

IMPERIAL WAR MUSEUM

ANNUAL REPORT AND ACCOUNT

2005/06



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MUSEUMS AND GALLERIES ACT 1992

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# I. Objectives and Activities



# 1.1 Our vision, our goal, our mission

## Our vision

is to be the world's premier museum of modern conflict.

## Our goal

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

## Our mission

is to enable people to have an informed understanding of modern war and its impact on individuals and society by:

- ◆ Creating stimulating learning opportunities and inspiring visitor experiences that are relevant to twenty-first century audiences and draw on unique collections and historical expertise.
- ◆ Collecting, studying and interpreting objects, images and records illustrating conflicts involving Britain, the Commonwealth and their allies, from the build up to the First World War to the present day, and people's personal experience of them.
- ◆ Providing worldwide access to its collections and expertise through innovative outreach and web-based programmes as well as at its five branches.
- ◆ Developing partnerships that extend the Imperial War Museum's networks and complement its status as a national institution of international renown.



# Our values

## Authority

A reliable source of authentic evidence on every aspect of modern war

## Integrity

Information presented accurately and objectively

## Quality

The highest possible standard of service, facilities, procedures and operations

## Accessibility

Access to knowledge and collections provided when and in the way people want

## Creativity

Resources applied creatively to imaginative and innovative displays, programmes and experiences

## Community

Services driven by the needs and aspirations of today's diverse audiences, physical and virtual

## Accountability

Commitment to transparent reporting and achieving maximum value from all resources



## 1.2 Strategic Objectives for 2005/6

The strategic aims for 2005/06 continued to focus on the areas of increased access and audience development, modernisation of services, staff development, conservation and preservation as well as excellence and sustainability.

The Museum's corporate priorities are listed below, with details of activities that contributed to delivering these objectives during the year:



### To attract visitors and users from a wide age range and socio-economic background, and to be more easily accessible to all

The Museum has continued to increase, widen and diversify access to its collections by delivering an extensive programme of digitisation, improving its global digital offer, and by creating its first dedicated online gallery, *Your History*, at IWM North.

The Museum has been involved in several initiatives to broaden its range of visitors. *Partners in Time* (see 2.3) targeted schools from economically deprived areas, delivering a programme of group visits and teacher training. As part of the *Their Past Your Future* project (see 2.4), a touring exhibition visited 70 venues across the UK, from parks to shopping centres, engaging with over 1.4 million people from diverse backgrounds and localities throughout the year 2005/06.

A Diversity Working Group was established to inform Museum strategy, ensuring services and facilities are accessible and appealing to everyone.



### **To modernise the Museum's services and organisation, and to develop staff to their full potential**

The Museum has commenced a long-term programme of essential repairs to its buildings to ensure an appropriate environment is maintained for its visitors, staff, collections and equipment.

It has continued to develop its ICT infrastructure, upgrading the ticketing, fundraising and financial systems.

It has continued to support and develop its staff by implementing a new job evaluation scheme and by providing almost 1,000 training days in 12 months.

### **To enhance, manage and maintain the Museum's collections, buildings and displays to the highest standards**

In March 2005, IWM was the first national museum to receive Accreditation under the new scheme by the Museums, Libraries and Archives Council. Since then it has continued to improve the management and care of the collections in line with this programme of work.

The major construction phase of the *AirSpace* project at IWM Duxford (see 2.9) has been delivered and work will continue on the internal fit-out and exhibitions that are due for completion in summer 2007.

### **To optimise the use of resources and maximise revenue generation in order to improve financial sustainability and deliver the Museum's objectives**

The Museum has developed a targeted, 3-year fundraising strategy for implementation starting April 2006.

An Electronic Point of Sales (EpoS) system was installed and has improved stock management and increased commercial productivity.

The Museum's online shop was launched and has helped to increase revenue and productivity without added cost.

Expenditure on the corporate priorities for the year is disclosed under Charitable Expenditure on page 44, Consolidated Statement of Financial Activities.



### **To develop innovative and exciting educational programmes which will appeal to the widest audience**

The Museum has continued to deliver a formal teaching programme for students and pupils, providing ongoing development of the national curriculum including citizenship, literacy, art, history and science and technology.

The Museum offered a broad range of events and activities to promote life-long learning for visitors of all ages, backgrounds and abilities. Activities ranged from wartime dance workshops to history evenings, musical performances and children's clubs.

Training for teachers was provided through seminars, INSET days and by the IWM Fellowship in Holocaust Education, a free of charge and expenses paid programme of Continuous Professional Development.



## 1.3 The Friends of the Imperial War Museum

The work of the Museum is also supported by the Friends of the Imperial War Museum (registered charity no. 294360) which was established in 1986 to advance the education of the public by rendering support to the Museum. The organisation has no legal link with the Trustees of the Museum. Amongst other activities the Friends provide guided tours to visitors. IWM Duxford also receives valuable help with the aid of the Friends of Duxford. In addition, there are two not-for-profit organisations based in the United States: American Air Museum in Britain and American Friends of the Churchill Museum. Both provide valuable fundraising opportunities for the Museum.

## 1.4 Volunteers

Volunteers play a significant role in the life of the Museum. As of March 2006, the Imperial War Museum was receiving support from 1,000 volunteers, contributing over 20,000 days over the year, equivalent to 74 full-time posts.



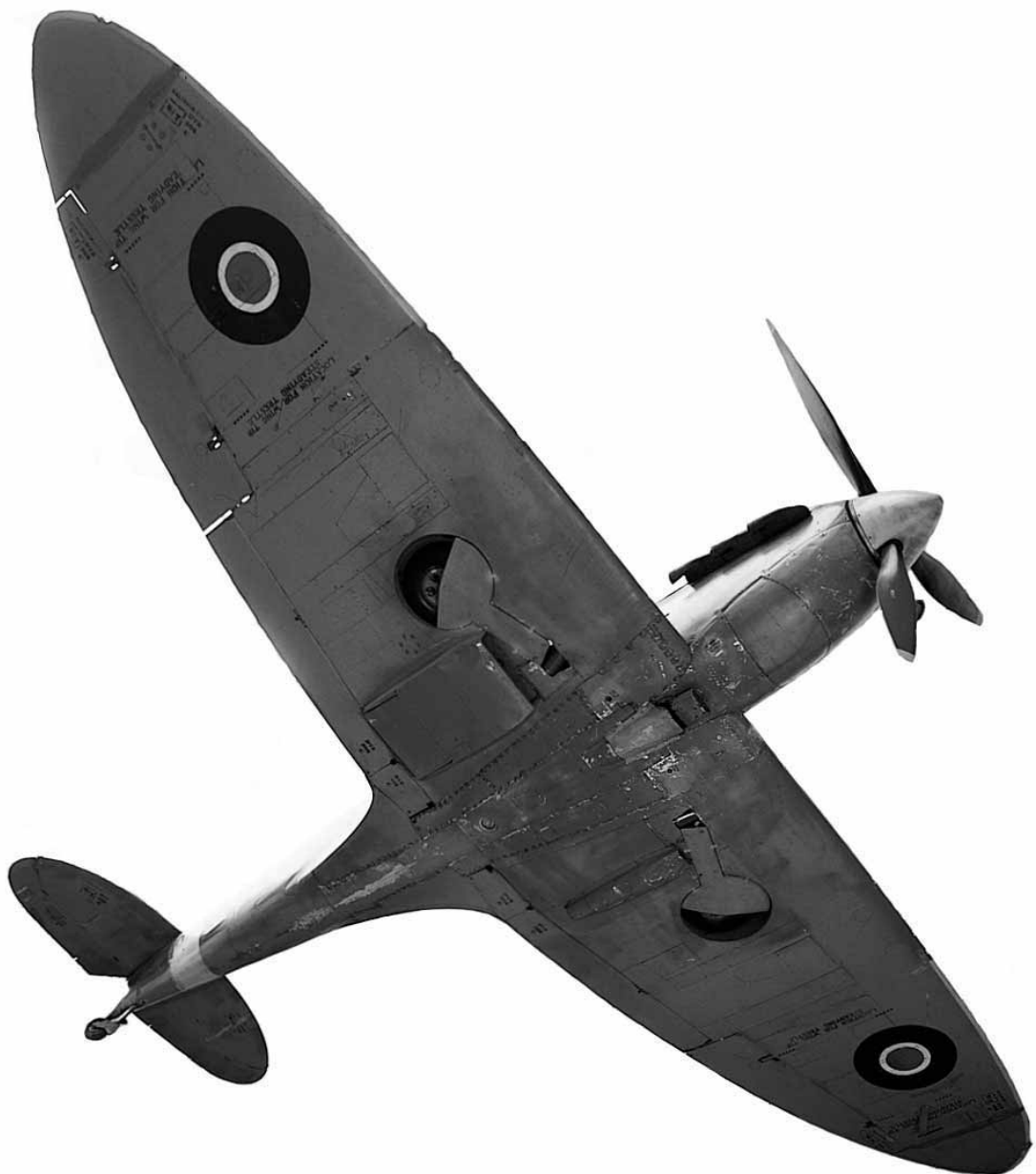
At IWM Duxford the volunteer contribution by the members of the Duxford Aviation Society has now reached the equivalent of more than 20 full-time posts. This largely supports the conservation programme, as well as providing free guided tours to visitors and the operation of the information centre.

IWM London collecting departments have received around 1,800 hours of support, chiefly for cataloguing work.

A new scheme has been launched at the Churchill Museum and Cabinet War Rooms that seeks volunteers from the Westminster community to assist with events and educational programmes.

An innovative volunteer programme that targets individuals from the local communities who do not engage with museums, or the broader cultural sector, is in operation at IWM North. All volunteers follow a tailor-made Cultural Heritage course, mapped to the Skills for Life curriculum. The course develops individuals' understanding of museums, prepares them for their role as a volunteer and allows them to improve their literacy skills, with the opportunity to gain a literacy qualification. The Home Office's Active Community Directive currently funds the programme until December 2006.

## 2. Achievements and Performance



## 2.1 Overview

The Museum welcomed almost 2 million visitors to its branches this year, despite the impact of the terrorist activity in July 2005, and over 7 million visitors to its website.



Commemoration of the sixtieth anniversaries of Victory in Europe and Victory in Japan was marked by special events at each of the Museum's branches, including veterans' reunions, themed air shows and participation in the *Living Museum* event in St James's Park.

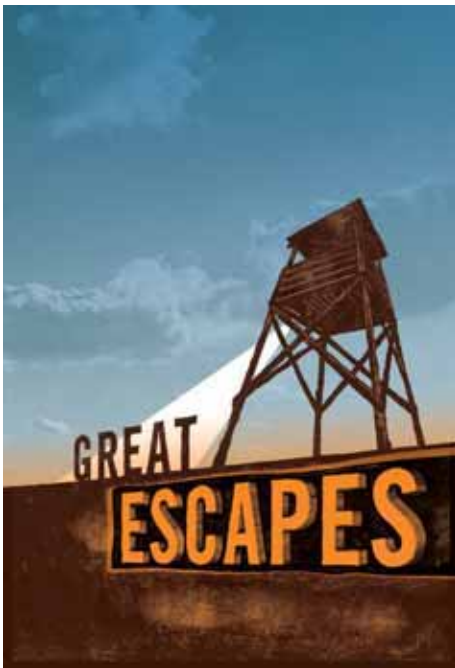
In January of this year, the Museum was awarded £997,000 from the Public Sector Research Exploitation Fund (PSRE) to advance the digitisation of its Collections, in particular significant parts of the Film and Video Archive. This will enable the Museum to facilitate increased access to this tremendous research resource and to maximise its commercial potential.

A detailed breakdown of Key Performance Indicators and the Museum's achievements against them can be found at the end of this section (see 2.13).



## 2.2 Exhibitions

The Museum has continued to deliver a high standard of exhibitions across a wide range of subjects in 2005/06. It is our aim to engage, stimulate and inspire our visitors by presenting and interpreting collections in creative and thoughtful ways that are appropriate to our subject. A diverse programme of temporary exhibitions was delivered in 2005-06, complementing the high standard of permanent displays on offer at each branch.



Major exhibitions at IWM London included *Great Escapes*, a hands-on interactive exhibition about escape attempts made by Allied prisoners during the Second World War; *Lawrence of Arabia: the Life, the Legend*, telling the story of Lawrence's extraordinary career and marking the seventieth anniversary of his death; and *Shared Experience: Art and War*, a collaboration with the Canadian War Museum and the Australian War Memorial, the first major exhibition of its kind to explore how Australia, Britain and Canada lived through and recorded the greatest conflict in history.

At the Churchill Museum and Cabinet War Rooms, a new temporary exhibition *Women and Reminiscence 1939-1945*, exploring the diverse roles of women during the Second World War, was displayed in the transatlantic lobby.

