to tell the stories of the men and women, servicemen and civilians, who shaped and endured the First World War. This exhibition will be transferred to IWM London in 2009.



3.2 LEARNING AND ACCESS

Learning for all is central to the mission of the Imperial War Museum and is a key element of the *Fit for the Future* process. Each of the branches is committed to providing high-quality on-site learning programmes as well as a variety of outreach services for the public and to support staff development. The Museum recognises the changing needs of a diverse audience and aims to attract Black and Minority Ethnic (BME) and lower socio-economic groups (NS-SEC 5–8) through dynamic and relevant learning programmes.

Partnerships with other organisations continue to be an important part of the Museum's learning activity. The Museum has continued its involvement in the National Museums Online Learning Project – a partnership project involving nine national museums and galleries and funded through HM Treasury's *Invest to Save* Budget. The purpose of this initiative was to improve the use of website content. Target audiences were schools and lifelong learners.

Community work is crucial to the learning programme at the Imperial War Museum. Engagement with local communities encourages visitation from our immediate audiences and allows, through an ongoing dialogue, for the incorporation of local feedback into public programming and visitor information. This can be demonstrated by the success of the *From War to Windrush* exhibition at Imperial War Museum London, which has been extended until 10 April 2010. A series of lectures and other linked events to accompany the exhibition have attracted a large number of visitors from BME groups, many of whom live locally but had never visited the Museum. This activity has encouraged a greater degree of engagement with the Museum and its Collections.

At Imperial War Museum London, ongoing work with groups of local school children has led to the Museum hosting four *Street Genius* participants (overleaf) from *Some Other Way Forward* (SOWF), a project sponsored and supported by the South Bank and Bankside Cultural Quarter which aims to involve young people from Southwark and Lambeth in the arts. Following a period of research in the Museum's collections, the four students, aged between 16 and 19, created *The Dark Years*, a travelling exhibition about the First World War and its effects on the local community. The exhibition was launched at the National Theatre on 27 September 2008.

The Museum continues to work with veterans both to augment collections information, knowledge and understanding but also to support educational programming for school groups and adults. Schemes such as *Veterans North* have extended to a group of members 200 strong who the staff at IWM North are in regular contact with and keep engaged on a range of levels, from VIP teas, private views and public outreach events to media activity and experience-sharing projects.

The level of interest in volunteering in support of all branches shows no signs of diminishing. The Museum receives support from over 1,000 volunteers. Over the past year, new long term volunteers were recruited to work with the Churchill Museum and Cabinet War Rooms, HMS *Belfast* and Imperial War Museum London. A further two introductory days were hosted in December. The programme at Imperial War Museum North remains an exemplar within the sector and a presentation about the *In Touch* programme was delivered at the Museums Association Conference. The work undertaken by the volunteers at all of the branches complements the work of permanent members of staff and assists the Museum in achieving our vision.

The Museum continues to meet the requirements of the National Curriculum for formal learners as well as providing informal learning activities inspired by branch strengths, events and exhibitions. These included family friendly events such as learning semaphore activities on HMS *Belfast* and the Harvest Fair weekend in St James's Park, a collaboration between the Churchill Museum and Cabinet War Rooms and The Royal Parks.

In terms of the volume of learners at the Museum, a revision to counting methodology aligned to DCMS work to streamline performance data across the sector, has resulted in some fluctuation in numbers year on year (as shown in the table below). Outreach learners no longer include touring exhibition visitors, hence the decline in off-site learners. The level of child learners has effectively been sustained year on year, whilst learners in on-site educational programmes have increased by 3 per cent.

| Learner numbers at the Imperial War Museum '000s | 2008–09 actual | 2007–08 actual | % change year on year | 2008–09 target* | % target achieved |
|---|----------------|----------------|-----------------------|-----------------|-------------------|
| Learners in on-site educational programmes | 454 | 441 | +3 | 463 | 98 |
| Learners in outreach educational programmes | 400 | 437 | -8 | 451 | 89 |
| Children in on- and off-site educational programmes | 312 | 316 | -1 | 300 | 104 |

* The target set in the Museum's Corporate Plan 2008–11

THE DARK YEARS: LAMBETH AND SOUTHWARK

FAMILIES

In the 1940s, the area suffered from atrociously high death rates. Families were forced to live in overcrowded, squalid tenements in the area, but conditions had to be improved in order to survive. Many families had to be evacuated to other parts of the country. Families who were evacuated to other parts of the country often found themselves in a different culture, and many of them were not welcomed. The war also had a profound effect on the lives of children, many of whom were evacuated to other parts of the country. The war also had a profound effect on the lives of children, many of whom were evacuated to other parts of the country.

BOMBING

During the Blitz, the area suffered from intense bombing. The area was hit by many bombs, and many people were killed. The area was hit by many bombs, and many people were killed. The area was hit by many bombs, and many people were killed. The area was hit by many bombs, and many people were killed.



3.3 COLLECTIONS

The Collections branch dealt with a huge number of public enquiries, totalling 68,000, over the course of the year. Strong public and media interest in the ninetieth anniversary of the Armistice led to a correspondingly significant increase in the level of enquiries, visitors and sales of film and photographs. Provision on the website through Collections Online has remained popular. Virtual visitor figures collected between July 2008 and March 2009 show that almost 157,000 people used this part of the website.

The Collections branch is continuing work on the *Explore History* offer which will improve public access facilities and give visitors wider opportunities to engage with collections.

The Museum has acquired a number of interesting items over the course of the year. These include the memoirs of General Sir Eric de Burgh; six hand-printed photographs by George Rodger; Siegfried Sassoon's service revolver; a painting by Keith Vaughan; a Eurofighter Typhoon DA4 aircraft; a very rare Luftwaffe rabbit skin jacket liner in very good condition; a collection of rare Tientsin Volunteer Corps badges; the naval records of Vice Admiral Sir Denys Ford KCB CBE; an interview with Chris Roberts, a well-known and highly regarded Brigadier who served with Australian Special Air Service; and an interview with Jack Birbeck who was shot down in 1943 and held prisoner in Stalag Luft III during the Great Escape.

A Documentation Strategy has been implemented which systematically addresses documentation backlogs across the Collections. A Research Policy and Strategy has been drafted and an internal Research Board convened in order to synthesise and coordinate research activity across the organisation. Work has also commenced on the development of an Acquisitions Strategy. Recent research undertaken by a Clore Fellow on contemporary collecting from migrant communities will feed into this.

The Museum-wide master planning exercise which began last year has continued with buildings and accommodation areas at all branches being assessed in order to ascertain their efficient use and storage capabilities.

The launch of *The Battle of the Somme* DVD marked a major success for the Collections branch. The film was digitally restored and presented at a special screening at Imperial War Museum London in November 2008. Among the special features of the DVD are two alternative musical accompaniments: one a specially commissioned score for full orchestra written by Laura Rossi; the other a re-creation of the music recommended when the film was first released in 1916. The restored version of the film received its UK television premiere simultaneously on the History and Military History Channels on 11 November last year.

The National Museums at Chatham project in partnership with Chatham Historic Dockyard Trust and the National Maritime Museum has made good progress. It will house and display the national museum partners' maritime model collections and provide an international-standard temporary/

touring exhibition gallery open to visitors of The Historic Dockyard. This new attraction is due to be completed and opened to the public in 2010.

3.4 PUBLICATIONS

The following books have been published in association with the Museum:

- *Forgotten Voices of the Falklands* by Hugh McManners, published by Ebury (pbk)
- *For Your Eyes Only: Ian Fleming and James Bond* by Ben Macintyre, published by Bloomsbury
- *Forgotten Voices of the Secret War* by Rod Bailey, published by Ebury
- *The First World War* by Henry Brook, published by Usborne
- *The Second World War* by Henry Brook, published by Usborne
- *In Memoriam* by Robin Cross, published by Ebury
- *The Second World War*, published by Dorling Kindersley
- *Young Voices* by Lyn Smith, published by Penguin (pbk)
- *The Second World War Experience: Blitzkrieg* by Richard Overy, published by Carlton Books
- *The Second World War Experience: Axis Ascendant* by Richard Overy, published by Carlton Books
- *The Second World War Experience: The Turning of the Tide* by Richard Overy, published by Carlton Books
- *Art from the First World War*, published by Imperial War Museum
- *Tails Up Flip Book*, published by Imperial War Museum
- *Tanks: The Wonder Weapon*, published by Imperial War Museum
- *The ABC of Cookery*, published by Imperial War Museum
- *Forgotten Voices of the Somme* by Joshua Levine, published by Ebury
- *The Western Front Experience* by Gary Sheffield, published by Carlton Books
- *My First World War* by Daniel James, published by Watts
- *My Second World War* by Daniel James, published by Watts
- *Battlefields of the First World War* (new edition) by Peter Barton, published by Constable and Robinson
- *Camouflage* by Tim Newark, published by Thames & Hudson (pbk)
- *Lawrence of Arabia: The Life, the Legend* by Malcolm Brown published by Thames & Hudson (new edition)
- *IWM Duxford guidebook*, published by Imperial War Museum
- *IWM London guidebook*, published by Imperial War Museum
- *Lest We Forget* (large print edition) by Max Arthur, published by Ebury
- *Forgotten Voices of the Holocaust* (Spanish edition) by Lyn Smith, published by Ebury

3.5 EVENTS

The Imperial War Museum has offered a varied and exciting events programme at each of the branches including poetry readings, lectures and air shows.

The Churchill Museum and Cabinet War Rooms have continued their popular Churchill Lecture series covering several related topics including the pre-eminent Middle East correspondent, Robert Fisk, who spoke in March on *Churchill and the Middle East*, attracting a full house.

Staff on HMS *Belfast* took part in Veteran's Day events in Trafalgar Square at the end of June, where they provided a display of handling objects. The ship also continued a programme of History Evenings with a lecture in July on the subject of *The Cruel Sea* and on 6 November Professor Gary Sheffield examined *The Hundred Days 1918: Britain's Forgotten Victory*.

At Imperial War Museum North along with several exhibition openings, the branch participated in a special event commemorating Remembrance on 8 November, delivered in partnership with the BBC. Over 60 people attended to share their memories which were then uploaded onto the BBC website.

Imperial War Museum Duxford presented a varied programme over the summer season. This included several air shows (below left) as well as the Duxford Classic Car Show, the annual Military Vehicle Show, a special interest day to mark the Berlin Airlift and one stage of the British Aerobatic Championships. The Flying Legends and ninetieth Anniversary Air Shows attracted a total of 54,416 visitors. Attendances at the latter were down compared with last year, reflecting the impact of unseasonably wet weather.

At Imperial War Museum London, a programme of gallery talks, lectures and film screenings was offered to coincide with the opening of the *In Memoriam* exhibition (below right) and to mark the ninetieth anniversary of the Armistice. The London Open House weekend in September saw a record 195 people visiting the Dome Reading Room and the Boardroom balcony area. The following weekend, a further 87 visitors took advantage of behind the scenes tours of some of the collections areas as part of the launch of Cultural Olympiad events around the capital.



On Armistice Day the Museum presented a performance by the Portsmouth Grammar School Chamber Choir of Douglas Guest's choral setting of Laurence Binyon's poem *For the Fallen*. There was also an evening of poetry readings organised by the War Poets Society, at which the former Poet Laureate Sir Andrew Motion led a discussion and poems were read by the descendents of Robert Grave, Siegfried Sassoon, Wilfred Owen and Edmund Blunden.

3.6 AWARDS

AirSpace at Imperial War Museum Duxford was named winner of the Best Education Project category in this year's National Lottery Awards in a live ceremony on BBC1. It was also nominated for the European Museum of the Year Award 2009 being included in the final 25 from a long list of 60 museums.

The *In Touch* Volunteer Programme at Imperial War Museum North was selected as the north-west regional winner under the Heritage Groups category of the Nationwide Community and Heritage awards. The branch has also been selected by the National Institute of Adult Continuing Education as a National 'Opening Doors' award winner for National Adult Learners' week 2009. This award is in response to the commitment to lifelong learning and continuous partnership with Salford City College, who deliver a variety of courses at the Museum for the volunteers.

At the Museum and Heritage Awards for Excellence, *In Memoriam* was named joint winner for the Best Temporary or Touring Exhibition category. The Churchill Museum and Cabinet War Rooms were also shortlisted for the Classic Museum Award at the same ceremony.

3.7 KEY SUPPORTERS IN 2008–2009

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. The Museum 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.

During the year, major support was received from:

AgustaWestland
 BAE Systems
 Big Lottery Fund
 Clear Channel UK
 East of England Development Agency
 Friends of Duxford
 Friends of the Imperial War Museum
 Heritage Lottery Fund

HISTORY™

Lord Ashcroft KCMG

Marshall P Cloyd

National Heritage Memorial Fund

Rolls-Royce plc

SGB

Shell International Ltd

Smiths Group plc

The Art Fund

The Conference on Jewish Material Claims Against Germany

The DCMS Wolfson Foundation Museums and Galleries Improvement Fund

The Eric Anker-Petersen Charity

The Gerry Holdsworth Special Forces Charitable Trust

The Steinberg Family Charitable Trust

The 29th May 1961 Charitable Trust

Western Front Association

3.8 DIVERSITY

The Imperial War Museum developed an *Equality Strategy* and Action Plans in 2007 which describe how the Museum 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. The EMG meetings are attended by equality champions from each branch.

