

The British Museum

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 MARCH 2008

Ordered by The House of Commons to be printed 17 July 2008

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Trustees' and Accounting Officer's Annual Report

Operating environment

The British Museum was founded in 1753 and is now governed in accordance with the British Museum Act 1963, which requires Trustees to keep the collection within authorised repositories and so far as practicable to make it available for public inspection. It prohibits disposal of collection objects unless they are duplicates, unfit or useless but permits the loan of objects for public exhibition.

The Museum is an exempt charity under schedule 2 of the Charities Act 1993 and sections 505 and 507 of the Income and Corporation Taxes Act 1988.

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

The Museum is funded by a combination of grant-in-aid allocated by DCMS and income secured through a range of commercial and fund-raising activities, sponsorship and activities for which a charge is made. The grant-in-aid, which in 2007/08 represented around 53% of total incoming resources, is provided subject to a three year funding agreement with the DCMS.

The Museum's operations are also conducted with regard to:

- section 47 of the Human Tissue Act 2004, which confers a power to de-accession human remains that are more than 1,000 years old
- the Freedom of Information Act 2000, for the purposes of which the Museum is a designated public body
- restitution claims arising from Nazi spoliation during the years 1933–1945
- the Code of Practice from section 11 of the Treasure Act 1996, which requires the Museum to record all English finds believed to be Treasure and to assist the Treasure Evaluation Committee with any finds in England declared Treasure by a coroner
- the Portable Antiquities Scheme: a voluntary scheme for recording archaeological objects found by members of the public in England and Wales.

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

Strategy and structure

Aim and objectives: A museum of the world for the world

The British Museum was founded as a national institution with an international frame of reference. Two and a half centuries later it is one of the few and perhaps the only single collection in the world where the history of mankind can be told through material culture over a span of two million years; where the nature of objects may be investigated and understood from many different perspectives; and where connections with the past may illuminate the present and show the potential of the future.

The Museum is:

- The greatest collection representative of human cultural achievement, ancient and modern, in the world
- A space 'not only for the 'learned and curious' but also 'for the benefit of the general public' – a centre of research and inquiry at all levels
- A collection preserved and held for the benefit of all the world, present and future, free of charge
- A forum for the expression of many different cultural perspectives
- A place to increase understanding of the cultural connections and influences linking Britain and the world
- A place where the UK's diverse population can explore its common inheritances

Strategy

The Museum's strategic priorities can be described as follows:

- **Museum in London**
The Museum has a role to play in London, both in terms of its physical presence in the heart of London, and in terms of its relationships with the communities of London.
- **Museum in Britain**
The Museum has a further responsibility to work more widely across the UK; both with and through the museum community, but also through the education sector and through broadcasting to realise fully its national remit.
- **Museum in the World**
Beyond the UK the Museum engages in a worldwide programme of research and sustainable partnerships, and is developing a first class web presence to be a museum of the world and for the world.

Risks

The key risks to achievement of the Museum's strategy are recognised as:					
Significance	Probability	Impact	Indicator	Mitigation	Owner
Failure to care for the Collection	M	H	Curatorial reports, Operations incident reports, Internal audit reports.	North West Development, Conservation plan, Security.	Directorate Group.
Poor public support – reputational damage	L	H	Lack of press understanding, Visitor opinion survey.	Proactive press communications, Media partnerships, Implement advocacy strategy, Political initiatives, International profile.	Director of Public Engagement.
Inability to raise necessary funds for running costs	H	H	Secured income (pledges and unsolicited cash).	Fundraising strategy, Development Committee.	Director of Development, Trustees.
Failure to deliver North West Development	M	H	Design sign-off Planning Permission Cashflow forecast, Fundraising: Secured income (pledges and unsolicited cash).	North West Development Committee, Board review, Project timetable and plan, Strengthening of Capital Projects, Prospect List, Development Committee.	Director of Planning and Projects, Director of Capital Development, Trustees.
Failure to deliver target Value For Money savings	M	H	Value For Money programme.	Procurement strategy, Departmental efficiency reviews, Administration Committee.	Director of Administration, Deputy Director.
Excessive programme	M	M	Slippage, under-delivery and changes to project plans, Gatekeeper decisions.	Implementation of audit recommendations, Project management, skills training, Gatekeeping procedure, Further development of the planning process.	Directorate Group.

Board and Committees

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

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

The Board meets quarterly to lead and control the Museum and is aided in this respect by three committees and two sub-committees: the Standing Committee, the Audit Committee, the Nominations and Governance Committee, the Investment Sub-committee and the North West Development Committee. Matters for the Board's decision and the respective responsibilities of the Board, Trustees' Committees and Management are clearly defined. In particular, the Board appoints the Director, establishes policies and strategy, considers and agrees the Museum Plan and monitors the achievement of the Plan.

The Standing Committee discharges the Board's functions between quarterly Board meetings.

The Audit Committee monitors on behalf of the Board that the Director and staff are acting within their authority and remit, that major risks are managed, that resources are being used effectively and efficiently, that the accounting process has integrity and effective internal controls are in place. The Audit Committee reports annually to the Board.

