

# The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2013

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# Contents

<b>Trustees' and Accounting Officer's Annual Report</b>	<b>3</b>
Chairman's Foreword	3
Structure, governance and management	4
Constitution and operating environment	4
Governance statement	4
Subsidiaries	9
Friends' organisations	9
Strategic direction and performance against objectives	9
Collections and research	9
Collection	9
Conservation and research	10
Audiences and Engagement	11
Exhibitions	11
Events	11
Media and publications	12
National	13
International	13
Investing in our people	14
Employees	14
Diversity	15
Volunteers	15
Plans for future periods	16
Fundraising and finance	17
British Museum benefactors	17
Grant-in-Aid	17
Capital expenditure	17
Grants	18
Reserves	18
Reserves policy	18
Monitoring levels of reserves	18
Maintaining reserves	18
Reviewing the reserves policy	18
Designations	18
Investments and financial risks	19

Public benefit, sustainability, social and community issues	19
Public benefit	19
Estates management	20
Sustainability report	20
Suppliers	22
Activity under immunity from seizure	22
Reference & administrative details	23
The Board of Trustees	23
Trustees' committees and membership	24
Trustee membership of related Councils and Boards	25
Official addresses as at 31 March 2013	25
DCMS' performance indicators	26
Basis of Preparation of Financial Statements and Accounting Policies and Practices	27
Remuneration Report	28
<b>Statement of Trustees' and Accounting Officer's responsibilities</b>	<b>30</b>
<b>The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament</b>	<b>31</b>
Respective responsibilities of the Board of Trustees, the Director and auditor	31
Scope of the audit of the financial statements	31
Opinion on regularity	31
Opinion on financial statements	31
Opinion on other matters	32
Matters on which I report by exception	32
Report	32
<b>Financial statements for the year ended 31 March 2013</b>	<b>33</b>

## Trustees' and Accounting Officer's Annual Report

### Chairman's Foreword

For 260 years the British Museum has been one of Britain's great 'invisible exports', both in terms of our work internationally and the enormous contribution we make to the UK economy. The BM has been the leading visitor attraction in the UK for the past six years and one in four tourists who visit London comes to the BM. For those who live in London, it is an incomparable resource for exploring and understanding the world.

The BM has always been a museum of the world. We are unique in being a place where global citizens can come to find their identity. This is true of the galleries in Bloomsbury but also more broadly in relation to the BM's work across the UK and the world. Exhibitions such as *Pharaoh: King of Egypt*, supported by the Dorset Foundation, have a huge impact when they tour the country, both at larger venues in Leeds or Glasgow, and smaller ones such as Dorset County Museum, where hosting such an exhibition enabled the BM to move in a direction it couldn't otherwise have done.

Internationally, the BM's most longstanding corporate partner BP teamed up with Indian company Reliance in 2012 to take *Mummy: The Inside Story* to Mumbai. The exhibition was a phenomenal success and was used as a reception venue by Prime Minister David Cameron on his trade mission to India. The original Cyrus Cylinder – a copy of which is kept on display at the United Nations as a symbol of human rights – was recently lent to Tehran and is currently on tour to five cities in the USA, with support from the Iran Heritage Foundation. The BM display fosters not just understanding of ancient Persia and modern Iran, but discussions about empire and the rights of all world citizens. Media coverage has been extensive – from the *Washington Post* to the news screens of Times Square.

In London, if you wanted to travel through time in 2012/13, the BM was the place to do it. You could see the modern talent of Picasso in a display of the 100 prints that make up his *Vollard Suite* (a complete set given to the BM by Mr Hamish Parker); venture back to Elizabethan England to discover how Shakespeare made art about the newly globalised world around him; or – if you were really brave – journey as far back as the frozen Europe of 40,000 years ago to contemplate the birth of the modern mind in Ice Age sculpture.

It was a great year for BM exhibitions. *Life and Death in Pompeii and Herculaneum*, sponsored by Goldman Sachs, sold 70,000 tickets before opening. This is just the latest in a decade of 'scholarly' exhibitions at the BM that reached a mass public – from China's terracotta warriors to shows on Hadrian and Shakespeare. The support of long-term partners such as BP has been essential, allowing us to shape our programme for maximum public benefit. The BM's capacity to attract and work with such partners depends, of course, on one critical factor: the commitment of the Government to provide a secure basis of longstanding funding, which alone can guarantee the care and research of the collection. It is this basis that enables us to present and share the collection in so many different ways with the UK and the world.

As always this activity depends on the care, conservation and study of the BM's own collection. When the newest corner of the BM opens next year on Montague Place, the World Conservation and Exhibitions Centre will be a transformative addition to all this work: facilitating loans across the UK and abroad so as many people as possible can see this shared global inheritance; ensuring every object's longevity, with the best conservation studios and conditioned storage; and welcoming visitors in London to a new large-scale, super-flexible gallery for special exhibitions. The first exhibition in 2014 is the BP exhibition *Vikings* and will feature a 37 metre long Viking ship.

As Chairman of this extraordinary institution – which operates on a local, national and international level simultaneously – I am consistently amazed by the effectiveness of the organisation and the commitment, professionalism and energy of the staff in making all this possible. For me, as for many, the people and objects of this amazing collection make the BM the most compelling institution in the world.

Niall FitzGerald KBE  
Chairman of the Trustees

## Structure, governance and management

### Constitution and operating environment

The British Museum was founded in 1753. Its aim is to hold for the benefit and education of humanity a collection representative of world cultures (“the collection”), and ensure that the collection is housed in safety, conserved, curated, researched and exhibited<sup>1</sup>.

The BM is now governed in accordance with the British Museum Act 1963 and Museums and Galleries Act 1992<sup>2</sup>. The BM is an exempt charity under schedule 3 of the Charities Act 2011. The Secretary of State for Culture, Media and Sport is the principal regulator under the Charities Act 2006.

The BM is also a Non-Departmental Public Body funded by a combination of grant-in-aid allocated by DCMS and income secured through commercial, fundraising, sponsored and charging activities.

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

### Governance statement

The governing body of the BM is the Board of Trustees whose members are appointed for fixed terms of service. They are non-executive and unpaid. The Board may consist of up to 25 members, of which 15 are appointed by the Prime Minister, one by the Sovereign, one each by the Secretary of State on the nominations of the Royal Academy, the British Academy, the Society of Antiquaries of London and the Royal Society respectively, and five by the BM’s Trustees. The Chairman is appointed by the Board from its members. The names of Trustees serving during the year are listed on page 23.

The induction of new Trustees is primarily through a programme of department visits and meetings with the Director, Deputy Directors, and members of the senior management team. An introductory pack of key documents and publications including the Governance Policies and Principles, the BM Strategy and Operating Plan, the Annual Report and Accounts, and the organisation chart is provided. Induction programmes and training are further tailored to the individual needs and interests of the Trustee. In 2012/13, a review of all Trustees’ training and briefing needs was conducted.

The corporate governance framework; matters for the Board’s decision; and the respective responsibilities of the Board, Trustees’ Committees and Management are clearly defined in the BM’s Governance Policies and Principles, which is available on the BM’s website.

The BM follows governance best practice for public service and charitable bodies, and insofar as it applies, the BM complies with the principles of the Corporate Governance in Central Government Departments: Code of Good Practice.

A register of Trustees’ and co-opted committee members’ interests is maintained and is available for public inspection on request; this is reviewed by all Trustees and co-opted committee members at least once a year. Trustees and co-opted members are expected to declare any conflicts or potential conflicts of interest at Board and committee meetings, and these are recorded in the minutes. Depending on the nature of the conflict or potential conflict, the Chair may require a Trustee or co-opted member to either leave the meeting, or not take part in a discussion or decision on a particular issue. In 2012/13, no conflicts of interests were declared at Board or committee meetings.

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

<sup>2</sup> In the fulfilment of its aim, other legislation extends the powers of the BM for specific purposes related to its collection.

<b>Board/Committee</b>	<b>Hierarchy</b>	<b>Remit</b>
Board of Trustees	Board	To discharge statutory duties under the British Museum Act 1963 and Museums and Galleries Act 1992 for the general management and control of the BM. The Board appoints the Director with the approval of the Prime Minister, defines the strategic direction of the BM, and approves its execution in an operating plan drawn up in consultation with the Director.
Standing Committee	Board Committee	To discharge the functions of the Board between quarterly Board meetings, including monitoring achievement of the plan.
Director	Accounting Officer	All Board authority granted to the management and staff of the BM is delegated through the Director, so that all authority and accountability is considered to be the authority and accountability of the Director so far as the Board is concerned. The Director attends Board meetings. The Director as the Accounting Officer is accountable to Parliament for the stewardship of the resources within the BM's control.
Audit Committee	Board Committee	To support the Board and the Accounting Officer in their responsibilities for issues of risk, control and governance by reviewing the comprehensiveness, reliability and integrity of assurances provided to them.
Nominations and Governance Committee	Board Committee	To advise on succession planning for Trustees and the Director, recommend candidates as Trustees for appointment, and provide assurance on governance.
Investment Sub-Committee	Sub-committee of the Standing Committee	To advise the Standing Committee on the investment of the BM's funds and the performance of investment managers, and set and implement the investment strategy.
World Conservation & Exhibitions Centre Committee	Sub-committee of the Standing Committee	To monitor, on behalf of the Standing Committee, the new building project on the north-west corner of the main site.
International Strategy Committee	Sub-committee of the Standing Committee	To provide advice on the BM's international strategy, and to monitor and report on the Zayed National Museum project to the Standing Committee.
Research Committee	Sub-committee of the Standing Committee	To provide expert advice and oversight of the BM's research programme, to monitor the research strategy and provide quality assurance.
Major Projects Committee	Sub-committee of the Standing Committee	To monitor the scope and design of major projects.
Directorate Group	Executive Committee	To lead the BM's planning process, manage risk and oversee operational activity. Its membership during the year comprised the Director, the Deputy Director, the Director of Collections, the Director of Public Engagement, the Director of Operations & Projects, the Director of Administration, and, until 6th June 2012, the Managing Director of the British Museum Company Limited.



Board/Committee	Hierarchy	Remit
BM Management Group	Executive Committee	<p>To raise and discuss current and emerging issues relating to BM activity and external developments; and acts as an information sharing group for heads of department. Its membership is drawn from the Directorate Group and the heads of BM departments. During the year this comprised of the following:</p> <ul style="list-style-type: none"> <li>• <i>Collections</i>: Africa, Oceania &amp; the Americas; Ancient Egypt &amp; Sudan; Asia; Coins &amp; Medals; Collections Services; Conservation &amp; Scientific Research; Greece &amp; Rome; Middle East; Prehistory &amp; Europe, Portable Antiquities &amp; Treasure; Prints &amp; Drawings</li> <li>• <i>Public Engagement</i>: Digital Media &amp; Publishing; Exhibitions; Learning, Volunteers &amp; Audiences; Press &amp; Marketing</li> <li>• <i>Operations &amp; Projects</i><sup>3</sup>: Operations Strategic Planning, Operations Contract Management, Operations Programme Management, Building Services; Capital Projects &amp; Estates; Facilities; Security &amp; Visitor Services; Zayed National Museum Project</li> <li>• <i>Administration</i>: Commercial; Corporate Affairs; Development; Finance; Human Resources; Information Systems; Legal Services and from the British Museum Company Limited.</li> </ul>

#### Board effectiveness

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

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

A report of findings is considered by the Nominations and Governance Committee and action points agreed by the Board. At least every three years, the review includes an element of independent assessment. The last independent assessment was in 2010.

The 2012 review found that the Board was "highly effective" or "effective" in all areas and that there were no major weaknesses.

The Board defines the strategic direction of the BM. During the year, the Board approved a new strategy, *Towards 2020*, and a three-year Operating Plan and Budget for the period 2012/13-2014/15. A review of the BM's performance against the objectives approved by the Board is included below in the section 'Strategic direction and performance against objectives'.

The Board has high standards in terms of the data it expects to receive to support it in discharging its duties. Data relating to the delivery of the BM's objectives, including financial control and the management of risk, is regularly reviewed by the Board and its committees. The 2012 review of Board performance showed that the Trustees agreed unanimously that they received an appropriate level of information and that there were effective mechanisms in place to measure performance.

#### Reports from Board committees

- *Audit committee*: in addition to its ongoing review of the risk register, during 2012/13 the Committee considered in detail the management of risks around the BM's buildings in Bloomsbury and Hammersmith, international activities, structural changes within the BM group, collection loans, the public programme and current visitors. It received regular updates on security, operations and collections management.

<sup>3</sup> The Operations and Projects directorate was restructured during the year; this reflects the structure as at 31 March 2013

Representatives from the National Audit Office and the Head of Internal Audit attended each meeting and the Committee considered the work undertaken.

- *Nominations & Governance:* during 2012/13, the committee recommended the following Trustee appointments, all of which were approved: four appointments by the Prime Minister; three reappointments by the Prime Minister; the reappointment by the Secretary of State for Culture, Media and Sport of the British Academy's nominated Trustee and the appointment of the Royal Society's nominee; and the Board's appointment of one Trustee. The Committee also considered the 2012 Board Performance Review and made recommendations for action to the Board in March 2013.
- *Standing Committee:* the committee continued to discharge the functions of the Board between quarterly Board meetings

Reports from the Standing Committee, Audit Committee and Nominations and Governance Committee are recorded in the minutes of Board meetings which are published on the BM's website. Sub-committee business is reported to the Standing Committee.

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

#### *Risk management framework and risk assessment*

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

The BM assesses risk through consideration of the likelihood of something happening, and the impact that would arise if the risk were actually to occur. Risk management within the BM includes:

- identifying and assessing risks (the "inherent risks"). The most significant inherent risks relate to the collection, both in store and on display; international activity; future income; the World Conservation and Exhibitions Centre; visitors and staff; and the Bloomsbury building.
- assigning each of those risks to an individual risk owner;
- setting an agreed risk appetite (the "risk targets");
- evaluating the effectiveness of relevant mitigating controls;
- assessing the risks remaining given the controls in place (the "residual risks"); and
- agreeing, implementing and monitoring controls to reduce the variance between residual and target risks.

<b>Body</b>	<b>Nature</b>	<b>Role in risk management</b>
Director	Executive	The Director, Neil MacGregor, is the Accounting Officer for the purposes of reporting to the Department for Culture, Media and Sport, and has overall responsibility for the BM's risk management framework.
Directorate Group	Executive	Reviews risks, and receives and considers reports or recommendations for action or decision.
Internal Controls Committee	Executive	Oversees the implementation of risk management principles and practice throughout the BM with the objective of eliminating, transferring, mitigating or accepting risks. It seeks to co-ordinate activities to obtain a more effective risk management process from existing resources and ensure the dissemination of good practice throughout the BM.
Budget Holders	Executive	All budget holders provide the Accounting Officer with annual assurance statements. The Accounting Officer and the Audit Committee also receive annual reports on security and health & safety and biannual reports on stewardship of the collection.

<b>Body</b>	<b>Nature</b>	<b>Role in risk management</b>
Internal Audit	Internal Audit	Acts as an independent review of the internal control framework, including risk management. In addition to reports on individual reviews, Internal Audit produces an annual report that contains the Head of Internal Audit's opinion of the overall adequacy and effectiveness of the risk management, control and governance processes. The Head of Internal Audit has a primary reporting line to the Chair of the Audit Committee and to the Director, with a structural reporting line to the Director of Administration.
Audit Committee	Board Committee	<p>The Audit Committee's membership covers a wide range of skills, vital for an institution with a scope as broad as the BM's. Members collectively have experience and knowledge of accounting; risk management, governance and control; audit; management of organisations of equivalent size and profile; the wider environment in which the BM operates; business and commerce; and safeguarding the collection.</p> <p>The Audit Committee reviews the risk register and actions taken at each of its meetings. In addition to a rolling programme of review, the committee focuses on the highest rated residual risks in terms of their likelihood and impact taken together, and topical risks.</p> <p>The Audit Committee challenges the BM's officers for evidence of good management and routinely requires managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.</p>

During the year the BM's risk management policy was reviewed and approved with minor amendments.

Over the coming years the BM will need to address reductions in government funding.

The BM has suffered no significant losses or thefts of personal or other protected data during 2012/13 and has made no report to the Information Commissioner's Office.

The BM continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, is strengthening controls operating around site access, objects on display, and pest management. Work to improve the business continuity and disaster recovery plans is under way.

*Neil MacGregor*  
Accounting Officer

*Niall FitzGerald KBE*  
Chairman

4 July 2013

## Subsidiaries

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

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

## Friends' organisations

The work of the BM is supported by two 'friends' associations. The American Friends of the British Museum (AFBM) supports the BM's development by raising funds in the United States. It is separately administered and independent of the BM.

The British Museum Friends (BMF) is a registered charity and a company limited by guarantee that provides grants to the BM out of the surplus it generates from membership subscriptions, fundraising, and members' activities. Until December 2012, the BMF was independent of the BM. The company law members of the BMF were the circa 40,000 Friends, and it was governed by a board of between 9 and 19 trustees known as Council members, elected by the general membership at the BMF's AGM. Two members of Council were appointed by the Trustees of the BM.

At its AGM on 11 December 2012, the members of the BMF passed a resolution which automatically made the Board of Trustees of the British Museum, as a body corporate, the sole company law member of the Friends. Their liability is limited to £1. The Trustees of the BM are now, individually, the charity trustees and the company law directors of the Friends. The aim of these changes is to ensure that the charitable benefit of funds raised by the Friends is maximised and that the increasing body of members is supported effectively and is as engaged as possible in the work of the BM.

From that date, therefore, the Trustees of the British Museum obtained full control of the BMF for no consideration. The assets and liabilities of BMF are included within the consolidated balance sheet at fair value as at the date of the change in governance structure, with the value of the gain (£1.2m) shown on the SOFA under voluntary income. The results of BMF from the date of the change have been consolidated into the group accounts. For further information please see note 10(d) to the accounts.

## Strategic direction and performance against objectives

"Towards 2020" (published on the BM's website) sets out the priorities for the BM in pursuit of its strategic objectives to 2020. During 2012/13 the BM made significant progress in working towards these objectives.