At HMS *Belfast*, *Commonwealth Navies* (below) highlighted the contribution made by the Commonwealth Navies to the final victory of the Second World War.

At IWM North, major exhibitions included *The North at War*, the first major exhibition to explore the experiences of people in the North of England during both world wars; and *Witness: Highlights of First World War Art*, an exhibition marking the ninetieth anniversary of the appointment of the first official war artist and including some of the best paintings, sculptures and drawings from the Museum's collections. In addition, a new Big Picture – a 360° audio-visual experience - was created. Entitled *The War at Home* (below), it explores the lives of people living at home through the Second World War.



## 2.3 Learning and Access

Learning at the Imperial War Museum is based on its Collections, the expertise of its staff in interpreting them, the permanent and temporary exhibitions, the exchange of knowledge with its users, and the professional development required to build a successful cultural organisation and business. The Museum strives to become a learning museum, in which staff and users take every appropriate opportunity to learn and to share good practice.

Opportunities for learning at the Museum are delivered in the following ways:

- ◆ A formal teaching programme for students and pupils;
- ◆ On-going development of the national curriculum, including citizenship, literacy, art, science and technology and history;
- ◆ A range of activities to promote life-long learning for adults and family groups;
- ◆ A programme of stimulating and informative permanent and temporary displays.

2005-06 has seen particular emphasis on inter-generational learning, encouraging families, schools and veterans to engage with the Museum and each other, with special emphasis placed upon commemorating the 60th anniversary of the end of the Second World War.

The Museum won further Strategic Commissioning Funding from the Department for Culture, Media and Sport and the Department for Education and Skills for outreach projects at IWM Duxford and IWM North. In partnership with local museums, *Partners in Time* at IWM Duxford targeted children and adults from schools in the highest areas of economic deprivation in the region and focused on providing tailored educational visits for groups and continuing professional development training for teachers. At IWM North, *Moving Minds* encouraged interaction and creative debate between teachers and young people from different faiths and communities, creating personal narratives delivered as podcasts (digital broadcast files available on the Internet).

The IWM Fellowship in Holocaust Education, now in its second year, has continued to offer a programme of lectures, seminars, discussion groups and workshops to provide an in-depth understanding of the complex history of the Holocaust.

The Collections Division also made a significant contribution to the Museum's learning programme through the provision of seminars, lectures and conferences, a number of family history days and participation in the London Open House Weekend and National Archive Awareness campaign.

	2004-05	2005-06
Learners in on-site educational programmes	474,017	478,322
Learners in outreach educational programmes	107,382	112,895
Children in on and off-site educational programmes	301,375	302,105

## 2.4 Their Past Your Future

*Their Past Your Future* is an inter-generational learning programme led by the Imperial War Museum and supported by the Big Lottery Fund. The UK-wide project aims to inspire people of all ages to truly discover the Second World War, how it shaped and altered the world's course, and why it is relevant now and in the future. It was launched in January 2004 and will continue until July 2006. The project comprises a programme of commemorative visits, a partnerships scheme, a digitisation programme and a touring exhibition as well as a series of short-term exhibitions at the Museum's branches. Imperial War Museum worked in partnership with Museums, Libraries and Archives Council England, Scottish Museums Council, National Library of Wales and Northern Ireland Museums Council to deliver this project.



### Commemorative visits programme

The Commemorative Visits programme included a competition for schools and youth groups to win educational visits to key historical destinations related to the Second World War, such as the Normandy beaches, Warsaw, Berlin, Thailand, Japan, New Zealand and Singapore.

***'Those who died are not just meaningless names on a stone, but people who actually had friends and family...'***

School student, Ursuline High School, *TPYF* Commemorative Visit to Monte Cassino, May 2004

### Partnerships Scheme

The Partnerships Scheme facilitated new links between schools or young people's organisations and local people who remember the war. Activities ranged from inviting a veteran into school to give a talk to interactive art, drama or music projects involving veterans and young people working together, exploring issues such as remembrance, conflict, reconciliation and commemoration.



### Digitisation Programme

The programme has worked on a significant portion of the Imperial War Museum's Collections relating to the Second World War. Over 70,000 works of art, documents, objects, film, photographs and books, as well as over 4,000 hours of sound recordings have been digitised over 18 months. The majority of these items are available to the public via Collections Online, the Museum's web-based collections database. [www.iwmcollections.org.uk](http://www.iwmcollections.org.uk)

### Touring Exhibition

The exhibition explored how the war changed the people and the landscape of the UK forever. At the core of the exhibition were personal stories that looked at how people kept their families safe; how wartime experiences changed people's lives and how people remember those they lost. The exhibition received over 2 million visitors at 70 venues during its 13-month run throughout the UK.

*'It took me away from all the blood, guts, glory and stuff like that ... it concentrated on what ordinary people actually did ... and it personalised it a lot.'*

Visitor, TPYF touring exhibition, Reading Museum



*Their Past Your Future* has funded the following temporary exhibitions on the Second World War at IWM branches: *D-Day*; *The Children's War*; and *The North at War*. A record of this project, and a range of teaching and learning resources, are available from the project website. It is also part of the wider Veteran's Reunited programme. [www.theirpast-yourfuture.org.uk](http://www.theirpast-yourfuture.org.uk)

Beneficiaries to project and Museum *	For year 2005-06	Total until end March 2006
Visitors to travelling exhibitions	1,422,925	2,004,405
People taking part in commemorative trips	272	640
Veterans committed to working with schools	529	529
People benefiting from digitisation	366,699	526,055
Short-term exhibitions at IWM branches	469,450	831,685
<i>Their Past Your Future</i> website users	316,555	355,375
<b>Total beneficiaries</b>	<b>2,576,430</b>	<b>3,718,689</b>

\* Figures for *Their Past Your Future* are not included in overall Museum visitor, learner or website figures.



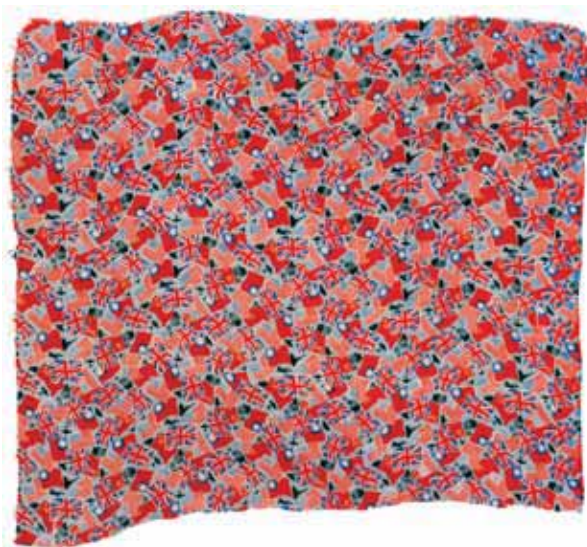


## 2.5 Collections

Notable acquisitions, made chiefly by way of gifts, have included the papers of Flight Lieutenant Oliver Philpot MC DFC relating to his successful escape from Stalag Luft III, via the 'wooden horse', to Sweden; a telegram from Mussolini to Hitler congratulating the German and Italian armies on the capture of Tobruk, together with Hitler's reply, partly amended in his own hand; a set of 23 drawings and paintings by artist Margaret Abbess; a diary kept from August to December 1914 by Norman Macleod, the Private Secretary to the First Lord of the Admiralty; three autograph letters in Arabic, with accompanying translations, by His Majesty King Feisal of Iraq to Colonel T E Lawrence (Lawrence of Arabia); a collection of 15 Second World War posters by Stacey Hopper; two greatcoats, once the property of Kaiser Wilhelm II; three collections of amateur film, including colour material of the surrender of U-boats at Loch Eriboll and Japanese surrenders in Hong Kong and a substantial amount of video material relating to Northern Ireland, Afghanistan and Iraq.

Sound Archive recordings have continued actively, some highlights being an interview with Countess Mountbatten of Burma, and one with Albert Hughes who was a chemist with Chemical Research Defence Establishment working on mustard gas and sarin nerve gas.

This year has seen considerable activity within the Department of Art with outward loans for *Shared Experience* and *William Orpen: Politics, Sex and Death*, as well as the loan of 11 posters and paintings to Tate Britain. Other significant outgoing loans across all of the Collecting Departments included 19 items for an exhibition marking the 500th anniversary of the Royal College of Surgeons in Edinburgh, as well as the loan of material for *Europe Regained* to the Durham Light Infantry Museum and Art Gallery, which consisted of 56 works, text panels and caption text. Other notable loans included the Victoria Cross of the late Captain CH Mullins VC CMG for his actions at Elandsplaagte on 21 October 1899, and the loan of textile items to a major exhibition in New York (below). During the year, film loans included 15 titles to the International Documentary Festival and four to the Hungarian National Archive, as well as material for the London Film Festival.



## 2.6 Publications

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

*The Imperial War Museum Book of the War at Sea 1914 – 1918* by Julian Thompson (Pan Macmillan)

*The Victory in Europe Experience* by Julian Thompson (Carlton)

*Watching Monty* by Johnny Henderson and Jamie Douglas-Home (Sutton)

*Forgotten Voices of the Holocaust* by Lyn Smith (Ebury Press)

*Lawrence of Arabia: the life, the legend* by Malcolm Brown (Thames & Hudson)

*Battlefields of the First World War* by Peter Barton (Constable and Robinson)

*War Children* by Phil Robins (Scholastic)

*Special Operations Executive: a new instrument of war* edited by Mark Seaman (Routledge)

*Holocaust and the Moving Image* co-edited by Toby Haggith of the IWM Film Archive (Wallflower Press)

*The 1916 Experience: Verdun and the Somme* by Julian Thompson (Carlton)

*Tracing Your Family History (Army)* (IWM)

*Tracing Your Family History (Royal Navy)* (IWM)

*True Stories of the Blitz* by Paul Dowsell (Usborne)

Reprints from the Department of Printed Books' collections have included:

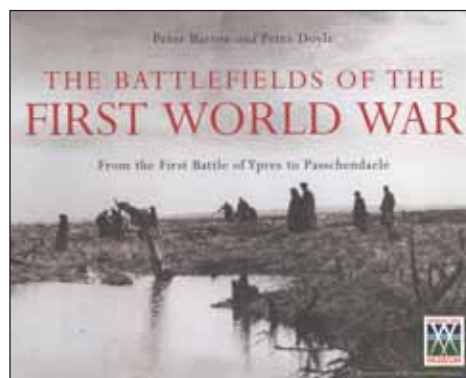
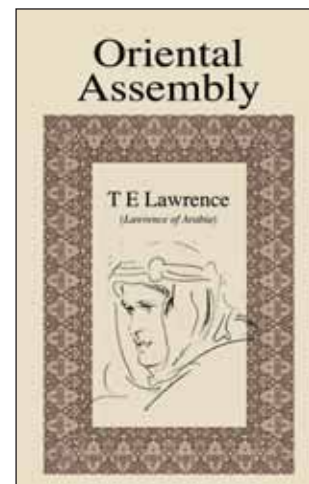
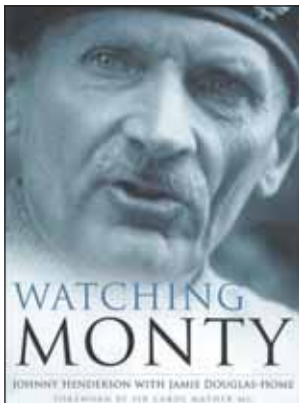
*Oriental Assembly* by TE Lawrence, first published in 1939

*Insurrection in Mesopotamia* by Lt General Aylmer Haldane, 1922

Three booklets relating to HMS *Belfast* comprising Commission books for 1950-52 and 1961-62 and the story of HMS *Belfast* produced for children in 1977

Booklets relating to *Experiences of the IV German Corps* and *Historical Notes on German Divisions*

Two historical pamphlets: *Wise Eating in Wartime* and *Make Do and Mend*



## 2.7 Events

### 60th Anniversary Events

Following on from the successful events marking VE Day, further commemorative events and activities were offered at each of the Museum's branches to mark Veterans' Awareness Week in early July. These special events included themed film screenings, opportunities to meet Second World War veterans with a variety of experiences, or to join in 1940s dance routines, and object handling sessions. The Museum's contribution to the *Living Museum* in St James's Park explored the impact of the war on British society through costumed characters and wartime objects and included interactive activities and the *Their Past Your Future* travelling exhibition. To mark the national commemoration day on 10 July, free entry was granted to visitors aged 60 and over to HMS *Belfast*, the Churchill Museum and Cabinet War Rooms, and to charging exhibitions at IWM London.