The Nominations and Governance Committee recommends candidates as Trustees and appointments of Trustees to Board Committees and provides assurance on governance.

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

The North West Development Committee monitors, on behalf of the Standing Committee, the proposed new building project on the north-west corner of the main site.

Internal structure

The Museum is organised as a directorate department, thirteen collections management departments and eleven other functional support departments. The collections management departments are: Africa, Oceania & the Americas; Ancient Egypt & Sudan; Asia; Coins & Medals; Collections Services; Conservation & Scientific Research; Exhibitions; Greek & Roman; Learning & Audiences; Middle East; Portable Antiquities; Prehistory & Europe; Prints & Drawings. The functional support departments are: Capital Projects & Estates; Commercial; Development; Visitor & Building Services; Finance; Human Resources; Information Services; Internal Audit; Legal Services; Marketing; Press & Public Relations.

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

Hospitality, conferences, education and other income generating activities were carried out during the year within the British Museum Great Court Limited, also wholly owned by the Trustees. Responsibility for hospitality has, however, moved to the British Museum Company Limited from April 2008.

The Directorate Group, chaired by the Director, leads on strategic development and oversees the Museum's planning process; reviews risks to planned activity; and manages Trustee meeting preparation and issues to be referred.

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

Friends' organisations

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

Some curatorial departments also have groups of supporters: the Caryatids (Greek & Roman Antiquities), the Friends of the Ancient Near East (Ancient Near East), and the Patrons of Old Master Drawings (Prints & Drawings).

Our operations

The estate

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

The Museum is committed to sustainable development throughout all aspects of its operations.

Staff

The British Museum endeavours to safeguard the quality of its work by ensuring staff of the highest calibre are recruited, that they are well trained and that they are well managed and work in an environment in which they can give their best. Regular communications with staff are effected by a number of means:

- the British Museum Consultative Committee meets quarterly to allow matters raised by staff to be aired between management and union representatives; employees are encouraged to discuss with their representatives any matters about which they are concerned and factors affecting the Museum. The Chairman and Director attend one meeting each year;
- minutes of Management Group meetings are placed on the Museum intranet;
- the Directorate holds informal weekly meetings open to all staff, with presentations and open discussion of topical issues;
- the Museum Plan is made available in summary form on the Museum's intranet and the Directorate holds open meetings with staff to explain the principles underlying it; and
- office notices are regularly issued to advise staff of events, job opportunities, organisational changes, common procedures and where to find information.

Central to the Museum's purpose of cultural representation is achievement of diversity at every level, in its staff and governance, curation, education and audiences. The British Museum is an equal opportunities employer. It recruits people based on merit and endeavours to recruit increasingly from the diverse communities in London and nationally. It has a published human resources policy on the recruitment, employment and development of staff regardless of their gender, ethnicity, sexual orientation or disability. The Museum also has procedures to adjust work or the environment if appropriate when a person's circumstances or abilities change. Pension scheme membership is available to British Museum and British Museum Company staff, as described in note 18 to the financial statements.

The British Museum acknowledges its responsibility for, and commitment to, a management policy that ensures matters relating to health and safety for visitors, staff, those working on a self-employed and agency contract basis and contractors, will receive due priority for action at all times.

Responsibility also lies with individual members of staff, their representative unions and all contractors to give their full attention and co-operation to the implementation of this policy so that the Museum can provide a safe and healthy environment at all times. The Museum employs a Health and Safety Adviser and has developed and implemented a number of health and safety training initiatives in the year.

A confidential employee assistance programme offers independent professional help on personal issues whether work related or otherwise. It is available to all staff and has a steady uptake.

Volunteers

Some 350 volunteers freely contribute their time to supporting the Museum's activities. They contribute to most areas of the BM, in the departments where they provide valuable help with general administration or library work, on projects where they help with collating and recording vital collection information; they run the free Hands On handling programme and the free eyeOpener tours and they ensure that events, lectures and talks run smoothly. The accounts do not provide for any notional costs for the value of these volunteers' services.

Suppliers

The Museum abides by the Better Payment Practice Code and aims to settle bills within 30 days or by the due date. In 2007/08 it paid 55% of all invoices within the target (66% in 2006/07). Invoice approval processes are being strengthened to improve on this.

Performance against strategy

Museum in London

Adding to the collection

The British Museum (BM) constitutes a vast human record, preserving histories that would otherwise be lost. Reshaping those histories, furthering the world's knowledge of them, is a key factor in acquiring particular objects that cast new light on the existing collection.

Among the new acquisitions in 2007/08 were two important collections, both acquired with support from the BM Friends. The Elveden hoard of 627 coins is one of the largest known groups of Roman coins from the reigns of the British usurper emperors Carausius (AD 286/7–93) and Allectus (AD 293–6). They will tour England and Wales from 2009 as part of an exhibition of rare finds preserved through the Portable Antiquities Scheme. A very different, 19th-century group emerged from a William & Mary box that belonged to the Stafford Allen family. Its three trays hold 263 antiquities, many carefully labelled with their find spots. The objects include Roman gilt brooches and amber beads, a Frankish garnet-inlaid bird's-head pin and an Iron Age enamelled bronze cheek-piece. Most of the objects are Roman, but an Etruscan bronze inscription naming the Italian deity Culsans is particularly important.