### Collections and research

#### *Collection*

The BM's collection of over eight million objects spans the history of the world's cultures. Thanks to gifts from private individuals, sponsorship from corporate partners and funding from public bodies, the BM continues to build, maintain and utilize its collection, engaging with the varied needs of audiences worldwide.

New acquisitions improve the collection in both breadth and depth of coverage. Among the year's outstanding additions was a richly detailed handscroll of 1854-8 that documents the moment when more than two centuries of Japanese seclusion ended: *The Mission of Commodore Perry to Japan, 1854*. Over 15 metres long, it is one of the finest quality works to have survived among the explosion of paintings and popular prints produced in Japan at the time to mark Perry's world-changing visits.

Thanks to support from the Art Fund and British Museum Friends, a rare example of pre-Reformation English devotional jewellery from the early 16<sup>th</sup> century was acquired. The gold reliquary pendant, found in Hockley, Essex in 2009, is inscribed on the side with the names of the Three Wise Men and depicts on the front a female saint, probably the Virgin Mary, holding a cross spattered with blood. It featured in the ITV series *Britain's Secret Treasures* as one of the 50 most important archaeological finds made by the British public in the last twenty years.

Gifts to the collection in the year included 13 Inuit soapstone figures; a 1942 pen and ink drawing by German Surrealist Hans Bellmer; contemporary Chinese seals by Li Lanqing; objects from Papua New Guinea collected by celebrated anthropologist Bronislaw Malinowski in 1915–18; and 24 medals awarded to Captain Scott (gifted to mark the centenary of the 1912 British Antarctic expedition). An English Delftware election plate – with the words ‘Sir John Pole For Ever 1754’ – was donated to replace a plate previously in the collection, but destroyed during the Second World War.

BM galleries are constantly being upgraded, as new objects are acquired or conserved and new research emerges. The new Citi Money Gallery opened in June 2012. It seeks, as the *Economist* noted, ‘to challenge the way we think about money’. The A.G. Leventis Gallery of Ancient Cyprus opened after refurbishment in December 2012 and tells the story of Cyprus from 10,000 BC to AD 400. Currently under construction, the new Sir Paul and Lady Ruddock Gallery of Early Medieval Europe will tell the story of Europe AD 300–1100; it is scheduled to open in December 2013.

#### *Conservation and research*

Conservation and research underpin all the BM’s work. Conservators clean, repair and stabilise objects in the collection. Scientific study of deterioration mechanisms enables advice on best conditions for storage and display to prevent further decay. Research enables the collection to be better used by the public to understand human history and culture.

The World Conservation and Exhibitions Centre (WCEC) is scheduled to open in early 2014. The centre will house the BM’s new state-of-the-art laboratories and conservation studios, special exhibitions suite, collections management hub and storage facilities. A topping out ceremony on 8 February 2013 marked installation of the roof. Construction is due for completion later in the year.

The BM is a key player in the Europe-wide project *CHARISMA*, which aims to further international cooperation and multidisciplinary approaches to conservation and restoration. Events held at the BM in 2012 included a study session on life-cast silver; comparing methods of fluorescence imaging with visiting researchers from Greece; and a two-day technical symposium at the BM on the Renaissance Workshop.

As part of its international commitment, the BM offered training to a number of professional visitors, including a textile conservator from the Iraq Museum, an archaeologist and curator from Ghana, a ceramics expert from Japan, and an archaeological conservator from Hong Kong. BM staff travelled worldwide to destinations including Albania, India and Palestine, where one BM conservator taught a UNESCO-sponsored course on cultural management.

Collaboration enables the BM to locate its collection in a much wider context. For a project centred at Carleton University in Canada, the BM studied a group of 18th – and 19th-century moccasins, wampum belts and other objects from the Great Lakes. Dogbane and cotton fibres, moose, bison, otter and other animal hairs were identified. The BM also proposed an improved scientific technique, using variable pressure scanning electron microscopy, for working on and identifying this highly fragile material.

To improve the BM’s research into dye stuffs, the British Museum Friends supported the purchase of a high-performance liquid chromatography system. Studies of the collection during the year included those of Chinese ‘ant-nose’ money, the robes of St Cuthbert, and wax discs used by the Elizabethan magus John Dee. Non-invasive analysis of an Elizabethan map revealed a hidden fort, a clue to where the English colonists of Roanoke – the ‘Lost Colony’ – may have resettled.

In 2012/13 grants to the BM of nearly £3.5million from UK and international research bodies were announced and up to 30 PhD students were affiliated with the BM. Significant new projects include *Empires of Faith*, covering South Asia, the Middle East and Mediterranean from AD 200 to 800; *Reconstructing Sloane*, a digital and intellectual ‘reconstruction’ of part of the BM’s founding collection, now shared with the Natural History Museum and British Library; and *Ming: Courts and Contacts*, a joint project with the University of Oxford which includes a major exhibition at the BM in autumn 2014. The BM is extremely grateful to the Leverhulme Trust, Arts & Humanities Research Council (AHRC), Andrew W. Mellon Foundation and all others who generously support its research.

## Audiences and Engagement

### Exhibitions

220,000 visitors attended *The Horse: From Arabia to Royal Ascot*, supported by the Board of Trustees of the Saudi Equestrian Fund, Layan Cultural Foundation and Juddmonte Farms. Reliefs, rock drawings, harness fittings, seals, paintings, and manuscripts conveyed the history of man and horse from the domestication of horses in the Middle East to the modern-day thoroughbreds descended from three 17th-century Arabian stallions. Included was one of the earliest depictions of a horse and rider: a terracotta mould of 2000–1800 BC found in Mesopotamia.

Over 105,000 saw the BP Exhibition *Shakespeare: Staging the World*, which formed part of London 2012's World Shakespeare Festival. The exhibition focused on 16<sup>th</sup>-century London and was accompanied by a display on Shakespeare's money, *Crowns and Ducats*, and a display of objects at the National Theatre about *Timon of Athens*. Two well-attended *Friday Lates* brought Elizabethan England to life through performances.

*Ice Age Art: Arrival of the Modern Mind* was supported by Betsy and Jack Ryan, the Patrons and American Friends of the BM and the Henry Moore Foundation. Sculptures and engravings of animals, humans and imaginary beings made 40,000 to 10,000 years ago were shown alongside contemporary works by Matisse, Picasso and Moore. *Music Matters* on BBC Radio 4 featured one of the Ice Age flutes, the oldest known musical instrument; the *Daily Express* brought to its readers' attention the many 'unambiguously fertile' women; and Andrew Graham-Dixon presented a *Culture Show Special* on Ice Age art on BBC2. The dramatically lit displays reminded visitors that all art is the product of the modern brain.

*Life and Death in Pompeii and Herculaneum* was sponsored by Goldman Sachs. Collaboration with the Archaeological Superintendency of Naples and Pompeii brought over 300 loans, many never before seen outside Italy. Finds from recent excavations and well-known artefacts evoked every aspect of daily life in a Roman city. 72,000 tickets were sold before opening.

Nearly 300,000 came to *Picasso prints: The Vollard Suite*, showcasing the BM's recently acquired *Vollard Suite* – a set of 100 etchings by Picasso, presented by Hamish Parker in memory of his father Major Horace Parker. Over 160,000 saw *Renaissance to Goya: Prints and Drawings from Spain*, supported by the AHRC and Centro de Estudios Europa Hispánica. Associated events included an evening of Spanish music and readings of Lope de Vega and Calderón, held in collaboration with the Spanish Embassy.

*Modern Chinese Ink Paintings* presented 40 paintings of the last 100 years, many made as statements of friendship or political dissent. *Ritual and Revelry: The Art of Drinking in Asia* examined the importance of water, alcohol and tea in ritual and secular contexts. *North American Landscape: Kew at the BM*, supported by the American Express Foundation, was 2012's regional planting of the BM Forecourt. *Social Fabric: African Textiles Today* explored continuing textile traditions in eastern and southern Africa, showing the political and social messages expressed on brightly dyed kangas and other printed cloths. *Bubbles and Bankruptcy: Financial Crises in Britain since 1700* explained how, why and when financial crises have happened and showed how society has responded to crisis. *In Search of Classical Greece: Travel Drawings of Edward Dodwell & Simone Pomardi 1805–1806*, supported by The Packard Humanities Institute, featured seventy works that record monuments and antiquities from a time when the country was still part of the Ottoman Empire.

*Objects in Focus: The Asahi Shimbun Displays* are a series of changing displays that explore a single object. A pistachio and olive wood 17th-century model of the Church of the Holy Sepulchre was probably the one seen by Mozart when he visited the BM in 1765. Sui Jianguo's *Discus Thrower* gave visitors a contemporary version of the celebrated Discobolus in modern Chinese clothing. Over 110,000 people examined a trio of unusual Japanese pots of 3500–2500 BC. *Sowei Mask: Spirit of Sierra Leone* was a partnership with the Sierra Leone National Museum and London's Sierra Leonean diaspora community, who provided information relating to the Sande society which informed the interpretation of the mask. A naming ceremony and masquerade performance at the BM illustrated the relevance and vibrancy of Sierra Leonean culture today.

### Events

Many visitors approach the BM through its programme of activities. *Winning at the Ancient Games* was a museum trail about sport in the ancient world that could be followed by scanning a QR code with a mobile phone or picking up a leaflet. Including a special loan of the Motya Charioteer, it was free to all BM visitors throughout the Olympics. The British Film Institute's 2012 Alfred Hitchcock celebration saw *Blackmail* (1929) screened with a live orchestra on the lawn in front of the BM. Nearly 1000 tickets were sold. Films, lectures, workshops, performances and debates relating to the *Horse* and *Shakespeare* exhibitions attracted 35,000 participants.

Over 250,000 pupils booked school visits at the BM in 2012/13, 120,000 of them from overseas. BM courses are also offered to groups of teachers to support the National Curriculum and train them in inventive approaches to learning through objects: for the *Horse* exhibition, Key Stage 1 pupils looked at ideas of 'movement' in the exhibits. A-level students from the Camden School for Girls, a local comprehensive, were given the run of the BM collection of prints and drawings to curate, with staff help, an exhibition on isolation.

The BM arranges object-handling, multisensory activities and tailored digital sessions for an increasing number of schools that teach children and young people with special needs. Participants in the supplementary schools programme in 2012/13 included African, Arabic, Eritrean, Albanian, Somali, Afghan, Chinese, Jewish and Latin American groups from 14 London boroughs. The BM offers introductory talks, opportunities to meet with curators and evening exhibition views for people from local charities, neighbourhood centres and community groups.

About 60,000 visitors joined guided tours provided by the BM. The daily *Eye-Openers* are free 30–40-minute tours that introduce a particular gallery. *Spotlight tours* on Friday nights focus on key objects. A new tour started in 2013, *Around the World in 90 Minutes*. All BM tours are led by trained volunteers. Around 800 contribute their time annually. Volunteers also run the BM's popular *Hands On* desks, at which thousands of children and adults handle objects from the collection and discuss their history and meanings.

#### *Media and publications*

The BM's national and international presence is supported by film, radio, television and publications. The BM online is an important focus, providing new types of access to the collection, research and events. With increasing digital participation, the BM is engaging people from around the world in cultural conversation.

Films and videos produced by the BM can be accessed free on the BM website and YouTube and can also be seen on television on-demand via a new BM channel launched on BT Vision in November 2012. The 50 programmes currently available include popular co-productions with BBC Four such as *Masterpieces of the British Museum*.

NHK Japan broadcast four documentaries about the BM in 2012, reaching an audience of up to 10 million people in Japan and drawing a hugely enthusiastic response via social media. The programmes led to a surge in visits to the BM website and sales via the online BM shop. In China, CCTV co-produced the two-part documentary *China* with the BM and V&A to coincide with a major loan exhibition to Beijing. They were broadcast on CCTV1, which reaches audiences of up to 800 million people.

*Shakespeare's Restless World*, a collaboration between the BM and BBC Radio 4, was broadcast over four weeks in April/May 2012, and attracted an average weekly audience of 10.52 million people. The series was also published as a set of CDs and as a book by Allen Lane/Penguin Books. Rights have been sold for Italian, German and American editions.

*Britain's Secret Treasures* was a six-part television series broadcast over a single week in July 2012. The ITV programmes took the hundreds of thousands of artefacts reported through the BM's Portable Antiquities Scheme in the last 15 years, and created a countdown of the top 50 archaeological finds made by the UK public. Just under four million people watched each programme. A second series has been commissioned for 2013.

In *London: A World City in 20 Objects*, the *London Evening Standard* published articles on 20 objects from the BM collection that represent particular communities in the capital. 700,000 copies of the paper are circulated daily in the capital. The British Museum Press published 36 new books in 2012/13 and in total BM staff published more than 200 books and articles.

There were around 27.3 million visits to all British Museum websites in 2012-13, up 14% compared to 2011-12. Traffic to the main site was particularly high in February and March 2013, helped significantly by public interest in *Ice Age Art* and *Pompeii and Herculaneum*. The highest daily traffic was 103,300 visits on Wednesday 27 March. Traffic to the Chinese website – with 3.2 million visits – showed strong growth (34% up on 2011/12) for the second year running.

An increasingly large public is reached via Facebook, Twitter and other social media. Followers on Twitter (160,000) increased by 70%, and 'likes' on Facebook (307,000) increased by 69% from last year, with over half coming from those between the ages of 18 and 34. We made 105 posts on the blog during the year and views were up 50% compared to 2011/12. 48% more videos were watched on the website than during 2011/12. The collections database of over two million objects makes up 28% of overall traffic to the BM's website.

### National

Objects are loaned to museums and galleries across Britain and support provided in conservation, research and public programming. Such initiatives are made possible by the John Ellerman Foundation, Dorset Foundation, Vivmar Foundation, Esmée Fairbairn Foundation and public funding from Arts Council England.

*Pharaoh: King of Egypt* was the largest UK loan of Egyptian sculpture, jewellery and papyri ever undertaken by the BM. Leeds City Museum saw a 42% increase in visitor numbers and the exhibition continued to Birmingham, Glasgow and Bristol. Over 275,000 attended. *Warriors of the Plains: 200 Years of Native North American Ritual and Honour* explored the ongoing legacy of the warrior figure among contemporary Native North Americans. At the Royal Albert Memorial Museum in Exeter, men and women from the armed forces, some with post-traumatic stress disorder, were invited to use the displays to examine what it means to have been at war.

*Spotlight Tours*, supported by the 2011 Art Fund prize, offered significant objects from the collection for display in regional museums across the UK: the Mildenhall Great Dish could be seen in Ipswich and the Gayer-Anderson cat in Shetland. The homoerotic Warren Cup was shown in Plymouth as part of an exhibition called *Pride in our Past*. At the Royal Cornwall Museum in Truro, in addition to key loans, BM staff collaborated on developing a new public programme, fundraising advice and gallery interpretation. Overall the BM loaned 2,174 objects nationally.

*Future Curators* is a work-based training initiative, supported by the Heritage Lottery Fund. Trainees spend one year at the BM and six months at a museum in Bristol, Birmingham, Manchester, Newcastle or Glasgow. *Fresh Leads* targets talented people working in museums and galleries across the UK who wish to turn a great idea into a tangible project. The 12 selected in 2012/13 will be given support to realise their plans. Other programmes include staff secondments between the BM and five partner museums, a *Sharing Expertise Group*, and the promotion of wider use of cross-museum resources.

The BM's *Portable Antiquities Scheme (PAS)* is a nationwide project to record archaeological finds made by the public. In 2012, 73,903 finds were reported, with 990 cases of treasure. Major finds in 2012 included an Iron Age helmet (found in Kent), 159 Roman gold coins (Hertfordshire), a Viking Age hoard of gold and silver metalwork (Yorkshire) and a medieval mount similar to the boar badges worn by supporters of Richard III (London). A major grant from the AHRC in January 2013 is to be used to examine what coin hoards tell us about Roman Britain. Over half a million people visited the PAS website and the online area for children was redesigned with new games, activities and information on archaeology.

Community-based work builds ties between the BM and hard-to-reach audiences. In 2012 the BM hosted a national cross-sector conference *Arts, Heritage and Justice* to propose collaborations between prisons and museums. With colleagues in Northern Ireland, Scotland and England, the BM ran *Age Collective*, a series of seminars that looked at how museums can work more effectively with older people. *Talking Objects*, an innovative approach to reaching young people, uses objects – most recently the Lewis Chessmen – to spark discussion and activities such as film-making. Its success in London has now been rolled out nationally.

### International

Work abroad extends to sharing skills with other countries, supporting their cultural work, lending objects, touring exhibitions and undertaking archaeological research.

Supported by the Indian Government, the BM's innovative *Leadership Training Programme* aims to develop a strong foundation for Indian museums in the 21st century. Participants came from across India to attend training sessions with BM staff in New Delhi, London and Mumbai. Links with China in 2012 included staff exchanges, a collaboration to develop web resources for teaching Chinese history using the BM collection and an international symposium on seals co-organised with the Chinese National Art Museum.

The BM's *International Training Programme*, funded by a range of private donors, invites museum professionals at various stages of their careers to the UK. In 2012, 26 participants were invited from China, Egypt, India, Iraq, Kenya, Lebanon, Libya, Mexico, Nigeria, Pakistan, Palestine, Sudan, Tanzania and Turkey. Sessions at the BM were complemented by visits to partner museums in Wales, Scotland and England. The programme fosters specialist skills and a sense of shared cultural purpose and encourages good museum practice across the globe.

The BM is extensively involved with museums in Africa. Supported by the Getty Foundation, BM staff delivered a series of workshops in Mombasa and Kisumu to 80 participants from Kenya, Tanzania and Uganda. A collaboration between the BM, Royal Academy and Nigeria's National Commission for Museums and Monuments saw Nigerian colleagues come to London to study mount-making, conservation and documentation. At the BM's ethnography store, they experienced the freezing and quarantine process for new



objects coming into the BM. A major grant from the Arcadia Fund is supporting a five-year project to catalogue 25,000 rock art images from Africa.