The Museum has made significant progress over the year. Highlights include the nomination of Imperial War Museum London for an award in the *Group Travel Organiser* magazine for best provision of disabled facilities; at Imperial War Museum Duxford, the Department of Learning continued their work with Edmunds Hill prison; at the Churchill Museum and Cabinet War Rooms, subtitles were included on all the film and video footage to improve facilities for the hearing impaired; HMS *Belfast* hosted two graduates participating in the Young Graduates for Museums and Galleries scheme; and Imperial War Museum North introduced the Accessible Guide for visitors with visual impairment, English as a second language or specific literacy support needs.

3.9 ENVIRONMENTAL SUSTAINABILITY

The Trustees of the Museum, the Director-General and the Senior Management Team are committed to reducing the impact of the organisation's operations on the environment and reducing its carbon footprint. With this in mind, a *Sustainable Development Policy* has been created which the Museum reviews on an annual basis. The policy aims to improve the Museum's

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. The Museum will seek to reduce energy consumption by 10 per cent over the year 2009–10.

3.10 THE FRIENDS OF THE IMPERIAL WAR MUSEUM

The work of the Museum is also supported by the Friends of the Imperial War Museum (registered charity no. 294360), which was established in 1986 to advance the education of the public by rendering support to the Museum. The organisation has no legal link with the Trustees of the Museum. Amongst many other activities, the Friends provide guided tours for visitors. Imperial War Museum Duxford also receives valuable help from the Friends of Duxford. In addition, there are two not-for-profit organisations based in the United States: The Churchill Centre, which, *inter alia*, provides financial support for the Churchill Museum and Cabinet War Rooms and the American Air Museum in Britain, which contributes to the funding of the American Air Museum at Imperial War Museum Duxford.

3.11 VOLUNTEERS

Volunteers make a significant, diverse and complementary contribution to the operation of the Museum. The implementation of dynamic volunteer programmes across the branches of the organisation has served to strengthen community links.

During 2008–09 an average of 1,027 volunteers jointly contributed an estimated 19,112 days or 114,667 hours of work on behalf of the Imperial War Museum; this is equivalent to over 70 full time posts. Of the days contributed by volunteers, the largest number given was in conservation. The next biggest use of volunteers was in information-related services. Communication with volunteers has been maintained via an email group, a newsletter, social events and regular visits to volunteer work locations.

The *In Touch* volunteer programme at Imperial War Museum North is run in collaboration with the Manchester Museum. All volunteers who join the programme follow a ten-week tailor made Cultural Heritage Course, which has basic literacy skills embedded into the training. Participants make a valuable contribution to the Museum and gain experience of training opportunities they would not normally have access to, and many go on to do further work in museums.

4

**PLANS
FOR
FUTURE
PERIODS**

4.0 PLANS FOR FUTURE PERIODS

The Corporate Plan 2009–12 takes account of the significant challenges anticipated in light of the economic downturn and an increasingly competitive funding environment. During the Plan period, the prioritisation of self-generated income will continue.

An increased level of audience research has supported a greater degree of understanding of Museum users and has informed the creation of an Audience Development Plan. The Corporate Plan is framed around the notion that the Museum will be audience-centred and will respond effectively to the demands of our stakeholders and target audiences. Programming (exhibitions, events, education) will continue to be linked to major events and anniversaries, and will optimise income generation when appropriate.

Energy consumption will be reduced by 10 per cent in year one of the Plan in line with sustainable development objectives, and maintained thereafter at this level. The property portfolio of the Museum will not expand; rather the Museum will seek to lever the value of its assets and minimise the total building stock to be maintained. The Museum will ensure the effective and efficient use of its buildings through master planning and will implement the recommendations of a branch wide Accommodation Review. The Museum will also continue to explore, develop and capitalise on the opportunities presented through strategic partnerships. Master planning exercises will be undertaken across the Museum estates as well as at Imperial War Museum London, Imperial War Museum Duxford and Imperial War Museum North.

4.1 FINANCIAL SUSTAINABILITY

The Plan focuses on investment in core activity. The link between prudent expenditure and the delivery of key strategic objectives has been made. There is a clear emphasis on increasing returns from income-generating activities for example, through the development of e-commerce initiatives and the implementation of a Customer Relationship Management and new ticketing system.

Branches will seek to maximise corporate hospitality income and respond to shifting market demands. The Museum will continue to publish in-association titles and seek licensing deals. Retail performance will be bolstered by the ongoing development of the online shop. Collections will continue to diversify their business model with the full public launch of Collections Online.

4.2 ACCESS AND ENGAGEMENT

The exhibitions programme will include *Horrible Histories* and *Outbreak: 1939* at Imperial War Museum London. At Imperial War Museum North, the planned programme features *Captured: The Extraordinary Life of Prisoners of War* and *War at Sea* alongside a series of smaller topical exhibitions in the WaterWay display area.

Community learning will continue to provide an important focus for activity. Informal and family learning will be delivered through events and activities. A charge will be introduced from September 2009 for formal learning programmes.

The final phase of *Their Past Your Future*, the immersive and inter-generational learning programme focused around a series of overseas visits for schools, youth groups and educators, will be delivered in 2009. As part of its legacy, a new project, inspired by the concept of the Olympic Truce, will be developed. Aimed at young people and their communities the project will engage the participants in learning about conflict resolution, inter-cultural and inter-generational understanding.

4.3 CONSERVATION AND COLLECTIONS

The project to redevelop the South East Block at Imperial War Museum London will be undertaken. On completion this will improve the environmental storage and display conditions for approximately 25 per cent of the entire Museum Collection.

With the full implementation of the new Collections Cataloguing Management System (CCMS), the next phase of work will be to exploit the system functionality. Digitisation and documentation work will continue, supported by external funding where available and appropriate (targeted applications for funding will link to clear public benefit outcomes). The Museum will introduce charging for loan items.

The capital maintenance backlog programme will be furthered, with priority one works undertaken, comprising critical plant replacement and fabric repairs. Master planning will be taken forward; specific programmes of work are in train for Imperial War Museum London and Imperial War Museum Duxford.

Facilities management and the legacy of underinvestment in buildings and system maintenance continue to present a major financial challenge. Lifecycle planning indicates that there is an annual £3 million deficit in funds available to undertake all necessary works. This is a significant risk to the organisation.

4.4 WIDER IMPACT

The Museum will continue to build the brand on a reputation of excellence and raise its profile through strategic activity. A National Strategy will be developed, articulating how the Museum operates on a national, regional and local level. Project work, for example *Build the Truce*, will have a far reaching impact. Strategic partnerships will be sustained through regional activity.

Collections will continue to reach wide and diverse audiences. The development of the *Your History* project will enhance access to the Collections of the Museum and facilitate research opportunities.



5

FINANCIAL REVIEW

5.0 FINANCIAL REVIEW

The Imperial War Museum financial statements include the Grant-in-Aid received from Government, the consolidation of the commercial and learning activities performed by the Imperial War Museum Trading Company and funds raised and managed by the Imperial War Museum Development Trust. The Consolidated Statement of Financial Activities is to be found on page 59. This shows that the overall level of funds carried forward at 31 March 2009 decreased by £8.597 million, compared to an increase of £7.689 million in the previous year. This was due chiefly to the lower valuation of fixed assets this year, mostly land and buildings, compared to increases in previous years.

Net outgoing resources, after depreciation but before revaluation changes, was £5.42 million compared to £2.93 million in the previous year. If the depreciation charge is ignored the net position is a surplus of £1.48 million in 2008–09. This compares to a surplus of £4.87 million in the prior year, which represents a reduction of over £3.4 million. This was due to the significant increase in the level of investment undertaken. Expenditure on backlog maintenance projects rose by £2.54 million, the largest of which was the project to repair part of the roof and the North Façade of the Imperial War Museum London building. Rising utility costs have increased costs by £0.3 million. In addition staff costs rose by 8.8 per cent. This was due to a number of reasons: several new staff to deliver building works and the Information and Communication Technology (ICT) infrastructure, the new post of Director of Development, additional investment in retail staff to increase turnover and profit, and fixed contract positions to carry out externally funded initiatives, such as film digitisation funded by a grant from the Public Sector Research Exploitation Fund, and specific internal projects, such as the implementation of a new collections management system.

Self-generated income generation has achieved successful results in the face of a severe economic recession. 'Incoming resources from charitable activities' increased by nearly 3 per cent. Significant in this was the rise in royalties from use of the Collections by nearly £150,000 to just over £0.75 million. In addition, income from commercial activities rose by nearly 10 per cent to over £8.1 million. Retail has performed excellently with income up by 6.6 per cent. Catering commission income increased by 8 per cent compared to the previous financial year, achieved predominantly by Imperial War Museum London. The big success has come from the temporary exhibition, *For Your Eyes Only*, at Imperial War Museum London. Income was £703,000 achieving a visitor conversion rate of 17 per cent.

The Trustees reiterated their approval of the investment policy during the year. This states that the credit rating of the banks with which the Museum 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 £3 million with any one institution unless exceptional amounts of cash are being held. All investments were held in cash at 31 March 2009.

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 Museum will maintain its successful regime of expenditure controls and managing cash flow. Forecasts are reviewed in depth quarterly, and the allocation of resources and income trends examined fully. Budgets 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. Budgets will not be released fully until forecasts of self-generated income and expenditure are considered robust. 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 the Museum to adapt and respond within financial years without significant disruption.

In addition the Museum has a contingency plan to provide for a fund of 8 per cent, growing to 10 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 given the seriousness of the economic downturn. Analysis has been performed on the impact of a fall of 10 per cent in these forecasts. Utility costs are likely to remain volatile in the short term. The Museum has plans to reduce energy consumption. However, the effect of an annual rise of 15 per cent in the total cost of utilities has been examined.

Reserves

The Reserves Policy is an integral part of the strategic approach to financial management of the Imperial War Museum and is reviewed annually by Trustees. On 25 February 2009, Trustees approved that the total of all unrestricted reserves will exceed £5 million by 2012. The target equates to 30 per cent of self-generated income and will cover two months operational expenditure.

The unrestricted reserves are wholly designated to provide funding towards the renewal of the permanent galleries at Imperial War Museum London on the First and Second World Wars, in time for the centenary and seventy fifth anniversaries of the commencement of the respective conflicts in 2014.

Key Performance Indicators

In 2008, the Department for Culture, Media and Sport introduced a revised performance indicator framework, designed to facilitate consistent reporting of performance data. As part of the Imperial War Museum Funding Agreement 2008-11, a new set of 12 performance indicators were introduced. The results reported below for 2008-09 are the baseline for all reporting going forward. Results are shown in '000s.

| Performance Indicators '000s | 2008-09 result |
|---|-------------------|
| Access | |
| Number of visits to the Museum (excluding corporate hospitality guests and virtual visitors) | 2,007 |
| Number of unique website visits | 9,780 |
| Audience profile | |
| Number of children aged 15 and under visiting the Museum | 580 |
| Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8 | 139 |
| Number of visits by UK adult visitors aged 16 and over from an ethnic minority background | 52 |
| Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness | 28 |
| Number of overseas visitors | 635 |
| Learning and outreach | |
| Number of facilitated and self-directed visits to the museum by children under 16 in formal education | 188 |
| Number of instances of children under 16 in on-site organised activities | 113 |
| Number of instances of children under 16 participating in outreach activities outside the Museum | 10 |
| Number of instances of adults aged 16 and over in organised activities at the Museum | 152 |
| Number of instances of adults aged 16 and over in outreach activities outside the Museum | 13 |
| % of visitors who would recommend a visit | 98% |
| Income generation | |
| Admissions income | £4,752 |
| Trading income | £4,129 |
| Fundraising income | £3,496 |
| Regional engagement | |
| Number of UK loan venues (exact number reported) | 156 |

6

**STRUCTURE,
GOVERNANCE
AND
MANAGEMENT**

6.0 STRUCTURE, GOVERNANCE AND MANAGEMENT

The Imperial War Museum is an independent, statutory, corporate, non-departmental public body (NDPB) with exempt charity status. It is governed by a Board of Trustees, acting on the authority of the Imperial War Museum Acts 1920 and 1955, the Museums and Galleries Act 1992 and other relevant legislation. The Board comprises a President (HRH the Duke of Kent), who is appointed by the Sovereign, and twenty-one other Trustees, ten of whom are appointed by the Prime Minister; two by the Secretary of State for Foreign and Commonwealth Affairs, one by the Secretary of State for Culture, Media and Sport, one by the Secretary of State for Defence, and seven by Commonwealth governments. The Board has corporate responsibility for ensuring that the Museum fulfils its aims and objectives and complies with any statutory or administrative requirements for the use of public funds. It establishes the overall strategic direction of the Museum and ensures that high standards of corporate governance are observed at all times. The Trustees' Executive is the Director-General. The Museum's Senior Management Team (SMT) assists the Director-General in coordinating and formulating policy and monitoring progress on key plans. It meets monthly and is chaired by the Director-General. It comprises four local and five corporate branch directors.