The spirit of intellectual enquiry that led from collectors such as Sir Hans Sloane to the founding of the BM itself can be seen in several Enlightenment rarities acquired with support from the BM Friends. An equation of time clock of 1710–15, made by the renowned London clockmaker Joseph Williamson for Anthony Herbert, was designed to measure 'true' solar time as indicated by the yearly motion of the sun. Three hand-coloured satirical etchings of 1792 by Richard Newton included *A Forcible Appeal for the Abolition of the Slave Trade*, disturbing evidence of the strength of the pro-slavery lobby.

A Charles II gold beaker was presented by the Levant Company in 1687 to the wife of Sir William Turnbull, the English ambassador to the Sublime Porte (Turkey). One of only two such presentation cups to survive, the rare object was accepted by HM Government in lieu of inheritance tax and allocated to the BM in 2007. Two maiolica plates of the 17th century show *A Triumph of Julius Caesar* and *The Judgement of Paris*. Both are rare pieces made in France in the Italian tradition, the former acquired with support from the BM Friends, the latter funded by the Friends and the Art Fund, as was a portrait in chalk of 1793 by Jean-Baptiste Isabey. It shows a fashionable young woman dressed in the simple Roman style favoured in revolutionary France. Isabey was an official artist for Napoleon, as well as a designer of theatre décor and Sèvres porcelain. The portrait is a significant addition to the BM collection of French neoclassical drawings.

Further afield, important additions to the collection included a collection of Japanese photobooks from 1945 to 2006, acquired with support from the BM Friends. Many still with their original *obi* (sashes), the books show photographs of Hiroshima and Nagasaki, anti-American demonstrations, rural versus urban life, streets scenes and intimate portraits. Historical money now includes an Iron Age silver minim with a double-headed dragon; a rare 20-franc cheque issued by the Anglo-Palestine Company; and a generous gift of medals by the German artist Hans Karl Burgeff. Other acquisitions included a Georgian tunic, Ethiopian baby carrier and a generous gift of 60 Paithan paintings from Andhra Pradesh and Karnataka. The BM is especially grateful for these and all gifts to the collection.

Exhibitions

The Museum received over 6 million visits in the year, reflecting the very strong exhibition programme. Several successful exhibitions were staged including:

- *The First Emperor* (13 September 2007 – 6 April 2008) featured the largest number of objects ever loaned from Xi'an, where the tomb of China's first emperor, Qin Shihuangdi (259–210 BC), was discovered in 1974. 855,000 visitors saw *The First Emperor* – the largest attendance for an exhibition since the Museum's Tutankhamen display of 1972.
- *Crafting Beauty in Modern Japan* (19 July – 21 October 2007) featured Japanese 'traditional art craft': metalwork, water jars, kimonos, flower baskets, red lacquer boxes, all designed and made by leading Japanese artists of the past 50 years. The exhibition received over 43,000 visitors.

- *A New World: England's First View of America* (15 March – 17 June 2007) offered the extraordinary watercolours of John White which gave the Elizabethan World its first glimpse of America, ultimately shaping its view of the New World. The exhibition received nearly 50,000 visitors.
- *Inhuman Traffic: The Business of the Slave Trade* (24 May 2007 – 6 April 2008) used coins and medals to show what Ignatius Sancho called in 1778 the 'abominable traffic for slaves'.

The Asahi Shimbun Displays in Room 3 ranged from *Ikebana: Living Flowers of Japan* (5 July – 19 August 2007), in which specialist Japanese flower arrangements were changed throughout the run, drawing many return visitors, to *The Korean Moon Jar* (20 September – 21 October 2007), which highlighted a rare 17th–18th-century masterpiece from the collection, one of only 20 remaining in the world. *Divine Cat: Speaking to the Gods in Ancient Egypt* (8 November 2007 – 27 January 2008) surrounded one of the BM's best-loved objects – the dignified bronze Gayer-Anderson cat from Ancient Egypt – with varied approaches for thinking about it, archaeological, historical and (using the latest discoveries made during conservation) scientific. *Church and Emperor: An Ethiopian Crucifixion* (6 March – 5 May 2008), with support from the Headley Trust, set out for Easter a 19th-century Ethiopian crucifixion showing scenes from the life of Abune Selama, Patriarch of the Ethiopian Church from 1841–67.

New Galleries

In June 2007, a new suite of galleries opened above the Enlightenment Gallery. The Rahim Irvani Gallery of Ancient Iran, funded by Maryam and Vahid Alaghband, highlights the achievements the Achaemenids, Parthians and Sasanians, encompassing the farthest reaches of the vast Persian empire. Migration and the origin of cities are discussed; video and monumental 19th-century casts from Persepolis set the context. Celebrated BM objects such as the Cyrus Cylinder and Oxus Treasure are beautifully displayed.