Special events to mark VJ Day included a reunion of Far East veterans and prisoners of war, hosted by IWM London in the presence of HRH The Duke of Edinburgh, a party for and reunion of internees who were entertained onboard HMS *Belfast* in 1945, hosted by the Ship, and a day of activities including a veterans' march past and flying displays at IWM Duxford, organised in association with the Burma Star Association.



### Air Shows

A programme of successful Air Shows were held at IWM Duxford, including the VE Show in May and the Flying Legends Show, in July. The Flying Legends Show, organised by the Fighter Collection in association with IWM Duxford, played a leading role in the national commemoration of the 60th anniversary of the end of the Second World War. More than 20 of the Second World War aircraft appearing at the show, including the Battle of Britain Memorial Flight Lancaster, Spitfire, Hurricane and Dakota, a B-17 Flying Fortress and a B-25 Mitchell, took off from Duxford to take part in the commemorative flypast along The Mall in London, witnessed by Her Majesty The Queen and thousands of veterans and spectators on Sunday 10 July. The Flying Proms event – a unique combination of flight, music and fireworks in the twilight setting attracted a sell-out crowd at the end of July.



## 2.8 AirSpace

*AirSpace* is a major new project at IWM Duxford. Due to open in July 2007, it will incorporate an aircraft hall, housing 32 historic British and Commonwealth aircraft, exhibitions and viewing galleries, learning centre, corporate suite, lecture theatre and a conservation area where visitors can view large aircraft awaiting conservation work.

Much of the major building phase has been completed in 2005-06 and work has moved on to exhibition and interior fit-out stages.



The project has been allocated significant funding from the Heritage Lottery Fund, BAE SYSTEMS (who have formed a partnership with the Imperial War Museum, enabling the company to centre its main heritage activities at IWM Duxford) and the East of England Development Agency.



## 2.9 United Kingdom National Inventory of War Memorials

The UK National Inventory of War Memorials database marks the unique place that memorials have in our nation's history and provides for the first time a UK-wide database commemorating all conflicts, not just those of the First and Second World War.

Much of the collection of data has been carried out by a large team of volunteers from local and family history groups, schools and colleges, parish councils and various veterans' organisations. Some have sent information on one local memorial; others have tirelessly searched countrywide, through parish records and newspaper archives to collate a thorough survey of large areas of the country.

In November 2005 the UKNIWM achieved a major milestone with the launch of its website. [www.ukniwm.org.uk](http://www.ukniwm.org.uk) For the first time, records of over 53,000 war memorials recorded so far by the Inventory were made available online, giving access to a far wider audience. New information and memorials are being added constantly. In addition, the Inventory has joined in a 3-year partnership with Channel 4 to create an online resource entitled *Lost Generation*. Using material collected by UKNIWM, Channel 4 has created a mini database of First World War memorials in the UK and has funded the digitisation of the names of those commemorated on them.

## 2.10 Awards

The Churchill Museum received the following awards in 2005-06:

- ◆ Group Leisure Industry Award for Best New Attraction 2004/05
- ◆ 2005 Interpret Britain and Ireland Award from the Association for Heritage Interpretation
- ◆ Bronze in the Large Visitor Attraction category for the 2005 VisitBritain Awards
- ◆ Group Leisure Industry Award for best new attraction 2005
- ◆ Consumer Installation of the Year Award for 2005 from UK Audio Visual Awards
- ◆ Themed Entertainment Association Award for Outstanding Achievement in Respect of the Lifeline
- ◆ The 2006 Council of Europe Award for Museums

HMS *Belfast* has received VisitBritain's Quality Assured Visitor Attraction Accreditation, the report for which praised the Ship's excellent standard of customer service and exhibitions.

IWM North received a commendation from the Museum & Heritage Awards for the exhibition *The Greater Game: sport, war and peace*. It also won Best Large Visitor Attraction in the Greater Manchester Tourism Awards. This qualifies the branch for the north-west regional final for the award, which it won in 2003. In addition a Star Turn Award from Culture North West and an award in the Arts & Culture section of the new Greater Manchester Social Responsibility Awards were received for the Volunteer Scheme.

In June 2005 the announcement was made that the 1916 documentary film *The Battle of the Somme* (below), held in the Museum's Film Archive, is to be inscribed on UNESCO's Memory of the World Register. This is the first wholly British 'document' to achieve this international recognition.



## 2.11 Key Supporters in 2005/06

AgustaWestland  
BAE SYSTEMS  
Big Lottery Fund  
The Bluston Charitable Trust  
The Conference on Jewish Material Claims against Germany  
Duxford Aviation Society  
East of England Development Agency  
The Economist Group  
Mr Richard L Fisher  
Friends of the Imperial War Museum  
The Garfield Weston Foundation  
The Gerry Holdsworth Special Forces Charitable Trust  
Mr Simon Gibson CBE DL  
Mr Derek C Hathaway  
Heritage Lottery Fund  
Lord and Lady Jacobs  
The Jagger Bequest  
Marshall of Cambridge (Holdings) Ltd  
Microsoft Research Ltd  
The National Lottery through the Millennium Commission  
The Performing Right Society Foundation  
The Rank Foundation  
Rolls-Royce plc  
Mr Elihu Rose  
Smiths Group plc  
The Steinberg Family Charitable Trust  
The late Mr Andrew Wiseman  
The Wolfson Foundation

## 2.12 Diversity

The Museum is committed to promoting equality, valuing diversity and combating unfair treatment. A Diversity Working Group has been established to develop a new policy and action plan for diversity and equality in all areas of the Museum’s work including exhibitions, collections, learning, interpretation, audience participation, recruitment and workforce development and management. The working group consists of representatives from across branches and functions and is chaired by the Head of Personnel.

## 2.13 Key Performance Indicators

	<b>2004/05 actual</b>	<b>2005/06 target</b>	<b>2005/06 actual</b>
Total number of visits to the Museum (excluding virtual visits)	2,056,446	1,906,000	1,906,510
Number of children aged 15 and under visiting the Museum	538,300	542,640	498,270
Number of adult UK visitors (aged 16 and over) from NS-SEC groups 5-8 attending the Museum	570,872	562,687	516,532
Number of children aged 15 and under in on- and off-site organised educational sessions	301,375	275,300	320,050
Total number of website visits	2,940,000	7,300,000	7,787,302

The number of children visiting the Museum was greatly reduced in 2005/06 as a result of the terrorist activity in London in July 2005. However, of those that did attend, over 50% took part in an organised educational session.

### 3. Plans for Future Periods





### 3.1 Overview of the Corporate Plan 2006 - 2009

The Corporate Plan for 2005-2009 is organised around nine corporate priorities, aligned with the Museum's longer-term objectives. Plans for delivery are detailed below.

#### Collections, curatorial and research services

- ◆ Continue to improve collections management and care by delivering essential conservation, documentation and cataloguing work in order to fulfil the Museum's Accreditation status and by implementing a new Collections Management System.
- ◆ Make IWM's collections easily accessible through the digitisation programme and by implementing a Digital Asset Management System (DAMS).



### Buildings and accommodation

- ◆ Enhance environmental storage conditions for collections on display and in store.
- ◆ Procure and implement new security and fire detection systems where necessary for the safety of staff and visitors.

### Learning

- ◆ Publish a Museum-wide Learning Strategy to implement the principles of Inspiring Learning for All across all Museum branches.
- ◆ Foster the development of community projects and audience development at IWM North and IWM London through the appointment of a Community Outreach post at each branch.
- ◆ Continue to develop and deliver an excellent programme of learning and activities.

### Interpretation, visitor experience, displays, exhibitions and events

- ◆ Deliver a strong and unified programme of exhibitions accessible by a wide and diverse audience across the Museum branches including the Museum's first major online exhibition, *The Battle of the Somme*.  
[www.iwm.org.uk/thesomme](http://www.iwm.org.uk/thesomme)
- ◆ Complete the internal fit-out, the exhibitions programme and installation of the objects into *AirSpace* in time to open in summer 2007.



## The Battle of **THE SOMME** 1914 1915 1916 1917 1918

[www.iwm.org.uk/thesomme](http://www.iwm.org.uk/thesomme)

New online exhibition  
and accompanying display  
From 1 June 2006

Admission free



Waterloo, Lambeth North, Elephant and Castle, Southwark  
Imperial War Museum London Lambeth Road London SE1 6HZ  
[www.iwm.org.uk/thesomme](http://www.iwm.org.uk/thesomme)

### **Marketing and communication**

- ◆ Develop the reach of the Museum's marketing and communications to attract new visitors, particularly young people and people from ethnic minorities and disadvantaged groups.
- ◆ Joint and online ticketing programmes, together with joint mailings, will be developed to encourage cross-branch visitation and achieve efficiency of expenditure.

### **Income generation**

- ◆ Extend and refit IWM London's shop in 2007/8 and create a special event shop at IWM Duxford.
- ◆ Deliver a targeted 3-year fundraising plan.
- ◆ Increase income from digital resources and commercial merchandise linked to exhibitions and anniversaries.
- ◆ Develop and implement a long-term strategy for fundraising, including schemes for Individual Giving, Donor Care and Corporate Membership.

### **The Web**

- ◆ Redevelop the IWM website by enhancing content and delivery with a view to increasing and diversifying our audience and increase online revenues.

### **Staff**

- ◆ Continue to develop a well-trained, expert, flexible, diverse and motivated staff, with professional skills and competencies developed in support of the Museum's corporate priorities.
- ◆ Review the pay architecture and staff training programme to ensure they continue to support the Museum's long-term objectives and priorities.
- ◆ Update the *Staff Handbook* in response to age legislation and develop a comprehensive career development framework.
- ◆ Build on the successful volunteer programmes at IWM Duxford, IWM North and the Churchill Museum and Cabinet War Rooms and appoint a Volunteer Co-ordinator at HMS *Belfast* to co-ordinate programmes at London branches.

### **Corporate governance**

- ◆ Implement a Museum-wide Diversity Policy.
- ◆ Improve the efficiency and the effectiveness of the organisation.
- ◆ Develop planning in response to strategic opportunities and risks.
- ◆ Establish specific groups tasked to develop and take forward the IWM 2020 agenda.
- ◆ Ensure compliance with all legislative requirements including the Data Protection, Freedom of Information, Environmental Information and Disability Discrimination Acts.

## 4. Financial Review



## 4. Financial Review

The Museum is partly funded by Grant-in-Aid from the Department for Culture, Media and Sport. Excluding additional funding for the increase in pension contributions and capital repairs, the grant increased by £265,000 (1.6%) compared to the previous financial year. Other major sources of funding are the Museum's trading activities, and sponsorship and donations.

Financially it has been a challenging year for the Museum. The terrorist activity in London in July 2005 had a severe impact on admission numbers and anticipated income from this source. It also affected secondary spend in the shops and on catering. The Museum took effective action to reduce operational and project expenditure across the board to counter this, which amounted to cuts of more than £1.5 million. A further adjustment was also required to address the huge increases in utility prices, which amounted to a further £300,000. In addition, the costs to the Museum of funding the pension scheme for staff, the Principal Civil Service Pension Scheme, have risen by 40% from the previous year (£660,000) on average.

The Combined Income and Expenditure Account is presented on page 43. This includes the combined results of the IWM group, namely the Museum and its branches, the Trading Company and the Development Trust. In summary, the surplus on operations is £388,000. Part of this comprises funds received specifically for projects that will take place in the following financial year. It also includes funds designated for environmental works that could not be completed within the year.

The principal capital project has been *AirSpace* at IWM Duxford. Construction has been proceeding throughout the financial year. The unrestricted funds of the Museum, held in the Development Trust, have been used to provide cash flow for pledges of income receivable in the future and to underwrite the fundraising campaign. These funds will be replaced as this income is received. Overall voluntary income has increased by more than 50% (page 44, Statement of Financial Activities). This is chiefly through the success of the fund raising for the *AirSpace* and Churchill Museum projects.

The gross profit from trading activities (note 14, page 59-60) has increased by 12%, the highest performers being corporate hospitality at all branches and at the Churchill Museum and Cabinet War Rooms in particular, and the charging temporary exhibition programme at IWM London. The operating profit has increased further as indirect costs have been reduced.

### Reserves Policy

Restricted reserves are represented chiefly by the inalienable land and buildings of the Museum. Those held in cash have arisen as a consequence of a donation, grant or sponsorship for a specified purpose. These are held in the IWM Development Trust, which is chiefly concerned with raising and managing funds to foster development and sustainability of the Museum. The Museum does not hold unrestricted reserves in accordance with Government Accounting.