The BM is supporting the Zayed National Museum in Abu Dhabi on every aspect of setting up a new museum, from governance to gallery content. Knowledge transfer is at the heart of the project, with research teams visiting the BM from the UAE and extended placements offered to colleagues to observe how BM departments such as Conservation and Scientific Research function. Before the museum opens in 2016, the BM is supporting a series of exhibitions in Abu Dhabi.

Working closely with colleagues in Afghanistan, the BM continues to help with the identification and return of materials stolen from the National Museum or seized by the UK Border Agency. In August 2012 the British Army transported back to Kabul nearly 850 such objects – including ivories, a statue of the Buddha, Bronze Age cosmetic flasks, Kushan coins and Islamic pottery. The BM is also extensively involved with the development of a new museum in Basra, Iraq.

BM touring exhibitions allow people around the world to see the collection. In Japan, 375,000 visitors saw rare papyri and other artefacts in *The Ancient Egyptian Book of the Dead: Journey through the Afterlife*. In Brisbane, *Mummy: The Inside Story* was the most popular exhibition ever displayed at the Queensland Museum. To mark its centenary, the National Museum of China in Beijing hosted the first ever joint exhibition of ceramics by the BM and V&A. A BM display was part of the inaugural celebrations of the China Art Museum, Shanghai. *The Wonders of Ancient Mesopotamia* toured to Hong Kong and Melbourne.

With support from the American Friends of the BM, *The Printed Image in China* was seen at the Metropolitan Museum of Art in New York, while in Portland, Oregon *The Body Beautiful in Ancient Greece* displayed classical sculptures and other objects. The Art Institute of Chicago hosted *Late Roman and Early Byzantine Treasures from the British Museum*. Over 80,000 people saw the Cyrus Cylinder during its opening month in Washington DC, the exhibition then moving to Houston, New York, San Francisco and Los Angeles. BM tours to Europe included *Medals of Dishonour* at the Hermitage in St Petersburg; *Treasures of the World's Cultures* in Bonn; and *Renaissance to Goya: Prints and Drawings from Spain* at the Prado in Madrid. In total 2,328 objects were loaned internationally in 2012/13.

BM staff engage in fieldwork across the globe. Teams examined decorated tombs at Hagr Edfu in Upper Egypt and in Sudan recorded rock carvings at Kurgus, Meroitic tombs at Kawa and the processional way of a temple at Dangeil, where fragments of ram statues were unearthed. Daily blog posts from Amara West, an excavation in Sudan funded by The Leverhulme Trust, provided insights into the ancient town and its cemetery, including scientific analyses and 3D visualisations. Collaborations in Iraq included digitising clay tablets from the 7th century BC from the library of the Assyrian king Ashurbanipal. New excavations were undertaken at ancient Sidon in Lebanon and at Ras al-Hadd in Oman, where settlements extend as far back as the 3rd millennium BC.

## Investing in our people

### *Employees*

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

As set out in note 6(e) to the accounts, the British Museum employs about a thousand people. The BM endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited and retained, that they are appropriately trained, and that they are well managed and work in an environment in which they can give of their best. The BM creates this environment by ensuring that employees are well informed about plans and activities; by providing opportunities for employee participation and feedback; by encouraging managers to provide goals and development opportunities for their staff and by providing a fair and equitable employment framework supported by relevant policies and procedures.

The BM engages with its employees in a number of ways:

- Written communications are channelled via the intranet, enabling the BM to keep staff informed about key activities via updates from the Director and a real-time news and information page.
- The British Museum Consultative Committee (BMCC) provides a formal opportunity for management and union representatives to discuss issues raised by staff on a quarterly basis. The Director and a trustee attend one meeting each year. Sub Committees of that group support major change projects.

- Information from Management Group meetings is disseminated through departmental meetings and weekly breakfast presentations on topical issues are open to all staff.
- Staff are encouraged to pass on feedback via a biennial Employee Opinion Survey. The survey produces a regular action plan for improvements which feed in to the BM's Operating Plan.
- Workshops and focus groups are increasingly used within key projects to enable staff engagement.
- The BM's performance management process helps employees plan their work, further their personal development and assess their achievements. It also ensures that the work and objectives of employees are aligned with departmental and BM plans.
- A programme of learning and development activities is designed in response to individual and organisational needs.

The BM acknowledges its responsibility for, and commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, and contractors, will receive due priority for action at all times.

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

In 2012/13, the average number of days lost for sickness and absenteeism was 5.86 days per person, compared with 5.87 in 2011/12.

The pay and grading system is based on job families and market rates. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 19 to the financial statements.

#### *Diversity*

Central to the BM's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The BM is an equal opportunities employer. It recruits people based on merit and endeavours to recruit from the diverse communities in London and nationally. It has a published policy on the recruitment, employment and the development of staff regardless of their age, disability, gender, ethnicity, sexual orientation, religion/belief or any other protected characteristic. The current ethnic profile of staff is: 78.5% white, 7.1% black, 3.9% Asian, 2.5% mixed, 1.2% Chinese, 3.4% other and 3.4% unstated. The gender profile is 53% female and 47% male.

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

- A wide range of community programmes are now in place working with over 500 community partner organisations. Programmes include privileged access to exhibitions and events, training for community leaders, and tailored projects for individual audiences that find the BM hard to access.
- The BM's access services continue to expand. Attendance by blind and partially sighted audiences increased as a result of the BM's successful curator-led handling programme, and other growing resources including audio description, Braille and tactile books. Visits by deaf audiences have also increased as a result of the commissioning of Stage Text events (a live speech-to-text facility) for high profile exhibition lectures and panel discussions. The result has been a dramatic increase in deaf and hard of hearing audiences to the BM – each Stage Text event attracting up to 70 deaf and hard of hearing visitors.
- Following on from last year's Equality and Access training for all Visitor Services and Security Staff, the BM has also now rolled out a deaf awareness training programme to all front of house staff.

#### *Volunteers*

Around 800 volunteers offer their time freely to support the BM's activities. They contribute to almost every area of the BM. In the departments they provide valuable assistance with administration and projects, for example the collation and recording of vital collection information. Front of house, they deliver the free *Hands On* handling programme, the free eye-opener and spotlight tours, and income-generating group tours, as well as

ensuring that events, lectures and family activities run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

## Plans for future periods

The BM faces a major financial challenge over the coming two years as a result of a significant reduction in funding from government. At the same time, the BM will aim to ensure that priority is given to the care of the collection, to delivering a lively public programme and continued investment in its people. The activities set out in the BM's Operating Plan for 2013/14 seek to achieve these aims and ensure that the BM's unique standing as a museum of the world for the world is maintained.

Following a reduction of 3% in the government grant for 2010/11, it was announced in 2010 that resource grant-in-aid for the BM will be cut by a further 15% in real terms over the four years beginning in 2011/12. Without action, the BM would face a significant structural deficit by 2015. In order to deliver a balanced budget the BM established a Financial Sustainability Programme to prioritise income generation and efficiency savings, maintain tight control of the operating cost base, and establish a sustainable operating model for the BM in the longer term.

The 2012 Autumn Statement announced further cuts of 1% and 2% in 2013/14 and 2014/15 respectively, and additional cuts of just over 1% were made in the 2013 Budget. The BM will need, as a matter of priority, to consider how it can respond to these cuts, which together represent a 24% real terms decline over the period from 2010 to 2015.

The key priorities for the BM in 2013/14 will be:

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

## Fundraising and finance

### British Museum benefactors

As a museum of the world for the world, the BM is a charity in its own right and securing support for its work involves everybody in the BM. This year, however, two people deserve a special mention and thanks. Francis Finlay has served both as a member of the Board of Trustees and as Chairman of the American Friends of the British Museum. Under Francis' leadership the American Friends of the BM have attracted record numbers of financial and in-kind gifts to the BM from US supporters. Despite leaving the UK Board of Trustees, Francis will continue to work with his fellow Directors to steer the American Friends. He also remains an active member of the Volland Patrons Group. Kate de Rothschild has been Chair of the British Museum Patrons for seven years. In addition to the Patrons' vital support for acquisitions and the international training programme, Kate also pioneered Patron involvement in the BM's public programme, most recently their transformative support for the Ice Age exhibition.

The BM's programme of major exhibitions and activities is international in scope and has attracted significant funding from organisations with whom the BM is working for the first time. *Life and Death in Pompeii and Herculaneum* was the BM's first sponsorship from Goldman Sachs. 2013 has also seen the first major exhibition collaboration with The Packard Humanities Institute, which lent drawings from its collection and funded the exhibition, *In Search of Classical Greece: Travel Drawings of Edward Dodwell and Simone Pomardi 1805–1806*.

Sponsored curatorships also support the BM's research and public programme. In the John Addis Gallery, *Line and Spirituality: Modern Calligraphy by Mishkin Qalam and Muhammad-<sup>c</sup>Ali* was curated by Ladan Akbaria, the Farjam curator of Islamic Art and included a group of over 30 works given as an anonymous donation.

The BM received welcome support for its work to promote access to its collection and its scholarship. In 2012 the BM acquired a digital copy of the Trust for African Rock Art (TARA) photographic archive to ensure that this important collection is preserved and made widely available, thanks to generous support from the Arcadia Fund. As well as cataloguing photographs of rock art sites from across Africa, the BM will now be able to digitise its own African pictorial collection. In 2012 the Pilgrim Trust and the Mercers' Company supported the digital cataloguing of the BM's collection of British portrait prints. The BM *Technical Research Bulletin* was supported by the MacRobert Trust and the Idlewild Trust.

Last year the BM launched a Fund for the Future to ensure that income from bequests will have a lasting impact. In this year a number of bequests have been received. Theresia Buch's legacy to the BM will support Japanese acquisitions, in keeping with her interest when she was a regular visitor. Margaret Bliss' legacy will enable the BM to continue the International Training Programme, which offers opportunities for curators and scholars from around the world and would not happen without generous donors. In a year that saw the opening of a new Members' Room at the heart of the BM, the BM is most grateful for the continued generosity and involvement of its many supporters.

Donations and legacies totalling £31.8 million were received during the year (£12.7 million in 2011/12), with a further £26.4 million (£25.3 million) from commercial trading activities and £14.7 million (£9.8 million in 2011/12) from charitable activities.

### Grant-in-Aid

The British Museum received £42.7 million revenue and £2.7 million capital grant-in-aid from the Department for Culture, Media and Sport in 2012/13 (£44.5 million and £11.6 million in 2011/12). Revenue funding included a ring-fenced allocation of £1.4 million for the Portable Antiquities Scheme (£1.4 million in 2011/12). Note that capital funding in 2011/12 included an allocation of £8.9 million for the World Conservation and Exhibitions Centre.

The Department has confirmed the level of revenue funding it is making available for the remaining two years of the current Spending Review period, ending 31 March 2015; although grant levels may be subject to change. See the section "Plans for future periods" above for further details.

### Capital expenditure

Capital expenditure, mainly on the World Conservation and Exhibition centre but also on plant, building fabric and gallery refurbishments, amounted to £42.3 million, compared with £20.1 million in 2011/12. A further

£1 million (£2 million in 2011/12) was spent on acquiring heritage assets, with donated heritage assets during the year of £7 million (£2 million in 2011/12).

## Grants

The British Museum made grants totalling £39.2 million during the financial year (£29.5 million in 2011/12). This includes grants of £1.1 million to regional museums to support the work of find liaison officers working on the Portable Antiquities Scheme, the only proactive mechanism in England and Wales for recording archaeological finds made by the public. Also included are grants of £37.8 million, restricted for furtherance of the BM's charitable objectives, to the British Museum Trust Limited, an independent registered charity (registration number: 1140844).

## Reserves

At 31 March 2013 the BM's reserves were as follows:	£m
Collection items acquired since 31 March 2001	61
Museum land, buildings, plant and equipment	483
Permanent endowment	12
Restricted funds	16
Designated funds	5
Investment estate	3
Unrestricted trust funds	8
Unrestricted funds	10
Total	598

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

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

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

### *Reserves policy*

During the year, and with reference to guidance from the Charity Commission, the Trustees re-confirmed their commitment to the reserves policy to hold unrestricted and undesignated reserves of between one and three months' expenditure in order to enable financial stability and act as a safeguard against volatile and unpredictable income streams and unforeseen expenditure or liabilities. The balance at March 2013 represents cover of just over one and a half months.

### *Monitoring levels of reserves*

The Standing Committee monitors the levels of reserves at the BM on a quarterly basis as part of their review of the Management Accounts. During the year, the total level of reserves was affected by the downward revaluation of the BM's tangible fixed assets (£9.3 million), gains on investments (£3.8 million) and losses on the defined benefit pension scheme (£0.7m).

### *Maintaining reserves*

The Operating Plan ensures adequate levels of reserves are maintained.

### *Reviewing the reserves policy*

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

### *Designations*

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

## Investments and financial risks

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

- Restricted portfolio: the overriding objective for donors is to fund specific areas of activity at the BM. The investment portfolio is managed to maximise the long-term return consistent with this aim.
- Unrestricted portfolio: the objective is to fund general activity at the BM, and projects for which designations are made by the Trustees. During the year funds were invested within significant liquidity constraints, because of the cash demands of the BM's major building project to construct a World Conservation and Exhibitions Centre.

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

The financial risks relating to investments are managed by:

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

During the financial year the restricted portfolio saw returns of 12%, ahead of the benchmark (60/40 MSCI AC World NR LC / FTSE A British Government All Stock TR) by 1.85%. The general portfolio, which during the year was predominantly invested in cash and short duration (1 to 3 year) AA-rated corporate bonds in order to support the requirements of the building project, was up 4%.

Overall, the BM made total net returns on its investments, including investment properties, of £5.7 million, of which £3.8 million represented net realised and unrealised gains (shown on the face of the SOFA) and £1.9 million net interest, dividends and investment management fees. During the year the ISC revisited asset allocations and made a number of adjustments in the light of changes in the wider economic environment and the BM's likely future cash flow requirements.

Although during the financial year the BM's investments continued to be managed in accordance with the policy set out here, in December 2012 the Trustees agreed a revised investment policy. The ISC has now embarked on an exercise to appoint new investment managers during the financial year 2013/14, to manage the investments in accordance with this new policy.

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

## Public benefit, sustainability, social and community issues

### Public benefit

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

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

The BM is one of the marvels of the Enlightenment. Access to the greatest achievements of humanity was made free to all, and what was once the preserve of privilege became the right of everyone. Annual visitors grew from 5,000 to 12,000 in the 18th century; there were nearly 300,000 a year by the mid-1830s; 5.6 million visited in 2012/13.

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

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

## Estates management

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

## Sustainability report

The British Museum recognises that its activities impact on society and on the environment at local, regional and global levels through the resources it consumes, the waste it produces, the travel and work patterns it encourages amongst its staff and the products it buys. The BM is committed to sustainable development throughout all aspects of its operations. A sustainable development strategy complements the policy which was approved by the Trustees in 2007.

<b>Greenhouse gas emissions</b>		<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>
Non-financial indicators (tonnes CO2e)	Emissions: scope 1 and 2	10,122	9,281	9,724	10,039	10,373
	Emissions: scope 3	81	62	~	~	~
Energy consumption (thousand kWh)	Total gas and electricity consumption	28,506	25,240	27,198	27,091	28,476
Financial indicators (£ million)	Total energy cost	£2.0	£1.6	£1.3	£1.4	£1.8

Increased consumption and emissions in the year relate predominantly to unfavourable weather conditions. The main sources of Greenhouse gas emissions for the BM are gas and electricity consumption. Initiatives introduced to reduce emissions include: close monitoring of energy consumption using an automatic monitoring and targeting system; connecting the main boilers to the Building Energy Management System; and installing inverter drives to the primary heating pumps and connecting these to the Building Energy Management System. The BM intends to draw up a revised energy strategy.

<b>Waste</b>		<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>
Non-financial indicators (tonnes)	Total waste arising	437	317	396	~	~
	Waste sent to landfill	51	31	~	~	~
	Waste recycled/reused	386	286	~	~	~
	Waste incinerated	Nil	Nil	~	~	~
Financial indicators (£k)	Total disposal cost	£67	£72	£70	~	~

The BM is working to the Greening Government Commitments (GGC) targets, which are to reduce waste arisings by 25% by 2020 and increase recycling to 75% by 2020, based on 2004/5 figures. It is regularly achieving a monthly recycling figure of 88% or above. The main sources of waste for the BM are staff and public areas. Waste relating to one-off construction and refurbishment programmes is not included in the above. The BM's new facilities management provider has set a target of zero waste to landfill.

<b>Finite resource consumption</b>		<b>2012/13</b>	<b>2011/12</b>	<b>2010/11</b>	<b>2009/10</b>	<b>2008/09</b>
Non-financial indicators ('000 m <sup>3</sup> )	Total water consumption	63	102	99	110	103
Financial indicators (£k)	Total water cost	£118	£153	£159	£138	£188

Water consumption across the BM estate in 2012/13 was 43% lower than the baseline year of 2009/10. Reduced consumption can be attributed to continual monitoring and repairing leaks. The BM has initiated a programme to refurbish its toilet facilities, which includes the installation of water-saving devices. The forthcoming energy strategy will identify areas where the BM can engage with suppliers to reduce its indirect water consumption.

#### **Biodiversity action planning**

The BM's new WCEC building has been designed with energy efficiency and sustainability issues to the fore and the project team is aiming for a BREEAM 'Excellent' rating. The building incorporates a number of features which the BM will seek to replicate in other parts of the estate. The BM has agreed a series of specific measures with the London Borough of Camden such as local procurement and local employment initiatives, as well as a series of biodiversity measures including green roofs, landscaping, rainwater harvesting, beehives and nesting boxes. Further information is available on the BM's website.

#### **Sustainable procurement**

The BM policy on Sustainable Development states that the procurement of goods and services which have the least environmental impact in terms of their production, delivery, installation, use and disposal will be considered wherever practical and appropriate. Contractors and suppliers are encouraged to develop environmentally preferable goods and services and to be aware of sustainability issues. The BM has sought to actively implement the Department for Environment, Food and Rural Affairs (Defra) Government Buying Standards for specifying sustainable goods, services and works across its departments since Summer 2011, and the standards are applied for procurement relating to the WCEC project. Further sustainable procurement initiatives are being developed following the commencement of a new integrated Facilities Management contract in 2013.