The refurbished Weston Gallery of Roman Britain, one of the BM's most popular, reopened following essential building improvements, generously supported by the Garfield Weston Foundation. Exquisite Late Roman jewellery and tableware from Mildenhall and elsewhere are shown; as are bronze heads of Claudius and Hadrian. Improved facilities have allowed new objects to be displayed, including the Ashwell hoard, purchased with the assistance of the Art Fund.

Forthcoming plans for 2008/9 include several new galleries: Nebamun, funded anonymously; Medieval, funded by Jill and Paul Ruddock; Clocks and Watches, funded by Sir Harry and Lady Djanogly. The Sir Joseph Hotung Centre for Ceramic Studies will house the renowned Percival David Foundation collection of Chinese ceramics as well as a students' room and library. The BM is grateful to Sir Joseph Hotung for his continuing generosity.

The BM has appointed Rogers Stirk Harbour + Partners (formerly Richard Rogers Partnership) as architects for its project to transform over 8000 sq.m. in the northwest corner of the Bloomsbury site. The Northwest Development – one of the largest building projects in the BM's history – will include a state-of-the-art exhibition space three times larger than the current space; a logistics hub for the secure dispatch and receipt of loans; high quality stores for sensitive parts of the collections; and a new advanced BM Centre for Conservation and Science. The Northwest Development will provide the modern facilities that the BM urgently needs.

Research

New displays would not be possible without extensive programmes of research. The BM is an internationally acclaimed centre of research in areas as diverse as archaeology, art history and anthropology. Conservation and science ensure the welfare of the vast collection, while academic enquiry by BM staff and others across the BM's great library of human history brings new discoveries to light. In July 2007 a visiting scholar's work with an Assyrian tablet written in cuneiform – one of the oldest forms of writing known to us – confirmed the historical existence of a Babylonian eunuch mentioned in the Old Testament Book of Jeremiah. Amid extensive media coverage, the *Telegraph* summed it up nicely: 'Tiny museum tablet yields discovery of Biblical proportions'. Worldwide public interest underlined the importance of continual investigation into the existing collection.

Conservation and scientific research span every department in the museum. Preparing objects for loan and special exhibitions prompts renewed investigation into under-studied corners of the collection, as well as into much-examined artefacts such as the Gayer-Anderson Cat. Analysed prior to a special display, the bronze cat revealed new information about how it was originally made and later modified. Other investigations ranged from recently excavated materials from Tell es-Sa'ideyeh in Jordan to Roman wall paintings from the tomb of the Nasonii to the great dragon tiles of the Ming Dynasty.

The wide range of conservation and scientific work was reflected in the 2007 BM *Technical Research Bulletin*, a new annual publication in which topics included the black bronzes of Burma, the long-term effects of ultraviolet light on fabrics, Aztec conch shells and a study of corrosion in iron. Scientific techniques developed through research into the collection have an international impact. With a major grant from the Leverhulme Trust, a non-invasive method of studying painted and varnished surfaces (using a technique known as optical coherence tomography) is being developed by the BM with colleagues from the National Gallery, Nottingham Trent University and the University of Kent. The technique has already proved able to map halos of deterioration in pitted glass, without physical samples having to be taken.

The generosity of the BM Friends, who donated over £100,000, and major donations from the John Ellerman Foundation, 29th May 1961 Charitable Trust, Patrick Deane and the Mercers' Company enabled the BM to acquire two new scanning electron microscopes. The specimen chambers have been specially selected to allow the study of large and awkward objects hitherto not capable of being examined in such detail. The equipment will have a major impact on the BM's work and is already prompting new lines of enquiry and collaborative projects.

BM expertise is sought nationally and internationally. In 2007/08 conservators travelled to Zagreb, Croatia to advise on the Krapina Neanderthal remains. Curator Helen Wang was UK director of a project to catalogue the collections of celebrated archaeologist Aurel Stein in the Hungarian Academy, Budapest. Staff participated in excavations at Miletos and visited museum colleagues in Athens to discuss research, loans and collaborative projects. The BM is assisting an international project on Neolithic jade axes, mined in the Alps and traded across Europe around 4500 BC. Coins from a recent excavation at Pompeii are being catalogued, and Mexican and American colleagues have joined the BM for a world overview of resins used from antiquity to the present day.

As well as producing the BM's own popular and research publications, staff make substantial contributions to world scholarship. Among the hundreds of books, articles and web resources (an area of increasing impact) in which BM research appeared were *Spirit and Life: Masterpieces of Islamic Art* from the Aga Khan Collection; an online edition of First Millennium cuneiform lexical lists; a catalogue on colonial collections published by the Rijksmuseum; and a Spanish study of shamanism.

Learning

Animating the collection, bringing its ideas and arguments to life, is a driving force behind the BM's public programming. The *First Emperor* was the centrepiece of the year's events. Extensive community engagement enabled the BM to establish new links with Chinese groups across London. Almost 600 community members attended a special exhibition preview, with 25 young Chinese volunteers acting as interpreters. Many had never visited the BM before.