## 5. Structure, Governance and Management



## 5.1 Overview

The Imperial War Museum is an independent, statutory, corporate, public body with exempt charity status. It is governed by a Board of Trustees acting on the authority of the Imperial War Museum Acts 1920 and 1955, the Museums and Galleries Act 1992 and other relevant legislation. The Board comprises a President (HRH the Duke of Kent) who is appointed by the Sovereign, and 21 other Trustees, 10 of whom are appointed by the Prime Minister; two by the Secretary of State for Foreign and Commonwealth Affairs, one by the Secretary of State for Culture, Media and Sport, one by the Secretary of State for Defence, and seven by Commonwealth Governments. The Trustees' Chief Executive Officer is the Director-General who is also the Accounting Officer. The Museum's Senior Management Team (SMT) assists the Director-General to co-ordinate and formulate policy and monitor progress on key plans. It meets monthly and is chaired by the Director-General. It comprises all branch and divisional directors.

The practices and procedures of the Museum comply with the requirements of HM Treasury's 'Government Accounting' and the Management Statement and Financial Memorandum agreed with the Department for Culture, Media and Sport (DCMS), which is the Museum's sponsor department in relation to public funds. These set out the conditions attached to the Museum's government Grant-in-Aid. The Director-General is the Accounting Officer, appointed by the Accounting Officer of the DCMS.

The Trustees subscribe to a Code of Practice based on models supplied by the Cabinet Office (Office of Public Service). A Trustees' Audit Committee, conformable with this, meets four times a year, reporting annually to the Board of Trustees in September. The Board's Remuneration Committee meets annually to consider pay awards for the Director-General. This comprises the Chairman and Deputy Chairman of the Board of Trustees and the Chair of the Audit Committee. The remuneration of the Director-General and the salary costs of staff are stated in note 6 to the Accounts, page 52-53.

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

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

## 5.2 Corporate Governance

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

## 5.3 Risk Management

A risk management regime is embedded across the organisation to support and inform the Statement on Internal Control required by HM Treasury. The Trustees' Audit Committee plays a leading role in advising on and overseeing this system. The review and communication of the risks is undertaken regularly. The culture of risk management is an integral part of the management culture of the Museum. This is achieved by:

- ◆ Making the identification of risks an integral part of the planning process. Objectives have been set and then risks linked directly to them;
- ◆ Establishing one risk database for the whole organisation from departmental through divisional;
- ◆ The incorporation of risk management into the quarterly stewardship reporting by all directors to the Director-General;
- ◆ Quarterly review of the strategic risks, and progress against them, by the Museum's Senior Management Team, at every meeting of the Trustees' Audit Committee, and annually by the Board of Trustees;
- ◆ Integrating risk assessment into all key Museum business cases and project management regime; and
- ◆ Internal audit reviews of all branches on internal control and risk management to provide assurance to the Director-General.

The Audit Committee and the Board of Trustees have approved the strategic risk register.

In addition the Museum has a system of management checks which supports the system of internal controls and links to plans and risks. Reports are made by each director of division to the Director-General every quarter.

## 5.4 Personnel Policies

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

In 2005-06, the staff code of conduct was updated and new whistleblowing procedures introduced. The Pay and Conditions section of the *Staff Handbook* was updated to include details of the Museum's new job evaluation scheme.

The Museum also has a Work-Life Policy Group and policies covering career breaks, sabbaticals and flexible working. It is wholly supportive of both internal and external secondments.



## 5.5 Informing and Consulting Employees

Senior management communicates with staff through the preparation and circulation of annually updated corporate plans and via the Staff Forum which includes all directors, heads of departments and selected members of staff on a rotation basis, and through the machinery of the Staff Consultative Council and its General Purposes Committee and the Departmental Health and Safety Committee as well as informal meetings, internal memoranda and staff notices.

The Museum strives to ensure good internal communication by publishing a quarterly staff newsletter, *Searchlight*, and encouraging regular team, departmental and cross-divisional meetings. The Museum's Intranet is regularly updated with relevant staff and corporate information and features a web-based forum for staff discussion.

## 5.6 Public Sector Payment Policy

The Museum has implemented the Confederation of British Industries' Prompt Payers Code. All suppliers are informed by standard letter of the Museum's payment procedure and the system for addressing complaints and disputes. The percentage of invoices paid promptly in 2005/06 was 90%, compared with 89% in 2004/05.

## 6. Reference and Administrative Details of the Charity, the Trustees and Advisors



## 6.1 Addresses

Imperial War Museum London  
Lambeth Road, London SE1 6HZ

Churchill Museum and Cabinet War Rooms  
Clive Steps  
King Charles Street, London SW1A 2AQ

Imperial War Museum Duxford  
Duxford, Cambridge CB2 4QR

HMS *Belfast*  
Morgans Lane, Tooley Street, London SE1 2JH

Imperial War Museum North  
Trafford Wharf Road, Trafford Park, Manchester M17 1TZ

Website  
[www.iwm.org.uk](http://www.iwm.org.uk)

## 6.2 Principal Advisors

### **Solicitors**

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

### **Bankers**

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

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

## 6.3 Audit

Under statute, the Comptroller and Auditor General is the principal auditor of the Museum's consolidated accounts for the year ended 2005/06. The audit fee in respect of this work was £30,000.

### **Auditors**

#### **Consolidated Accounts**

Comptroller and Auditor General

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

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

#### **Imperial War Museum Trading Company Limited and Trust Fund Auditors**

Buzzacott

12 New Fetter Lane, London EC4A 1AG

## 6.4 The Imperial War Museum Trading Company

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

The principal activity of the Trading Company is the operation of the commercial activities of the Museum, including retailing, corporate hospitality and the Duxford Air Shows.

Educational activities for the Museum are also operated by the Trading Company.

#### **The Directors of the Imperial War Museum Trading Company**

Miss J Munsiff (Chairman)

Miss Kate Adie OBE

Mr J M Card ACA

Mr R W K Crawford CBE

Miss A Godwin

Lieutenant General Sir Christopher Wallace KBE

## 6.5 The Imperial War Museum Development Trust

The Imperial War Museum Development Trust was constituted by a Declaration of Trust dated 8 September 1969, most recently varied in June 2004. It is an exempt charity. The Trustees of the Imperial War Museum Development Trust are empowered to receive, hold and administer funds or other assets entrusted to them by grant, gift or bequest for purposes appropriate to the functions of the Trust. Their remit includes the development of longer-term resources for the Museum. Names of the Trustees are set out in the Legal and Administrative Details section of this report. The financial activities of the Trust are consolidated with those of the Museum in these financial statements.

### **The Trustees of the Imperial War Museum Trust**

Admiral Sir Jock Slater GCB LVO DL (Chairman) ex officio

Mr R W K Crawford CBE (Director-General) ex officio

Miss Kate Adie OBE

Sir Robin Fearn KCMG

Miss Jyoti Munsiff

The Baroness Neuberger DBE

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS

Lieutenant General Sir Christopher Wallace KBE DL

Christopher Fisher Esq (from September 2005)

Sir Thomas Harris KBE CMG (from September 2005)

## 6.6 Director-General and Accounting Officer

The Director-General and Accounting Officer for the Museum is Mr R W K Crawford CBE.

## 6.7 Delegation of public appointments

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

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

## 6.8 Members of the Board of Trustees

### The Board of Trustees of the Imperial War Museum

#### President

The Duke of Kent KG GCMG GCVO

#### Chairman

(until 7 June 2006)

Admiral Sir Jock Slater GCB LVO DL

#### Deputy Chairman

(Chairman from 8 June 2006)

Air Chief Marshal Sir Peter Squire GCB DFC AFC DSc FRAeS

#### Board members

Miss Kate Adie OBE

Ian Andrews CBE TD

Dame Jean Else DBE MA

Sir Robin Fearn KCMG

Christopher Fisher Esq \*

Professor Sir Lawrence Freedman KCMG CBE FBA

Sir Thomas Harris KBE CMG \*

Miss Jyoti Munsiff

The Baroness Neuberger DBE \*

Lieutenant General Sir Christopher Wallace KBE DL \*

Bill Woodrow Esq RA

Tom Wright Esq

His Excellency The Hon Richard Alston (Australian High Commissioner)

His Excellency Mel Cappe (Canadian High Commissioner) (until June 2006)

His Excellency Kamallesh Sharma (Indian High Commissioner)

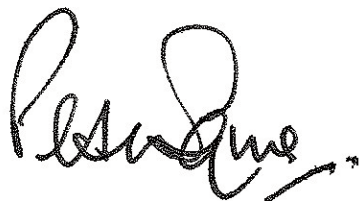
His Excellency The Rt Hon Jonathan Hunt ONZ (New Zealand High Commissioner)

Her Excellency Dr Maleeha Lodhi (High Commissioner for Pakistan)

Her Excellency Lindiwe Mabuza (South African High Commissioner)

Her Excellency Kshenuka Senewiratne (Sri Lankan High Commissioner)

\* Members of the Trustees' Audit Committee



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



Robert Crawford CBE  
Director-General and Accounting Officer

Date 14 July 2006

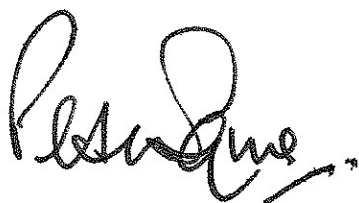
## Statement of Trustees' and Director-General's Responsibilities

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

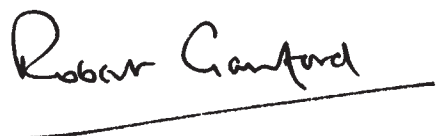
In preparing the Museum's accounts the Board of Trustees is required to:

- ◆ observe the accounts direction issued by the Secretary of State (\*), including the relevant accounting and disclosure requirements, and apply them on a consistent basis;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- ◆ prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director-General, Mr R W K Crawford CBE, as the Accounting Officer for the Imperial War Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the *Non-Departmental Public Bodies' Accounting Officer Memorandum*, issued by the Treasury and published in Government Accounting.



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



**Robert Crawford CBE**  
Director-General and Accounting Officer

**Date** 14 July 2006

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

# Statement of Internal Control

## **Scope of responsibility**

As Accounting Officer, the Director-General has responsibility for maintaining a sound system of internal control that supports the achievement of the Imperial War Museum's policies, aims and objectives, whilst safeguarding the public funds and museum assets for which he is personally responsible, in accordance with the responsibilities assigned to him in Government Accounting, and specifically the Management Statement and Financial Memorandum between the Museum and the Department for Culture, Media and Sport.

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

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

## **The purpose of the system of internal control**

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Museum policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Imperial War Museum for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## **Capacity to handle risk**

The development of the system of Risk Management in the Museum has been driven by the Director-General. In this he has been supported by the Senior Management Team and from them the process has been cascaded throughout the organisation. The effectiveness of the process is regularly reviewed by the Trustees' Audit Committee and on an annual basis by the Board of Trustees. The Board is also updated on progress relating to the highest risks.

The internal audit function has played a leading role in advising on and developing appropriate systems, and for providing training to staff at all branches of the Museum, including the publication of intranet guides. The process, overall, is monitored by the Secretary and Director of Finance. Risk management is viewed as a live process, which actively seeks to incorporate good practice from within and external to the sector.



### The risk and control framework

The key elements of the risk strategy are to:

- ◆ Make the identification of risks an integral part of the planning process. Objectives have been set and risks linked directly to them;
- ◆ Assess risks on the basis of likelihood and impact, and evaluate the impact of controls to distinguish between inherent risk and residual risk; and
- ◆ Establish one risk database for the whole organisation. This comprises information by branch and at a corporate level. Wider access is available to this information in a strictly controlled manner.

There are a number of strategic risks that the Museum considers to be of the highest priority, although none of these is at the most critical level. They comprise: the risk of a terrorist attack or other physical catastrophe; an adverse economic climate; the failure to exploit commercial opportunities; ineffective estates management; the preservation of the collection and the risk of thefts from it; and the impact of changes to Government policy. Each risk has a programme of action against it and a target date to reduce the rating to the next level.

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

- ◆ On-going training across the organisation and regular review of the risk registers;
- ◆ Encouraging feedback from directors and heads of department on the way the risk management process is working in practice;
- ◆ Incorporating risk management into the quarterly stewardship reports by division and branch directors to the Director-General to provide an update of the work carried out;
- ◆ Reviewing strategic risks, and progress against them, by the Museum's Senior Management Team every quarter and by the Trustees' Audit Committee at each of their meetings; and
- ◆ Integrating risk assessment into all key Museum business cases and project management regime.