#### Notes:

1. This report has been prepared in accordance with guidelines laid down by HM Treasury in *Public Sector Sustainability Reporting* published at [www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm).
2. The data relate to consumption on the main BM site in Bloomsbury, its perimeter properties, and at off-site workshops and storage in Hoxton. They do not include the shared storage in Hammersmith or the off-site storage in Wiltshire. Certain historic data are not available; these are marked with a tilde (~).
3. Emissions accounting includes Scope 1 and 2 emissions along with separately identified Scope 3 emissions related to official travel.
  - a. Scope 1 reflects direct emissions and includes fuels combustion and emissions from owned transport, for which Defra conversion factors have been used. Emissions from physical or chemical processing and fugitive emissions have not been included; robust estimates are not possible at this point, but the BM does not consider the values to be material.



- b. Scope 2 reflects indirect emissions and includes purchased electricity. The British Museum does not have any purchased heat, steam or cooling.
  - c. Scope 3 emissions relate to official business travel directly paid for by the BM. They are calculated on the basis of information from the BM's major suppliers and using the Defra conversion factors, and do not include international air or rail travel, in line with GGC.
  - d. Due to more detailed analysis of owned vehicle and business travel data relating to 2011/12, Scope 1 and 3 emissions have been restated. Total energy costs in 2011/12 have been restated to include the Carbon Reduction Commitment levy.
4. Waste data are based on information from the Facility Services provider, who is responsible within the contract for disposal of all site waste with the exception of catering waste and Information Systems (IS) waste electrical and electronic equipment (WEEE). In April 2013 the BM re-procured its Facilities Management provision and the new contract includes management of catering waste. IS WEEE disposal figures are included from 2011/12 onwards.

## Suppliers

The BM aims to settle bills within 30 days or by the due date. In 2012/13 it paid 69% of all invoices within the target (70% in 2011/12).

## Activity under immunity from seizure

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

Since 31 March 2012 the British Museum has granted protection under Part 6 Tribunals, Courts and Enforcement Act 2007 to objects brought into the UK for the following exhibitions:

<i>Shakespeare: Staging the world</i>	19/07/12 – 25/11/12	3
<i>Ice Age Art: Arrival of the modern mind</i>	07/02/13 – 02/06/13	106
<i>Life and Death in Pompeii and Herculaneum</i>	28/03/13 – 29/09/13	323

A wide variety of objects have been protected, including stone sculpture, metalwork, prehistoric bone carving, paintings and archaeological materials, from museums and other public institutions.

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

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

During the period from 1 April 2012 to 31 March 2013 the British Museum received no requests for information from potential claimants pursuant to article 7 of the Protection of Cultural Objects on Loan (Publication and Provision of Information) Regulations 2008.

## Reference & administrative details

### The Board of Trustees<sup>4</sup>

Mr Niall FitzGerald KBE (Chair) (C)	4/4	Sir George Iacobescu CBE (A)	1/4
Chief Emeka Anyaoku (B)	1/4	Baroness Kennedy of the Shaws, QC, FRSA (A) (retired 30/09/12)	2/2
Ms Karen Armstrong (A) (reappointed 02/10/12)	4/4	Mr James Lupton CBE (A) (appointed 12/06/12)	4/4
Professor Sir Christopher Bayly (D) (reappointed 01/05/12)	4/4	Mr John Micklethwait (A)	4/4
The Hon Nigel Boardman (A) (appointed 01/01/13)	0/1	Sir Paul Nurse (F) (appointed 28/09/12)	3/3
Lord Broers of Cambridge FEng, FRS (C) (retired 08/07/12)	1/1	Mr Gavin Patterson (A) (appointed 12/06/12)	4/4
Sir Ronald Cohen (A) (retired 31/12/12)	2/3	Professor Amartya Sen (C)	2/4
Mr Francis Finlay (A) (retired 31/03/13)	2/4	Sir Martin Sorrell (C)	1/4
Dame Liz Forgan OBE (A) (Deputy Chair, reappointed 2/10/12)	4/4	Ms Ahdaf Soueif (A) (appointed 12/06/12)	4/4
Professor Clive Gamble (E)	3/4	Lord Stern of Brentford, Kt, FBA (A) (Deputy Chair, reappointed 02/10/12)	4/4
Mr Antony Gormley OBE (G)	3/4	Lord Turner of Ecchinswell (C) (appointed 12/06/12)	4/4
Ms Bonnie Greer OBE (A) (Deputy Chair, retired 31/03/13)	3/4	Baroness Wheatcroft of Blackheath (A)	3/4
Ms Penny Hughes CBE (A)	3/4		

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

The remaining Trustees are appointed by:

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

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

<sup>4</sup> The fractions reflect attendance at eligible meetings during the year. Note also that, as of 11 December 2012, all Trustees of the British Museum are also Directors and Members of the British Museum Friends Limited.

**Trustees' committees and membership**

<i>Standing Committee</i>		<i>Nominations and Governance Committee</i>	
Mr Niall FitzGerald KBE (Chair)	8/8	Mr Niall FitzGerald KBE (Chair)	3/3
Mr Francis Finlay (retired 31/03/13)	3/8	Chief Emeka Anyaoku	2/3
Dame Liz Forgan	8/8	Baroness Kennedy of the Shaws (retired 30/09/12)	0/1
Ms Bonnie Greer (retired 31/03/13)	6/8	Dame Liz Forgan	0/1
Lord Stern of Brentford	7/8	Ms Bonnie Greer (retired 31/03/13)	3/3
Professor Clive Gamble	6/8	Lord Stern of Brentford	3/3
Ms Penny Hughes	5/8		
Baroness Wheatcroft of Blackheath (appointed 19/07/12)	6/6	<i>World Conservation &amp; Exhibitions Centre Committee</i>	
		Dame Liz Forgan (Chair)	6/7
<i>Audit Committee</i>		Sir George Iacobescu	5/7
Mr David Norgrove (Chair until 25/10/12, co-opted)	4/4	Mr David Lindsell (co-opted)	7/7
Lord Turner of Ecchinswell (appointed 5/7/12, Chair from 25/10/12)	4/4	Mr David Norgrove (co-opted 23/03/12)	3/7
The Hon Nigel Boardman (appointed 28/1/13)	1/2	Mr James Lupton (appointed 30/07/13)	5/5
Lord Broers of Cambridge FEng, FRS (retired 8/7/12)	1/1		
Professor Clive Gamble	3/4	<i>Investment Sub-committee</i>	
Sir Ian Johnston (co-opted)	2/4	Mr Francis Finlay (Chair, retired 31/3/13)	2/2
Sir Richard Lambert (co-opted)	0/4	Ms Elizabeth Corley (co-opted, appointed 1/3/13)	0/0
Mr David Lindsell (co-opted)	4/4	Mr John Micklethwait	1/2
Mr James Lupton (appointed 6/7/12)	2/3	Baroness Wheatcroft of Blackheath	2/2
Mr John Micklethwait	2/4		
Mr Francis Plowden (co-opted)	4/4	<i>Research Committee</i>	
Baroness Wheatcroft of Blackheath	3/4	Lord Stern of Brentford (Chair, appointed 17/10/12)	2/2
		Professor Sir Christopher Bayly (appointed 17/10/12)	2/2
<i>International Strategy Committee</i>		Professor Sir Richard Brook (co-opted, appointed 17/10/12)	2/2
Mr Niall FitzGerald KBE (Chair)	3/3	Professor Linda Colley (co-opted, appointed 17/10/12)	2/2
Chief Emeka Anyaoku	1/3	Professor Clive Gamble (appointed 17/10/12)	2/2
Ms Karen Armstrong	2/3	Sir Paul Nurse (appointed 17/10/12)	0/2
Professor Sir Christopher Bayly	2/3	Professor Andrew Prescott (co-opted, appointed 17/10/12)	2/2
Mr Antony Gormley	2/3	Professor Amartya Sen (appointed 17/10/12)	1/2
Lady Tessa Keswick (co-opted, appointed 22/11/12)	1/3	Professor Greg Woolf (co-opted, appointed 17/10/12)	2/2
Sir Richard Lambert (co-opted)	3/3		
Ms Ahdaf Soueif (appointed 12/06/12)	2/3		
Lord Stern of Brentford	3/3		

<i>Major Projects Committee</i>	
Dame Liz Forgan (Chair, appointed 28/01/13)	3/3
Rt Hon Nigel Boardman (appointed 28/01/13)	3/3
Bonnie Greer (appointed 28/01/13, co-opted 31/03/13)	2/3
Mr James Lupton (appointed 28/01/13)	3/3
Mr Gavin Patterson (appointed 28/01/13)	1/3

### **Trustee membership of related Councils and Boards**

#### *The British Museum Company Limited: Board of Directors*

Ms Penny Hughes CBE (Chair, retired 7/6/12)

Ms Bonnie Greer OBE (retired 7/6/12)

#### *The British Museum Company Limited: Audit Committee*

Ms Penny Hughes CBE (retired 7/6/12)

#### *The British Museum Friends: Council – to 11 December 2012*

Mr David Norgrove (Chair)

Ms Penny Hughes CBE

Professor Clive Gamble

#### *The American Friends of the British Museum*

Mr Francis Finlay (Chair)

Mr Niall FitzGerald KBE (ex officio)

### **Official addresses as at 31 March 2013**

Principal address:

The British Museum, Great Russell Street, London WC1B 3DG

The British Museum Great Court Limited:

The British Museum, Great Russell Street, London WC1B 3DG

The British Museum Company Limited:

38 Russell Square, London WC1B 3QQ

Auditors:

The Museum, Trust Funds and the group

The Comptroller and Auditor General, 157-197 Buckingham Palace Road, Victoria, London SW1W 9SP

The British Museum Company Limited

Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP

The British Museum Great Court Limited

The British Museum Friends Limited

Kingston Smith LLP, Devonshire House, 60 Goswell Road, London EC1M 7AD

Bankers:

Government Banking Service, Southern House (7th Floor), Wellesley Grove, Croydon, CR9 1WW

National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX

Solicitor:

Mr Tony Doubleday, Head of Legal Services, British Museum

Investment advisers:

Partners Capital LLP, 5 Young Street, London W8 5EH.

## DCMS' performance indicators

The BM signed an interim Funding Agreement with DCMS from 2011/12, which retained key performance indicators in place since 2008/09 to facilitate consistent reporting across national museums and galleries.

	2012/13	2011/12	2010/11	2009/10	2008/09
Number of visits to the BM (excluding virtual visits)	5.6m	5.8m	5.9m	5.7m	5.5m
Number of unique website visits	27.3m	23.8m	21.5m	15.0m	10.7m
Number of visits by children under 16	871k	765k <sup>5</sup>	851k	831k	724k
Number of visits by UK adult visitors aged 16 and over from NS-SEC groups 5-8	162k	167k	142k	102k	159k
Number of visits by UK adult visitors aged 16 and over from an ethnic minority background	266k	327k	289k	208k	242k
Number of visits by UK adult visitors aged 16 and over who consider themselves to have a limiting long-term illness, disability or infirmity	128k	181k	71k	52k	73k
Number of overseas visits	3.6m	3.5m	3.6m	3.5m	3.2m
Number of facilitated and self-directed visits to the BM by children under 16 in formal education	251k	251k	231k	221k	219k
Number of instances of children under 16 participating in on-site organised activities	117k	111k	127k	128k	82k
Number of instances of children under 16 participating in outreach activities outside the BM	2.2k	3.0k	3.4k	3.7k	1.4k
Number of instances of adults aged 16 and over participating in organised activities at the BM	227k	187k	270k	258k	232k
Number of instances of adults aged 16 and over participating in outreach activities outside the BM	1.1k	4.9k	4.5k	1.9k	1.8k
% of visitors who would recommend a visit	99%	97%	96%	97%	85%
Admissions income	£1.2m	£2.2m	£2.4m	£2.2m	£3.4m
Trading income <sup>6</sup>	£11.9m	£12.3m	£11.2m	£5.4m	£4.2m
Fundraising <sup>7</sup>	£39.5m	£16.5m	£16.6m	£15.2m	£8m
Number of UK loan venues	169	162	178	151	152

<sup>5</sup> This figure has been restated; last year it erroneously stated 561k.

<sup>6</sup> Net profit from activities which involve selling a product or service to a customer, including international touring exhibitions, consultancy and retail.

<sup>7</sup> Defined as activities which involve seeking financial support, e.g. from sponsors, private benefactors, charitable trusts.

## Basis of Preparation of Financial Statements and Accounting Policies and Practices

These financial statements have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992, the *Government Financial Reporting Manual*, and the Statement of Recommended Practice (revised 2005), *Accounting and Reporting by Charities*.

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

## Remuneration Report

The BM has prepared this Remuneration Report in accordance with the Government Financial Reporting Manual, which requires disclosure of information about directors' remuneration, where 'directors' is interpreted to mean the chairman, chief executive, and those persons having authority or responsibility for directing or controlling the major activities of the BM as a whole. In the BM's opinion it is the Trustees and the Director who are responsible for directing and controlling the major activities of the British Museum as a whole.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2011/12: £nil). The emoluments and pension details of the Director are disclosed below. As additional disclosures, the emoluments and pension details of the Deputy Director and Director of Administration are also presented below.

None of these three senior managers received other cash or non-cash benefits of value. All were members of the Principal Civil Service Pension Scheme, although the Director and Deputy Director opted out of the scheme from 1 April 2012. All three individuals were covered by the Civil Service Compensation Scheme, under the terms of which they would have been eligible to receive compensation in the event of early termination of their contracts. No amounts were payable to third parties for services of a senior manager.

The banded remuneration of the Director in the current financial year was £180-185k (2011/12: £180-185k). This was 7.6 times the median remuneration of the workforce (2011/12: 7.5 times). The median total remuneration of the workforce in the current financial year was £24,033. This compares to £24,431 in 2011/12. Total remuneration includes salary, performance related pay, and benefits in kind. It does not include employer pension contributions or the cash equivalent transfer values of pensions.

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

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

Details about the Civil Service pension arrangements can be found at the website <http://www.civilservice.gov.uk/pensions>

	Salary <sup>8</sup>	Real increase in pension and related lump sum at pension age	Accrued pension at pension age <sup>9</sup> as at 31/3/13 and related lump sum	CETV <sup>10</sup> at 31/3/13	CETV at 31/3/12 <sup>11</sup>	Real increase in CETV <sup>12</sup>
Neil MacGregor Director	£180-185k (2011/12: £180-£185k)	n/a	£100-105k plus £305-310k lump sum	£2,122k	£2,117k	£0k
Andrew Burnett Deputy Director	£140-145k (2011/12: £140-145k)	n/a	£70-75k plus £215-220k lump sum	£1,701k	£1,615k	£0k
Christopher Yates Director of Administration	£100-105k (2011/12: £100-105k)	£0-2.5k plus £2.5-5k lump sum	£15-20k plus £50- 55k lump sum	£270k	£245k	£9k

The figures in the remuneration report have been audited.

Neil MacGregor  
Accounting Officer

Niall FitzGerald KBE  
Chairman

4 July 2013

<sup>8</sup> Salary comprises gross salary payable during the year. None of these senior managers received bonuses, overtime, or allowances during the year.

<sup>9</sup> The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

<sup>10</sup> A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

<sup>11</sup> The actuarial factors used to calculate CETVs were changed in 2012/13. The CETVs at 31/03/12 and 31/03/13 have both been calculated using the new factors, for consistency. The CETV at 31/03/12 therefore differs from the corresponding figure in last year's report, which was calculated using the previous factors.

<sup>12</sup> This reflects the increase in CETV that is funded by the employer. It excludes increases due to inflation and contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It is worked out using common market valuation factors for the start and end of the period.