For schools, an online *First Emperor* pack included teaching materials and slideshows of high-resolution images for use in the classroom. Teacher-led morning visits enabled 350 pupils an hour to see the exhibition, while the BM's own sessions included the East Asian Yellow Earth Theatre Company transforming the space for 7–11 year-olds. All sessions were completely booked, as were slots added later to deal with the high demand. Over 11,000 students saw the exhibition.

The *First Emperor* programme peaked with the crowds who came to the BM to celebrate Chinese New Year on 9 February. The Year of the Rat was welcomed in with dance, puppetry, films, talks and music, including Blur's Damon Albarn and Jamie Hewlett performing *Monkey: Journey to the West*. Over 35,000 visitors thronged to the BM, its highest daily number ever for a public event.

The schools programme covers the entire collection. Over 180,000 school pupils visited the BM in booked groups in 2007/08, with nearly a quarter of those coming from overseas. Projects included 'Voices of the Diaspora', in which students explored slavery and migration with a storyteller, then filmed a final performance based on the voyage of the Windrush in 1948. 'Hidden Histories' worked with young people in south London to relate West African history to their personal heritage through the BM collection. Courses included a China Day which suggested ways of teaching Chinese history in schools, and the year saw the redesign of the BM's online resource packs in Art & Design and Citizenship, main curriculum areas such as Egypt, Greece, Rome and Africa, as well as Mesopotamia, China and the Islamic World. More broadly, the BM ensures that resources are available for all learners. The Paul Hamlyn Library received on average 13,000 visitors per month. Lifelong learning programmes ranged from Lebanese dance to certificate courses in Central American textiles and Pacific Island art.

Engagement with communities is an essential part of the BM's access initiatives. Closer work with London's Supplementary Schools (which offer culturally diverse teaching alongside the main school system) is reaching new visitor groups through a series of Supplementary School Saturdays. The BM through Camden Community Partners ran sessions on and off site for Somali groups, as well as hard-to-reach young people. Other off-site work included local libraries across London, running family days with object-handling and storytelling, and reminiscence workshops for older people. A pilot project in partnership with family charity Coram has invited young Bangladeshi mothers to gain front-of-house work experience at the BM.

Events throughout the year highlighted the BM collection's cultural diversity. The Manga family film season sold out with hits such as *Naruto the Movie: Ninja Clash in the Land of Snow* and *Porco Rosso: Pigs in Planes*. Other film seasons ranged from contemporary Caribbean cinema to a Bollywood hit about Indian resistance and cricket. The Big Draw on 13 October featured dragons and drew nearly 20,000 visitors, while other workshops focused on Mexican sculpture and Roman mosaics. The Way of Tea was illustrated in the Mitsubishi Corporation Japanese Galleries, as was basket-making by Living National Treasure Hayakaway Shokosai. Lectures included Colin Thubron talking about the Silk Road and Julian Richards discussing archaeology at Stonehenge.

Museum in Britain

The BM extends the collection well beyond the confines of its celebrated building in London. Partnerships with museums across the country ensure that at any moment, BM objects can be seen by multiple audiences across the United Kingdom. Loans and exhibitions are the main focus, while programmes of training and research are organised both with the partners and their wider contacts throughout the country. Touring the collection, with generous support from the Dorset Foundation, has been a great success. In 2007/08 a total of 2,344 objects were lent to 164 UK venues.

Exhibitions and objects toured included:

- *The Emperor's Terrapin* showed a beautiful 17th-century Mughal jade sculpture to more than 264,000 people in venues across the UK, most recently in Bradford and at the Horniman Museum in London.
- *The Face of an Emperor: Hadrian Inspects the Wall*, supported by BP, toured a bronze head of the Roman ruler to venues at either end of Hadrian's Wall: Tullie House, Carlisle and Segedunum Roman Fort and Museum, Wallsend.
- Romuald Hazoumé's *La Bouche du Roi*, acquired in 2007 with the assistance of the Art Fund and BM Friends. The multimedia artwork is comprised of 304 masks made of petrol cans, the sound of slaves lamenting and a seven-minute film about motorcyclists who run petrol between Nigeria and Benin. Taking the form of the late 18th-century slave ship, the *Brookes*, it makes a powerful statement about African history. The artist himself appeared to speak to audiences about the piece in Hull, Liverpool, Bristol and Newcastle. The tour received support from Arts Council England.

BM staff from all departments speak throughout the UK, as well as internationally, to local groups and professional bodies. Among the many talks were curator Jonathan Tubb's public lecture 'Archaeology and the Bible' in Lampeter; Irving Finkel discussing the philosophy of board games at Grantham; Laura Phillips addressing the International Committee of Money and Banking Museums on how to run object-handling events for visitors; and Sheila Canby elucidating 'Spirit and Life' with the Prince of Wales and the Aga Khan at London's Ismaili Centre. John Curtis, Keeper of the Middle East collection, provided a cultural briefing for British Army officers about to be deployed in Basra.