### Review of effectiveness

As Chairman of the Board of Trustees and Accounting Officer, we have responsibility for reviewing the effectiveness of the system of internal control. Our review is informed by the work of the internal auditors and the executive managers within the Imperial War Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letters and other reports:


- ◆ Internal Audit – the Museum has an Internal Audit Department, which operates to the Government Internal Audit Standards. The Internal Audit Department submits regular reports and advice to the Accounting Officer, which includes the Head of Internal Audit's annual statement of assurance supporting the work performed during the year;
- ◆ Audit Committee – the remit of the Audit Committee also reflects Government Internal Audit Standards and Cabinet Office guidance;
- ◆ Executive managers – branch and divisional directors review risks on a continual basis and report on the outcome to the Director-General on a quarterly basis. A series of checks is carried out to corroborate the effectiveness of controls and;

- ◆ Board of Trustees – each member of the Board of Trustees provides an annual assurance statement that confirms she or he has no related party transactions or conflicts of interest which may compromise their position within the rules and procedures laid down by the government for the operation of a public body and have sought to maximise value for money in all transactions.

#### **Actions taken with respect to serious internal control issues**

During the year we identified that a fraud had been perpetrated at the Churchill Museum and Cabinet War Rooms by certain admissions staff, resulting in a loss to the Museum estimated at between £10 - 20,000. The fraud was detected, and fully investigated, by our internal audit function; internal controls were strengthened to mitigate this risk in the future. The members of staff who admitted their part in the fraud were dismissed.

We have been advised by the Board and the Audit Committee on the implications of the result of our review of the effectiveness of the system of internal control. A plan to ensure continuous improvement of the system is in place.



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



**Robert Crawford CBE**  
Director-General and Accounting Officer

**Date** 14 July 2006

## Remuneration Report, 1 April 2005 - 31 March 2006

### **The Remuneration Committee**

The Board's Remuneration Committee meets annually to consider pay awards for the Director-General. This comprises the Chairman and Deputy Chairman of the Board of Trustees and the Chair of the Audit Committee. The remuneration of the Director-General and the salary costs of staff are stated in note 6 to the Accounts, page 52-53. The Remuneration Committee also receives details of the Senior Management Team pay. The Senior Managers are set objectives based on the Museum's business plans. The Director-General reviews their performance against these and an element of their pay is dependent on this.

## **IMPERIAL WAR MUSEUM & GROUP**

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

I certify that I have audited the financial statements of the Imperial War Museum Group for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, the Income and Expenditure Account, the Consolidated Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

#### **Respective responsibilities of the Board of Trustees, the Director-General, and Auditor**

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, with the consent of the Treasury. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Imperial War Museum or the group have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 37 to 39 reflects the Imperial War Museum's and the group's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director-General's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Imperial War Museum's and the group's corporate governance procedures or its risk and control procedures.

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

#### **Basis of audit opinion**

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

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

## **Opinion**

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, of the state of the affairs of the Imperial War Museum and the group as at 31 March 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
*Comptroller and Auditor General*  
*National Audit Office*  
*157-197 Buckingham Palace Road*  
*Victoria*  
*London SW1W 9SP*  
*Date 20 July 2006*

**Consolidated Summary Income and Expenditure Account  
for the year ended 31 March 2006**

	See Notes Below	2006 £'000	2005 £'000
<b>Operations</b>			
Incoming Resources	1	36,152	34,686
Resources Expended	2	(35,764)	(34,663)
Total Surplus for the year		<u>388</u>	<u>23</u>
<b>Capital</b>			
Income applied to Capital Expenditure		11,146	3,718
Less Depreciation		(6,707)	(6,585)
Equipment Written down		-	(315)
Impairment		-	-
Add Gains on Revaluation of Fixed Assets		11,067	10,909
Net Capital income		<u>15,506</u>	<u>7,727</u>
Net Movement in Funds		<u>15,894</u>	<u>7,750</u>

**Reconciliation to the Statement of Financial Activities**

	2006 £'000	2005 £'000
<b>1 Total Incoming Resources</b>		
Operations	36,152	34,686
Capital	11,146	3,718
	<u>47,298</u>	<u>38,404</u>
<b>2 Total Resources Expended</b>		
Operations	35,764	34,663
Depreciation	6,707	6,585
Equipment written down	-	315
Impairment	-	-
	<u>42,471</u>	<u>41,563</u>

The notes on pages 47 to 63 form part of these accounts

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**Consolidated Statement of Financial Activities for the Year ended 31 March 2006**

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
<b>Incoming Resources</b>					
<b><u>Incoming resources from generated funds</u></b>					
<b>Voluntary income</b>					
External Funds		417	7,810	8,227	5,328
Donated Objects	25	-	22	22	5
		<u>417</u>	<u>7,832</u>	<u>8,249</u>	<u>5,333</u>
<b>Activities for generating funds</b>					
Income from Commercial activities	14	7,064	-	7,064	6,609
Disposals of Assets		2	-	2	30
		<u>7,066</u>	<u>-</u>	<u>7,066</u>	<u>6,639</u>
<b>Investment Income</b>	3	<u>85</u>	<u>259</u>	<u>344</u>	<u>342</u>
		<u>7,568</u>	<u>8,091</u>	<u>15,659</u>	<u>12,314</u>
<b>Grant-in-Aid</b>	2	<u>17,816</u>	<u>725</u>	<u>18,541</u>	<u>17,491</u>
<b><u>Incoming resources from the Museum's activities</u></b>					
Admissions		3,820	-	3,820	3,625
Lottery Funding		-	7,329	7,329	3,132
Book, Collections & Reproduction costs		166	-	166	148
Fees		791	-	791	646
Royalties		992	-	992	1,048
		<u>5,769</u>	<u>7,329</u>	<u>13,098</u>	<u>8,599</u>
<b>Total Incoming Resources</b>		<u>31,153</u>	<u>16,145</u>	<u>47,298</u>	<u>38,404</u>
<b>Resources Expended</b>					
<b><u>Costs of generating funds</u></b>					
Fundraising and Publicity		2,328	391	2,719	3,227
Commercial Costs	14	5,822	393	6,215	5,791
		<u>8,150</u>	<u>784</u>	<u>8,934</u>	<u>9,018</u>
<b>Charitable Expenditure:</b>					
<b>Cost of activities in furtherance of the Museum's objectives</b>					
Education, Exhibitions & Visitor Services		11,260	3,168	14,428	15,074
Building Care and Preservation		8,687	2,658	11,345	10,949
Collections Management & Conservation		6,226	835	7,061	6,122
Trading		56	-	56	36
Purchases for the Collection		94	28	122	110
		<u>26,323</u>	<u>6,689</u>	<u>33,012</u>	<u>32,291</u>
<b>Governance Costs</b>		<u>275</u>	<u>-</u>	<u>275</u>	<u>254</u>
<b>Total Resources Expended before provision for early retirement costs</b>		<u>34,748</u>	<u>7,473</u>	<u>42,221</u>	<u>41,563</u>
<b>Provision for early retirement costs</b>	12b	<u>250</u>	<u>-</u>	<u>250</u>	<u>-</u>
<b>Total Resources Expended</b>	5	<u>34,998</u>	<u>7,473</u>	<u>42,471</u>	<u>41,563</u>
Notional costs:					
Cost of capital	7	201	998	1,199	1,186
Net (outgoing) resources before transfers		<u>(4,046)</u>	<u>7,674</u>	<u>3,628</u>	<u>(4,345)</u>
Reversal of notional costs		201	998	1,199	1,186
<b>Net Incoming/(outgoing) Resources before recognised gains and losses</b>	4	<u>(3,845)</u>	<u>8,672</u>	<u>4,827</u>	<u>(3,159)</u>
Gains on Revaluation of Fixed assets		2,234	9,398	11,632	10,920
Gains/ (losses) on Investment assets		-	(11)	(11)	239
Depreciation on Revaluation of Fixed Assets		(140)	(414)	(554)	(250)
	9	<u>2,094</u>	<u>8,973</u>	<u>11,067</u>	<u>10,909</u>
<b>Net Movement in Funds</b>		<u>(1,751)</u>	<u>17,645</u>	<u>15,894</u>	<u>7,750</u>
Transfer between funds		155	(155)	-	-
<b>Reconciliation of funds</b>					
Fund Balances brought forward at 1 April		25,770	146,253	172,023	164,273
<b>Fund Balances Carried Forward at 31 March</b>	20	<u>24,174</u>	<u>163,743</u>	<u>187,917</u>	<u>172,023</u>

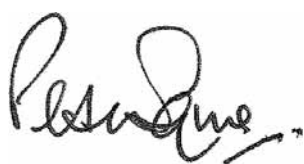
All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period.

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

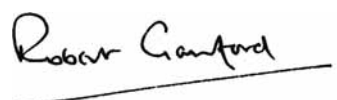
The notes on pages 47 to 63 form part of these accounts

**Consolidated Balance Sheet as at 31 March 2006**

	Notes	Consolidated		Museum	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
<b>Fixed Assets</b>					
Tangible assets	8	189,812	171,734	189,520	171,438
Investments	9	0	69	100	100
		<u>189,812</u>	<u>171,803</u>	<u>189,620</u>	<u>171,538</u>
<b>Current assets</b>					
Stock		682	847	140	156
Debtors	10	6,299	6,596	7,321	6,971
Cash at bank and in hand	11	2,577	5,771	164	233
		<u>9,558</u>	<u>13,214</u>	<u>7,625</u>	<u>7,360</u>
<b>Current Liabilities</b>					
Creditors: amounts falling due within one year	12	(4,367)	(6,475)	(4,283)	(5,771)
		<u>5,191</u>	<u>6,739</u>	<u>3,342</u>	<u>1,589</u>
Provisions	12b	(250)	-	(250)	-
<b>Total Assets Less Current Liabilities</b>		<u>194,753</u>	<u>178,542</u>	<u>192,712</u>	<u>173,127</u>
Creditors: amounts falling due after more than one year	12	(6,836)	(6,519)	(9,761)	(9,319)
<b>Net Assets</b>		<u>187,917</u>	<u>172,023</u>	<u>182,951</u>	<u>163,808</u>
Represented by:					
<b>Funds</b>					
Restricted Funds	20	163,743	146,253	158,428	140,859
Unrestricted Funds:					
Designated Funds	20	24,950	24,494	24,660	24,198
General Funds	20	1,055	1,653	584	(872)
Less provisions for future liabilities		(721)	(377)	(721)	(377)
Less Trading funds		(1,110)	-	-	-
		<u>(776)</u>	<u>1,276</u>	<u>(137)</u>	<u>(1,249)</u>
<b>Total Funds</b>		<u>187,917</u>	<u>172,023</u>	<u>182,951</u>	<u>163,808</u>



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



Robert Crawford CBE  
Director-General and Accounting Officer

Date 14 July 2006

The notes on pages 47 to 63 form part of these accounts



**Cashflow Statement for the Year ended 31 March 2006**

	Notes	2006 £'000	2005 £'000
<b>Net cash inflow from operating activities</b>	<b>22</b>	<b>11,068</b>	6,679
<b>Returns on investments and servicing of finance</b>			
Interest received		341	282
Interest element of finance lease rental payments		(398)	(399)
Dividends received		3	60
Taxation recovered		-	-
		<u>(54)</u>	<u>(57)</u>
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible fixed assets		(14,239)	(8,423)
Purchase of investments		(11)	(320)
Proceeds from sales of investments		69	2,565
		<u>(14,181)</u>	<u>(6,178)</u>
<b>Cash inflow before financing</b>		<b>(3,167)</b>	444
<b>Financing</b>			
Capital element of finance lease rental payments		(27)	(26)
<b>Increase in cash in the year</b>	<b>22</b>	<u><b>(3,194)</b></u>	<u>418</u>

The notes on pages 47 to 63 form part of these accounts

Notes to the Financial Statements

**I Accounting Policies**

**(a) Basis of accounting**

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

**(b) Accounting convention**

The financial statements have been prepared under the historical cost convention as modified for the inclusion of fixed assets at their value to the business by reference to current costs and of investments at market value. The statutory accounts are consolidated and represent the combined accounts of the Imperial War Museum, the Imperial War Museum Trust and the Imperial War Museum Trading Company Limited. Income and expenditure relating to the Duxford Executive Panel, a joint venture between Cambridgeshire County Council and the Trustees of the Imperial War Museum, is included with the Museum's Income and Expenditure (Note 13).