In October 2008, the Trustees were delighted to welcome Diane Lees to the Museum on her appointment as the new Director-General. She previously served as the Director of the V&A Museum of Childhood. Her predecessor, Sir Robert Crawford, retired in September after 40 years of service to the Museum, including 13 years as Director-General. In view of his exceptional contribution, the Trustees decided to mark his retirement with two events at the Museum, a celebratory dinner, attended by Trustees past and present (subsequently reimbursed by Trustees and Donors at a cost of £9,220), and a larger reception for 300 guests, to which staff as well as external supporters of the Museum were invited (at a cost of £7,575). Sir Robert was also presented with a gift of a painting (£1,500), funded by staff and a supporter.

Apart from the breach noted by the Comptroller and Auditor General, the practices and procedures of the Museum comply with the requirements of HM Treasury's 'Managing Public Money' and the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport (DCMS), which is the Museum's sponsor department in relation to public funds. These set out the conditions attached to the Museum's government Grant-in-Aid. The Director-General is the Accounting Officer, appointed by the Accounting Officer of the DCMS. There was a breach of the Financial Memorandum as noted in the Report of the Comptroller and Auditor General. This was the failure to obtain appropriate approvals from DCMS and Treasury to commit expenditure in the procurement of essential fire and security assets through lease finance. The latter is detailed in note 8 of the Accounts. In the light of this breach and an identification of some weaknesses in compliance matters brought to attention through the audit process a number of steps are being taken to improve oversight. This includes an internal investigation into the failure to obtain necessary approvals for the finance lease agreements; improvements to project approval processes and greater transparency in decision making, for both Trustees and Senior Managers; strengthening of the Audit Committee through

recruitment of new accounts and compliance skilled Co-optees during 2010; an external review of internal audit and instituting regular quarterly communication reviews with all relevant staff from the Department for Culture, Media and Sport. All of these proposals apart from recruitment of Trustees have been implemented.

The Financial Statements of the Museum are presented in accordance with the Statement of Recommended Practice (SORP) 2005.

A register of the interests of Trustees is held in the Director-General's Office at the Museum and is available for inspection.

6.1 CORPORATE GOVERNANCE

The framework for Corporate Governance in the Museum is based on the principle that the Trustees, as a non-executive Board, are collectively responsible for the 'general management and control' of the Museum, including risk management. The Board has delegated responsibility for monitoring risk management to its Audit Committee, which advises the Director-General and the Board on the adequacy of audit arrangements, risk management and internal control. Finally, under the provisions of 'Managing Public Money', the Director-General is personally responsible, as the Accounting Officer, for safeguarding public funds and assets, for the conduct of the staff, and for maintaining a sound system of internal control and risk management. A Corporate Governance Code was approved by the Board in September 2006.

6.2 RISK MANAGEMENT

A Risk Management System is embedded into the management structure of the Museum to support and inform the Statement on Internal Control required by HM Treasury. The Trustees' Audit Committee plays a leading role in advising on and overseeing the system. In order for the system to be effective, regular review and communication of the risks must be undertaken. This is achieved by:

- The identification of risks as an integral part of the business planning and project management processes
- An agreed and dynamic risk methodology for the whole organisation allowing risks to cascade upwards from department, through division to a corporate level
- The incorporation of risk management at all levels into the quarterly stewardship reporting by all directors to the Director-General
- Quarterly review of the top-level strategic risks by the Museum's Senior Management Team at every meeting of the Trustees' Audit Committee and annually by the Board of Trustees
- Internal audit reviews of internal control and risk management at all branches
- The Audit Committee and the Main Board of Trustees approving the Strategic Risk Register

The Museum's Strategic Risk Register has nine outcome-focused risks. In addition, the Museum has a system of management checks which supports the system of internal controls and link to plans and risks. Reports against these checks are made to the Director-General by Divisional Directors every quarter.

6.3 PERSONNEL POLICIES

The Imperial War Museum follows policy guidelines issued by the Cabinet Office about the employment of disabled people. It is an Equal Opportunity Employer. It has agreed statements of safety policy under section 2(3) of the Health and Safety at Work Act 1974.

At the end of March 2009, 3 per cent of staff considered themselves to have a limiting disability. 31 per cent of staff elected not to specify their status. With regard to diversity, 6 per cent of staff surveyed were Black or Minority Ethnic, with a non response rate of 15 percent. The Museum workforce during 2008–09 was made up of (on average over the period) 54 per cent male and 46 per cent female employees. The Senior Management Team comprises seven male Directors and three female Directors (inclusive of the Director-General). At Head of Department level, there are 55 per cent female managers and 45 per cent male managers.

The average number of staff sick days taken in 2008–09 was 7.5 days per member of staff, a reduction of 19 per cent in comparison to 2007–08 (when the average was 9.2 days). The average number of sick days compares favourably with the public sector where, according to the Chartered Institute of Personnel and Development's 2008 Absence Management Survey, the average is 9.8 days. If long-term sickness (21 days or more) is excluded, the average for 2008–09 falls to 5.4 days. The Personnel Strategy of the Museum pivots on the successful management and development of the Museum's workforce in order to deliver the *Fit for the Future* modernising and change agenda. The four main objectives are *Workforce Development*, to maintain a professional, motivated and skilled workforce; *People Management*, professional and effective management of staff to ensure that the required organisational capacity and capability is achieved; *Equality and Diversity*, to increase and broaden access and participation in recognition of the value of a diverse workforce and visitor profile; and *Employee Wellbeing*, key to organisational success and productivity.

6.4 INFORMING AND CONSULTING EMPLOYEES

Senior management communicates with staff through the preparation and circulation of annually-updated corporate plans and via the Staff Forum, which includes all Directors, Heads of Departments and other members of staff, and through the machinery of the Staff Consultative Council and its General Purposes Committee and the Departmental Health and Safety Committee as well as informal meetings, internal memoranda, the intranet and staff notices.

The Museum strives to ensure good internal communication by encouraging regular team, departmental and cross-divisional meetings. The Museum's intranet is regularly updated with relevant staff and corporate information and features a web-based forum for staff discussion. Staff consultation mechanisms and internal communications policy is the subject of a review currently underway.

The *Fit for the Future* review has involved consultation through numerous channels including a dedicated email address, an intranet discussion forum, written submissions via local postboxes and consultation groups. A *Fit for the Future* presentation was made by the Director-General to London staff and transmitted live via webcast to Imperial War Museum Duxford and Imperial War Museum North staff in March 2009.

6.5 PUBLIC SECTOR PAYMENT POLICY

The Museum has implemented the Confederation of British Industries' Prompt Payers Code. All suppliers are informed by standard letter of the Museum's payment procedure and the system for addressing complaints and disputes. The percentage of invoices paid promptly in 2008–09 was 70 per cent, compared with 88 per cent in 2007–08.

6.6 PERSONAL DATA

There are no personal data related incidents to report for the period 2008–09.

7

**REFERENCE
AND
ADMINISTRATIVE
DETAILS
OF THE
CHARITY,
THE
TRUSTEES
AND
ADVISERS**

7.0 ADDRESSES

Imperial War Museum London

Lambeth Road
London SE1 6HZ

Churchill Museum and Cabinet War Rooms

Clive Steps
King Charles Street
London SW1A 2AQ

IWM Duxford

Duxford
Cambridge CB22 4QR

HMS Belfast

Morgan's Lane
Tooley Street
London SE1 2JH

Imperial War Museum North

Trafford Wharf Road
Trafford Park
Manchester M17 1TZ

Website

www.iwm.org.uk

7.1 PRINCIPAL ADVISERS

Solicitors

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

Bankers

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

HM Paymaster General
Sutherland House
Russell Way
Crawley
West Sussex RH10 1UH

7.2 AUDIT

Under statute, the Comptroller and Auditor General is the principal auditor of the Museum's consolidated accounts for the year ended 2008–09. The audit fee in respect of this work was £35,700.

Auditors

Consolidated Accounts

Comptroller and Auditor General
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 and the Museum's auditor, 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 and to establish that the auditor is aware of that information.

Imperial War Museum Trading Company Limited and Development Trust Auditors

Buzzacott
12 New Fetter Lane
London EC4A 1AG

7.3 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 the Museum, including retailing, corporate hospitality and the Duxford Air Shows.

The Directors of the Imperial War Museum Trading Company

Miss Jyoti Munsiff (Chair to 11 November 2008)
Mr Tom Wright (Chair from 12 November 2008)
Mr Jon M Card ACA
Sir Robert Crawford CBE (to 30 September 2008)

Ms Diane Lees FMA FRSA (from 1 October 2008)
 Miss Angela Godwin
 Mr Bill Woodrow RA (from 12 November 2008)
 Mr Guy Black (from 30 July 2008)

7.4 THE IMPERIAL WAR MUSEUM DEVELOPMENT TRUST

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, most recently varied in June 2004. It is an exempt charity. 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 the Museum. The financial activities of the Trust 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)
 Sir Robert Crawford CBE (to 30 September 2008)
 Ms Diane Lees FMA FRSA (Director-General) *ex officio* (from 1 October 2008)
 Lieutenant General Sir Christopher Wallace KBE DL (to 29 July 2009, then co-opted Trustee from 3 September 2008)
 Mr Christopher Fisher
 Sir Lawrence Freedman KCMG CBE FBA (from 03 September 2008)
 Miss Jyoti Munsiff (to 11 November 2008)
 Sir Francis Richards KCMG CVO (from 12 November 2008)

7.5 DIRECTOR-GENERAL AND ACCOUNTING OFFICER

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

7.6 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 and Account, the Code of Conduct, Financial Memorandum, HM Treasury's *Regularity and Propriety* and the NDPB Accounting Officer Memorandum. In addition, the Director-General invites each new Trustee to the Museum for a personal introduction.

7.7 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

Deputy Chairman

Professor Sir Lawrence Freedman KCMG CBE FBA

Board Members

Sir Ian Andrews (to 30 September 2008)

Mr Guy Black

Mrs Ursula Brennan (from 31 January 2009)

Mr Christopher Fisher*

Sir Thomas Harris (to 11 January 2009)

Professor Sir Miles Irving DSc FRCS*

Lieutenant General Sir John Kiszely KCB MC (from 18 August 2008)

Dame Judith Mayhew Jonas DBE* (from 12 November 2008)

Miss Jyoti Munsiff (to 11 November 2008)

Sir Francis Richards KCMG CVO*

Admiral The Lord West of Spithead GCB DSC

Lieutenant General Sir Christopher Wallace KBE DL (to 29 July 2008)

Mr Nick Williams

Mr Bill Woodrow RA

Mr Tom Wright CBE

One vacancy

His Excellency Mr John Dauth LVO (Australian High Commissioner) (from September 2008)

His Excellency Mr James Wright (Canadian High Commissioner)

His Excellency Mr Shiv Shankar Mukherjee (Indian High Commissioner)

His Excellency Mr Derek Leask (New Zealand High Commissioner)

His Excellency Mr Wajid Shamsul Hasan (High Commissioner for Pakistan) (from July 2008)

Her Excellency Lindiwe Mabuza (South African High Commissioner)

His Excellency Mr Nihal Jayasinghe (Sri Lankan High Commissioner) (from July 2008)

* Members of the Trustees' Audit Committee



Air Chief Marshal Sir Peter Squire
GCB DFC AFC DL DSc FRAeS
Chairman of the Trustees

Date **26 May 2010**



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date **26 May 2010**

REMUNERATION REPORT

I 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 the Museum'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. The Remuneration Report has been audited.

2 Salary and pension entitlements

The audited salary and pension entitlements of senior staff with corporate responsibilities as at 31 March 2009 were as follows:

| | Diane Lees Director-General from 01/10/ 08 £'000s | Sir Robert Crawford Director-General until 30/9/08 £'000s | J Card Secretary and Director of Finance £'000s | A Stoneman Director of Corporate Services £'000 |
|--|--|---|---|---|
| Salary including performance pay | 60–65 | 80–85 | 90–95 | 75–80 |
| Prior year comparative salaries | 0 | 130–135 | 85–90 | 75–80 |
| Benefits in kind | 4.89* | 0.07 | 0 | 0 |
| Real increase in pension at age 60 | 7.5–10 | 0–2.5 | 0–2.5 | 0–2.5 |
| Real increase in lump sum at age 60 | 7.5–1.0 | 0–2.5 | 0–2.5 | 0–2.5 |
| Total accrued pension at age 60 at 31 March 2009 | 15–20 | 65–70 | 15–20 | 25–30 |
| Lump sum at age 60 | 25–30 | 205–210 | 45–50 | 85–90 |
| Cash Equivalent Transfer Value (CETV) at 31 March 2008 ** | 156 | 1,510 | 245 | 465 |
| Cash Equivalent Transfer Value at 31 March 2009 | 266 | 1,537 | 278 | 506 |
| Employee contributions and transfers-in | 0–2.5 | 0–2.5 | 0–2.5 | 0–2.5 |
| Real increase in CETV as funded by employer | 101 | 17 | 14 | 6 |

*The Director-General, Diane Lees, has sole use of a room for accommodation purposes within the Museum on a regular basis. During the year, the Museum expended £45K on this accommodation, the benefits of which will accrue to the Museum over a period of years. The expenditure related principally to building works necessary to bring the accommodation to a habitable state. No monies had been expended on the room over a 27 year period and its proximity to operational plant rooms necessitated significant infrastructure works. The difference in assessed benefit in kind reflects the refurbishment and the more frequent use of this benefit when compared to the previous Director-General, and the value is based on comparable accommodation in the vicinity. 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. No benefits in kind were made attributable to them for the year. No severance or compensation payments were made and no payments were made to former senior managers. In the event of early termination of employment the provisions of the Principle Civil Service Pension Scheme would be followed. There were no payments to third parties for the services of senior managers at any time.