National work with young people included, with a £250,000 grant from the Arts and Humanities Research Council (AHRC), developing teaching materials for UK schools based on the BM's successful *Money in Africa* research project. The UK Youth Parliament, a forum for young people of diverse backgrounds from across the country, met at the BM on 10 October 2007.

The Museum also continued to administer the Portable Antiquities Scheme, a voluntary scheme to record all archaeological objects found by the public. In the ten years since its inception, more than 320,000 finds have been made available to all through the PAS website (www.finds.org.uk), the largest online database of its kind in the world. Increasingly, its frontline archaeological work is being supported by research into the wealth of material recorded by PAS, with a number of advanced academic studies now being done into UK archaeology using PAS data.

Museum in the World

The BM's international work has worldwide impact. Broadcasts and publications reach an increasingly wide audience. The website is viewed by more than seven million people annually. BM loans and exhibitions travel the globe. The Museum's research and fieldwork continue to widen their remit through collaboration and training in Africa, the Middle East and elsewhere.

The World Collections Programme, with DCMS funding of £1million per year for three years, was set up in 2007 to use the collections and contacts of the BM, British Library, V&A, Tate Modern, Royal Botanic Gardens, Kew and Natural History Museum to foster engagement with institutions and publics in Asia and Africa. The aim is to build closer bilateral relationships with institutions overseas. New partnerships will be established, existing ones broadened, with a view to sharing staff expertise, technology and collections across the world. Chaired by BM Director Neil MacGregor, the programme hopes to draw on current international partnerships through the BBC World Service, British Council, Foreign Office and other UK bodies.

The international programme of exhibitions greatly increases the global reach and engagement of the Museum and its collection. A number of exhibitions were staged abroad including:

- *Word into Art: Artists of the Modern Middle East* (7 February – 30 April 2008), in Dubai;
- *Britain Meets the World: 1714–1830*, at the Palace Museum, Beijing;
- *Treasures of World Cultures*, at the Palace Museum, Taipei and in Hong Kong;
- *Art and Empire: Treasures from Assyria in the British Museum* at the Museo Arqueológico Provincial de Alicante in Spain. It will travel to Boston's Museum of Fine Arts in 2008;
- *A New World: England's First View of America* at the North Carolina Museum of History, Raleigh (20 October 2007 – 13 January 2008) and the Yale Center for British Art (6 March – 1 June 2008). The exhibition will proceed to Jamestown, Virginia in July 2008;
- *Temples and Tombs: Treasures of Egyptian Art from the British Museum*, in Florida, North Carolina and New Mexico;
- *Mummies: Death and the Afterlife in Ancient Egypt* at the Bowers Museum in Santa Ana, California; and
- *Mummy: The Inside Story* at Kobe, Japan, enjoyed by 230,000 visitors.

The BM also provided curatorial and educational support for the display of Tutankhamun material at The O2 in London.

Having attracted increasing numbers of applicants, the BM's innovative International Curatorial Training Programme expanded in 2007, with generous support from Ben and Donna Rosen and the DCMS. Eighteen colleagues from China, Iran, Iraq, Turkey, Egypt, Sudan, Ethiopia, Ghana and South Africa took part in a six-week residency during which they were given training, shared skills and ideas, and used the BM collection for research.

International access to the BM's vast collection took a huge leap forward with a relaunch of the Museum website in May 2007. Now accessible under the new domain name, www.britishmuseum.org, the website was redesigned to make it more attractive and easier to use. Basic visitor information is now available in seven languages. In 2007/08, 43 million web pages were viewed on the BM site.

The BM's ultimate aim is to display all of its collection online for everyone to use. The vast project began in the 1980s and the first phase came to fruition in 2007 with the release in October of 260,000 records, most from the Department of Prints and Drawings, including 50,000 drawings and 180,000 prints. Not just a reference database, the new online collection permits users to zoom in to high-definition digital images to examine details and work at a very refined level with the material.

The Museum's objects, staff, activities and research have featured in a number of television and radio programmes, including *Masterpieces of the East*, a follow-up to the very successful BBC4 *Masterpieces of the British Museum* and *The Museum*, a ten part BBC 2 series taking viewers behind the scenes.

Worldwide television and radio coverage of the *First Emperor* exhibition was extensive and a good showcase for the Museum's international work. National broadcasts included Dan Snow's hugely popular hour-long special for BBC2 and a feature with John Wilson on Radio 4's *Front Row*. *Woman's Hour* programmed not just *First Emperor* curator Jane Portal discussing Chinese art, but a series of seven interviews with women at the BM. Curator Richard Blurton was interviewed for BBC Asian Network, while Julie Anderson spoke on the Arabic station Radio Atbara in Sudan on archaeology at Dangeil. Planning and research for the BM's collaborative 100-part radio series with the BBC, *A History of the World at the British Museum*, continues, as does filming for a forthcoming BBC2 television feature with Dan Snow focused on the BM's next major exhibition, *Hadrian: Empire and Conflict*.