**(c) Funds**

The Balance Sheet shows fund balances of £187.917 million at 31 March 2006. Of these, £163.743 million are restricted funds representing income received which has been allocated by the donor for a specific purpose. The restricted funds, as detailed in note 20, and the purposes for which their income may be applied are:

- American Air Museum - funds raised from the Heritage Lottery Fund and private donors towards the building of the Museum at IWM Duxford, its ongoing maintenance and refurbishment and the conservation of aircraft;
- Redevelopment Stage 3 - funds raised from the Heritage Lottery Fund and other donors towards Stage 3 of the development of the Imperial War Museum, Lambeth Road, including the Holocaust exhibition;
- Imperial War Museum North - funds raised from Trafford Borough Council and other donors towards the creation of a new branch of the Imperial War Museum in Trafford, Manchester;
- Cabinet War Rooms Project - funds raised from the National Heritage Memorial Fund, and other sources, towards the expansion of the Cabinet War Rooms and the creation of a Churchill Museum;
- Airspace - funds raised from the Heritage Lottery Fund and other donors for the expansion of the current facilities at IWM Duxford;
- Land Warfare Hall - funds raised from donors for an extension to the Land Warfare Hall at IWM Duxford and an exhibition about Field Marshal Viscount Montgomery of Alamein;
- Nitrate Film Project - funding from the Defence Estates Agency to relocate the Museum's film collection from Hayes to IWM Duxford;
- Private funds for capital projects - restricted funds raised specifically for and applied to the purchase of equipment, permanent exhibitions and capital building works;
- Vested property - the value of the Imperial War Museum's estate;
- Donated objects - the value of capital works or assets donated to the Museum;
- Collections purchases - funds secured from donors towards the acquisition of items for the Collection;
- External funds for current expenditure - restricted funds raised specifically for and applied mainly to conservation and temporary exhibitions;
- Imperial War Museum Trust Redevelopment Appeal - funds donated for the redevelopment of the Museum at IWM London
- Imperial War Museum Trust Tied Donations - funds donated to be applied to the American Air Museum and Land Warfare Hall at Duxford Airfield, including the conservation of aircraft, the redevelopment of HMS Belfast, and the Holocaust exhibition at Lambeth Road and related educational activities.

The remaining £24.950 million has been designated by the Trustees to the funding of the long-term objectives of the Imperial War Museum, including initiatives for collections management and conservation, exhibitions replacement and management of the estate.

**(d) Incoming resources**

All income is recognised in the Statement of Financial Activities when the conditions for receipt have been met and there is reasonable assurance of receipt.

The following accounting policies are applied to Income:

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

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

*National Lottery income*

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

*Gifts in kind and donated items*

Items given to the Museum free of charge are recognised as incoming resources at their estimated market value when receivable. See note 25.

*External funds*

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

*Investment Income*

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

**(e) Expenditure**

*Allocation of costs*

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

It comprises staff costs, other direct costs and depreciation. Expenditure has been directly attributed to the activities to which it relates.

*Costs of activities in furtherance of the Museum's objectives*

This includes all expenditure directly related to the objectives of the Museum and comprises the following:

Education, exhibitions and visitor services ;

Book, collection and reproduction sales;

Building management;

Collections management and conservation;

Support services, which comprise services and facilities provided in support of the Museum's charitable objectives, including furnishings, telephone, information technology, financial and personnel services, and training; and

Purchases for the collection - the individual cost of these items are below the capitalisation threshold:

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

*Costs of generating funds*

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

**(f) Tangible Fixed Assets**

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

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

However, in accordance with the Executive NDPB Annual Reports and Accounts Guidance, additions to the Collection since 1 April 2001 are capitalised and recognised in the Balance Sheet, at the cost or value of the acquisition, where such a cost or value is reasonably obtainable. Such items are not depreciated or revalued as the useful life of the asset is so long that the depreciation charge would be immaterial.

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

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

The useful economic lives are as follows:

Structure	- between 20 and 100 years
Plant & Machinery	- between 5 and 20 years
Fit-Out	- between 2 and 20 years
Equipment	- 4 years
Permanent Exhibitions	- over the life of the exhibition

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

Land & Buildings	- by external professional valuation every five years and using indexation in the intervening years.
Equipment	- equipment comprises IT/electronic items. As indexation which tends to decrease year on year, is likely to accelerate the writing down of these assets, it has been decided not to index the as the current useful life of 4 years is deemed to be appropriate.
Permanent Exhibitions	- historic depreciated cost. Permanent Exhibitions have not been revalued as their current cost is equal to their actual cost, but the life of these assets are reviewed annually to reflect their true value.

The difference between historic depreciation and current cost depreciation is disclosed after Net Incoming/(outgoing) Resources in the Statement of Financial Activities and in note 9.

**(g) Investments**

Investments are stated at market value when held. All externally managed funds have been converted to cash at 31 March 2006. It is the Museum's policy to keep any valuations up to date such that when investments are sold there is no gain or loss arising. As a result the Statement of Financial Activities includes only those unrealised gains and losses arising from the revaluation of the investment portfolio throughout the year. Disclosure is made in note 9 of the difference between the historical cost and the sale of proceeds of any investments sold.

**(h) Stocks**

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

**(i) Leases**

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

Rental costs in respect of operating leases are charged to the Statement of Financial Activities on a straight line basis over the life of the lease.

**(j) Permanent Exhibitions**

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

**(k) Notional cost**

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

**(l) Imperial War Museum Trading Company Limited**

IWM Trading Company Limited is a wholly owned subsidiary of the Trustees of the Imperial War Museum. It commenced trading on 1 April 1999. The authorised share capital of the company is 1,000,000 shares of £1 each, of which 100,000 have been issued. Under gift aid agreement all taxable profits from IWM Trading Company Limited are paid to the Imperial War Museum. A summary of the income and expenditure account is provided in Note 14.

**(m) Foreign currencies**

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

(n) Pension Costs

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

2 Grant in Aid

£18,541,000 of Grant in Aid (Department for Culture, Media and Sport RfR 1) has been received during the year (2004/05 £17,491,000). This represents 44% of the annual resources expended in running the organisation. The balance of funding needs, including most capital improvements, is delivered from resources that are self-generated.

	2006 £000's	2005 £000's
<b>3 Investment income</b>		
Interest receivable	341	282
UK fixed interest	-	14
UK equities and Overseas equities	3	46
Tax recoverable	-	-
	<u>344</u>	<u>342</u>

The interest receivable is on cash deposits.

Interest of £341,064 is divided between the Imperial War Museum (£62,474) the Imperial War Museum Trading Company (£16,225) and the Imperial War Museum Trust of (£262,365). All other investment income is the Imperial War Museum Trust.

	2006 £000's	2005 £000's
<b>4 Net incoming resources before transfers</b>		
is stated after charging:		
Auditors remuneration		
NAO - Imperial War Museum	30	27
Buzzacott LLP - Imperial War Museum Trust	5	4
Buzzacott LLP - Imperial War Museum Trading Company	9	8
Buzzacott LLP - Tax Advice in relation to Trading Account	3	-
Lease rental payments on land and buildings	425	425
Hire agreements on equipment	96	124
Interest payable on finance lease	398	399

	Staff Costs £000's	Other Costs £000's	Depreciation £000's	Total £000's	2005 Restated £000's
<b>5 Total resources expended</b>					
<b>Costs of generating funds</b>					
Fundraising and Publicity	1,225	1,481	13	2,719	3,227
Commercial Costs	2,060	4,155	-	6,215	5,791
Trading	-	16	16	32	-
	<u>3,285</u>	<u>5,652</u>	<u>29</u>	<u>8,966</u>	<u>9,018</u>
<b>Costs of activities in furtherance of the Museum's objectives</b>					
Education, Exhibitions & Visitor Services	8,181	4,606	1,640	14,427	15,074
Book, Collections & Reproduction costs	-	24	-	24	36
Building Management	243	6,150	4,951	11,344	10,949
Collections Management & Conservation	5,319	1,656	87	7,062	6,122
Purchases for the Collection	-	123	-	123	110
	<u>13,743</u>	<u>12,559</u>	<u>6,678</u>	<u>32,980</u>	<u>32,291</u>
Governance Costs	199	76	-	275	254
Total Resources Expended before provision for early retirement costs	<u>17,227</u>	<u>18,287</u>	<u>6,707</u>	<u>42,221</u>	<u>41,563</u>
Provision for early retirements costs	250	-	-	250	-
Total Resources Expended	<u>17,477</u>	<u>18,287</u>	<u>6,707</u>	<u>42,471</u>	<u>41,563</u>

Resources Expended does not include transactions between the Imperial War Museum and the Imperial War Museum Trust of £8,646,203 (2004/05 £6,075,063), nor transactions between the Imperial War Museum and the Imperial War Museum Trading Company of £3,121,257 (2004/05 £1,695,862).

Total Resources Expended for 2006 have been recalculated according to SORP 2005

	Direct Costs £000's	Allocated Support Costs £000's	2006 Total £000's	2005 Total £000's
<b>5a Division of direct and indirect expenditure</b>				
Costs of generating funds				
<b>Fundraising and Publicity</b>	2,404	315	2,719	3,227
Commercial Costs	6,215	-	6,215	5,791
Trading	32	-	32	
	<b>8,651</b>	<b>315</b>	<b>8,966</b>	<b>9,018</b>
<b>Costs of activities in furtherance of the Museum's objectives</b>				
Education, Exhibitions & Visitor Services	11,350	3,078	14,428	15,074
Book, Collections & Reproduction costs	24	-	24	36
Building Care and Preservation	11,268	75	11,343	10,949
Collections Management & Conservation	5,606	1,456	7,062	6,122
Purchases for the Collection	123	-	123	110
	<b>28,371</b>	<b>4,609</b>	<b>32,980</b>	<b>32,291</b>
Governance	104	171	275	254
Total Resources Expended before provision for early retirement costs	<b>37,126</b>	<b>5,095</b>	<b>42,221</b>	<b>41,563</b>

	Directorate & Office Services £000's	Human Resources £000's	Finance & Planning £000's	IT & Communication £000's	Facilities Management £000's	Depreciation £000's	Support Salary costs £000's
<b>5b Management &amp; administrative cc</b>							
<b>Costs of generating funds</b>							
Fundraising and Publicity	18	13	21	32	33	7	191
Trading							
	<b>18</b>	<b>13</b>	<b>21</b>	<b>32</b>	<b>33</b>	<b>7</b>	<b>191</b>
<b>Costs of activities in furtherance of the Museum's objectives</b>							
Education, Exhibitions & Visitor Service	384	120	193	298	480	71	1532
Building Care and Preservation	26	2	4	6	6	1	30
Collections Management & Conservat	168	61	99	153	156	36	783
Purchases for the Collection							
	<b>578</b>	<b>183</b>	<b>296</b>	<b>457</b>	<b>642</b>	<b>108</b>	<b>2345</b>
Governance	40		30				101
	<b>636</b>	<b>196</b>	<b>347</b>	<b>489</b>	<b>675</b>	<b>115</b>	<b>2637</b>

	2006 £000's	2005 £000's
<b>6 Staff Costs</b>		
Salaries and Wages	13,514	12,983
Temporary / Agency Staff	311	318
National Insurance	1,032	941
Superannuation	2,314	1,647
Early Retirement costs	56	35
Provision for early retirement	250	-
	<b>17,477</b>	<b>15,924</b>

Staff costs have increased due to project staff employed on the capital programmes for AirSpace and the Churchill Museum, and for the "Their Past Your Future" project team, funded by The Big Lottery Fund.

**Pensions**

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. IWM is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2005-06, employers' contributions of **£2,300,576** were payable to the PCSPS (2004-05 £1,624,984) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Employees may opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of **£13,448** were paid to one or more of a panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers also match employee contributions up to 3 per cent of pensionable pay. In addition, employer contributions of **£7,896**, 0.8 per cent of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

Contributions due to the partnership pension providers at the balance sheet date were **£874.96**. Contributions prepaid at that date were nil.

**Number of Employees**

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

	<b>2006</b>	2005
	<b>No</b>	No
£60,001 - £70,000	<b>4</b>	2
£70,001 - £80,000	<b>1</b>	1
£80,001 - £90,000	<b>1</b>	-
£90,001 - £100,000	-	-
£100,001 - £110,000	-	1
£110,001 - £120,000	-	-
£120,001 - £130,000	<b>1</b>	-

The average number of employees, analysed by function was :

					<b>2006</b>	2005
	Permanent Staff	Temporary Staff	Managerial Staff	Capitalised Staff Costs	<b>No</b>	No
Education, Exhibitions & Visitor Services	343	5	6	-	<b>354</b>	350
Building Management	7	-	-	-	<b>7</b>	5
Collections Management & Conservation	176	3	2	-	<b>181</b>	177
Trading / Commercial / Educational	88	2	-	-	<b>90</b>	91
Fundraising & Publicity	37	2	-	-	<b>39</b>	42
Management and administration of the Charity	1	-	1	-	<b>2</b>	6
	<b>652</b>	<b>12</b>	<b>9</b>	<b>-</b>	<b>673</b>	<b>671</b>

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

**Director General**

The Director General's salary and pension entitlements as at 31 March 2006 were as follows:

Salary including performance pay £k	Benefits in Kind (rounded to nearest £100) £	Real increase in pension and related lump sum at age 60 £k	Total accrued pension at age 60 at 31/3/06 and related lump sum £k	CETV at 31/3/05 (nearest £k)	CETV at 31/3/06 (nearest £k)	Real increase in CETV after adjustment for inflation and changes in market investment £k
120 - 125	250	2.5 - 5 plus 10 - 12.5 lump sum	55-60 plus 165 - 170 lump sum	1117	1342	72

**Director General's salary**

The remuneration of the Director General, Robert Crawford CBE, was £109,188, plus a non-consolidated bonus of £15,507 and employer's contribution of £25,092 (2005 - remuneration, £101,629; bonus, £11,486; and employer's pension contribution of £18,607). His contract, which was due to expire in September 2005, has been extended for a further three years until 30 September 2008.