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.

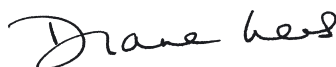
The real increase in the value of the CETV

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.



Air Chief Marshal Sir Peter Squire
GCB DFC AFC DL DSc FRAeS
Chairman of the Trustees

Date 26 May 2010



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date 26 May 2010

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, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Museum's financial activities during the year and of its financial position at the end of the year.

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


Observe the accounts direction issued by the Secretary of State (*) and the Financial Reporting Manual issued by HM Treasury;

Make judgements and estimates that are reasonable and prudent;

State whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and

Prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director-General, Diane Lees, as the Accounting Officer for the Imperial War Museum. 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 Museum assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in 'Managing Public Money'.



Air Chief Marshal Sir Peter Squire
GCB DFC AFC DL DSc FRAeS
Chairman of the Trustees



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date **26 May 2010**

Date **26 May 2010**

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

STATEMENT ON INTERNAL CONTROL

Scope of responsibility

The Trustees and the Director-General, as Accounting Officer, have responsibility for maintaining a sound system of internal control that supports the achievement of the Imperial War Museum's policies, aims and objectives, whilst safeguarding the public funds and Museum assets for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to her by HM Treasury in 'Managing Public Money', and specifically the Management Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport.

The Museum has a three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes key performance indicators to assist the Department in meeting its Public Service Agreement targets and identifies the most significant risks to achieving the Museum's objectives. Progress against Funding Agreement indicators is monitored on a regular basis.

The Trustees, as a non-executive Board, are collectively responsible for the 'general management and control' of the Museum, including risk management. The Board has delegated responsibility for monitoring risk management to its Audit Committee, which advises the Director-General and the Board on the adequacy of audit arrangements, risk management and internal control.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of Museum policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised,
- manage them efficiently, effectively and economically,
- ensure that the Museum discharges its duties regarding the proper stewardship of public funds and assets.

With the exception of matters relating to compliance with the Funding Agreement with DCMS outlined below, the system of internal control has been in place in the Imperial War Museum for the year ended 31 March 2009, and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Strategic leadership of the system of risk management in the Museum is driven by the Senior

Management Team together with the Director-General. From them the process is cascaded throughout the organisation. The effectiveness of the process is regularly reviewed by the Trustees' Audit Committee and on an annual basis by the Main Board. In addition, the Main Board is updated on progress relating to the highest risks whenever appropriate.

Risk management overall is viewed as a dynamic process which actively seeks to incorporate good practice from within and external to the sector; is responsive and current, and quick, clear and easy to document and report.

The Risk and Control Framework

The risk management framework seeks to address the major governance, operational, financial, reputational and regulatory risks which might impact upon the Museum's core purposes and priorities.

The system is an integral part of the business processes of the organisation. The key elements of the framework are that:

- 1 Risk management should be undertaken in a proactive, integrated and dynamic way and should be built into all activity
- 2 Risk management must be documented by all departments using appropriate recording mechanisms
- 3 Internal Audit healthchecks and audit work will monitor progress and check for evidence of risk management
- 4 Regular Quarterly Reports provide Directors with the mechanism by which to report against strategic risks and any other major risks
- 5 Formal reviews by the Trustees' Audit Committee, the Senior Management Team and by Directors will include a review of the constituent risks as well as progress and the current evaluation. This review involves a consideration of opportunities
- 6 The identification of Branch specific risks and opportunities will continue to be part of business planning. These will change during the year in response to circumstances and the current view of the highest priority ones should be reported in regular Quarterly Reports
- 7 The review of risks and opportunities should become a standard part of business operation

There are a number of strategic risks that the Museum considers to be of the highest priority, although none of these is at the most critical level. They comprise:

- Audience stagnates or declines
- Serious deterioration in financial resources
- Inefficient and outmoded infrastructure
- Loss or damage to Collection and other assets
- Collection and scholarly expertise not developed
- Serious harm to people

- Staff motivation and productivity low
- Breach of laws, regulations and standards – given the identification of a breach this risk has been given significant attention by staff and Trustees
- Significant business interruption

Each risk has a programme of action against it, for both the immediate and for the longer term, as well the identification of possible opportunities.

Risk management is embedded into the activities of the organisation by:

- 1 Ongoing training across the organisation and regular review of the risk registers;
- 2 Encouraging feedback from Directors and Heads of Department on the way the risk management process is working in practice;
- 3 Incorporating risk management into the quarterly stewardship reports by Division and Branch Directors to the Director-General to provide an update of the work carried out;
- 4 Reviewing strategic risks, and progress against them, by the Museum's Senior Management team every quarter and by the Trustees' Audit Committee at each of their meetings; and
- 5 Integrating risk assessment into all key Museum business cases and project management regime.

Review of effectiveness

As Chairman of the Board of Trustees and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control, including the risks associated with information security. Our review is informed by the work of the Audit Committee, the internal auditors and the executive managers within the Imperial War Museum, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

An outline of the specific work performed includes:

Internal Audit – the Museum has an Internal Audit Department, which operates within the government Internal Audit Standards. The Internal Audit Department submits regular reports and advice to the Accounting Officer, which includes the Head of Internal Audit's annual statement of assurance supporting the work performed during the year. During the year a specific review of the security of personal data was carried out. A number of recommendations are being addressed, including the development of a security policy. There have been no reportable personal data losses during the year. In the year, the Head of Internal Audit resigned and the Museum is moving towards outsourcing provision, currently the Assistant Head of Internal Audit has been promoted on an interim basis to ensure progress is maintained and managed.

Audit Committee – the remit of the Audit Committee reflects HM Treasury and Cabinet Office guidance. The Committee has carried out a review of its own effectiveness recently, informed by Internal Audit and in light of the revised HM Treasury Audit Committee Handbook, and has taken steps to implement improvements. The Committee's Terms of Reference were reviewed, revised and approved by the Board of Trustees in the previous financial year and will be reviewed again shortly; in addition the Committee will be seeking to co-opt individuals with Accountancy and Compliance experience by the end of 2010.

Executive managers – Branch Directors review risks on a continual basis and report on the outcome to the Director-General on a quarterly basis. A series of checks is carried out to corroborate the effectiveness of controls. 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 of personal information, in their areas of responsibility, and;

Board of Trustees – each member of the Board of Trustees provides an annual assurance statement that confirms she or he has no related party transactions or conflicts of interest which may compromise their position within the rules and procedures laid down by the government for the operation of a public body. The Board performed a review of its own effectiveness in this financial year.

Actions taken with respect to serious internal control issues

During the external audit process a number of matters relating to compliance with the Funding Agreement with the Department were brought to the attention of the Museum. Appropriate action has been taken to ensure that compliance failures in respect of eligible expenditures have been rectified to ensure that there has been no loss to Museum or public funds. The Report of the Comptroller and Auditor General has highlighted one issue where the Museum has been unable to take retrospective action, and was in breach of delegated authority. The issue relates to a failure to obtain necessary approvals for finance lease arrangements from DCMS and HM Treasury, a requirement of the Museum's Funding Agreement. The Museum has acknowledged this weakness and has embarked upon a number of steps to strengthen controls and oversight. This includes an internal investigation into the reasons for the weakness in control which led to the failure to obtain necessary approvals for the finance lease agreements; improvements to project approval processes and greater transparency in decision making, for both Trustees and Senior Managers; strengthening of the Audit Committee through recruitment of new accounts and compliance skilled Trustees; assigning compliance matters to a specific post to provide separation between financial matters and compliance; an external review of internal audit and instituting regular quarterly communication reviews with all relevant staff from the Department for Culture, Media and Sport.

- I In addition to this: Planning and project approval processes have been strengthened. The new Director-General has established a new team of relevant senior managers,

the Resource Team, chaired by her, to oversee and reach agreement on the specific expenditure priorities of the Museum and their funding.

- 2 These Corporate Priorities are now separately highlighted in the corporate plan so they can be better monitored by Trustees.
- 3 Revisions to the financial authority levels for senior staff in the organisation have been made along with the re-circulation of guidance previously issued.



Air Chief Marshal Sir Peter Squire
GCB DFC AFC DL DSc FRAeS
Chairman of the Trustees

Date 26 May 2010



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date 26 May 2010

IMPERIAL WAR MUSEUM

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the Imperial War Museum group for the year ended 31 March 2009 under the Museums and Galleries Act 1992. These 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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. I report to you whether, in my opinion, the information, which comprises: Strategic Objectives; Achievements and Performance; Plans for Future Periods; Financial Review; Structure, Governance and Management; and Reference and Administrative Details of the Charity, the Trustees and Advisers, included in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Imperial War Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report, which comprises the Introduction, and consider whether it is consistent with the audited financial statements. This other information comprises the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

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

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

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury, of the state of the Imperial War Museum and the group's affairs as at 31 March 2009 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions

made thereunder by the Secretary of State for Culture, Media and Sport with the consent of the Treasury; and

- the information, which comprises: Strategic Objectives; Achievements and Performance; Plans for Future Periods; Financial Review; Structure, Governance and Management; and Reference and Administrative Details of the Charity, the Trustees and Advisers, included in the Annual Report, is consistent with the financial statements.

Qualified opinion on regularity arising because of irregular expenditure related to lease

In March 2009, the Museum sold £626,054 of assets to a finance company. The assets were then leased back to the Museum over an eight year term, the estimated useful life of the items. The arrangement includes an interest charge, payable by the Museum, spread across the term of the lease. This arrangement is in substance a financing arrangement for which approval is required from the Department for Culture Media and Sport and the Treasury.

The requisite Departmental and Treasury approval for the lease arrangement was not obtained in advance of the transactions being undertaken and the Department has subsequently concluded that it cannot grant retrospective approval for these transactions, as they did not represent value for money. Accordingly, I have concluded that the expenditure incurred under this arrangement is not in conformity with the authorities which govern it.

In my opinion, except for the expenditure on the lease arrangement referred to above, in all other material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

My report setting out the reasons for my qualification is on pages 57–58.

Amyas CE Morse

Comptroller and Auditor General

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

Date **10 June 2010**

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Introduction

- 1 I have qualified my opinion on the financial statements of the Imperial War Museum for the year ended 31 March 2009. The purpose of this Report is to explain the background to the qualification of my audit opinion.
- 2 The Museum receives funding from the Department for Culture, Media and Sport in the form of grant-in-aid (08–09: £23,888k). The conditions of receipt for this funding are set out in a Funding Agreement. These include a requirement that the Museum must comply with its Financial Memorandum and the requirements of HM Treasury's Managing Public Money.

My obligations as auditor

- 3 Under the Museums and Galleries Act 1992, I am required to satisfy myself that in all material respects the incoming and outgoing resources in the financial statements of the Museum have been applied to the purposes intended by Parliament and that the financial transactions conform to the authorities which govern them. In determining my opinion I have regard to the authorising legislation and relevant regulations applicable to the Museum.

Audit Opinion: Qualified opinion owing to irregular resources relating to the acquisition of new assets by means of a sale and leaseback financing arrangement.

- 4 During 2006, the Museum's security system at the Lambeth site neared the end of its useful life. It was recognised by the Museum that a new system was required as a matter of priority in order for them to discharge their responsibilities in respect of the security of the collection. Due to perceived funding shortfalls, the Museum planned to purchase the assets required to create the full system, sell them to a financing institution and then lease them back under finance lease terms.
- 5 The fire and security equipment was purchased by the Museum in March 2009, and subsequently sold for the same value of £626,054 to a finance company. Under the agreement the finance company lease back these assets over an eight year term, the estimated useful life of the items. The arrangement includes an interest charge, payable by the Museum, spread across the term of the lease.
- 6 The Museum's Financial Memorandum includes a statement that the Museum shall not, without the Department's prior written consent, borrow, lend money or charge any asset or security. Managing Public Money considers the appropriateness of external borrowing by public sector organisations; it states that Treasury agreement to any such borrowing, is

essential. This is based on the presumption that external borrowing may not represent best value for public funds.

- 7 The Museum did not seek to obtain prior approval for this arrangement and did not apply for retrospective approval until the issue was identified during the course of my audit. The Department, in consultation with Treasury, has subsequently withheld retrospective approval for these transactions. As part of my audit I also noted that there was no evidence of a formal review process for the business case or potential funding options in accordance with guidance contained in the HM Treasury document, *The Green Book: Appraisal and Evaluation in Central Government*. The processes for approval by the Board of Trustees did not provide a full identification of options or risks.