## Statement of Trustees' and Accounting Officer's responsibilities

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

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

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

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

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

*Neil MacGregor*  
Accounting Officer

*Niall FitzGerald KBE*  
Chairman

4 July 2013

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

I certify that I have audited the financial statements of the British Museum for the year ended 31 March 2013 under the Museums and Galleries Act 1992. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Museum Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

### Scope of the audit of the financial statements

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

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

### Opinion on regularity

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

### Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the British Museum's affairs as at 31 March 2013 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Museums and Galleries Act 1992 and Secretary of State directions issued thereunder with HM Treasury's consent.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made with HM Treasury's consent under the Museums and Galleries Act 1992; and
- the information given in the "Structure, governance and management"; "Investing in our people"; "Plans for future periods"; "Fundraising and finance"; "Public benefit, sustainability, social and community issues"; and "Reference and administrative details" sections of the Trustees' and Accounting Officer's Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

*Amyas C. E. Morse*  
Comptroller and Auditor General

8 July 2013

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

# Consolidated Statement of Financial Activities for the year ended 31 March 2013

	Notes	Revenue Funds			Capital Funds			Total Funds			Total 2012 £000s
		Unrestricted £000s	Restricted £000s	Total £000s	Unrestricted £000s	Restricted £000s	Collection Acquisitions £000s	Total Unrestricted £000s	Restricted £000s	Permanent Endowment £000s	
<b>Incoming resources</b>											
<b>Voluntary income</b>											
Grant-in-aid	2	41,324	1,362	42,686	0	2,692	0	2,692	4,054	0	45,378
Donations and legacies		2,739	3,472	6,211	0	18,652	6,943	25,595	29,067	0	31,806
<b>Activities for generating funds</b>											
Commercial trading activities	10(c)	26,435	0	26,435	0	0	0	0	0	0	26,435
Investment income and rent receivable	3	1,797	404	2,201	0	242	0	242	646	0	2,443
<b>Incoming resources from charitable activities</b>											
	4	10,895	3,075	13,970	0	759	0	759	3,834	0	14,729
Total incoming resources		83,190	8,313	91,503	0	22,345	6,943	29,288	83,190	0	120,791
<b>Resources expended</b>											
<b>Charitable activities</b>											
Costs of generating voluntary income	6	67,088	6,568	73,656	16,774	8,676	0	25,450	83,862	15,244	99,110
Commercial trading activities	10(c)	935	0	935	0	21	0	21	935	21	956
Investment management costs		14,458	49	14,507	0	0	0	0	14,458	0	14,458
		274	49	323	0	66	0	66	274	115	434
<b>Governance costs</b>											
	6	408	0	408	0	4	0	4	408	4	412
Total resources expended	6(a)	83,163	6,617	89,780	16,774	8,767	0	25,541	99,937	15,384	115,370
Net incoming resources before transfers	5	(27)	1,696	1,723	(16,774)	13,578	6,943	3,747	(16,747)	22,217	5,421
Transfers between funds	15	5,844	212	6,056	(14,780)	7,331	1,094	(6,355)	(8,936)	8,637	0
Net incoming resources before other recognised gains and losses		5,871	1,908	7,779	(31,554)	20,909	8,037	(2,608)	(25,683)	30,854	5,421
(Loss)/gain on revaluation of fixed assets for the Museum's own use	7(a)	0	0	0	0	(9,264)	0	(9,264)	0	(9,264)	(9,264)
Unrealised/realised investment (loss)/gain	21	613	1,109	1,722	175	870	0	1,045	788	1,979	3,768
Actuarial (loss) on defined benefit pension scheme	19	(710)	0	(710)	0	0	0	0	(710)	0	(710)
Net movement in funds		5,774	3,017	8,791	(31,379)	12,515	8,037	(10,827)	(25,605)	23,569	1,251
Fund balances brought forward at 1 April	15(a)	11,186	15,760	26,946	39,838	467,322	53,525	560,685	51,024	536,607	598,883
Fund balances carried forward at 31 March	15(a)	16,960	18,777	35,737	8,459	479,837	61,562	549,858	25,419	560,176	598,098

All operations of the BM continued throughout both periods and none were discontinued in either period. The British Museum has no recognised gains and losses other than those above and consequently no separate Statement of Total Recognised Gains and Losses has been presented. The notes on pages 37 to 68 form part of these accounts

## Consolidated Balance Sheet as at 31 March 2013

	Notes	2013 £000s	2012 £000s
<b>Fixed assets</b>			
Tangible assets	7(a)	<b>483,852</b>	459,708
Heritage assets	8	<b>61,562</b>	53,525
Investments	9(a)	<b>75,142</b>	99,279
		<b>620,556</b>	612,512
<b>Current assets</b>			
Stock-goods for resale	10(c)	<b>2,017</b>	1,926
Debtors	11	<b>38,794</b>	26,605
Short term investments	9(b)	<b>2,699</b>	10,205
Cash at bank and in hand	9(c)	<b>26,246</b>	20,947
Total current assets		<b>69,756</b>	59,683
Creditors: amounts falling due within one year	12	<b>(86,999)</b>	(68,451)
Net current assets		<b>(17,243)</b>	(8,768)
Total assets less current liabilities		<b>603,313</b>	603,744
Creditors: amounts falling due in greater than one year	12	<b>(82)</b>	0
Provision for liabilities and charges	13	<b>(173)</b>	(291)
Net assets excluding pension liability		<b>603,058</b>	603,453
Liability on defined benefit pension scheme	19	<b>(4,960)</b>	(4,570)
Net assets including pension liability		<b>598,098</b>	598,883
Represented by:			
Permanent endowments		<b>12,503</b>	11,252
Restricted funds		<b>560,176</b>	536,607
Unrestricted funds			
Designated funds		<b>4,804</b>	36,503
General funds		<b>18,418</b>	14,717
General funds held in subsidiaries		<b>2,197</b>	(196)
		<b>25,419</b>	51,024
Total funds	15(a)	<b>598,098</b>	598,883

*The notes on pages 37 to 68 form part of these accounts*

Neil MacGregor  
Accounting Officer

Niall FitzGerald KBE  
Chairman

4 July 2013

## Museum Balance Sheet as at 31 March 2013

	Notes	2013 £000s	2012 £000s
<b>Fixed assets</b>			
Tangible assets	7(b)	<b>482,530</b>	458,231
Heritage assets	8	<b>61,562</b>	53,525
Investments	9(a)	<b>75,142</b>	99,279
Investment in subsidiaries	10(a)	<b>1,250</b>	1,250
		<b>620,484</b>	612,285
<b>Current assets</b>			
Debtors	11	<b>38,867</b>	26,341
Short term investments	9(b)	<b>0</b>	10,200
Cash in bank and in hand	9(c)	<b>22,060</b>	17,270
		<b>60,927</b>	53,811
Creditors: amounts falling due within one year	12	<b>(85,337)</b>	(66,726)
Net current assets		<b>(24,410)</b>	(12,915)
Total assets less current liabilities		<b>596,074</b>	599,370
<b>Provision for liabilities and charges</b>	13	<b>(173)</b>	(291)
Net assets		<b>595,901</b>	599,079
Represented by:			
Permanent endowments		<b>12,503</b>	11,252
Restricted funds		<b>560,176</b>	536,607
Unrestricted funds			
Designated funds		<b>4,804</b>	36,503
General funds		<b>18,418</b>	14,717
		<b>23,222</b>	51,220
Total funds	15(a)	<b>595,901</b>	599,079

*The notes on pages 37 to 68 form part of these accounts*

Neil MacGregor  
Accounting Officer  
4 July 2013

Niall FitzGerald KBE  
Chairman

## Consolidated Cash Flow Statement for the year ended 31 March 2013

	Notes	<b>2013</b> <b>£000s</b>	2012 £000s
<b>Net cash inflow from operating activities</b>	16(a)	<b>8,676</b>	22,549
<b>Returns on investments and servicing of finance:</b>			
Interest received		<b>1,393</b>	2,227
Dividends received		<b>774</b>	180
Rents receivable		<b>65</b>	76
<b>Net cash inflow from returns on investments and servicing of finance</b>		<b>2,232</b>	2,483
<b>Investing activities:</b>			
<b>Capital expenditure and financial investments:</b>			
Sale of fixed asset investments	9	<b>100,466</b>	78,675
Purchase of tangible fixed assets	7	<b>(42,334)</b>	(20,067)
Receipts from sale of tangible fixed assets		<b>0</b>	0
Purchase of heritage assets	8	<b>(1,094)</b>	(2,224)
Purchase of fixed asset investments	9	<b>(72,067)</b>	(84,846)
<b>Net cash outflow from investing activities</b>		<b>(15,029)</b>	(28,462)
<b>Acquisition of BMF Ltd cash balances</b>		<b>489</b>	-
<b>Acquisition of BMF Ltd short term investment balances</b>		<b>1,400</b>	-
<b>Management of liquid resources</b>			
(Increase)/decrease in short term investments		<b>7,506</b>	(3,330)
<b>Increase in cash</b>	16(c)	<b>5,274</b>	(6,760)

*The notes on pages 37 to 68 form part of these accounts*

## Notes to the Accounts

### 1. ACCOUNTING POLICIES

#### *Accounting Conventions*

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

Consolidated accounts include the British Museum's (BM) operating statement, trust funds owned and administered by the BM, and the British Museum Development Trust, a dormant charity, which together make up the BM. Also consolidated are the British Museum Company Limited (BMCo) and its subsidiary British Museum Ventures Limited, the British Museum Great Court Limited (BMGC) and the British Museum Friends Limited (BMF). The British Museum is supported by The American Friends of the British Museum (AFBM) which raises funds in the United States. It is separately administered and independent of the BM.

Following a reduction of 3% in the government grant for 2010/11, it was announced in 2010 that resource grant-in-aid for the BM will be cut by a further 15% in real terms over the four years beginning in 2011/12. Without action the BM would face a significant structural deficit by 2015. In order to deliver a balanced budget the BM has established a Financial Sustainability Programme to prioritise income generation (during the year 62% of funding came from sources other than grant-in-aid) and efficiency savings, maintain tight control of the operating cost base, and establish a sustainable operating model for the BM in the longer term. The 2012 Autumn Statement announced further cuts of 1% and 2% in 2013/14 and 2014/15 respectively, and additional cuts of just over 1% were made in the 2013 Budget. The BM will need, as a matter of priority, to consider how it will respond to these cuts, which together have seen a 24% real terms decline since 2009/10. The Trustees are of the view that the Museum will continue to be a going concern for the foreseeable future and the accounts have therefore been prepared on that basis.

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

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

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



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

On 11 December 2012 the Trustees of the British Museum became the Trustees, Directors and Members of the British Museum Friends Limited for nil consideration. This has been treated as an acquisition as required by FRS 6. The fair value of the assets and liabilities of the British Museum Friends Limited at the acquisition date have been included as voluntary income in the SOFA. Please see note 10(d) for further details of the acquisition.

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

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

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they are allocated to activities according to the method described in note 6(b). Costs of generating funds are those incurred in seeking voluntary and sponsored contributions for the BM. Governance costs are those costs incurred in connection with the general governance of the British Museum including compliance with constitutional and statutory requirements.

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

(d) *Gifts in Kind*

*Heritage Assets*

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

*Heritage assets acquired since 1 April 2001*

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

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

*Heritage assets acquired before 1 April 2001*

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

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

Valuation – attempting to value heritage assets acquired historically raises a number of further conceptual concerns. Valuation of heritage assets is complicated by the nature of many such assets. They are rarely sold and often have a value enhanced above the intrinsic through their association with a person, event or

collection, there are a very limited number of buyers, no homogeneous population of assets on the market, and imperfect information about the items for sale. In contrast with many commercial assets, therefore, there is seldom an active market to provide indicative values of similar objects. This makes materially accurate valuations impossible to achieve for many heritage assets.

#### Donated Services

Donated services, where required by the Statement of Recommended Practice (Revised 2005) Accounting and Reporting by Charities, are included as income and expenditure in the year in which the service is used by the BM. The service is valued at the price the BM would have paid in the open market for a service of equivalent utility.

#### (e) *Tangible Fixed Assets*

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All the BM's land, properties and plant and machinery are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets every five years. A full valuation of the BM's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009. The valuation included the main BM site at Great Russell Street, its perimeter buildings, two properties, used for storage at Orsman Road and Blythe House. The BM is valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties are valued on an existing use basis. Between the quinquennial valuations, Gerald Eve undertakes a desktop valuation to update the values of land, buildings and plant and machinery,

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

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

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

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	10 to 25 years
Plant and machinery	10 to 28 years
Furniture, fit out and equipment	1 to 15 years

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

#### (f) *Financial instruments*

##### *Recognition, measurement and impairment*

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are recognised on the BM's balance sheet when the BM becomes a party to the contractual provisions of the instrument. They are derecognised when the rights to receive cash flows from the financial assets have expired or where the BM has transferred substantially all risks and rewards of ownership. Liabilities are derecognised when all obligations in respect of them have been discharged.

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

The BM uses foreign exchange forward contracts to hedge its exposure to currency fluctuations on investment and cash balances denominated in foreign currencies. The use of financial derivatives is governed by the Investment Sub-committee's policies. The BM does not use directly held derivative financial instruments for any other purposes. The BM has not treated its derivative financial instruments as designated and

effective hedging instruments, and has not therefore applied hedge accounting. All of its derivative financial instruments are measured at fair value with any gains or losses reflected in the SOFA in the period in which they arise.

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

#### *Investment properties*

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

#### *Investments in subsidiaries*

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

#### *(g) Stocks and work in progress*

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

#### *(h) Liabilities*

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

#### *(i) Provisions*

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

#### *(j) Liquid resources*

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

#### *(k) Leases*

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

#### *(l) Foreign Currencies*

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

#### *(m) Pensions*

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

The BM has, in the past, operated an early retirement scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Principal Civil Service Pension Scheme. The BM bears the costs of these benefits until normal retirement age of the employees concerned. Future payments of these benefits have been discounted at a rate of 2.35% and included in provisions.

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

(n) *Taxation*

The BM and BMF are eligible under Part 11 Corporation Tax Act 2010, section 25 Inheritance Tax Act 1984, and section 271 Taxation of Chargeable Gains Act 1992 to exemption from taxes on income, donations and capital gains arising from the pursuit of its charitable objectives. BMCo and BMGC donate their profits to the BM and therefore do not expect to pay capital gains or corporation tax.

(o) *Funds Structure*

The BM has the following categories of funds:

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

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

**2. GRANT-IN-AID**

	<b>SOFA Total 2013 £000s</b>	<b>SOFA Total 2012 £000s</b>
Unrestricted revenue	41,324	43,102
Restricted revenue (Portable Antiquities Scheme)	1,362	1,387
Restricted capital (core)	2,692	2,692
Restricted capital (WCEC)	0	8,870
	<b>45,378</b>	<b>56,051</b>

**3. INVESTMENT INCOME AND RENT RECEIVABLE**

	<b>SOFA Total 2013 £000s</b>	<b>SOFA Total 2012 £000s</b>
Income from UK bank deposits	98	115
Income from overseas bank deposits	0	0
Income from UK fixed interest investments	1,506	2,031
Income from overseas fixed interest investments	0	10
Income from UK investment funds	267	43
Income from overseas investment funds	507	137
Other interest receipts	0	71
	<b>2,378</b>	<b>2,407</b>
Rents receivable	65	76
	<b>2,443</b>	<b>2,483</b>

**4 ANALYSIS OF INCOMING RESOURCES FROM CHARITABLE ACTIVITIES**

	<b>Total 2013 £000s</b>	<b>Total 2012 £000s</b>
Care, research and conservation	4,927	2,206
Public access and events	757	919
Charitable trading	9,045	6,721
	<b>14,729</b>	<b>9,846</b>

Care, research and conservation includes research grants and grants for acquisitions. Public access and events income arises from sales of guides, lectures and recovery of costs relating to loans of the collection and includes grants for programmes to promote and assist access. Charitable trading includes admission fees, sponsorship of the exhibition programme and, from 12 December 2012, membership fees.

There is no EU funding included in income in the current year or the prior year.

**5. NET INCOMING RESOURCES**

is stated after charging:

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Auditors' remuneration: Comptroller and Auditor General audit fee	<b>52</b>	49
Auditors' remuneration: Subsidiary companies audit fee	<b>46</b>	37
Auditors' remuneration: Other audit work	<b>0</b>	0
Operating lease rentals: Hire of plant and machinery	<b>4</b>	4
Operating lease rentals: Land and buildings	<b>167</b>	283
Loss on disposal of fixed assets	<b>25</b>	224
Movement on bad debt provision	<b>1</b>	(32)

**6. TOTAL RESOURCES EXPENDED**

6(a)	Direct	Grants	Depreciation	Support	<b>2013</b>	2012
	Costs			Costs	<b>Total</b>	Total
	£000s	£000s	£000s	£000s	<b>£000s</b>	£000s
Care, research and conservation	26,710	39,134	4,350	2,932	<b>73,126</b>	62,761
Public access and events	13,794	90	3,851	1,142	<b>18,877</b>	17,816
Charitable trading	6,519	0	240	348	<b>7,107</b>	4,461
Charitable activities	47,023	39,224	8,441	4,422	<b>99,110</b>	85,038
Costs of generating voluntary income	834	0	20	102	<b>956</b>	979
Commercial trading activities	13,545	0	438	475	<b>14,458</b>	15,325
Investment management costs	424	0	0	10	<b>434</b>	294
Governance costs	383	0	4	25	<b>412</b>	349
	<b>62,209</b>	<b>39,224</b>	<b>8,903</b>	<b>5,034</b>	<b>115,370</b>	<b>101,985</b>

The main elements of the grant figure are as follows:

- Grants totalling £37.8m (2011/12: £28m) to the British Museum Trust Limited, restricted for furtherance of the British Museum's charitable objectives;
- Grants of £1.1m (2011/12: £1.1m) under the Portable Antiquities Scheme. The scheme is the only proactive mechanism in England and Wales for recording archaeological finds made by the public. The grants are made to local authorities to support the work of Find Liaison Officers. Details of these grants are obtainable from the Portable Antiquities Scheme administrator at the British Museum; and
- Grants of £0.2m (2011/12: £0.2m) from restricted funding as part of research in the field of bioarchaeology.

Costs that cannot be directly attributed to one of the BM's objectives are allocated to activities on a basis consistent with the use of resources. Finance costs, including irrecoverable VAT, are allocated using the proportion of direct expenditure spent on each of the objectives. Human resources and legal services costs are allocated based on staff numbers. Information Systems costs are allocated using staff numbers adjusted for non-computer based roles. Depreciation has been allocated according to the proportion of space occupied by each activity.

6(b) Support costs	Finance	Information	Human	Legal	<b>2013</b>	2012
		Services	Resources	Services	<b>Total</b>	Total
	£000s	£000s	£000s	£000s	<b>£000s</b>	£000s
Care, research and conservation	612	1,538	602	180	<b>2,932</b>	2,942
Public access and events	290	322	408	122	<b>1,142</b>	1,103
Charitable trading	141	137	54	16	<b>348</b>	236
Charitable activities	1,043	1,997	1,064	318	<b>4,422</b>	4,281
Costs of generating voluntary income	19	55	22	6	<b>102</b>	98
Commercial trading activities	90	250	104	31	<b>475</b>	535
Investment management costs	10	0	0	0	<b>10</b>	6
Governance costs	8	11	4	2	<b>25</b>	24
	<b>1,170</b>	<b>2,313</b>	<b>1,194</b>	<b>357</b>	<b>5,034</b>	<b>4,944</b>

## 6(c) Governance costs

Analysis of direct governance costs:

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Staff costs	<b>115</b>	116
British Museum auditor's remuneration*	<b>50</b>	49
Subsidiary charities auditors' remuneration	<b>46</b>	37
E filing services	<b>7</b>	0
Other audit work	<b>0</b>	0
Internal audit costs	<b>101</b>	94
Cost of meetings	<b>63</b>	24
Reimbursement of trustee expenses	<b>1</b>	1
	<b>383</b>	321

\* The actual fee for the 2012/13 audit was £51,500 as shown in note 5. The fee shown here is lower because it is off-set by an over-accrual from the previous year.