Salary includes gross salary; performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowances to the extent that it is subject to UK taxation.

**Benefits in Kind**

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument. Mr Robert Crawford had the use of a flat let at the Imperial War Museum London.

**Director General's Pension**

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

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

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

**Trustees**

The Chairman and Board of Trustees received no remuneration for their services during 2005/06. Travel and subsistence expenses paid to the Trustees amounted to £6,401 (2004/05 £8,384).

The Trustees are appointed for periods of up to 4 years.

**7 Notional cost of capital**

Notional cost of capital is calculated as 3.5% of the average capital employed by the Museum in the year, excluding grants, donations and assets funded by them, and assets treated as part of the collections.



8 Tangible Fixed Assets	Land & Buildings		Structure	Plant & Machinery	Fit-Out	Assets Under Construction
	£000's	£000's				
Cost/valuation at 1.4.05	-	20,480	100,330	20,876	12,439	5,614
Additions	-	-	(1)	202	-	12,707
Transfers between Fixed Assets per FRS 15						
Transfers from /to Assets under Construction						
Transfer to current	-	-	-	-	-	-
Net Revaluation		1,659	8,202	198	1,015	
Disposals	-	-	-	-	-	-
Value at 31.3.06	-	22,139	108,531	21,276	13,454	18,321
Depreciation at 1.4.05		-	1,255	2,178	1,453	-
Provided	-	-	1,164	2,188	1,453	-
Transfers between Fixed Assets						
Depreciation due to revaluation	-	-	209	41	237	-
Disposals	-	-	-	-	-	-
Depreciation at 31.3.06	-	-	2,628	4,407	3,143	-
Net Book Value at 31.3.06	-	22,139	105,903	16,869	10,311	18,321
Net Book Value at 1.4.05		20,480	99,075	18,698	10,986	5,614
	Exhibitions	Equipment	Donated Assets	Collections Acquisitions	Assets held under Finance Lease	Total
<b>Tangible Fixed Assets (continued)</b>	£000's	£000's	£000's	£000's	£000's	£000's
Value at 1.4.05	20,134	2,477	1,029	578	6,807	190,764
Additions	19	278	22	480	-	13,707
Transfers between Fixed Assets per FRS 15	-	-	-	-	-	-
Transfers from /to Assets under Construction	-	-	-	-	-	-
Transfer to Current	-	-	-	-	-	-
Net Revaluation	-	-	-	-	558	11,632
Disposals	-	-	-	-	-	-
Value at 31.3.06	20,153	2,755	1,051	1,058	7,365	216,103
Depreciation at 1.4.05	11,301	2,082	373	-	388	19,030
Provided	1,427	273	66	-	137	6,708
Transfers between Fixed Assets	-	-	-	-	-	-
Depreciation due to revaluation	-	-	-	-	66	553
Disposals	-	-	-	-	-	-
Depreciation at 31.3.06	12,728	2,355	439	-	591	26,291
Net Book Value at 31.3.06	7,425	400	612	1,058	6,774	189,812
Net Book Value at 1.4.05	8,833	395	656	578	6,419	171,734

Of the total Net Book Value of £189,811,702, £189,520,345 relates to the Museum and the remainder to the Development Trust.

£18,320,000 of the Assets under Construction relates to AirSpace, at IWM Duxford.

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

Donated Assets consist of £5,000 towards the purchase of the painting, German Tanks, Forges-les-Eaux 1996-99 by Hughie O' Donoghue; £360,000 for the East End Hangar at IWM Duxford; £165,000 for the catering facilities in HMS Belfast; £144,078 for the new catering facility at Cabinet War Rooms; £50,000 for office and conference furniture at the Cabinet War Rooms; £50,000 at IWM Duxford for transmitters and receivers for the control tower; £25,000 for a sculpted head of Sir Winston Churchill which is displayed at the Cabinet War Rooms; £200,000 for a Victoria Cross awarded to Temporary Lieutenant Thomas Wilkinson RNR of HMS li Wo 1942; £30,000 for 12 Orders, Decorations and Medals awarded to Maj Gen David Lloyd Owen; £12,000 for autograph letters from King Feisal of Iraq to T E Lawrence and £10,000 for a Bronze Maquette of the Battle of Britain Memorial sculpture by Paul Day.

The Lambeth Road (or Southwark) site and other properties, apart from HMS Belfast, were originally valued as at 31 March 1989 by the Chief Valuer's Department of the Inland Revenue. The Cabinet War Rooms, part of the basement of the South Block Treasury Building converted in 1938, was deemed to be of nil market value. The sites were revalued on 31 March 2005 by external professional valuers GeraldEve, in accordance with the Royal Institute of Chartered Surveyors guidance notes.

Buildings have been reclassified in accordance with Financial Reporting Standard 15 - *Tangible Fixed Assets*, between structure, plant and machinery and fit-out. Each of the major components has substantially different economic lives.

Property	Title	Value at 31 March 2006 £000's	Basis of Valuation
Lambeth Road London SE1	Long Leasehold	63,869	Depreciated Replacement Cost
All Saints Annexe Austral Street London SE11	Freehold	1,632	Existing use
Duxford Airfield Cambridgeshire	Freehold	55,088	Depreciated Replacement Cost
Ickleton Film Store Cambridgeshire	Leasehold	4,701	Depreciated Replacement Cost
IWM North Manchester	Leasehold	27,275	Depreciated Replacement Cost

The net book value at 31 March 2006 represents fixed assets for:

	Charitable activities £000's	Other activities £000's	Total £000's
Land & Buildings	155,222	-	155,222
Exhibitions	7,425	-	7,425
Equipment	400	-	400
Assets under Construction	18,321	-	18,321
Donated Assets	612	-	612
Acquisitions	1,058	-	1,058
Assets held under Finance Lease	6,774	-	6,774
<b>Total</b>	<b>189,812</b>	<b>-</b>	<b>189,812</b>

**9 Fixed asset revaluations (Tangible and Investments)**

	2006 £000	2005 £000
Tangible Fixed Assets (a)	11,501	10,670
Investments (b)	-	239
Fixed Assets Revaluations	<b>11,501</b>	<b>10,909</b>

	Unrestricted Funds £000	Restricted Funds £000	Total 2006 £000	Total 2005 £000
(a) Net Book Value @ 1 April				
Land & Buildings	23,842	120,796	144,638	139,056
Assets held under Finance Lease	6,282		6,282	5,934
Net gain on revaluation (above)	2,094	8,973	11,067	10,670
	<b>32,218</b>	<b>129,769</b>	<b>161,987</b>	<b>155,660</b>
			Unrestricted funds 2006 £000	Unrestricted funds 2005 £000
(b) Quoted investments:				
Market value at 1 April			-	2,010
Less: Disposal proceeds			(39)	(2,569)
Add: Acquisition at cost			50	320
Unrealised gains (losses) on revaluation			(11)	239
Total quoted investments			<b>-</b>	<b>-</b>
(c) Cash Investments:				
Opening balance			69	63
Movement			(69)	6
Closing balance			-	69
<b>Market value at 31 March</b>			-	69
<b>Historical cost at 31 March</b>			-	-
Unrealised investment gains at 31 March			-	-
Investment gains /(losses) based on historic costs			-	356
All investments are listed on a recognised stock exchange. The assets and cash are analysed as follows:			2006 £000's	2005 £000's
Cash Investments				69
Investment Assets in the UK			-	-
Investment Assets outside the UK			-	-
			<b>-</b>	<b>69</b>
	Group 2006 Total £000's	Group 2005 Total £000's	Museum 2006 Total £000's	Museum 2005 Total £000's
<b>10a Debtors</b>				
Trade debtors	754	611	261	238
Other debtors	4,725	4,448	2,647	2,847
Amount owed from Imperial War Museum Trust		-	1,765	2,038
Amount owed from Imperial War Museum Trading Company Ltd		-	762	585
Tax Recoverable	753	1,128	753	1,128
Prepayments and accruals	89	241	36	145
<b>Due after one year</b>				
Amounts owed by the American Air Museum in Britain (Note 18)	-	194	-	-
Amount owed by the Imperial War Museum Trading Company	-	-	1,110	-
Provision for bad debts	(22)	(26)	(13)	(10)
	<b>6,299</b>	<b>6,596</b>	<b>7,321</b>	<b>6,971</b>

Group - Other debtors comprise £998,000 from EEDA, £500,000 from BAE, and £1,513,989 from the Heritage Lottery Fund, due to the AirSpace project at IWM Duxford;  
Museum - £1,764,875 due from the Imperial War Museum Trust relates mainly to the Churchill Museum and Cabinet War Rooms, £113,868 the AirSpace Project at IWM Duxford, £1,308,587 and the American Air Museum at Duxford, £341,566.

£761,778 is due from the Imperial War Museum Trading Company.

	<b>Group 2006 Total £000's</b>	Group 2005 Total £000's	<b>Museum 2006 Total £000's</b>	Museum 2005 Total £000's
<b>10b Intra-Government Balances</b>				
<i>Balances with other central government bodies</i>				
Heritage Lottery Fund	1,514	1,435	1,514	1,435
HM Revenue & Customs	753	1,128	753	1,128
East of England Development Agency (EDDA)	998	-	-	-
	<b>3,265</b>	<b>2,563</b>	<b>2,267</b>	<b>2,563</b>

	<b>Imperial War Museum</b>	<b>Imperial War Museum Trust</b>	<b>IWM Trading Company Limited</b>	<b>2006 Total £000's</b>	2005 Total £000's
<b>11 Cash at Bank and in hand</b>					
Paymaster General bank balance	2	-	-	2	13
Commercial bank balance and cash in hand	162	2,319	94	2,575	5,758
Total	<b>164</b>	<b>2,319</b>	<b>94</b>	<b>2,577</b>	<b>5,771</b>

	<b>Group 2006 Total £000's</b>	Group 2005 Total £000's	<b>Museum 2006 Total £000's</b>	Museum 2005 Total £000's
<b>12 Creditors</b>				
Amounts falling due within one year				
Trade Creditors	1,625	3,037	1,592	2,862
Amount owing to Imperial War Museum Trust	-	-	300	-
Other Creditors	776	788	566	509
Obligations under finance lease	29	27	29	27
Accruals	1,937	2,623	1,796	2,373
	<b>4,367</b>	<b>6,475</b>	<b>4,283</b>	<b>5,771</b>
Amounts falling due after more than one year				
Obligations under finance lease	6,206	6,236	6,206	6,236
Laing O'Rourke	347	-	347	-
Runway Repair - Tarmac	283	283	283	283
Loan from IWM Trust	-	-	2,925	2,800
	<b>6,836</b>	<b>6,519</b>	<b>9,761</b>	<b>9,319</b>
	<b>11,203</b>	<b>12,994</b>	<b>14,044</b>	<b>15,090</b>

As at 31 March 2006 the Museum had no intra-Government Balances above £1 million.

	<b>Balance as at 01/04/2005 £000's</b>	<b>Additions in year £000's</b>	<b>Movement in year £000's</b>	<b>Balance as at 31/03/2006 £000's</b>
<b>12b Provisions</b>				
Early retirement costs	-	250	-	250

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

In line with Treasury guidance, the provision for early retirement has been discounted at a rate of 2.8%.