My conclusion

- 8 In my opinion, the Museum's former Accounting Officer and Trustees should have sought documented approval from the Department and from HM Treasury before the expenditure was committed, in accordance with the conditions of the Funding Memorandum with DCMS and the requirements in respect of borrowing set out in *Managing Public Money*.
- 9 This lack of appropriate authority has led me to conclude the transaction does not accord with the intention of Parliament and other authorities that govern it and so is irregular. My opinion is duly qualified in this respect.

Actions by the Museum

- 10 As a result of my observations, the current Accounting Officer is initiating a number of improvements in respect of oversight, approval processes and compliance matters. These have been disclosed by the Museum in the Statement on Internal Control (page 49). I am satisfied that these responses are appropriate and that when fully implemented these will serve to mitigate the risk of irregular transactions.

Amyas CE Morse

Comptroller and Auditor General

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

Date **10 June 2010**

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 31 MARCH 2009

| | Notes | Unrestricted Funds £'000s | Restricted Funds £'000s | Total Funds 2009 £'000s | Total 2008 £'000s |
|---|-------|---------------------------------|-------------------------------|----------------------------------|-------------------------|
| Incoming Resources | | | | | |
| Incoming Resources from Generated Funds | | | | | |
| <i>Voluntary Income</i> | | | | | |
| Grant-in-Aid | 2a | 19,738 | 4,150 | 23,888 | 22,177 |
| External Funds | 2b | 567 | 1,844 | 2,411 | 3,275 |
| Lottery Funding | | – | 951 | 951 | 1,543 |
| Donated Objects | | – | 134 | 134 | – |
| | | 20,305 | 7,079 | 27,384 | 26,995 |
| <i>Activities for Generating Funds</i> | | | | | |
| Income from Commercial Activities | 14 | 8,133 | – | 8,133 | 7,403 |
| Disposals of Assets | | 4 | – | 4 | 3 |
| | | 8,137 | – | 8,137 | 7,406 |
| <i>Investment Income</i> | | | | | |
| | 3 | 373 | 179 | 552 | 569 |
| | | 28,815 | 7,258 | 36,073 | 34,970 |
| Incoming Resources from Charitable Activities | | | | | |
| Admissions | | 4,752 | – | 4,752 | 4,752 |
| Fees | | 764 | – | 764 | 839 |
| Royalties | 14 | 753 | – | 753 | 605 |
| | | 6,269 | – | 6,269 | 6,196 |
| Total Incoming Resources | | 35,084 | 7,258 | 42,342 | 41,166 |
| Resources Expended | | | | | |
| Costs of Generating Funds | | | | | |
| Fundraising and Publicity | | 2,545 | 314 | 2,859 | 2,711 |
| Commercial Costs | 14 | 6,594 | 480 | 7,074 | 6,916 |
| | | 9,139 | 794 | 9,933 | 9,627 |
| Charitable Expenditure: | | | | | |
| <i>Cost of Activities In Furtherance of the Charitable Objectives</i> | | | | | |
| Education, Exhibitions and Visitor Services | | 12,336 | 2,867 | 15,203 | 14,037 |
| Building Care and Preservation | | 6,725 | 8,065 | 14,790 | 13,170 |
| Collections Management and Conservation | | 6,927 | 428 | 7,355 | 6,806 |
| Purchases for the Collection | | 120 | 26 | 146 | 131 |
| | | 26,108 | 11,386 | 37,494 | 34,144 |
| Governance Costs | | 322 | 8 | 330 | 323 |
| Total Resources Expended | 5 | 35,569 | 12,188 | 47,757 | 44,094 |
| Net incoming/(Outgoing) Resources before Notional Costs | | (485) | (4,930) | (5,415) | (2,928) |
| Notional Costs: | | | | | |
| Cost of Capital | 7 | 227 | 968 | 1,195 | 1,204 |
| Net incoming/(Outgoing) Resources including Notional Costs | | (712) | (5,898) | (6,610) | (4,132) |
| Reversal of Notional Costs | | 227 | 968 | 1,195 | 1,204 |
| Net incoming/(Outgoing) Resources before Transfers | | (485) | (4,930) | (5,415) | (2,928) |

Continued...

| | Notes | Unrestricted Funds £'000s | Restricted Funds £'000s | Total Funds 2009 £'000s | Total 2008 £'000s |
|---|-----------|---------------------------------|-------------------------------|----------------------------------|-------------------------|
| Gross Transfer between Funds | | 7,365 | (7,365) | – | – |
| Net Incoming/(Outgoing) Resources before Recognised Gains and Losses | 4 | 6,880 | (12,295) | (5,415) | (2,928) |
| Gains/(Losses) on Revaluation of Fixed Assets | | (240) | (3,050) | (3,290) | 10,655 |
| Depreciation on Revaluation of Fixed Assets | | 61 | 47 | 108 | (38) |
| Net Movement in Funds | 8 | (179) | (3,003) | (3,182) | 10,617 |
| Reconciliation of Funds | | | | | |
| Fund Balances brought forward at 1 April | | 26,070 | 171,794 | 197,864 | 190,175 |
| Fund Balances carried forward as at 31 March | 20 | 32,771 | 156,496 | 189,267 | 197,864 |

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period.

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

The notes on pages 63 to 80 form part of these accounts

CONSOLIDATED AND MUSEUM BALANCE SHEET AS AT 31 MARCH 2009

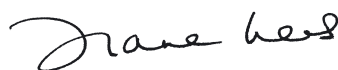
| | Notes | Consolidated | | Museum | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2009 | 2008 | 2009 | 2008 |
| | | £'000s | £'000s | £'000s | £'000s |
| Fixed Assets | | | | | |
| Tangible Assets | 8 | 185,539 | 193,587 | 185,293 | 193,337 |
| Heritage Assets | 9 | 3,174 | 3,001 | 3,174 | 3,000 |
| Investments | 14 | – | – | 2,600 | 100 |
| | | <u>188,713</u> | <u>196,588</u> | <u>191,067</u> | <u>196,437</u> |
| Debtors: amounts falling due after more than one year | | – | 288 | – | 2,279 |
| Current Assets | | | | | |
| Stock | 10 | 569 | 683 | – | – |
| Debtors | 11 | 2,217 | 2,023 | 2,385 | 4,897 |
| Cash at Bank and In Hand | 12 | 11,608 | 9,467 | 4,998 | 2,533 |
| | | <u>14,394</u> | <u>12,173</u> | <u>7,383</u> | <u>7,430</u> |
| Current Liabilities | | | | | |
| Creditors: amounts falling due within one year | 13 | (5,502) | (4,094) | (5,228) | (5,538) |
| Net Current Assets | | <u>8,892</u> | <u>8,079</u> | <u>2,155</u> | <u>1,892</u> |
| Total Assets Less Current Liabilities | | 197,605 | 204,955 | 193,222 | 200,608 |
| Creditors: amounts falling due after more than one year | 13 | (8,177) | (6,905) | (8,177) | (7,175) |
| Provisions for Liabilities and Charges | 13d | (161) | (186) | (161) | (186) |
| | | <u>(8,338)</u> | <u>(7,091)</u> | <u>(8,338)</u> | <u>(7,361)</u> |
| Net Assets | | <u>189,267</u> | <u>197,864</u> | <u>184,884</u> | <u>193,247</u> |
| Represented by: | | | | | |
| Restricted Funds | | | | | |
| Buildings Revaluation | 20 | 102,903 | – | 104,673 | 100,716 |
| | | <u>53,593</u> | – | 67,121 | 53,593 |
| | | <u>156,496</u> | <u>171,794</u> | <u>152,827</u> | <u>167,837</u> |
| Unrestricted Funds: | | | | | |
| Designated Funds | 20 | 14,803 | – | 6,313 | 6,145 |
| Designated Funds Buildings Revaluation | | <u>13,888</u> | – | 15,733 | 15,651 |
| | | <u>28,691</u> | <u>22,046</u> | <u>28,474</u> | <u>21,796</u> |
| General Funds | 20 | 6,071 | – | 6,015 | 3,614 |
| Less Trading funds | | <u>(1,991)</u> | <u>(1,991)</u> | – | – |
| | | <u>4,080</u> | <u>4,024</u> | <u>3,583</u> | <u>3,614</u> |
| Total Funds | | <u>189,267</u> | <u>197,864</u> | <u>184,884</u> | <u>193,247</u> |



Air Chief Marshal Sir Peter Squire
GCB DFC AFC DL DSc FRAeS
Chairman of the Trustees

Date 26 May 2010

The notes on pages 63 to 80 form part of these accounts



Diane Lees FMA FRSA
Director-General and Accounting Officer

Date 26 May 2010

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2009

| | Notes | 2009 £'000s | 2008 £'000s |
|--|-------|----------------|----------------|
| Net Cash Inflow from Operating Activities | 22 | 3,811 | 4,972 |
| Returns on Investments and Servicing of Finance | | | |
| Interest Received | | 552 | 569 |
| Interest Element of Finance Lease Rental Payments | | <u>(418)</u> | <u>(394)</u> |
| | | 134 | 175 |
| Capital Expenditure and Financial Investment | | | |
| Payments to Acquire Tangible Fixed Assets | | <u>(1,616)</u> | <u>(3,684)</u> |
| Cash Inflow before Financing | | <u>2,329</u> | <u>1,463</u> |
| Financing | | | |
| Capital Element of Finance Lease Rental Payments | | <u>(188)</u> | <u>(31)</u> |
| Increase/(Decrease) in Cash in the Year | 22 | <u>2,141</u> | <u>1,432</u> |

The notes on pages 63 to 80 form part of these accounts

NOTES TO THE FINANCIAL STATEMENTS

I Accounting Policies

(a) Basis of accounting

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

The Museum is exempt from corporation tax on charitable activities under section 505 of the Income and Corporation Taxes Act 1998. Income arising from the activities of the trading subsidiary are gift aided to the Museum.

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 the Imperial War Museum, the Imperial War Museum Development Trust and the Imperial War Museum Trading Company Limited and have been consolidated on a line-by-line basis.

(b) Funds

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

Some unrestricted funds are designated by the Trustees to the funding of long-term objectives of the Imperial War Museum, 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 20.

(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.

Gifts in kind and donated items

Items of a value above £10,000, given to the Museum free of charge are recognised as incoming resources at their estimated market value when receivable.

External funds

These comprise grants, sponsorship and donations and are reported gross when receivable.

Investment Income

Investment income is accounted for when receivable. Tax recoverable is accounted for in the same period as the related income.

(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 the Museum, 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 Museum 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

The majority of the Museum's collections of works of art, objects and records have not been capitalised in the Balance Sheet due to uncertainty surrounding cost and reliability of valuations.

However, in accordance with the Treasury's Financial Reporting Manual (FReM), additions to the Collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or revalued as the useful life of the asset is so long that the depreciation charge would be immaterial.

Heritage Assets of a value above £10,000, given to the Museum free of charge are recognised as incoming resources at their estimated market value when receivable.

(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 the Museum; 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 should be 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 are as follows:

Buildings – 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, Plant and Machinery and Fit-out): by external professional valuation at least every five years and using appropriate Office of National Statistics indexation in the intervening 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 the Imperial War Museum, 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. The Imperial War Museum 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) Notional cost

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

(k) 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 2,600,000 have been issued. Under gift aid agreement all taxable profits from IWM Trading Company Limited are paid to the Imperial War Museum. A summary of the income and expenditure account is provided in Note 14.

(l) Imperial War Museum Development Trust

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, most recently varied in June 2004. It is an exempt charity. Trustees of the IWM 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 Development Trust. The financial activities of the Trust are consolidated within these financial statements. A summary of the SOFA is provided in Note 15.

(m) Foreign currencies

Assets and liabilities denominated in foreign currencies are recorded at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

(n) Pension Costs

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

(o) Financial Instruments

Financial assets and financial liabilities, in respect of financial instruments, are recognised on the Museum's balance sheet when the Museum 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.

2a Grant-in-Aid

£23,888K of Grant-in-Aid (Department for Culture, Media and Sport RfR 1) has been received during the year (2007/08 £22,177K). This represents 50 per cent 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. £4,150K of the Grant-in-Aid was for refurbishment and renewals of buildings, plant and equipment and the digitisation programme.

| | 2009 | 2008 |
|--------------------------|--------------|--------------|
| | £'000s | £'000s |
| 2b External Funds | | |
| Grants and Donations | 2,350 | 3,171 |
| Sponsorship | 56 | 80 |
| Legacies | 5 | 24 |
| | 2,411 | 3,275 |

External funds of £2,411K relates to the Imperial War Museum (£913K) the Imperial War Museum Trading Company (£390K) and the Imperial War Museum Development Trust of (£1,108K).

| | 2009 | 2008 |
|----------------------------|------------|------------|
| | £'000s | £'000s |
| 3 Investment Income | | |
| Interest Receivable | 552 | 569 |
| | 552 | 569 |

The interest receivable is on cash deposits.