Financial performance

	Revenue Funds	
	2007/08	2006/07 (Restated)
	£000s	£000s
Incoming Resources		
Voluntary Income		
Grant-in-aid	41,648	38,679
Donations and legacies	4,368	3,677
Activities for generating funds		
Commercial trading activities	15,138	12,458
Investment income and rent receivable	1,766	1,945
Incoming resources from charitable activities	11,527	4,928
Total incoming resources	74,447	61,687
Resources Expended		
Charitable activities	50,725	50,243
Costs of generating voluntary income	681	678
Commercial trading activities	12,915	10,868
Investment management costs	271	213
Governance costs	283	259
Total resources expended	64,875	62,261
Net incoming resources before transfers	9,572	(574)
Transfers between funds	(14,293)	(4,364)
Gains on investment assets	(1,442)	2,448
Actuarial gain/(loss) on defined benefit pension scheme	970	770
Net movement in funds	(5,193)	(1,720)
<i>Of which:</i>		
Unrestricted funds	(5,708)	(3,415)
Restricted funds	515	1,695

Grant-in-Aid

The British Museum received £41,648,000 revenue and £3,250,000 capital grant-in-aid from the Department for Culture, Media and Sport in 2007/08 (£38,679,000 and £4,250,000 in 2006/07). The Department has confirmed the level of funding it is making available for the three years to 31 March 2011.

Income generation

The *First Emperor* was the most successful UK exhibition since Tutankhamun in 1972. Admissions income in excess of £7m was generated from 855,000 visits. In addition the *First Emperor* attracted one of the largest sponsorships deals in the arts when Morgan Stanley generously agreed to support it. This allowed the Museum to convert the Round Reading Room for the exhibition and to mount an extensive and complex display.

The British Museum Company delivered very healthy operating profits during the year (£1,937,000 compared with £787,000 in 2006/07). Retail sales were higher than the prior year due to the excellent response to the *First Emperor* exhibition. The contribution made by the publishing business to the overall profit increased during the year, due to the success of the *First Emperor* catalogue. The overall gross margin achieved by the company rose by 3.7%.

The picture library continues to show strong growth, with turnover increasing 55% year on year. Home shopping sales have shown steady growth as well, due to the amalgamation of the British Museum and British Museum Company websites in the year. Although higher than last year, due to the additional expenses associated with the *First Emperor* exhibition, overheads were tightly controlled during the year and broadly in line with expectations.

At £1,706,000, the operating profit from trading activities in the British Museum Great Court Ltd was higher than that of 2006/07 (£1,186,000), reflecting the success of the growing Global Partners scheme, as well as higher income from hospitality, conferences and filming.

A run of successful international exhibitions, in addition to cementing relationships with other museums across the world, continues to generate useful income to fund new activities at home.

Fund Raising

The Museum continues to rely on the generosity of a large number of private donors, sponsors, trusts and foundations. Pledges totalling more than £13m were received during the year, allowing significant investment to improve gallery space and essential work on the infrastructure to bring it up to international standards. Support from both individuals and the corporate sector continues to increase and the Museum has seen almost threefold growth since 2005/6 in both Patrons and Global Partners.

Efficiency Savings

Over recent years the Museum has achieved substantial efficiency savings, primarily from the actions taken to reduce annual operating costs by £6m, which included consolidating curatorial activities back onto the Bloomsbury site and disposing of surplus properties. Process improvements such as introduction of an on-line photographic library, improved management of Facilities Management through contracting out hard services and modernising cleaning service practices, contracting out the payroll, improved sickness and absentee management, reducing the use of consultants and implementing a procurement strategy to reduce the number of low value invoices and rationalise the number of suppliers have all contributed to additional efficiencies. Forward plans for further savings are in hand.

Capital expenditure

Capital expenditure on the Museum's gallery improvement plan and work on storage and the building fabric amounted to £12,145,000, compared with £8,897,000 in 2006/07. This reflects a medium term development programme to bring the Museum's main buildings and facilities up to the required standard ahead of the North West development.

Acquisitions for the collection were valued at £1,949,000 (£2,888,000 in 2006/07) of which £934,000 was donated or bequeathed.

Reserves

At 31 March 2008 the Museum's reserves were as follows:

	£m
Collection items acquired since 31 March 2001	35
Land, buildings, plant and equipment	447
Permanent endowment trust funds	13
Restricted funds	16
Designated funds	58
Investment estate	2
Unrestricted general funds	16
Total	587

The collection items, the fixed assets and the permanent endowment trust funds are fully employed in the operation of the Museum and are not available for any other purposes. The restricted capital and revenue funds represent disposal proceeds and donations, the permitted uses of which are limited, depending on the fund concerned, to specific capital projects, the acquisition of specific types of object for the collection or to funding staff for specific activities.

During the year, the Trustees' policy for reserves was that total unrestricted and undesignated reserves should not be allowed to fall below £15 million, of which at least £5 million should be in the form of revenue reserves. This is to provide continuing assurance that the solvency of the Museum will not be put at risk by unforeseen short term income and expenditure variances and that, in the absence of commercial insurance, there are sufficient reserves for business continuity in the event of building or other fundamental infrastructure failure. Levels of unrestricted and undesignated reserves, both current and forecast, are kept under close scrutiny to ensure they will not fall below these minima. The reserves policy is reviewed annually.