	2006 £000's	2005 £000's
<b>13 Duxford Executive Panel (see note 1(b))</b>		
<b>Incoming Resources</b>		
Admissions	1,411	1,394
Catering and Function Hire	561	413
Fees	313	274
Runway resurfacing settlement	491	
External Funds	849	1,072
Special Events	1,718	1,441
Investment Income		
	<u>5,343</u>	<u>4,594</u>
<b>Resources Expended</b>		
Accommodation & Works	885	611
Airfield Services	241	235
Airshows	1,262	967
Commercial Services	417	414
Education	106	89
Exhibitions	77	104
Fundraising	149	421
Marketing	247	212
Visitor Services	211	205
Visitor Services - contribution		11
Runway Costs	172	564
Salaries	1,260	1,131
	<u>5,027</u>	<u>4,964</u>
<b>Net Resources for the year - (Deficit) / Surplus</b>	<b>316</b>	<b>(370)</b>
Fund Balances brought forward at 1 April	(423)	(54)
(Deficit) / Surplus	<u>(107)</u>	<u>(424)</u>

In accordance with the agreement with Cambridgeshire County Council the Imperial War Museum has forwarded them the above financial information for the year ending 31 March 2006.

**14 IWM Trading Company Limited**

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

	2006 £000's	2005 £000's
<b>Income and Expenditure Account</b>		
<b>Sales</b>		
Retail Sales	3,250	3,451
Catering Commission	422	442
Corporate Hospitality	1,284	1,012
Education	96	82
Exhibitions	325	191
Special Events	1,716	1,441
Turnover	<u>7,093</u>	<u>6,619</u>
<b>Cost of Goods Sold *</b>	<b>(1,958)</b>	<b>(2,049)</b>
<b>Gross Profit</b>	<b>5,135</b>	<b>4,570</b>
<b>Other Operating Income</b>		
Fees Receivable	709	619
External Funds	393	231
	<u>6,237</u>	<u>5,420</u>
<b>Other Operating Charges *</b>		
Indirect Costs	(4,323)	(3,785)
	<u>(1,096)</u>	<u>(1,270)</u>
<b>Operating Profit</b>	<b>818</b>	<b>365</b>
Interest Receivable	16	12
<b>Profit</b>	<b>834</b>	<b>377</b>
Amount paid to the Museum under Gift Aid	(1,944)	377
	<u>(1,110)</u>	<u>-</u>

Turnover of £7,093,660 includes £29,539 of sales from the Trading Company to the Museum which is eliminated giving £7,064,121 as net commercial income.

Fees receivable of £709,367 and External funds of £392,856 have been included in "Fees" and "External Funds". Other income and costs have been shown as "Investment Income" and "Commercial Costs" respectively, in the Statement of Financial Activities.

Commercial Costs \* of £6,281,597 includes £66,229 of transactions between the Museum and Trading Company which is eliminated on consolidation giving £6,215,368 as net commercial costs.

	2006 £000's	2005 £000's
<b>Balance Sheet</b>		
Current Assets	1,241	1,397
Current Liabilities	(1,141)	(1,297)
Creditors: amounts falling due after more than one year	(1,110)	-
Net Assets	<u>(1,010)</u>	<u>100</u>
Capital and Reserves	<u>(1,010)</u>	<u>100</u>

**15 Financial commitments**

At the balance sheet date, outstanding capital commitments, authorised by the Board of Trustees but not yet contracted, amounted to some £4.7 million which relates to the AirSpace Project at Duxford.

**16 Commitments Under Leases and Hire Agreements**

At 31 March 2006 the Imperial War Museum had annual commitments under leases and hire agreements as set out below.

	2006 Exhibitions £000's	2005 Exhibitions £000's
Finance lease obligations: Payments due within		
One year	29	27
Two to five years	255	205
More than five years	5,951	6,031
	<u>6,235</u>	<u>6,263</u>
	2006 Land and other Buildings £000's	2005 Land and other Buildings £000's
Operating Leases which expire:		
Within one year	55	45
In the second to fifth years	15	15
Over five years	136	168
	<u>206</u>	<u>228</u>
	2006 Equipment £000's	2005 Equipment £000's
Hire Agreements which expire:		
Within one year	13	23
In the second to fifth years	97	76
Over five years	-	-
	<u>110</u>	<u>99</u>

**17 Contingent Liabilities and Post Balance Sheet Events**

The company is in discussion with HM Revenue & Customs (HMRC) on the issue of the eligibility of educational activities. As at the date of the signature of the accounts, the discussions with HMRC are continuing. No provision for any potential liability that might arise pending the outcome of the discussions has been included in the accounts because it is not possible to quantify an amount with any certainty.

**18 American Air Museum in Britain**

The American Air Museum in Britain (AAMIB) was incorporated in the United States on 15 December 1977, as a 501 (c)(3) organisation for the purpose of fund raising. The aim is to raise funds both in the UK and the US for the Museum at the IWM Duxford site dedicated to the role of the United States Air Forces in World War II and US air power since World War II. It is a tribute to the 30,000 US Airmen who gave their lives in Europe flying from British bases and provides a source of education and information on US air power for future generations. The financial statements of the American Campaign are prepared with an accounting period ending 31 December and are separately audited. The AAMIB, as an organisation, is separate from the IWM Trust, but remits money to the IWM Trust in the UK, as restricted donations to meet future expenditure on the project.

At 31.12.05 the combined balance on the three accounts of the AAMIB in the United States bank accounts was \$403,457, £231,947 (\$190,766, £99,045: 2004). During the year, £370,398 was transferred to the IWM Trust.

At 31 March 2006, the American Air Museum in Britain owed The Imperial War Museum Trust the sum of £399,722 (2005 - £665,620) representing grants due to the Trust.

**19 American Friends of the Churchill**

The American Friends of the Churchill Museum (AFCM) was incorporated in the District of Columbia, on 10 April 2002, as a 501 (c)(3) organisation for the purpose of fundraising. The key aim of the AFCM is to raise awareness and broaden knowledge of the life of Winston Churchill throughout the United States and the United Kingdom. A specific objective is the preservation of historic areas of the Cabinet War Rooms, in London, England, where Sir Winston Churchill was based during the Second World War. The AFCM expects to raise money to fund certain specified and approved grants to the Cabinet War Rooms, a branch of the Imperial Museum.

At 31.12.05 the balance of the AFCM in the two United States bank accounts was \$1,381,055, £793,968 (\$796,559, £413,573 2004). £431,696 was transferred to the IWM Trust during the year.

	At 01 April 2006 £000's	Income £000's	Expenditure £000's	Net Investment Gains/losses £000's	Transfers £000's	At 31 March 2006 £000's
<b>20 Statement of funds</b>						
<b>Unrestricted funds</b>						
Designated funds:						
Buildings, Collections, Equipment and Exhibitions	24,456	101	(3,721)	2,094	2,014	24,944
Collections	38	100	(97)	-	(35)	6
Total designated funds	24,494	201	(3,818)	2,094	1,979	24,950
General funds	1,276	30,952	(30,836)	-	(337)	1,055
Provision for future liabilities	-	-	(344)	-	(377)	(721)
Trading funds					(1,110)	(1,110)
	1,276	30,952	(31,180)		(1,824)	(776)
<b>Total unrestricted funds</b>	<b>25,770</b>	<b>31,153</b>	<b>(34,998)</b>	<b>2,094</b>	<b>155</b>	<b>24,174</b>
<b>Restricted funds</b>						
Buildings, Collections, Donated Objects						
Equipment and Exhibitions *	140,859	6,263	(3,016)	8,984	5,004	158,094
Tied Funds		3,977	(4,453)	-	806	330
Museum restricted funds	140,859	10,240	(7,469)	8,984	5,810	158,424
Imperial War Museum Trust	2,925		-	-		2,925
Redevelopment Appeal						
Imperial War Museum Trust	2,469	5,905	(4)	(11)	(5,965)	2,394
Tied Donations						
<b>Total restricted funds</b>	<b>146,253</b>	<b>16,145</b>	<b>(7,473)</b>	<b>8,973</b>	<b>(155)</b>	<b>163,743</b>
<b>Total funds</b>	<b>172,023</b>	<b>47,298</b>	<b>(42,471)</b>	<b>11,067</b>		<b>187,917</b>

Funds of £6,504,850 have been transferred from the Imperial War Museum Trust Tied Donations to Various Museum funds to match expenditure. Funds of £540,000 have been transferred from the Imperial War Museum (£450,000) and the Imperial War Museum Trading Company Ltd (£90,000), to the Imperial War Museum Trust Tied Donations.

\* These capital funds are not liquid funds but represent income which has been received and has been used to purchase fixed assets.

Provision for future liabilities includes £250,000 for early retirement payments and £471,000 for the restoration of the Runway at Duxford Airfield.

	Unrestricted funds £000's	Restricted funds £000's	Total 2006 £000's
<b>21 Analysis of group net assets between funds</b>			
<b>Fund balances at 31 March 2006</b>			
<b>are represented by :</b>			
Tangible Fixed Assets	31,718	158,094	189,812
Investments			
Net Current Assets	(562)	5,932	5,370
Long Term Creditors	(6,206)	(283)	(6,489)
<b>Total net assets</b>	<b>24,950</b>	<b>163,743</b>	<b>188,693</b>

**22 Cash flow information**

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

	2006 £000's	2005 £'000
Net incoming resources before revaluations	4,827	(3,159)
Investment Income	(344)	(342)
Interest element of finance lease rental payments	398	399
(Gain)/loss on sale of Tangible fixed assets		315
Asset no longer being capitalised		186
Depreciation charge for the year	6,708	6,585
Decrease/(Increase) in stocks	165	(36)
(Increase) in debtors	297	(1,745)
(Decrease)/Increase in creditors	(983)	4,476
<b>Net cash inflow from operating activities</b>	<b>11,068</b>	<b>6,679</b>

**(b) Analysis of Cash Flows**

	2006 £000's	2005 £000's
Increase in cash in the period	(3,194)	418
Cash outflow arising from decrease in finance lease	27	25
Movement in net debt in the period	(3,167)	443
<b>Net debt at 1 April</b>	<b>(492)</b>	<b>(935)</b>
<b>Net debt at 31 March</b>	<b>(3,659)</b>	<b>(492)</b>

**(c) Changes in net debt/funds**

	1-April 2005 £000's	Cash flow £000's	31-March 2006 £000's
Cash at bank and in hand and bank overdraft	5,771	(3,194)	2,577
Finance Lease	(6,263)	27	(6,236)
<b>Net debts</b>	<b>(492)</b>	<b>(3,167)</b>	<b>(3,659)</b>

**23 The role of financial instruments**

FRS 13, Derivatives and other Financial Instruments, requires disclosure of the role which financial instruments have had during the period, in creating or changing the risks the museum faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within twelve months of the Balance Sheet have been omitted from this note.

**Liquidity Risk**

Grant-in-Aid from the Department for Culture, Media and Sport comprises 46% of total incoming resources. The remaining amount is funded via self generated income, which tends to fluctuates around historically predictable performance. As a result, the Museum is exposed to some liquidity risk.

**Interest Rate Risk**

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

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



<b>Interest Rate Profile</b>	Fixed rate financial assets £000	Non- interest bearing financial assets £000	Weighted average interest rate	Weighted average period for which rate is fixed
As 31 March 2006				
Sterling	2,562	15	4.5	20 Days
	2,562	15		
As 31 March 2005				
Sterling	5,757	14	3.83	12 Days
	5,757	14		

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

## 24 Related Party Transactions

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

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

The Imperial War Museum received grants from the Heritage Lottery Fund (HLF) and the Big Lottery Fund (BLF) for which the DCMS is also recognised as the parent body.

None of the Trustee board members, key managerial staff or other related parties has undertaken any material transactions with the Museum during the year.

The Imperial War Museum has borrowed from and / or lent works of art and exhibits, or provided services to the following organisations during the financial year 2005/06 which have DCMS or other Government Departments as parent Department.

Arts Council of England  
 British Film Institute  
 British Library  
 British Museum  
 Cabinet Office  
 Chequers  
 National Archives  
 National Army Museum  
 National Maritime Museum  
 National Portrait Gallery  
 Tate Gallery  
 Victoria & Albert Museum  
 National Museums and Galleries on Merseyside

## 25 Donated Objects

The Museum acquires donated objects by gift, bequest and from the translation of long term loans for the collections into permanent acquisitions. Objects wholly or partially donated to the Museum in 2005/06 were valued at £22,000 comprising assets and equipment capitalised in the Museum's Balance Sheet. (2004/05 £5,000)

**26 Key Financial Targets**

Target Definition	2003/04		2004/05		2005/06	
	Target	Actual	Target	Actual	Target	Actual
Self-Generated Income as a percentage of total income (Note 1)	53%	57%	64%	54%	65%	63%
Operating profit of IWM Trading Company (£000)	423	369	255	377	761	834
Trading Income (including Admissions) (£m)	£11.2	£11.1	£12.0	£12.1	£14.3	£13.0
Grant-in-Aid per visitor (Virtual and Actual)	£4.42	£4.17	£4.50	£3.40	£2.01	£1.91

Note 1: Self-Generated income varies year on year chiefly because of the timing of receipts from external grant bodies for major projects.

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