Interest of £552K relates to the Imperial War Museum (£237K) the Imperial War Museum Trading Company (£21K) and the Imperial War Museum Development Trust of (£294K).

| 4 | | 2009 | 2008 |
|---|--|--------|--------|
| | | £'000s | £'000s |
| | Net Incoming Resources before Transfers | | |
| | is stated after charging: | | |
| | Auditors Remuneration | | |
| | National Audit Office – Imperial War Museum consolidated accounts | 36 | 34 |
| | Buzzacott LLP – Imperial War Museum Development Trust | 6 | 6 |
| | Buzzacott LLP – Imperial War Museum Trading Company | 11 | 11 |
| | Other Services – Buzzacott LLP – Tax Advice in relation to Imperial War Museum Trading Company | 5 | – |
| | Hire Purchase on Equipment | 78 | 83 |
| | Operating Leases – Equipment | 137 | 165 |
| | Operating Leases – Land and Buildings | 287 | 288 |
| | Interest Payable on Finance Lease | 418 | 394 |
| | Depreciation of Owned Assets | 6,387 | 7,531 |
| | Depreciation of Assets held under Finance Leases | 506 | 267 |
| | Provision for Bad Debts | (1) | – |

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

| 5 | | Staff Costs | Other Costs | Depreciation | 2009 Total | 2008 Total |
|---|--|----------------|----------------|--------------|---------------|---------------|
| | | £'000s | £'000s | £'000s | £'000s | £'000s |
| | Total Resources Expended | | | | | |
| | Costs of Generating Funds | | | | | |
| | Fundraising and Publicity | 1,445 | 1,394 | 20 | 2,859 | 2,711 |
| | Commercial Costs | 2,919 | 4,155 | – | 7,074 | 6,916 |
| | | 4,364 | 5,549 | 20 | 9,933 | 9,627 |
| | Costs of Activities in Furtherance of the Museum's Objectives | | | | | |
| | Education, Exhibitions and Visitor Services | 9,081 | 4,190 | 1,932 | 15,203 | 14,037 |
| | Building Management | 372 | 9,716 | 4,702 | 14,790 | 13,170 |
| | Collections Management and Conservation | 5,493 | 1,623 | 239 | 7,355 | 6,806 |
| | Purchases for the Collection | – | 146 | – | 146 | 131 |
| | | 14,946 | 15,675 | 6,873 | 37,494 | 34,144 |
| | Governance Costs * | 233 | 97 | – | 330 | 323 |
| | <i>Total Resources Expended</i> | 19,543 | 21,321 | 6,893 | 47,757 | 44,094 |

Resources Expended are shown after eliminations on consolidation of transactions between the Imperial War Museum and the Imperial War Museum Development Trust of £1,618K (2007/08 £2,200K), and transactions between the Imperial War Museum and the Imperial War Museum Trading Company of £5,673K (2007/08 £2,561K).

| | 2009 | 2008 |
|---------------------------|--------|--------|
| | £'000s | £'000s |
| * Governance Costs | | |
| Internal Audit | 117 | 108 |
| External Audit | 53 | 51 |
| Staff Costs | 119 | 119 |
| Other Strategic Costs | 41 | 45 |
| | 330 | 323 |

| 5a | Division of Direct and Indirect Expenditure | Direct | Allocated | 2009 | 2008 |
|------------------------------|---|---------------|--------------|---------------|---------------|
| | | Costs | Support | Total | Total |
| | | £'000s | £'000s | £'000s | £'000s |
| Costs of Generating Funds | | | | | |
| | Fundraising and Publicity | 2,627 | 232 | 2,859 | 2,711 |
| | Commercial Costs | 7,074 | – | 7,074 | 6,916 |
| | | 9,701 | 232 | 9,933 | 9,627 |
| Charitable Activities | | | | | |
| | Education, Exhibitions and Visitor Services | 11,674 | 3,529 | 15,203 | 14,037 |
| | Building Care and Preservation | 14,466 | 324 | 14,790 | 13,170 |
| | Collections Management and Conservation | 5,043 | 2,312 | 7,355 | 6,806 |
| | Purchases for the Collection | 146 | – | 146 | 131 |
| | | 31,329 | 6,165 | 37,494 | 34,144 |
| | Governance | 565 | (235) | 330 | 323 |
| | <i>Total Resources Expended</i> | 41,595 | 6,162 | 47,757 | 44,094 |

Allocated Support costs relate to the Museum'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 | Human | Finance and | IT and | Subtotal |
|----------------------------------|---|-------------|------------|-------------|------------|--------------|
| | | and Office | Resources | Planning | Communi- | 2009 |
| | | Services | | | cation | |
| | | £'000s | £'000s | £'000s | £'000s | £'000s |
| Costs of Generating Funds | | | | | | |
| | Fundraising and Publicity | 8 | 14 | 34 | 68 | 124 |
| | | 8 | 14 | 34 | 68 | 124 |
| Charitable Activities | | | | | | |
| | Education, Exhibitions and Visitor Services | 79 | 130 | 690 | 612 | 1,511 |
| | Building Care and Preservation | 2 | 3 | 8 | 16 | 29 |
| | Collections Management and Conservation | 31 | 60 | 148 | 282 | 521 |
| | Purchases for the Collection | – | – | – | – | – |
| | | 112 | 193 | 846 | 910 | 2,061 |
| | Governance | 3 | – | – | – | 3 |
| | | 123 | 207 | 880 | 978 | 2,188 |

| Allocation of Support (continued) | Facilities | Depreciation | Support | Allocated | |
|-----------------------------------|---|--------------|--------------|---------------|--------------|
| | Management | | Salary Costs | Support Costs | |
| | £'000s | £'000s | £'000s | Total 2009 | |
| | £'000s | £'000s | £'000s | £'000s | |
| Costs of Generating Funds | | | | | |
| | Fundraising and Publicity | 33 | 19 | 56 | 232 |
| | | 33 | 19 | 56 | 232 |
| Charitable Activities | | | | | |
| | Education, Exhibitions and Visitor Services | 338 | 173 | 1,507 | 3,529 |
| | Building Care and Preservation | 8 | 5 | 282 | 324 |
| | Collections Management and Conservation | 138 | 82 | 1,571 | 2,312 |
| | Purchases for the Collection | – | – | – | – |
| | | 484 | 260 | 3,360 | 6,165 |
| | Governance | – | – | (238) | (235) |
| | | 517 | 279 | 3,178 | 6,162 |

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

6

| | 2009 | 2008 |
|--------------------------------|---------------|---------------|
| Staff Costs | £'000s | £'000s |
| Salaries and Wages | 15,342 | 14,124 |
| Temporary/Agency Staff | 325 | 283 |
| National Insurance | 1,102 | 1,016 |
| Superannuation | 2,746 | 2,527 |
| Early Retirement Costs | 18 | 3 |
| Provision for Early Retirement | 10 | 1 |
| | 19,543 | 17,954 |

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 2008–09, employers' contributions of £2,745,913 were payable to the PCSPS (2007–08 £2,525,490) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. From 2009–10 the rates will be in the range 16.7 per cent to 24.3 per cent. The contribution rates are set to meet the cost of the benefits accruing during 2008–09 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 £1,511 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 £151. 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 per cent of pensionable earnings for **classic** and 3.5 per cent 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 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated 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.

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

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

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

Number of Employees

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

| | 2009 | 2008 |
|---------------------|------|------|
| | No. | No. |
| £60,001 – £70,000 | 6 | 3 |
| £70,001 – £80,000 | 3 | 3 |
| £80,001 – £90,000 | 3 | 1 |
| £90,001 – £100,000 | 2 | 1 |
| £120,001 – £130,000 | – | – |
| £130,001 – £140,000 | – | 1 |

The number of staff paid above £60K to whom retirement benefits are accruing under defined contribution schemes is nil and under defined benefit schemes is 14.

Please see the Remuneration Report on page 46 of the Annual Report for more details of staff costs.

The number of employees (this is the full time equivalent for 2008–09 but not for 2007–08), analysed by function was:

| | Permanent Staff | Temporary Staff | Managerial Staff | Capitalised Staff Costs | 2009 Total No. of Staff | 2008 Total No. of Staff |
|--|-----------------|-----------------|------------------|-------------------------|-------------------------------|-------------------------------|
| Education, Exhibitions and Visitor Services | 309 | 3 | 6 | – | 318 | 338 |
| Building Management | 7 | 3 | – | – | 10 | 6 |
| Collections Management and Conservation | 157 | 3 | 2 | – | 162 | 167 |
| Trading/Commercial/Educational | 85 | 1 | – | – | 86 | 101 |
| Fundraising and Publicity | 30 | 1 | 1 | – | 32 | 35 |
| Management and administration of the Charity | 2 | – | 1 | – | 3 | 3 |
| | 590 | 11 | 10 | – | 611 | 650 |

The Managerial Staff are the members of the Museum's Senior Management Team, which consists of the Director-General and all the Divisional Directors.

Trustees

The Chairman and Board of Trustees received no remuneration for their services during 2008/09. Travel and subsistence expenses paid to seven Trustees amounted to £10,389 (2007/08 £8,782).

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

A special one-off event was held for Trustees (attended by 10 trustees and 10 staff) in July 2008 at a cost of £2,049 to acknowledge and express thanks for the substantial and exceptional contributions of two trustees on their retirement after ten years of service each.

Ex-gratia Payments

During the year the Museum made no *ex-gratia* payments.

7**Notional Cost of Capital**

Notional cost of capital £1,195K (2007-08 £1,204K) is calculated as 3.5 per cent of the average capital employed by the Museum in the year, excluding grants, donations and assets funded by them, and assets treated as part of the collections.

8

| | Land Freehold and Leasehold | Structure | Plant and Machinery | Fit-Out | Assets under Construction |
|---------------------------------|-----------------------------------|-----------|------------------------|---------|------------------------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s |
| Tangible Fixed Assets | | | | | |
| Cost/Valuation at 1 April 2008 | 21,972 | 107,711 | 31,794 | 16,433 | 255 |
| Additions | – | 18 | 475 | 125 | 262 |
| Transfers between categories | – | 20 | (626) | – | (255) |
| Revaluation | (562) | (2,777) | 318 | (424) | – |
| Disposals | – | – | – | – | – |
| Value at 31 March 2009 | 21,410 | 104,972 | 31,961 | 16,134 | 262 |
| Depreciation at 1 April 2008 | – | 378 | – | – | – |
| Provided in Year | – | 1,765 | 1,477 | 918 | – |
| Depreciation due to Revaluation | – | (45) | 15 | (24) | – |
| Revaluation | – | – | – | – | – |
| Disposals | – | – | – | – | – |
| Depreciation at 31 March 2009 | – | 2,098 | 1,492 | 894 | – |
| Net Book Value at 31 March 2009 | 21,410 | 102,874 | 30,469 | 15,240 | 262 |
| Net Book Value at 1 April 2008 | 21,972 | 107,333 | 31,794 | 16,433 | 255 |

| | Exhibitions | Equipment | Assets held under Finance Lease | Total |
|--|-------------|-----------|---------------------------------------|---------|
| | £'000s | £'000s | £'000s | £'000s |
| Tangible Fixed Assets (continued) | | | | |
| Value at 1 April 2008 | 23,860 | 3,834 | 6,998 | 212,857 |
| Additions | 115 | 1,034 | – | 2,029 |
| Transfers between categories | 235 | – | 626 | – |
| Revaluation | – | – | (215) | (3,660) |
| Revaluation Adjustment | – | – | 2,155 | 2,155 |
| Disposals | – | (108) | – | (108) |
| Value at 31 March 2009 | 24,210 | 4,760 | 9,564 | 213,273 |
| Depreciation at 1 April 2008 | 15,711 | 3,063 | 118 | 19,270 |
| Provided in Year | 1,643 | 584 | 506 | 6,893 |
| Depreciation due to Revaluation | – | – | (54) | (108) |
| Revaluation Adjustment | – | – | 1,785 | 1,785 |
| Disposals | – | (106) | – | (106) |
| Depreciation at 31 March 2009 | 17,354 | 3,541 | 2,355 | 27,734 |
| Net Book Value at 31 March 2009 | 6,856 | 1,219 | 7,209 | 185,539 |
| Net Book Value at 1 April 2008 | 8,149 | 771 | 6,880 | 193,587 |

Heritage assets have been moved to note 9.

Of the total Net Book Value of £185,539K, £185,293K relates to the Museum and the remainder, £246K, relates to the Development Trust.

On 12 October 2001 the Imperial War Museum entered into a finance lease for the current accommodation of the Cabinet War Rooms, for additional space, and for refurbishment of the space. The landlord is EP3 Ltd. Rent is payable until 2030/31. Cost £6,175K.

In March 2008 the Imperial War Museum 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 £118K, Net Book Value £705K.

In March 2009 the Imperial War Museum 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 £89k, Net Book Value £537.