## 6(d) Staff costs

	<b>2013</b>	<b>2012</b>
	<b>£000s</b>	<b>£000s</b>
Wages and salaries	<b>29,177</b>	29,844
Social security costs	<b>2,345</b>	2,390
Pension costs	<b>4,798</b>	5,088
Agency staff costs	<b>2,080</b>	1,367
Early retirement and redundancy costs	<b>409</b>	1,003
	<b>38,809</b>	39,692

In addition to the total above, £32k of staff costs has been capitalised.

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

	<b>2013</b>	<b>2012</b>
£60,001 – £70,000	<b>13</b>	13
£70,001 – £80,000	<b>3</b>	4
£80,001 – £90,000	<b>2</b>	4
*£90,001 – £100,000	<b>2</b>	1
£100,001 – £110,000	<b>1</b>	2
£110,001 – £120,000	<b>1</b>	0
£120,001 – £130,000	<b>1</b>	1
£130,001 – £140,000	<b>0</b>	0
£140,001 – £150,000	<b>1</b>	1
£170,001 – £180,000	<b>0</b>	0
£180,001 – £190,000	<b>1</b>	1
*£210,001 – £220,000	<b>1</b>	0
*£220,001 – £230,000	<b>1</b>	0

21 staff (2011/12: 22) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 6 staff (2011/12: 5) are members of a defined contributions scheme. Contributions of £43k (2011/12: £43k) were paid on behalf of the members of the defined contribution scheme. The prior year subsidiary figures have been restated.

\* The current year emoluments are high due to severance payments.

Senior Managers' remuneration is disclosed in the remuneration report on page 29.

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

2013	Agency and contract		Total
	Staff	staff	
Care, research and conservation	416	30	<b>446</b>
Public access and events	301	30	<b>331</b>
Charitable trading	37	5	<b>42</b>
Generating voluntary income	16	2	<b>18</b>
Commercial trading activities	180	13	<b>193</b>
Governance	3	0	<b>3</b>
	<u>953</u>	<u>80</u>	<u><b>1,033</b></u>

One full time equivalent directly employed to work on capital projects has been capitalised.

2012	Agency and contract		Total
	Staff	staff	
Care, research and conservation	455	14	<b>469</b>
Public access and events	300	30	<b>330</b>
Charitable trading	30	0	<b>30</b>
Generating voluntary income	15	2	<b>17</b>
Commercial trading activities	216	13	<b>229</b>
Governance	3	0	<b>3</b>
	<u>1,019</u>	<u>59</u>	<u><b>1,078</b></u>

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

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

Exit package cost band (£)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages for 2012/13	Total number of exit packages 2011/12*
0 – 24,999	0	3	3	19
25,000 – 49,999	0	2	2	3
50,000 – 74,999	0	1	1	4
75,000 – 99,999	0	1	1	0
125,000 – 149,999	0	1	1	1
Total	<u>0</u>	<u>8</u>	<u>8</u>	<u>27</u>
Total cost**	<u>0</u>	<u>409</u>	<u>409</u>	<u>686</u>

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

\* All redundancies in 2011/12 were agreed departures apart from one which was compulsory and included in cost band £0-24,999.

\*\* Note that some of the costs for the exit packages agreed in year were provided for in the previous year.

6(g) Trustees:

The Trustees neither received nor waived any emoluments during the year (2011/12: £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2012/13, 1 Trustee (2011/12: 2) was reimbursed £926 (2011/12: £1,191). The costs borne by the BM associated with trustee meetings are disclosed under governance costs at note 6(c).



**7. TANGIBLE FIXED ASSETS**

## 7(a) Consolidated tangible fixed assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
<b>Current Cost</b>							
At 1 April 2012	127,104	224,930	39,362	27,412	49,790	11,384	<b>479,982</b>
Additions during the year	0	697	40,442	347	203	645	<b>42,334</b>
Acquired (British Museum Friends Limited)	0	0	0	0	0	8	<b>8</b>
Disposals during the year	0	0	0	0	0	(1,953)	<b>(1,953)</b>
Transfer	0	501	(790)	206	53	30	<b>0</b>
Revaluation adjustment	0	(13,668)	0	487	(2,326)	0	<b>(15,507)</b>
Impairment	0	0	0	0	0	0	<b>0</b>
At 31 March 2013	127,104	212,460	79,014	28,452	47,720	10,114	<b>504,864</b>
<b>Depreciation</b>							
At 1 April 2012	0	0	0	12,645	0	7,629	<b>20,274</b>
Acquired (British Museum Friends Limited)	0	0	0	0	0	6	<b>6</b>
Disposals during the year	0	0	0	0	0	(1,928)	<b>(1,928)</b>
Provided during the year	0	2,810	0	1,372	3,653	1,068	<b>8,903</b>
Revaluation adjustment	0	(2,810)	0	220	(3,653)	0	<b>(6,243)</b>
Impairment	0	0	0	0	0	0	<b>0</b>
At 31 March 2013	0	0	0	14,237	0	6,775	<b>21,012</b>
Net Book Value							
<b>At 31 March 2013</b>	<b>127,104</b>	<b>212,460</b>	<b>79,014</b>	<b>14,215</b>	<b>47,720</b>	<b>3,339</b>	<b>483,852</b>
At 31 March 2012	127,104	224,930	39,345	14,767	49,790	3,772	459,708

## 7(b) Museum tangible fixed assets

	Land £000s	Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant and Machinery £000s	Equipment £000s	Total £000s
<b>Current Cost</b>							
At 1 April 2012	127,104	224,930	39,345	27,412	49,790	8,165	<b>476,746</b>
Additions during the year	0	697	40,417	347	203	390	<b>42,054</b>
Disposals during the year	0	0	0	0	0	(1,953)	<b>(1,953)</b>
Transfer	0	501	(790)	206	53	30	<b>0</b>
Revaluation adjustment	0	(13,668)	0	487	(2,326)	0	<b>(15,507)</b>
Impairment	0	0	0	0	0	0	<b>0</b>
At 31 March 2013	127,104	212,460	78,972	28,452	47,720	6,632	<b>501,340</b>
<b>Depreciation</b>							
At 1 April 2012	0	0	0	12,645	0	5,870	<b>18,515</b>
Disposals during the year	0	0	0	0	0	(1,928)	<b>(1,928)</b>
Provided during the year	0	2,810	0	1,372	3,653	631	<b>8,466</b>
Revaluation adjustment	0	(2,810)	0	220	(3,653)	0	<b>(6,243)</b>
Impairment	0	0	0	0	0	0	<b>0</b>
At 31 March 2013	0	0	0	14,237	0	4,573	<b>18,810</b>
Net Book Value							
<b>At 31 March 2013</b>	<b>127,104</b>	<b>212,460</b>	<b>78,972</b>	<b>14,215</b>	<b>47,720</b>	<b>2,059</b>	<b>482,530</b>
At 31 March 2012	127,104	224,930	39,345	14,767	49,790	2,295	458,231

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

7(c) A full valuation of the BM's land, buildings and plant and machinery was carried out by Gerald Eve on 31 March 2009 and an update valuation was carried out on 31 March 2013. The valuations included the main BM site at Great Russell Street, its perimeter buildings, two properties used for storage at Orsman Road and Blythe House. The British Museum owns the freehold on all land and buildings apart from Blythe House.

Blythe House is occupied by the British Museum, the Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. Because of this, Gerald Eve only valued the space occupied by the British Museum and it is this value which is included in the BM's balance sheet. The value of Blythe House land and buildings is £1,774k (2011/12: £1,774k) and £2,420k (2011/12: £2,590k) respectively.

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

## 8. HERITAGE ASSETS – GROUP AND MUSEUM

### 8(a) Nature and scale of the collection

The British Museum is a universal museum holding an encyclopaedic collection of material from across the world and all periods of human culture and history. Although the collection is sometimes estimated to contain about eight million objects, the question of what constitutes a single object often does not have a definitive answer. For example does the BM's eighteenth century pack of circular ganjifa playing cards count as one object, forty-one objects being the cards themselves or forty-three objects including the painted box and lid?

The BM records its collection on a database that includes a description of the objects and often image, age, location and other information. Currently, just over two million objects are available to review online at: [http://www.britishmuseum.org/research/search\\_the\\_collection\\_database.aspx](http://www.britishmuseum.org/research/search_the_collection_database.aspx). The BM continues to enhance the database to expand the information recorded on each asset, add objects not yet included and improve the functionality of the database.

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

Africa, Oceania & the Americas	This department holds a wide range of historical, archaeological, ethnographic and contemporary collections from peoples of the Africa, Australia and the Pacific, and the whole of the Americas. It also has important pictorial collections, including photographs, drawings and prints, relating to these regions. Antiquities relating to Ancient Egypt and Sudan are held in the department of that name.
Ancient Egypt & Sudan	The collection illustrates every aspect of the cultures of the Nile Valley, from the Neolithic period (about 10,000 BC) until the late nineteenth century AD. Highlights include the important collection of the Book of the Dead, papyri, coffins, mummies and monumental sculptures such as the colossus of Rameses II. The Rosetta Stone, inscribed with hieroglyphics, demotic and Greek, provided the key to decipher hieroglyphs.
Asia	The collection includes material from a vast geographical area embracing all of East Asia, South Asia, Southeast Asia, and parts of Central Asia and covers a broad chronological range from humanity's earliest artefacts to contemporary times. The collections encompass archaeological materials, artworks, and objects that reflect daily life and social structure and issues. Among the many special highlights of the collection are Chinese antiquities, ceramics, and graphic arts; Japanese antiquities, graphic arts, and modern crafts; Korean ceramics and lacquer; Indian paintings and sculpture, and Indonesian shadow puppets.
Coins & Medals	The collection includes coinage from its origins in the seventh century BC to the present day and related material such as coin weights, tokens and money boxes, the national collection of paper money ranging from one of the first Chinese banknotes to the euro, and a world-class collection of commemorative art medals from the Italian Renaissance to the present.

- Greece & Rome** This is one of the most comprehensive collections of antiquities from the Classical world which range in date from the beginning of the Greek Bronze Age (about 3200 BC) to the reign of the Roman emperor Constantine in the fourth century AD. The Cycladic, Minoan and Mycenaean cultures are represented and the Greek collection includes important sculpture from the Parthenon in Athens as well as elements of two of the Seven Wonders of the Ancient World: the Mausoleum at Halikarnassos and the Temple of Artemis at Ephesos. The collection also includes ancient jewellery and bronzes, Greek vases and Roman glass and silver.
- Midde East** The collection includes a wide range of archaeological material, ancient and contemporary art from Mesopotamia (Iraq), Iran, the Levant (Syria, Jordan, Lebanon, Palestine and Israel), Anatolia (Turkey), Arabia and the Gulf, Central Asia and the Caucasus. Highlights of the collection include the Assyrian reliefs, treasures from the cemetery of Ur, the Oxus Treasure, Phoenician ivories from Nimrud, the Cyrus Cylinder and the library of cuneiform tablets from Nineveh.
- Prehistory & Europe** This department is responsible for collections that cover a vast expanse of time from human tools in Africa and Asia two million years ago to the art and archaeology of Europe from the earliest times to the present day including the history of Britain under the Roman occupation.
- Prints & Drawings** This is the national collection of Western prints and drawings dating from the beginning of the fifteenth century to the present day. The collection covers the history of drawing and print making as fine arts with large holdings of the works of important artists such as Durer, Michelangelo, Rembrandt, Goya and Picasso, large documentary collections of historical, satirical and topographical prints and important collections of printed ephemera such as trade and visiting cards, fans and playing cards.

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

##### *Acquisition*

The BM is committed to sustaining and improving its collection for the benefit of its audience now and in the future. Acquisitions are made in accordance with the policy which can be found on the BM's website at: [http://www.britishmuseum.org/the\\_museum/management\\_and\\_governance/museum\\_governance.aspx](http://www.britishmuseum.org/the_museum/management_and_governance/museum_governance.aspx).

##### *Preservation and Management*

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

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

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

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

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

The new World Conservation and Exhibitions Centre is due to open in 2014. It will provide state of the art conservation and storage facilities to enhance the current BM facilities.

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

When complete, the database will contain a record of every object in the BM collection with associated conservation and scientific reports. The current database is the result of 30 years work but it is still in its early stages. Currently just over 2 million objects are available to view on the database. The database can be found on the BM website at: [http://www.britishmuseum.org/research/search\\_the\\_collection\\_database.aspx](http://www.britishmuseum.org/research/search_the_collection_database.aspx).

#### *Disposal*

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

## 8(c) Heritage assets capitalised

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

	<b>2012/13 – £000s</b>		<b>Total</b>
	Donated	Purchased	
Opening balance	15,355	38,170	<b>53,525</b>
Additions	6,943	1,094	<b>8,037</b>
Disposals	0	0	<b>0</b>
Impairment	0	0	<b>0</b>
Closing balance	<u>22,298</u>	<u>39,264</u>	<b>61,562</b>
	<b>2011/12 – £000s</b>		<b>Total</b>
	Donated	Purchased	
Opening balance	13,646	35,946	<b>49,592</b>
Additions	1,858	2,224	<b>4,082</b>
Disposals	0	0	<b>0</b>
Adjustment*	(149)	0	<b>(149)</b>
Impairment	0	0	<b>0</b>
Closing balance	<u>15,355</u>	<u>38,170</u>	<b>53,525</b>
	<b>2010/11 – £000s</b>		<b>Total</b>
	Donated	Purchased	
Opening balance	9,659	32,367	<b>42,026</b>
Additions	3,987	3,579	<b>7,566</b>
Disposals	0	0	<b>0</b>
Impairment	0	0	<b>0</b>
Closing balance	<u>13,646</u>	<u>35,946</u>	<b>49,592</b>
	<b>2009/10 – £000s</b>		<b>Total</b>
	Donated	Purchased	
Opening balance	7,440	30,364	<b>37,804</b>
Additions	2,219	2,003	<b>4,222</b>
Disposals	0	0	<b>0</b>
Impairment	0	0	<b>0</b>
Closing balance	<u>9,659</u>	<u>32,367</u>	<b>42,026</b>
	<b>2008/09 – £000s</b>		<b>Total</b>
	Donated	Purchased	
Opening balance	6,155	28,828	<b>34,983</b>
Additions	1,285	1,536	<b>2,821</b>
Disposals	0	0	<b>0</b>
Impairment	0	0	<b>0</b>
Closing balance	<u>7,440</u>	<u>30,364</u>	<b>37,804</b>

\* During 2011/12 it was identified that certain collection items on loan to the British Museum were incorrectly capitalised. This was corrected in the adjustment line above.

Details of significant acquisitions during the year can be found on pages 9 and 10.

## 9. INVESTMENTS

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

	<b>2013</b>	<i>*Reanalysed</i> 2012
	<b>£000s</b>	£000s
Investment assets in the UK:		
Investment funds	<b>18,397</b>	25,444
Fixed income	<b>14,827</b>	52,037
Investment assets outside the UK:		
Investment funds	<b>34,086</b>	15,053
Unlisted equities	<b>4,946</b>	4,034
Investment properties	<b>2,886</b>	2,711
	<b>75,142</b>	99,279
Investments at 1 April	<b>99,279</b>	93,523
Additions	<b>72,067</b>	84,846
Disposals	<b>(100,466)</b>	(78,675)
Gain in value	<b>4,262</b>	(415)
Investments at 31 March	<b>75,142</b>	99,279

All investments are stated at fair value at 31 March 2013. Valuations for investments with an active market are based on published quoted prices at or close to the balance sheet date, adjusted as appropriate to reflect any material changes in market conditions. Valuations for investments where there is no active market have been estimated with reference to recent valuation reports.

The BM has entered into a long term commitment to invest a further \$2.7m (£1.8m) in unlisted equities outside the UK under subscription agreements with two companies.

The valuation of the BM's investment properties was carried out by Kinney Green at 31 March 2013 in accordance with the RICS Appraisal and Valuation Manual.

\* £18m was reclassified from "cash held as part of the investment portfolio" to the more appropriate category of "investment funds" for the investments held at 31 March 2012.

9(b) Current Asset Investments

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Short term cash deposits	<b>2,699</b>	10,205	<b>0</b>	10,200

9(c) Cash at bank and in hand

	<b>Group</b>	Group	<b>Museum</b>	Museum
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>Cost</b>	Cost	<b>Cost</b>	Cost
	<b>£000s</b>	£000s	<b>£000s</b>	£000s
Balance with the Government Banking Service	<b>147</b>	5	<b>147</b>	5
Balance with commercial banks and in hand	<b>26,099</b>	20,942	<b>21,913</b>	17,265
	<b>26,246</b>	20,947	<b>22,060</b>	17,270

## 10. TRADING SUBSIDIARIES

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

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

## 10(b) Results of trading subsidiaries

	<b>BMCo</b>	<b>BMGC</b>	<b>Total</b>	Total
	<b>2013</b>	<b>2013</b>	<b>2013</b>	2012
	<b>£000s</b>	<b>£000s</b>	<b>£000s</b>	£000s
Turnover	<b>12,194</b>	<b>15,024</b>	<b>27,218</b>	26,411
Cost of sales	<b>(4,432)</b>	<b>(3,113)</b>	<b>(7,545)</b>	(7,958)
Gross profit	<b>7,762</b>	<b>11,911</b>	<b>19,673</b>	18,453
Selling and distribution costs	<b>(4,862)</b>	<b>0</b>	<b>(4,862)</b>	(3,428)
Administrative expenses	<b>(1,100)</b>	<b>(926)</b>	<b>(2,026)</b>	(3,715)
Other operating income	<b>691</b>	<b>0</b>	<b>691</b>	591
Operating profit	<b>2,491</b>	<b>10,985</b>	<b>13,476</b>	11,901
Finance cost	<b>(31)</b>	<b>0</b>	<b>(31)</b>	(30)
Interest receivable	<b>29</b>	<b>45</b>	<b>74</b>	79
Actuarial (loss) on defined benefit scheme	<b>(710)</b>	<b>0</b>	<b>(710)</b>	(1,370)
Taxation payable	<b>0</b>	<b>0</b>	<b>0</b>	0
Contribution to the Trustees of the British Museum	<b>0</b>	<b>(11,043)</b>	<b>(11,043)</b>	(10,116)
Surplus/(deficit) retained in the Company	<b>1,779</b>	<b>(13)</b>	<b>1,766</b>	464

The operating profit of the British Museum Company Limited is stated after charging staff costs of £4,028,000 (2011/12: £4,489,000) and depreciation of tangible fixed assets of £392,000 (2011/12: £483,000).