The Lambeth Road (or Southwark) site and other properties, apart from HMS *Belfast*, were originally valued as at 31 March 1989 by the Chief Valuer's Department of the Inland Revenue. The Cabinet War Rooms, part of the basement of the South Block Treasury Building converted in 1938, was deemed to be of nil market value. The sites were revalued on 31 March 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 2009 | | Basis of Valuation |
|--|----------------|---------------------------------------|--------|------------------------------|
| | | | £'000s | |
| Lambeth Road, London SE1 | Long leasehold | 62,482 | | Depreciated replacement cost |
| All Saints Annexe, Austral Street, London SE11 | Freehold | 1,929 | | Existing use |
| Duxford Airfield, Cambridgeshire | Freehold | 71,884 | | Depreciated replacement cost |
| Ickleton Film Store, Cambridgeshire | Leasehold | 4,806 | | Depreciated replacement cost |
| IWM North, Manchester | Leasehold | 26,346 | | Depreciated replacement cost |

| 9 | Heritage Assets | £000's |
|---|--------------------------------|--------------|
| | Cost/Valuation at 1 April 2008 | 3,001 |
| | Additions | 173 |
| | Disposals | – |
| | Value at 31 March 2009 | <u>3,174</u> |

The Museum acquires donated objects by gift, bequest and from the translation of long term loans for the collections into permanent acquisitions. Objects wholly or partially donated to the Museum in 2008–09 were valued at £50K comprising assets and equipment capitalised in the Museum's Balance Sheet (2007–08 £nil).

The Net Book Value at 31 March 2009 represents fixed assets for:

| 9a | Fixed and Heritage Assets | Charitable | Other | Total |
|----|------------------------------------|----------------|------------|----------------|
| | | Activities | Activities | |
| | | £'000s | £'000s | £'000s |
| | Land and Buildings | 169,993 | – | 169,993 |
| | Exhibitions | 6,856 | – | 6,856 |
| | Equipment | 1,219 | – | 1,219 |
| | Assets under Construction | 262 | – | 262 |
| | Acquisitions | 3,174 | – | 3,174 |
| | Assets held under Finance Lease | 7,209 | – | 7,209 |
| | Total | <u>188,713</u> | <u>–</u> | <u>188,713</u> |

| 10 | Stock |
|----|--|
| | Stock consists of retail goods and Imperial War Museum publications. |

| | Group 2009 Total | Group 2008 Total | Museum 2009 Total | Museum 2008 Total |
|--|------------------------|------------------------|-------------------------|-------------------------|
| | £'000s | £'000s | £'000s | £'000s |
| I 1a | | | | |
| Debtors | | | | |
| Amounts Falling due within one Year | | | | |
| Trade Debtors | 440 | 650 | 38 | 65 |
| Other Debtors | 509 | 144 | 170 | 143 |
| Amount Owed by Imperial War Museum Development Trust | – | – | 314 | 876 |
| Amount Owed by Imperial War Museum Trading Company Ltd | – | – | 545 | 2,610 |
| VAT Debtor | 401 | 349 | 557 | 349 |
| Prepayments and Accrued Income | 885 | 899 | 762 | 857 |
| Provision for Bad Debts | (18) | (19) | (1) | (3) |
| Total Debtors Falling due within one Year | 2,217 | 2,023 | 2,385 | 4,897 |
| I 1b | | | | |
| Amounts Falling due after more than one Year | | | | |
| Other Debtors | – | 288 | – | – |
| Amount Owed by Imperial War Museum Development Trust | – | – | – | 288 |
| Amount Owed by the Imperial War Museum Trading Company | – | – | – | 1,991 |
| | – | 288 | – | 2,279 |
| Total Debtors | 2,217 | 2,311 | 2,385 | 7,176 |

Group – Accrued Income comprise £177K from the Big Lottery Fund due to the *TPYFI* project. £184K from the Churchill Centre for the Churchill Museum and Cabinet War Rooms.

Museum – Debtors Falling due within one Year – £314K due from the Imperial War Museum Development Trust relates to funding provided for: the PSRE project, £175K; the *AirSpace* project at IWM Duxford, £34K and the American Air Museum at Duxford, £45K. The Trading Company is indebted to the Museum by £545K which relates to the Gift Aid profit for the year and the outstanding amounts due for rent overheads and staff and other costs.

| | Group 2009 Total | Group 2008 Total | Museum 2009 Total | Museum 2008 Total |
|--|------------------------|------------------------|-------------------------|-------------------------|
| | £'000s | £'000s | £'000s | £'000s |
| I 1c | | | | |
| Intra-Government Debtor Balances | | | | |
| Balances with Other Central Government Bodies | 177 | – | 177 | – |
| Heritage Lottery Fund | 25 | 264 | 25 | 264 |
| HM Revenue and Customs | 452 | 349 | 608 | 349 |
| East of England Development Agency (EDDA) | 60 | – | 60 | – |
| | 714 | 613 | 870 | 613 |

| | Imperial War Museum | Imperial War Museum Development Trust | IWM Trading Company Limited | 2009 Total | 2008 Total |
|--|---------------------------|--|--------------------------------------|---------------|---------------|
| | | | | £'000s | £'000s |
| I 2 | | | | | |
| Cash at Bank and In Hand | | | | | |
| Commercial Bank Balance and Cash In Hand | 4,998 | 6,109 | 501 | 11,608 | 9,467 |
| Total | 4,998 | 6,109 | 501 | 11,608 | 9,467 |

| | Group 2009 Total | Group 2008 Total | Museum 2009 Total | Museum 2008 Total |
|---|---------------------|---------------------|-------------------------|-------------------------|
| | £'000s | £'000s | £'000s | £'000s |
| 13a | | | | |
| Creditors | | | | |
| Amounts Falling due within one Year | | | | |
| Trade Creditors | 916 | 376 | 870 | 325 |
| Amount Owing to Imperial War Museum Development Trust | – | – | – | 900 |
| Amount Owing to Imperial War Museum Trading Company Ltd | – | – | – | 959 |
| Other Creditors | 664 | 739 | 658 | 618 |
| Obligations under Finance Lease | 282 | 188 | 282 | 188 |
| Accruals and Deferred Income | 3,640 | 2,791 | 3,418 | 2,548 |
| Total Creditors Falling due within one Year | 5,502 | 4,094 | 5,228 | 5,538 |
| 13b | | | | |
| Amounts Falling due after more than one Year | | | | |
| Obligations under Finance Lease | 7,155 | 6,811 | 7,155 | 6,811 |
| Deferred Income – Operating Lease | 1,022 | – | 1,022 | – |
| Runway Repair | – | 94 | – | 94 |
| Loan Repayment due to IWM Development Trust | – | – | – | 270 |
| Total Creditors Falling due after more than one Year | 8,177 | 6,905 | 8,177 | 7,175 |
| Total Creditors | 13,679 | 10,999 | 13,405 | 12,713 |

As at 31 March 2009 the Museum had no significant intra-Government Balances above £1 million.

13c Obligations under Finance Leases

At 31 March 2009 the Imperial War Museum had commitments under Finance Leases as set out below:

| | 2009 Building | 2009 Exhibitions | 2009 Total | 2008 |
|---|------------------|---------------------|---------------|--------|
| | £'000s | £'000s | £'000s | £'000s |
| Finance Lease Obligations: Payments Due | | | | |
| within one year | 207 | 75 | 282 | 188 |
| in the second to fifth year | 828 | 392 | 1,220 | 800 |
| in more than five years | 296 | 5,639 | 5,935 | 6,010 |
| | 1,331 | 6,106 | 7,437 | 6,998 |

| | Balance as at 1 April 2008 | Additions in Year | Provision Utilised | Balance as at 31 March 2009 |
|---|-------------------------------------|----------------------|-----------------------|--------------------------------------|
| | £'000s | £'000s | £'000s | £'000s |
| 13d | | | | |
| Provisions for Liabilities and Charges | | | | |
| Early Retirement Costs | 186 | 10 | (35) | 161 |
| Amounts Falling due within one Year | – | – | – | 33 |
| Amounts Falling due after more than one Year | – | – | – | 128 |
| Total Provisions | | | | 161 |

Under the rules of the Principal Civil Service Pension scheme the early retirement of staff is permitted with the agreement of the Museum. The Museum 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.

In line with Treasury guidance, the provision for early retirement has been discounted at a rate of 2.2 per cent.

14 IWM Trading Company Limited

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

| | 2009 | 2008 |
|--|----------------|----------------|
| Profit and Loss Account | £'000s | £'000s |
| Turnover | 8,177 | 7,436 |
| Cost of Goods Sold | <u>(2,218)</u> | <u>(2,076)</u> |
| Gross Profit | 5,959 | 5,360 |
| Other Operating Income | | |
| Fees Receivable | 763 | 822 |
| Royalties | 753 | 605 |
| External Funds | <u>1,800</u> | <u>1,522</u> |
| | 9,275 | 8,309 |
| Other Operating Charges | <u>(4,902)</u> | <u>(4,879)</u> |
| Indirect Costs | <u>(1,322)</u> | <u>(1,214)</u> |
| Operating Profit | 3,051 | 2,216 |
| Interest Payable | <u>(93)</u> | <u>(131)</u> |
| Interest Receivable | <u>21</u> | <u>29</u> |
| Profit | 2,979 | 2,114 |
| Amount Paid to the Museum under Gift Aid | <u>(2,979)</u> | <u>(2,114)</u> |
| Loss on Ordinary Activities after Gift Aid | <u>–</u> | <u>–</u> |

Reconciliation of Results of the Trading Company to the Consolidated Statement of Financial Activities

| | | |
|--|----------------|----------------|
| Turnover | 8,177 | 7,436 |
| <i>Intercompany Transactions</i> | <u>(44)</u> | <u>(33)</u> |
| Trading Income per SOFA | 8,133 | 7,403 |
| Fees Receivable | 763 | 822 |
| <i>Intercompany Transactions</i> | <u>–</u> | <u>(5)</u> |
| Included in Fees Income per SOFA | 763 | 817 |
| Royalties | 753 | 605 |
| Royalties per SOFA | 753 | 605 |
| External Funds | 1,800 | 1,522 |
| <i>Intercompany Transactions</i> | <u>(1,410)</u> | <u>(959)</u> |
| Included in External Funds per SOFA | 390 | 563 |
| Cost of Goods Sold | 2,218 | 2,076 |
| Other Operating Charges | 4,902 | 4,879 |
| <i>Intercompany Transactions</i> | <u>(35)</u> | <u>(44)</u> |
| Included in Commercial Costs (£7,074) and Governance (11K) per SOFA | 7,085 | 6,911 |
| Indirect Costs | 1,322 | 1,214 |
| <i>Intercompany Transactions</i> | <u>(1,322)</u> | <u>(1,214)</u> |
| | <u>–</u> | <u>–</u> |
| Interest Payable Included in other Operating Charges | 93 | 131 |
| <i>Intercompany Transactions</i> | <u>(93)</u> | <u>(131)</u> |
| | <u>–</u> | <u>–</u> |
| Interest Receivable | 21 | 29 |
| <i>Intercompany Transactions</i> | <u>–</u> | <u>–</u> |
| Included in Investment Income per SOFA | 21 | 29 |

| | 2009 | 2008 |
|---|---------------|---------------|
| Balance Sheet | £'000s | £'000s |
| Current Assets | 1,578 | 3,118 |
| Current Liabilities | (969) | (3,018) |
| Creditors: amounts falling due after more than one year | – | (1,991) |
| Net Assets | 609 | (1,891) |
| Called Up Share Capital | 2,600 | 100 |
| Profit and Loss Account | (1,991) | (1,991) |
| Capital and Reserves | 609 | (1,891) |

The company has been provided with a loan of £1,110K in 2005/06 and a further loan of £881k in 2007/8 by the Imperial War Museum. Interest was charged at 1 per cent above base rate. The loan was repaid in 2008/09. The future plans of the Company forecast significant growth.

The authorised share capital of the Imperial War Museum Trading Company Limited was increased to 3,500,000 of £1 shares on 17 March 2009. The Trading Company issued an additional 2,500,000 shares of £1 each, which were purchased by the Imperial War Museum on 18 March, taking its total holdings to 2,600,000 shares of £1 each.

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

15 IWM Development Trust

| | 2009 Unrestricted Funds | 2009 Restricted Funds | 2009 Total | 2008 Total |
|---|-------------------------------|-----------------------------|---------------|---------------|
| Statement of Financial Activities | £'000s | £'000s | £'000s | £'000s |
| <i>Incoming Resources</i> | 141 | 1,274 | 1,415 | 1,867 |
| <i>Resources Expended</i> | | | | |
| Charitable Activities | (22) | (1,625) | (1,647) | (2,216) |
| Net Incoming/(Outgoing) Resources before Revaluation and Net Investment Gains/(Losses) | 119 | (351) | (232) | (349) |
| Net Realised Loss on Revaluation | – | – | – | (33) |
| Net Movement in Funds | 119 | (351) | (232) | (382) |
| Fund Balances Brought Forward at 1 April 2008 | 2,685 | 3,923 | 6,608 | 6,990 |
| Fund Balances Carried Forward at 31 March 2009 | 2,804 | 3,572 | 6,376 | 6,608 |

Reconciliation of Results of the Development Trust to the Consolidated Statement of Financial Activities

| | | |
|---|--------------|--------------|
| <i>Incoming Resources</i> | 1,415 | 1,867 |
| <i>Intercompany Transactions</i> | (13) | (13) |
| Included in External Funds and Investment Income | 1,402 | 1,854 |
| Charitable Activities | 1,647 | 2,216 |
| <i>Intercompany Transactions</i> | (1,631) | (2,200) |
| Included in Resources Expended per SOFA | 16 | 16 |

| | 2009 Unrestricted Funds | 2009 Restricted Funds | 2009 Total | 2008 Total |
|---------------------|-------------------------------|-----------------------------|---------------|---------------|
| Balance Sheet | £'000s | £'000s | £'000s | £'000s |
| Fixed Assets | 248 | – | 248 | 250 |
| Current Assets | 2,563 | 3,885 | 6,448 | 7,784 |
| Current Liabilities | (6) | (314) | (320) | (1,426) |
| Net Assets | 2,805 | 3,571 | 6,376 | 6,608 |
| Funds | 2,805 | 3,571 | 6,376 | 6,608 |

The Development Trust provided a loan to the Museum of £2,500K in 2005/06, £700K was repaid in 2006/07 and a further repayment of £900K in 2007–08. The remaining £900k was paid in 2008–09. No Interest was charged.

The Development Trust loan balance of £270K was repaid to the Museum in 2008/9. No interest was charged.

The Imperial War Museum does not recharge the Imperial War Museum Development Trust for any costs incurred as they are both charities.

16 Capital commitments

At the balance sheet date, outstanding capital commitments, authorised by the Board of Trustees but not yet contracted, amounted to some £854K (2007–08 £1.05M) which relates to the replacement of Scenic Lifts.

17a Commitments Under Operating Leases

At 31 March 2009 the Imperial War Museum had annual commitments under non cancellable operating leases as set out below:

| | 2009 Land and Other Buildings | 2008 Land and Other Buildings | 2009 Equipment | 2008 Equipment |
|--|--|--|-------------------|-------------------|
| | £'000s | £'000s | £'000s | £'000s |
| Operating Leases which Expire: | | | | |
| within one year | 58 | – | 2 | 48 |
| in the second to fifth years inclusive | 16 | 44 | 122 | 114 |
| over five years | 213 | 219 | – | – |
| | 287 | 263 | 124 | 162 |

17b Commitments Under Hire Agreements

At 31 March 2009 the Imperial War Museum had annual commitments under non cancellable hire agreements as set out below:

| | 2009 Equipment | 2008 Equipment |
|--|-------------------|-------------------|
| | £'000s | £'000s |
| Hire Agreements which Expire: | | |
| within one year | 2 | 5 |
| in the second to fifth years inclusive | 58 | 63 |
| over five years | – | – |
| | 60 | 68 |

18 Contingent Liabilities

There are no Contingent Liabilities

19 **Post Balance Sheet Events**

There were no Post Balance Sheet Events. The accounts were authorised for issue by the Accounting Officer on the date shown on the Audit Certificate.

| | At 1 April 2008 | Income | Expenditure | Revaluations | Transfers | At 31 March 2009 |
|---|--------------------|---------------|-----------------|----------------|----------------|---------------------|
| | £'000s | £'000s | £'000s | £'000s | £'000s | £'000s |
| Statement of Funds | | | | | | |
| Unrestricted Funds | | | | | | |
| <i>Designated Funds:</i> | | | | | | |
| Buildings, Collections, | | | | | | |
| Equipment and Exhibitions * | 6,293 | – | (1,226) | – | 9,719 | 14,786 |
| Buildings Revaluations | 15,733 | – | (381) | (179) | (1,285) | 13,888 |
| Collections | 20 | 118 | (121) | – | – | 17 |
| Total Designated Funds | 22,046 | 118 | (1,728) | (179) | 8,434 | 28,691 |
| General Funds | 6,015 | 34,966 | (33,841) | – | (1,069) | 6,071 |
| IWM Trading Company Reserve | (1,991) | – | – | – | – | (1,991) |
| Total Unrestricted Funds | 26,070 | 35,084 | (35,569) | (179) | 7,365 | 32,771 |
| Restricted Funds | | | | | | |
| Buildings, Collections, Donated Objects | | | | | | |
| Equipment and Exhibitions * | 100,561 | 170 | (3,193) | – | 1,699 | 99,237 |
| Buildings Revaluations | 67,121 | – | (2,230) | (3,003) | (8,295) | 53,593 |
| Tied Funds | 185 | 5,815 | (6,757) | – | 849 | 92 |
| Museum Restricted Funds | 167,867 | 5,985 | (12,180) | (3,003) | (5,747) | 152,922 |
| IWMDT Redevelopment Appeal | 733 | 5 | – | – | – | 738 |
| IWMDT Tied Donations | 3,194 | 1,268 | (8) | – | (1,618) | 2,836 |
| Total Restricted Funds | 171,794 | 7,258 | (12,188) | (3,003) | (7,365) | 156,496 |
| Total Funds | 197,864 | 42,342 | (47,757) | (3,182) | – | 189,267 |

Funds of £1,618K have been transferred from the Imperial War Museum Development Trust Tied Donations to the Museum to fund related project expenditure, including £171K for the *AirSpace* project at Duxford and £673K for the PSRE funded project.

The deficit on the IWM Trading Company reflects the advance payment of the profit payment under Gift Aid due to the Imperial War Museum (see note 14).

Funds of £8,434K have been transferred from Restricted Funds to Unrestricted Funds to correct earlier Depreciation on Revaluation of Buildings. Funds of £1,056K have been transferred from Unrestricted Funds to Restricted Funds for *AirSpace* at IWM Duxford funded by Deferred Income.

The Unrestricted Buildings, Collections, Equipment and Exhibitions Fund £14,786K, Buildings Revaluation £13,888 and the Restricted Buildings, Collections, Donated Objects, Equipment and Exhibitions Fund £99,237K, Buildings Revaluation £53,593, represent the Net Book Value of the Fixed Assets less the Assets held under Finance Leases £181,504K.

The Museum acquires donated objects by gift, bequest and from the translation of long term loans for the collections into permanent acquisitions. Objects wholly or partially donated to the Museum in 2009/08 were valued at £65,000 comprising assets and equipment capitalised in the Museum's Balance Sheet (2005/06 £22,000).

Designated funds comprise assets funded by the Museum, 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 Cabinet War Rooms expansion project and the Churchill Museum, the redevelopment of IWM London and *The Holocaust Exhibition*.

Imperial War Museum Development Trust Redevelopment Appeal are funds donated for the redevelopment of the Museum at IWM London.

Imperial War Museum Development Trust Tied Donations comprise funds donated for the application to specific projects. These include the AirSpace at IWM Duxford, the Churchill Museum and the Holocaust exhibition at IWM London.

| | Unrestricted funds | Restricted funds | Total 2009 |
|----|---|------------------|------------|
| | £000's | £000's | £000's |
| 21 | Analysis of group net assets between funds | | |

Fund balances at 31 March 2009 are represented by:

| | | | |
|-------------------------|---------------|----------------|----------------|
| Tangible Fixed Assets | 35,883 | 152,830 | 188,713 |
| Investments | – | – | – |
| Net Current Assets | 4,204 | 4,688 | 8,892 |
| Long Term Creditors | (7,316) | (1,022) | (8,338) |
| Total net assets | 32,771 | 156,496 | 189,267 |

| | 2009 | 2008 |
|----|------------------------------|-------|
| | £000's | £'000 |
| 22 | Cash flow information | |

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

| | | |
|---|--------------|--------------|
| Net incoming resources before revaluations | (5,415) | (2,928) |
| Investment Income | (552) | (569) |
| Interest element of finance lease rental payments | 418 | 394 |
| (Gain)/loss on sale of Tangible fixed assets | 2 | 1 |
| Depreciation charge for the year | 6,893 | 7,798 |
| Decrease/(Increase) in stocks | 114 | 167 |
| (Increase) in debtors | 94 | 252 |
| (Decrease)/Increase in creditors | 2,257 | (143) |
| Net cash inflow from operating activities | 3,811 | 4,972 |

(b) *Analysis of Cash Flows*

| | | Restated |
|---|--------------|--------------|
| Increase in cash in the period | 2,141 | 1,432 |
| Cash outflow arising from increase in finance lease | (439) | (792) |
| Movement in net debt in the period | 1,702 | 640 |
| Net funds at 1 April | 2,468 | 1,828 |
| Net funds at 31 March | 4,170 | 2,468 |

The 2007/08 figure for cash outflow arising from increase in finance lease had been restated from £31K to £(792)K to show the lease with the Bank of Scotland £823K.

(c) *Changes in net debt/funds*

| | Restated 1 April 2008 £000's | Cash flow £000's | 31 March 2009 £000's |
|--------------------------|---------------------------------------|------------------------|----------------------------|
| Cash at bank and in hand | 9,467 | 2,141 | 11,608 |
| Finance Lease | (6,999) | (439) | (7,438) |
| Net funds | 2,468 | 1,702 | 4,170 |

23 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 the Museum 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 per cent 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 the Museum's expected purchase and usage requirements. As a result, the Museum is exposed to some credit, liquidity or market risk.

The Museum is exposed to credit risk of £440K of trade debtors – however this risk is not considered significant as major customers are familiar to the Museum. Bad and doubtful debts are provided for on an individual basis.

The Museum has sufficient unrestricted funds to cover its current liabilities.

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

Interest Rate Risk

100 per cent of the Museum's financial assets carry nil or fixed rates of interest. The Museum is not therefore exposed to significant interest rate risk.

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

| Interest Rate Profile | Fixed Rate Financial Assets £'000s | Non-interest Bearing Financial Assets £'000s | Weighted Average Interest Rate | Weighted Average Period for which Rate is Fixed |
|-----------------------|---|--|---|--|
| As 31 March 2009 | 11,593 | 15 | 1.32 | 63 days |
| Sterling | 11,593 | 15 | | |
| As 31 March 2009 | 9,452 | 15 | 5.35 | 59 days |
| Sterling | 9,452 | 15 | | |

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

24 Related Party Transactions

The Imperial War Museum is a statutory non-departmental public body sponsored by the Department for Culture, Media and Sport (DCMS).

DCMS is regarded as a related party. During the year the Museum has had various material transactions with the Department.

The Imperial War Museum received grants from the Heritage Lottery Fund (HLF) and 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.

The Imperial War Museum has borrowed from and/or lent works of art and exhibits, or provided services to the following organisations during the financial year 2009/08 which have DCMS or other Government Departments as parent Department.

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

| Related Party | Amount Purchased £'000s | Amount Sold £'000s | Donations/ Grants Received £'000s | Year End Balance Debtor/ (Creditor) £'000s |
|--|-------------------------------|--------------------------|--|--|
| CWGC | – | 6 | 5 | – |
| Kings College London | 5 | – | – | – |
| Visit London | 12 | – | – | – |
| Visit Britain | 3 | – | – | – |
| Friends of the Imperial War Museum | – | – | 20 | – |
| American Air Museum in Britain | – | – | 291 | 23 |
| The Churchill Centre | – | – | – | 190 |
| Gerry Holdsworth Special Forces Charitable Trust | – | – | 25 | – |

The nature of these related parties is as follows:

The Chairman of Trustees of the Imperial War Museum, Air Chief Marshal Sir Peter Squire, was Vice Chairman of the Commonwealth War Graves Commission (CWGC) up to 30 June 2008. During the year the Museum received income from the CWGC in the form of a donation and also for fees for research services.

Sir John Kiszely, a Trustee of the Museum, is also a Visiting Professor in War Studies at Kings College London. During the year the Museum paid Kings College in respect of a contribution towards a research project, and also for a study of the Museum's archives, and for tuition fees for a Museum employee.

Tom Wright, a Trustee of the Museum, is also a Director of Visit London. During the year the Museum paid Visit London in respect of membership fees, forum/conference fees and promotional services.

Tom Wright, a Trustee of the Museum, is also a Director of Visit Britain. During the year the Museum paid Visit Britain in respect of membership fees, forum/conference fees and attendance at trade fairs.

Diane Lees, the Director-General is also a member of The Council of The Friends of the Imperial War Museum (FIWM). During the year the FIWM made a donation towards the cost of new media guides at IWM London

The Director-General, Diane Lees and the Chairman of Trustees of the IWM, Air Chief Marshal Sir Peter Squire, are Vice President and President respectively of the American Air Museum in Britain (AAMIb). During the year the Museum received donations from the AAMIb to support the operational expenditure of the American Air Museum, including educational activities, maintenance and conservation.

The Director-General Diane Lees is a trustee of The Churchill Centre (TCC). During the year the Museum received donations from TCC to support the operational expenditure of the Churchill Museum, including educational activities, maintenance and conservation.

The Director-General Diane Lees is a trustee of the Gerry Holdsworth Special Forces Charitable Trust. During the year the Holdsworth Trust made a grant of £25K to the Imperial War Museum.

The former Director-General (to September 2008), Sir Robert Crawford CBE, also held all of the above positions now held by the current Director-General, Diane Lees, prior to his retirement.

25 Losses, Special Payments and Gifts

Additional expenditure was incurred to mark the retirement of Sir Robert Crawford and to recognise the substantial value of Trustees' unpaid contributions to the Museum entities over the years. Three events were held; a dinner in honour of two retiring Trustees at a cost of £2,000, a reception for staff, colleagues external to the Museum and stakeholders at a cost of £8,000, and a dinner attended by Trustees past and present. The latter cost £9,000 and was funded by the IWM Development Trust. In addition, a gift of an oil painting was made to Sir Robert. The net cost to the Museum of this was £1,162. As a special payment above £1,000, Departmental approval was not received for this expenditure.



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