The operating profit of the British Museum Great Court Limited is stated after charging depreciation of tangible fixed assets of £45,000 (2011/12: £19,000). The British Museum Great Court Limited made a cash payment during the year to the British Museum for the 2011/12 contribution of £10,037,588 (2010/11: £10,159,118). The British Museum Company Limited did not make a cash payment since no contribution was due (£2010/11 £1,665k).

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

	<b>2013</b>	<b>2013</b>	2012	2012
	<b>Turnover</b>	<b>Costs</b>	Turnover	Costs
	<b>£000s</b>	<b>£000s</b>	£000s	£000s
From the British Museum Company Limited	<b>12,194</b>	<b>10,425</b>	12,359	11,123
Other operating income	<b>691</b>	<b>0</b>	591	0
Interest	<b>74</b>	<b>0</b>	79	0
From the British Museum Great Court Limited	<b>15,024</b>	<b>15,082</b>	14,052	14,124
Less transactions with the group	<b>(1,474)</b>	<b>(11,447)</b>	(1,698)	(10,389)
	<b>26,509</b>	<b>14,060</b>	25,383	14,858
Plus allocated support costs	<b>0</b>	<b>475</b>	0	535
Less interest	<b>(74)</b>	<b>0</b>	(79)	0
Less governance costs	<b>0</b>	<b>(77)</b>	0	(68)
Total in commercial trading lines	<b>26,435</b>	<b>14,458</b>	25,304	15,325

## Net assets at 31 March 2013 comprise:

	<b>BMCo</b>	<b>BMGC</b>	BMCo	BMGC
	<b>2013</b>	<b>2013</b>	2012	2012
	<b>£000s</b>	<b>£000s</b>	£000s	£000s
Tangible fixed assets	<b>1,144</b>	<b>176</b>	1,366	111
Current assets	<b>7,652</b>	<b>20,076</b>	6,252	18,238
Creditors due within one year	<b>(1,568)</b>	<b>(19,700)</b>	(2,559)	(17,784)
Creditors due after one year	<b>(4,960)</b>	<b>0</b>	(4,570)	0
Net assets	<b>2,268</b>	<b>552</b>	489	565

The current assets of BM Co include £2,017k (2011/12: £1,926k) of stock which comprises £85k (2011/12: £25k) of work in progress and £1,932k (2011/12: £1,901k) of finished goods and goods for resale.

#### 10(d) Other subsidiaries – acquisition

The British Museum Friends is a registered charity and a company limited by guarantee. At its AGM on 11 December 2012, the members of the BMF passed a resolution which automatically made the Trustees of the British Museum the Trustees, Directors and Members of the BMF. This has been treated as an acquisition in the accounts as required by FRS 6. The book and fair values of the assets and liabilities as at the acquisition date are shown below, giving the acquisition a value of £1,161k. This has been included in the SOFA under voluntary income.

	Book values at 11 December 2012 £000s	Adjustment for alignment of accounting policies £000s	Fair value adjustments £000s	Fair value at 11 December 2012 £000s
Tangible assets	2	0	0	2
Debtors	317	0	0	317
Short term investments	1,400	0	0	1,400
Cash at bank and in hand	489	0	0	489
Creditors: amount falling due within one year	(968)	0	0	(968)
Creditors: amount falling due after one year	(79)	0	0	(79)
Net assets acquired	<u>1,161</u>	<u>0</u>	<u>0</u>	<u>1,161</u>
Purchase consideration				<u>0</u>
Value included in SOFA under voluntary income				<u>1,161</u>

The results of the British Museum Friends from 12 December to 31 March 2013 have been consolidated. Amounts included in the SOFA are as follows:

	BMF results 12 December 2012 to 31 March 2013 £000s	Transactions with the group £000s	SOFA values £000s
<b>INCOME</b>			
Donations and legacies	92	0	92
Charitable trading	1,012	(9)	1,003
Investment income and rent	6	0	6
	<u>1,110</u>	<u>(9)</u>	<u>1,101</u>
<b>EXPENDITURE</b>			
Charitable trading	(438)	166	(272)
Care, research and conservation	(1,184)	1,184	0
Cost of generating voluntary income	(6)	0	(6)
Governance costs	(15)	0	(15)
	<u>(1,643)</u>	<u>1,350</u>	<u>(293)</u>
	<u>(533)</u>	<u>1,341</u>	<u>808</u>

Net assets at 31 March 2013 comprise:

	BMF £000s
Tangible fixed assets	2
Current assets	2,409
Creditors due within one year	(1,702)
Creditors due after one year (see note 12 footnote)	(82)
Net assets	<u>627</u>



**11. DEBTORS**

	Group		Museum	
	2013 £000s	2012 £000s	2013 £000s	2012 £000s
Trade debtors	<b>19,602</b>	12,501	<b>7,300</b>	1,923
Other debtors	<b>991</b>	346	<b>857</b>	285
Prepayments and accrued income	<b>14,881</b>	11,437	<b>14,294</b>	11,288
Taxation and social security	<b>3,289</b>	2,270	<b>3,724</b>	2,473
Derivative financial instruments	<b>31</b>	51	<b>31</b>	51
Amount due from subsidiaries	<b>0</b>	0	<b>12,661</b>	10,321
	<b>38,794</b>	26,605	<b>38,867</b>	26,341

The debtors include £7,091k with central government (2011/12: £3,346k), £70k balances with local government (2011/12: £36k) and £11k with public corporations (2011/12: £58k).

**12. CREDITORS**

Amounts falling due within one year:

	Group		Museum	
	2013 £000s	2012 £000s	2013 £000s	2012 £000s
Trade creditors	<b>8,177</b>	5,979	<b>7,284</b>	4,831
Other creditors	<b>2,134</b>	1,299	<b>2,088</b>	1,258
Taxation and social security	<b>702</b>	754	<b>641</b>	665
Early retirement	<b>428</b>	476	<b>428</b>	476
Other provisions falling due within one year	<b>1,169</b>	150	<b>1,169</b>	150
Accruals	<b>46,858</b>	30,431	<b>40,449</b>	29,488
Deferred income	<b>27,531</b>	29,362	<b>25,148</b>	21,770
Amount due to subsidiaries	<b>0</b>	0	<b>8,130</b>	8,088
	<b>86,999</b>	68,451	<b>85,337</b>	66,726

The creditors include £1,324k with central government departments (2011/12: £1,155k), £94k with local government (2011/12: £302k), £35k with NHS Trusts (2011/12: £21k) and no balances with public corporations (2011/12: £nil).

Amounts falling due in greater than one year (£82k) relate to paid life membership fees which have been deferred and are being recognised over the remaining period of membership.

The movement on the deferred income account is as follows:

	Group		Museum	
	2013 £000s	2012 £000s	2013 £000s	2012 £000s
Deferred income at 1 April	<b>29,362</b>	17,339	<b>21,770</b>	16,298
Released in year	<b>(12,856)</b>	(5,016)	<b>(5,430)</b>	(4,475)
Deferred in year	<b>11,025</b>	17,039	<b>8,808</b>	9,947
Deferred income at 31 March	<b>27,531</b>	29,362	<b>25,148</b>	21,770

**13. PROVISIONS AND CHARGES – GROUP AND MUSEUM**

Early retirement and voluntary redundancy commitments at 31 March 2013 are as follows:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Early retirement provision brought forward	<b>767</b>	1,021
Provision made in year	<b>45</b>	32
Payments in year	<b>(211)</b>	(286)
	<b>601</b>	767
Less current portion – included in creditors amounts falling due within one year	<b>(428)</b>	(476)
	<b>173</b>	291

This provision is for annual compensation payments to those employees who retire under an approved redundancy scheme aged 50 years or over for the period until they reach the normal retirement age of 60 years. £428k is payable in the next year and £173k is payable between 2014/15 and 2018/19.

Other provisions for liabilities and charges at 31 March 2013 are as follows:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
At 1 April	<b>150</b>	365
Arising during the year	<b>1,149</b>	156
Utilised during the year	<b>(97)</b>	(88)
Reversed unused	<b>(33)</b>	(283)
At 31 March	<b>1,169</b>	150
Less current portion – included in creditors amounts falling due within one year	<b>(1,169)</b>	(150)
	<b>0</b>	0

Of the eleven provisions included here, one is for loss of office, nine relate to legal claims and one relates to the Hamlyn fund – further details of this can be found in note 15.

**14. FINANCIAL COMMITMENTS**

At 31 March 2013 the British Museum had annual commitments under operating leases as follows:

		Land and Buildings		Plant and Machinery	
		<b>2013</b>	2012	<b>2013</b>	2012
		<b>£000s</b>	£000s	<b>£000s</b>	£000s
Leases which expire:	within one year	<b>0</b>	0	<b>1</b>	1
	in the second to fifth year	<b>168</b>	89	<b>1</b>	0
	over five years	<b>0</b>	104	<b>0</b>	0
		<b>168</b>	193	<b>2</b>	1

**15(a) STATEMENT OF FUNDS**

	At 1 April 2012 £000s	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2013 £000s
<i>Permanent endowment funds</i>	<b>11,252</b>	0	(49)	1,001	<b>952</b>	299	<b>12,503</b>
<i>Restricted funds</i>							
Collection acquisitions fund	<b>53,525</b>	6,943	0	0	<b>6,943</b>	1,094	<b>61,562</b>
Collection purchase fund	<b>1,191</b>	710	(20)	103	<b>793</b>	(188)	<b>1,796</b>
Fixed asset revaluation fund	<b>308,503</b>	0	0	(9,264)	<b>(9,264)</b>	0	<b>299,239</b>
Fixed asset fund	<b>149,728</b>	0	(8,491)	0	<b>(8,491)</b>	42,054	<b>183,291</b>
Estates proceeds	<b>3,211</b>	53	(14)	286	<b>325</b>	0	<b>3,536</b>
Construction projects fund	<b>4,689</b>	21,582	(242)	481	<b>21,821</b>	(34,535)	<b>(8,025)</b>
Restricted income trust funds	<b>4,188</b>	259	(943)	360	<b>(324)</b>	(346)	<b>3,518</b>
Deferred income fund	<b>11,572</b>	7,969	(5,674)	749	<b>3,044</b>	643	<b>15,259</b>
British Museum Friends	<b>0</b>	85	0	0	<b>85</b>	(85)	<b>0</b>
	<b>536,607</b>	37,601	(15,384)	(7,285)	<b>14,932</b>	8,637	<b>560,176</b>
<i>Unrestricted funds: BM</i>							
<i>Designated:</i>							
World Conservation & Exhibition Centre	<b>28,500</b>	0	(16,774)	0	<b>(16,774)</b>	(10,123)	<b>1,603</b>
Gallery projects	<b>2,200</b>	0	0	0	<b>0</b>	0	<b>2,200</b>
Infrastructure projects	<b>450</b>	0	0	0	<b>0</b>	0	<b>450</b>
Capital & maintenance work	<b>4,500</b>	0	0	0	<b>0</b>	(4,500)	<b>0</b>
Designated trust funds	<b>853</b>	14	(8)	8	<b>14</b>	(316)	<b>551</b>
	<b>36,503</b>	14	(16,782)	8	<b>(16,760)</b>	(14,939)	<b>4,804</b>
<i>General:</i>							
Investment estate	<b>2,711</b>	0	0	175	<b>175</b>	0	<b>2,886</b>
Unrestricted trust funds	<b>7,784</b>	252	(31)	86	<b>307</b>	1	<b>8,092</b>
General funds	<b>4,222</b>	54,238	(68,771)	519	<b>(14,014)</b>	17,232	<b>7,440</b>
	<b>14,717</b>	54,490	(68,802)	780	<b>(13,532)</b>	17,233	<b>18,418</b>
<i>Unrestricted funds: subsidiaries</i>							
British Museum Co Ltd	<b>(1,627)</b>	12,498	(10,032)	(710)	<b>1,756</b>	245	<b>374</b>
British Museum Co Ltd fixed assets	<b>1,366</b>	0	0	0	<b>0</b>	(222)	<b>1,144</b>
British Museum Friends Ltd	<b>0</b>	2,177	(293)	0	<b>1,884</b>	(1,257)	<b>627</b>
British Museum Great Court Ltd	<b>(46)</b>	14,011	(4,028)	0	<b>9,983</b>	(10,061)	<b>(124)</b>
British Museum Great Court Ltd fixed assets	<b>111</b>	0	0	0	<b>0</b>	65	<b>176</b>
	<b>(196)</b>	<b>28,686</b>	<b>(14,353)</b>	<b>(710)</b>	<b>13,623</b>	<b>(11,230)</b>	<b>2,197</b>
Unrestricted funds: group	<b>51,024</b>	<b>83,190</b>	<b>(99,937)</b>	<b>78</b>	<b>(16,669)</b>	<b>(8,936)</b>	<b>25,419</b>
Total funds	<b>598,883</b>	<b>120,791</b>	<b>(115,370)</b>	<b>(6,206)</b>	<b>(785)</b>	<b>0</b>	<b>598,098</b>

The construction projects fund is in deficit. This is because pledges against which expenditure has been incurred on the WCEC project cannot be recognised until specific milestones, set by the donor, are achieved which would then fulfill the SORP recognition criteria of entitlement and certainty. It is expected that these milestones will be met in the coming years.

The British Museum Co Ltd reserve includes a liability on a defined benefit pension scheme of £4.96m (2011/12 £4.57m), see note 19 for further details.

	2013 £000s
Investments at fair value	75,142
Investments at historic cost	65,893
Fair value reserve	<u>9,249</u>

The investment properties (fair value of £2,886k) were acquired in the nineteenth century and have been included at a zero historic cost.

**Analysis of group net assets between funds**

	Permanent Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	<b>Total 2013 £000s</b>	Total 2012 £000s
Fund balances at 31 March 2013 are represented by:					
Tangible fixed assets	0	482,530	1,322	<b>483,852</b>	459,708
Heritage assets	0	61,562	0	<b>61,562</b>	53,525
Fixed asset investments	11,255	26,336	37,551	<b>75,142</b>	99,279
Net current assets	1,248	(10,252)	(8,239)	<b>(17,243)</b>	(8,768)
Early retirement provision	0	0	(173)	<b>(173)</b>	(291)
Creditors: amounts falling due in greater than one year	0	0	(82)	<b>(82)</b>	0
Liability on defined benefit pension scheme	0	0	(4,960)	<b>(4,960)</b>	(4,570)
<b>Total net assets</b>	<b>12,503</b>	<b>560,176</b>	<b>23,491</b>	<b>598,098</b>	<b>598,883</b>

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

**Permanent endowment funds**

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

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

## Restricted funds

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

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

<i>Hamlyn Gift</i>	for maintaining and equipping a reference library at the British Museum. Please note that the Paul Hamlyn reference library was closed in 2011 and the British Museum is in discussion with the Paul Hamlyn Foundation about the future of the library and the associated fund. In the meantime, a provision has been made in the accounts for the potential return of the funds to the Paul Hamlyn Foundation.
<i>Rootstein-Hopkins</i>	for the acquisition of the works of qualifying artists in the fields of drawing and printmaking
<i>Sharp</i>	wish to be spent on books concerned with ancient Greece or Rome
<i>Sir Joseph Hotung Charitable Settlement – Asia Hamlyn</i>	to support research by the Department of Asia income only to be used for stock required for the library
<i>Oppenheimer</i>	for the Department of Prints & Drawings
<i>Lloyd Bequest</i>	to acquire cabinets or other suitable accommodation for the prints and drawings
<i>Romenuk Bequest</i>	for the purchase of 14/15th century Hebrew manuscripts or Flemish Art
<i>Dennis</i>	for the general purposes of the Department of Africa, Oceania & Americas
<i>Duthrie Bequest</i>	to be used for acquisitions and/or maintenance
<i>Christy</i>	for purchases for Departments of Prehistory & Europe and Africa, Oceania & Americas
<i>Woodward</i>	for the purchase of further English pottery and porcelain
<i>Ready Bequest</i>	for the purchase of Greek and Roman antiquities
<i>Michael Bromberg Fellowship</i>	for the promotion of education by the study of prints and their history

### Unrestricted designated funds

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

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

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

*Infrastructure Projects*: funds designated for BM infrastructure projects, expected to be expended over the next two years.

*Capital and Maintenance Work*: funds designated for essential capital and maintenance work, fully expended in 2012/13.

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

<i>B.M. Publications Donations</i>	for BM publications
<i>Brooke-Sewell Bequest</i>	for the purchase of Oriental antiquities and works of art
<i>Coldwell</i>	for the purchase of Oriental antiquities

### Unrestricted general funds

*Investment estate*: this represents the value of investment properties.

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

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

#### 15(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s	Permanent Endowment Funds £000s
Collection purchases from revenue funds	406	0	(90)	(316)	0
Capital asset purchases	7,543	(7,496)	(47)	0	0
Rationalisation of funds	6	0	(83)	77	0
Recategorisation of fund from restricted income trust funds to endowment funds	0	0	(299)	0	299
Subsidiary transfers	470	(157)	731	(1,044)	0
Use of designated funds	0	(7,127)	0	7,127	0
Transfers as shown on the reserves note 15(a)	<u>8,425</u>	<u>(14,780)</u>	<u>212</u>	<u>5,844</u>	<u>299</u>

**16. CASH FLOW INFORMATION**

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

	<b>2013</b>	2012
	<b>£000s</b>	£000s
16(a) Net incoming resources before revaluations	<b>5,421</b>	4,426
Actuarial loss on defined benefit scheme	<b>(710)</b>	(1,370)
(Loss)/gain on derivative financial instruments	<b>(323)</b>	78
Donated assets – collection items	<b>(6,943)</b>	(1,709)
Non-cash adjustment to management fee	<b>13</b>	0
Investment income	<b>(2,443)</b>	(2,483)
Depreciation	<b>8,903</b>	9,466
Loss on disposal of fixed assets	<b>25</b>	224
Increase in stocks	<b>(91)</b>	(344)
(Increase) in debtors	<b>(12,189)</b>	(13,067)
Increase in creditors	<b>18,630</b>	26,316
(Decrease) in provisions	<b>(118)</b>	(177)
Increase in pension fund liability	<b>390</b>	1,180
Impairment of fixed assets	<b>0</b>	9
Acquisition of BMF Ltd cash balances	<b>(489)</b>	0
Acquisition of BMF Ltd short term investment balances	<b>(1,400)</b>	0
Net cash inflow from operating activities	<b>8,676</b>	22,549

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

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Increase/(Decrease) in cash in the period	<b>5,274</b>	(6,760)
(Decrease)/increase in liquid resources	<b>(7,506)</b>	3,330
Movement in net funds in the period	<b>(2,232)</b>	(3,430)
Foreign currency exchange rate difference	<b>25</b>	(9)
Net funds at 1 April	<b>31,152</b>	34,591
Net funds at 31 March	<b>28,945</b>	31,152

## 16(c) Analysis of net funds

## 16(c) Analysis of net funds

	2012	Cash Flow	Foreign Currency Exchange Rate Difference	<b>2013</b>
	£000s	£000s	£000s	<b>£000s</b>
Liquid resources:				
Short term deposits	10,205	(7,506)	0	<b>2,699</b>
Cash at bank and in hand	20,947	5,274	25	<b>26,246</b>
	<u>31,152</u>	<u>(2,232)</u>	<u>25</u>	<b><u>28,945</u></b>

**17. RELATED PARTY TRANSACTIONS**

The British Museum is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year the British Museum had a number of material transactions with the Department and with other entities for which the Department is the sponsor, for example; the British Library, English Heritage, Horniman Museum and Gardens, the National Gallery, the Natural History Museum, the National Maritime Museum, National Museums and Galleries Liverpool, the National Museum of Science and Industry, the National Portrait Gallery, the Royal Armouries, Sir John Soane's Museum, Tate Britain, and the Victoria and Albert Museum.

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

Related party transactions						
Party	Nature of Relationship	Transaction	Income for the year ended 31 March 2013	Expenditure for the year ended 31 March 2013	Creditor balance as at 31 March 2013	Debtor balance as at 31 March 2013
			£000s	£000s	£000s	£000s
Leverhulme Trust	Mr Niall FitzGerald KBE is a Trustee of the Leverhulme Trust	Grants and Leverhulme fellowships awarded during the year	1,699	11	0	2,343
Arts and Humanities Research Council	Professor Andrew Prescott is a Fellow and Professor Greg Woolf a member of the Advisory Board of the Arts and Humanities Research Council	Research grants	661	0	0	1,136
The American Friends of the British Museum	Mr Francis Finlay is Chairman of the American Friends of the British Museum	Grants awarded during the year and administration costs associated with grant making	506	35	0	0
Pearson Plc	Sir Richard Lambert is a shareholder of Pearson Plc	Royalty income	135	0	0	93
Arts Council England	Dame Liz Forgan was Chair of Arts Council England until January 2013; Christopher Yates is an independent member of the Performance and Audit Committee	Sundry income	48	0	0	1
Ernst & Young LLP	Sir Richard Lambert is an independent non-executive director of Ernst & Young	Global partnership and professional services	35	35	0	0
Harvard University	Professor Amartya Sen is Professor at Harvard University and Sir Ronald Cohen is a member of Harvard Board of Overseers and of the Visiting Committee Harvard Art Museums	Research grant	19	0	0	0
Slaughter and May	The Hon Nigel Boardman is a partner of Slaughter and May	Gifts in kind	13	13	0	0
The Art Fund	Dame Liz Forgan is a Trustee of the Art Fund	Sundry income	9	0	0	0
Greenhill & Co. International LLP	Mr James Lupton is a partner of Greenhill & Co.	Global partnership	9	0	26	0
R & S Cohen Foundation	Sir Ronald Cohen is a Trustee of the R & S Cohen Foundation	Donation income	7	0	0	0
English Heritage	Professor Clive Gamble is an advisor to English Heritage	Research grants (recognised in previous year) and sundry income	6	0	0	42
WPP Plc	Sir Martin Sorrell is Chief Executive of WPP	Corporate other income	6	0	0	1
Society for the Promotion of Roman Studies	Andrew Burnett is Vice-President of the Society for the Promotion of Roman Studies	Sundry income	5	0	0	0
EDF Energy Plc	Sir Richard Lambert is an advisor to EDF Energy	Energy costs	0	1,164	107	0



Partners Capital Investment Group LLP	Sir Ronald Cohen is a registered shareholder of Partners Capital Investment Group	Investment management fee	0	180	127	0
Department of Energy and Climate Change	Professor Lord Stern of Brentford is a member of the DECC Economics Advisory Group	Carbon credits	0	120	0	0
BT Group plc	Mr Gavin Patterson is Chief Executive of BT Retail	Sundry costs	0	69	1	0
Guardian Media Group plc	Dame Liz Forgan is Chair of the Scott Trust (sole shareholder of Guardian Media Group)	Advertising and sundry costs	0	54	4	0
British Airways plc	Mr Gavin Patterson is a non-executive director of BA	Flight tickets	0	45	0	0
University of Oxford	Sir Ronald Cohen is a member of Oxford University Investment Committee; Sir Paul Nurse is a member of Oxford University Council	Expenses associated with the research programme and sundry costs	0	40	12	0
Royal Botanic Gardens, Kew	Lady Tessa Keswick's husband is a Trustee of Kew Gardens	Sundry costs	0	26	0	0
University of Cambridge	Professor Sir Christopher Bayly is a Trustee of the University of Cambridge	Grants awarded during the year and sundry costs	0	24	0	0
DLA Piper LLP	Baroness Wheatcroft of Blackheath is a consultant in DLA Piper LLP	Legal advice	0	11	0	1
National Theatre	Neil MacGregor is a board member of the National Theatre	Sundry costs	0	8	0	0
University of Southampton	Clive Gamble is a Professor in University of Southampton	Research costs	0	5	0	0
Royal Society	Sir Paul Nurse is President of the Royal Society	Research grants (recognised in previous year)	0	0	0	36
British Academy	Professor Sir Christopher Bayly is a Trustee of the British Academy; Clive Gamble and Professor Lord Stern of Brentford are a fellows of the British Academy.	Research grants (recognised in previous year)	0	0	0	10

## 18. CAPITAL COMMITMENTS

At the balance sheet date the value of capital commitments was £35.5m (2011/12: £11.2m). The most significant commitment is for the World Conservation and Exhibition Centre.

## 19. PENSIONS

### *British Museum*

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

Employee contributions are salary-related and range between 1.5% and 3.9% of pensionable earnings for classic and 3.5% and 5.9% for premium, classic plus and nuvos. Increases to employee contributions will apply from 1 April 2013. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with the Pensions Increase Legislation. In all cases members may opt to give up (commute) pension for a lump sum to the limits set by the Finance Act 2004.

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

Further details about the Civil Service pension arrangements can be found at the website <http://civilservice.gov.uk/pensions>

For 2012/13 employer's contributions of £96,405 were paid to the partnership pension scheme (2011/12: £88,352) and employer's contributions of £4,356,510 (2011/12: £4,582,173) were payable to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2012/13 the rates were as follows: for salaries under £21,500, 16.7%, for salaries between £21,501 and £44,500, 18.8%, for salaries between £44,501 and £74,500, 21.8%, and for salaries over £74,501, 24.3%. For 2013/14 the rates will be the same as for 2012/13.

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

### *British Museum Company Limited*

#### Defined Contribution Scheme

The Company operates a defined contribution pension scheme for the benefit of the employees who commenced their employment after 1 January 2000. The assets of the scheme are self-administered in funds independent from those of the Company. The total employer's contributions to this scheme during the year was £183,000 (2011/12: £129,000).

#### Defined Benefit Scheme

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

For employees joining the scheme before 1 November 1993, the scheme is non-contributory. Employees joining the scheme with effect from 1 November 1993 pay 5% of pensionable salary towards the total. The cost of insuring the death in service benefits is payable in addition to these amounts. The scheme is closed to new members, and the age profile of the active membership is rising. Under the projected unit method, the current service cost,

based on the same set of assumptions, will increase as the members of the scheme approach retirement.

The FRS17 calculations have been carried out by an independent qualified actuary and relate to the British Museum Company Limited Retirement Benefits Plan.

The amounts recognised in the balance sheet are as follows:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Fair value of scheme assets	<b>10,180</b>	8,980
Present value of funded obligations	<b>(15,140)</b>	(13,550)
	<b><u>(4,960)</u></b>	<u>(4,570)</u>

Amounts in the balance sheet are as follows:

Assets	<b>0</b>	0
Liabilities	<b>(4,960)</b>	(4,570)
	<b><u>(4,960)</u></b>	<u>(4,570)</u>

The amounts recognised in the SOFA are as follows:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Current service costs	<b>(60)</b>	(60)
Expected return on scheme assets	<b>620</b>	610
Interest cost	<b>(650)</b>	(640)
	<b><u>(30)</u></b>	<u>(30)</u>
Total	<b><u>(90)</u></b>	<u>(90)</u>
Actual return on scheme assets	<b>900</b>	530

Changes in the present value of the defined benefit obligation:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Opening value of defined benefit obligation	<b>13,550</b>	11,650
Current service cost	<b>60</b>	60
Interest cost	<b>650</b>	640
Contributions by scheme participants	<b>0</b>	10
Actuarial loss	<b>990</b>	1,290
Benefits paid	<b>(110)</b>	(100)
Closing value of defined benefit obligation	<b><u>15,140</u></b>	<u>13,550</u>

Changes in the fair value of the scheme assets:

	<b>2013</b>	2012
	<b>£000s</b>	£000s
Opening value of scheme assets	<b>8,980</b>	8,260
Expected return	<b>620</b>	610
Contributions by employer	<b>410</b>	280
Contributions by scheme participants	<b>0</b>	10
Actuarial gain/(loss)	<b>280</b>	(80)
Benefits paid	<b>(110)</b>	(100)
Closing value of scheme assets	<b><u>10,180</u></b>	<u>8,980</u>

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

	2013	2012
Cash	8%	0%
Bonds	7%	14%
Equities	8%	16%
Property	15%	15%
Target return funds	62%	55%

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

	2013	2012
Discount rate at 31 March	4.5%	4.8%
Expected return on scheme assets at 31 March	6.3%	6.8%
Future salary increases	3.2%	3.2%
Future pension increases		
Pre 1 May 1991	3.0%	3.0%
1 May 1991 to 31 December 2001	5.0%	5.0%
1 January 2002 to 31 December 2007	3.2%	3.2%
Post 31 December 2007	2.5%	2.5%
RPI inflation	3.2%	3.2%
CPI inflation	2.5%	2.7%
Mortality – base table	SAPS	SAPS
Mortality – future improvements	CMI_2012 [0.5%]	CMI_2011 [0.5%]
Life expectancy of male aged 60 now	86.0	85.8
Life expectancy of male aged 60 in 20 years	86.7	86.5
Life expectancy of female aged 60 now	88.4	88.3
Life expectancy of female aged 60 in 20 years	89.2	89.1

Amounts for current and previous four periods are as follows:

	2013	2012	2011	2010	2009
	£000s	£000s	£000s	£000s	£000s
Defined benefit obligation	(15,140)	(13,550)	(11,650)	(10,860)	(7,460)
Scheme assets	10,180	8,980	8,260	7,640	5,690
(Deficit)	(4,960)	(4,570)	(3,390)	(3,220)	(1,770)
Experience adjustment on scheme liabilities*	0	0	0	0	710
Experience adjustment on scheme assets**	280	(80)	(100)	1,430	(1,700)

\* Where positive numbers represent increases to the liabilities

\*\* Where positive numbers represent increases to the assets

As at 31 March 2011, the date of the last full actuarial valuation, the scheme had 107 members, and the market value of the scheme was £8,512,097. The actuarial value of those assets was sufficient to cover 81% of benefits that had accrued to members, after allowing for expected future increases in earnings on a statutory funding objective basis. Current and future contributions reflect the deficiency.

With effect from 1 April 2012, a schedule of contributions has been put in place to fund the scheme's defined benefits at a rate of 23.5% per annum of pensionable salary for scheme members together with a deficit reduction payment of £356,000 per annum from 1 April 2012 to 31 March 2016 followed by £141,000 per annum from 1 April 2016 to 31 March 2019.

Employer's pension contributions to the scheme during the year totalled £410,000 (2012: £280,000). The company expects to contribute approximately £400,000 to its defined benefit pension scheme in the year ending 31 March 2014.

## 20. CONTINGENT LIABILITIES

The BM has no contingent liabilities at the year end.

## 21. FINANCIAL INSTRUMENTS

Set out below are the accounting classifications of each class of financial assets and liabilities as at 31 March 2013, together with net gains and losses for each classification.

Group	Measured at amortised cost £000s	Measured at fair value £000s	Total £000s
Investments	0	75,142	75,142
Trade debtors	19,602	0	19,602
Short-term investments	2,699	0	2,699
Cash at bank and in hand	26,246	0	26,246
Trade creditors	(8,177)	0	(8,177)
Derivative financial instruments	0	31	31
	<u>40,370</u>	<u>75,173</u>	<u>115,543</u>

Gains/(losses) on investment assets	£000s
Gains/(losses) on derecognition of investments	(1,131)
Gains/(losses) on retranslation of foreign denominated cash and investments	25
Gains/(losses) on derivative financial instruments	(323)
Total investment gains/(losses), recognisable in SOFA	(1,429)
Net movement in fair value of investments, taken to reserves	5,197
	<u>3,768</u>

At 31 March 2013, the BM held foreign exchange forward contracts with a fair value of £30,931, to hedge its exposure to foreign exchange rate risk on investments and cash balances. The BM had sold US\$12.25 million at a forward rate of \$1.51, maturing in June 2013. All movements in the fair value are attributable to changes in market conditions, and have been reflected in the Statement of Financial Activities.

### Financial risk management

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

### Credit risk

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

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

- For interest bearing securities the credit rating of the issuer is taken into account to minimise the risk to the BM of default. Investments are made across a variety of industry sectors and issuers to reduce concentrations of credit risk;
- Transactions involving derivative financial instruments are entered into only with reputable banks, the credit ratings of which are taken into account to minimise credit risk;
- Direct cash management mandate is limited to the use of selected banks (the credit ratings of which are taken into account to minimise credit risk).

### Liquidity risk

Approximately 38% (2011/12: 53%) of the BM's incoming resources before transfers and revaluations is provided by Grant-in-Aid from the Department for Culture, Media and Sport. The BM's reserves policy is set out in the Annual Report. The Trustees believe that the level of liquid unrestricted reserves at year-end and careful planning based on expected funding levels allows the BM to be free from unacceptably high liquidity risks.

The BM monitors its exposure to liquidity risk by regularly monitoring the liquidity of its investment portfolio and holding appropriate levels of liquid assets. The BM holds highly liquid assets amounting to £29 million as at 31 March 2013 (2011/12: £31 million), which are comprised of cash at bank and in hand and short term investments. The level of highly liquid assets held is regularly reviewed by senior management. Liquidity and cash forecasts are reviewed by the Investment Sub-committee on a quarterly basis. The BM also mitigates its exposure to liquidity risk through the investment of £54 million (2011/12: £88 million) in funds that are readily realisable.

### Market risk: interest rate risk

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

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

	Floating rate	Fixed rate	Non-interest bearing	<b>2013</b>	2012
	£000s	£000s	£000s	<b>Total</b>	Total
				<b>£000s</b>	£000s
Sterling	26,234	900	1,359	<b>28,493</b>	30,830
US \$	44	0	400	<b>444</b>	322
Euro	5	0	3	<b>8</b>	0
	<u>26,283</u>	<u>900</u>	<u>1,762</u>	<b><u>28,945</u></b>	<u>31,152</u>

The weighted average interest rate on fixed rate financial assets is 0.4% (2011/12: 0.4%) and the weighted average period of deposit is 34 days (2011/12: 50 days). The interest receivable on the floating rate deposits is at a variable rate determined by the BM's bankers.

Interest income for the year made up about 2% (2011/12: 2%) of the BM's incoming resources before transfers and revaluations and the BM does not hold any loans, so exposure to interest rate risk is minimal.

### Market risk: foreign currency risk

Approximately 20% (2011/12: 9%) of the BM's financial assets are denominated in currencies other than pounds sterling, the base currency for the BM's operations. In order to protect funds from exposure to currency risk the BM reviews underlying investment manager exposure and deploys hedging strategies. Euro exposure is hedged if it constitutes more than 20% of the portfolio, US dollar and Japanese Yen exposures if they represent more than 10% of the portfolio, and all other currencies if they together constitute more than 10% of the portfolio. Unhedged assets will include illiquid private equity investment where the long-term nature of the investment removes the need to hedge short-term fluctuations and the uncertainty surrounding the quantum and timing of distributions makes accurate currency hedging problematic.

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

Currency	<b>Value 2013 £000s</b>	Value 2012 £000s
US \$	<b>15,173</b>	13,463
Japanese Yen	<b>805</b>	57
Euro	<b>406</b>	302
Other	<b>4,900</b>	3,603
	<b><u>21,284</u></b>	<u>17,425</u>
	\$000s	\$000s
Total value considered to be exposed to US\$ risk before hedging	23,040	21,511
Less forward contract: – US\$	(12,250)	(9,500)
Total value exposed to US\$ currency risk	<u>10,790</u>	<u>12,011</u>

*Market risk: other price risk*

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

*Concentration of exposure to other price risk*

An analysis of the BM’s investment portfolio is shown in note 9(a). This shows that about half of the investment value is in UK funds, in both quoted and unquoted investments.

## 22 POST BALANCE SHEET EVENTS

There were no reportable events between 31 March 2013 and the signing of these accounts.

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



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