Investments and financial risks

It is the Trustees' policy to invest the Museum's permanent endowment trust funds so as to maximise the income earned on them while maintaining their real capital value over the long term. The investment policy for the other funds is to maximise overall returns while limiting the risk of capital loss. During the year the Investment Sub-committee recommended a wider investment allocation, in order to provide a higher long term target return for the Museum's total reserves. Trustees are satisfied with the performance of the portfolio during the year, and the Investment Sub-committee continues to review the investment strategy to ensure that it meets the Museum's requirements.

The financial risks relating to investments are managed by:

- a broad asset allocation which minimises the exposure to adverse factors which may affect one or more classes of assets;
- a policy of hedging the currency exposure where the value of underlying assets in any one currency is material;
- maintaining a relatively high liquidity level;
- regularly monitoring investment performance; and
- maintaining the asset allocation in the light of medium term cash flow projections.

The Museum is not exposed to significant trading credit risks as most major customers are familiar. Term deposits are only placed with UK clearing banks and building societies with assets over £1 billion and are spread across several institutions.

Exposure to wider price risks, such as energy costs, is reduced by competitive tendering and securing two or three year fixed price contracts, where appropriate.

Staff

The pay and grading system, which is based on job families and market rates, and the values based competency framework that underpins it, is fully deployed across the Museum. The competency framework also underpins job profiles, a new appraisal system and a forward programme of learning and development activities.

The Museum identifies diversity as one of its core values. A working party has been drawn from a broad range of staff across the Museum, with a remit to draw up options and proposals for improving diversity in the Museum's:

- audience profile;
- staff, Trustees, volunteers and interns;
- management, curation, display, programme, education and marketing practice; and
- working with other institutions and agencies.

The Museum is leading the Young Graduates for Museums and Galleries diversity programme to introduce sector careers to sixth formers on behalf of the participating museums and galleries, and is hosting interns from the Arts Council Inspire and Museums Association Diversify programmes. The museum's policy on diversity is disclosed on the website.

The current ethnic profile of staff is: 78% white, 8% black, 4% Asian/Oriental, 3% mixed, 4% other and 3% unstated. The gender profile is 49% female and 51% male.

In 2007/08, the average number of days lost for sickness and absenteeism was 5.92 days per person, a very encouraging reduction from 6.4 in 2006/07.

The British Museum has suffered no protected personal data incidents during 2007/08 and has made no report to the Information Commissioner's Office.

The Museum's contribution to DCMS' performance targets

The funding agreement agreed with DCMS sets out a range of performance indicators. The results for the last five years are as follows:

	Actual 2003/04	Actual 2004/05	Actual 2005/06	Actual 2006/07	Target 2007/08	Provisional outturn 2007/08
Total number of physical visits to the Museum	4,622,000	4,778,000	4,485,000	4,903,000	4,700,000	6,049,000
No of unique users visiting the website	7,751,000	7,566,000	8,755,000	7,674,000	8,000,000	13,507,000
Number of children aged 15 and under visiting the Museum	902,000	943,000	873,000	570,200	600,000	706,500
No of children aged 15 and under in on- and off-site organised educational sessions	194,000	202,000	175,000	171,000	200,000	243,200
No of UK adults aged 16 and over from lower socio-economic groups attending the Museum	186,000	203,000	190,000	179,600	188,580	246,600
Net income from trading (including corporate hire)	£1.4m	£1.9m	£1.7m	£1.8m	£1.5m	£5.6m
Efficiency Savings	N/a	£6.8m	£7.2m	£8.1 m	£8.2m	£8.2m

Note that the Museum's sampling methodology for obtaining visitor statistics was changed from twice-yearly to weekly samples as from the end of 2005/6. This has resulted in greater accuracy and the reflection of seasonal variations in the reported proportions of visitors who are children, who are from the UK and who come from ethnic minorities. As a consequence, the basis of the visitor statistics from 2006/07 differs significantly from that used in earlier years. Prior year comparatives and targets have not been restated.

In 2007/08 the Museum experienced a significant increase in the number of visits to the Museum by people from London and the rest of the UK. This was largely due to the success of the First Emperor exhibition. The number of visits made by children and UK adults from lower socio-economic groups and the number of children participating in on and off-site educational sessions have increased in proportion with the total number of physical visits.

The large increase in web visits can in part be attributed to the redesign of the main BM website launched in 2007/08 and also to the online booking service made available during the First Emperor exhibition.

Basis of Preparation of Financial Statements and Accounting Policies and Practices

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

The Museum is complying with the requirements of the Charities SORP. It has chosen to expand the normal Statement of Financial Activities and to distinguish revenue from capital funds, in order to provide a clear expression of its accountability as an organisation providing services to the public.

So far as the Accounting Officer is aware, the Museum has disclosed all relevant information to its auditors. The Accounting Officer believes he has taken all the steps that he ought to make himself aware of any information relevant to the audit and to establish that the auditors are aware of that information. In addition to auditing the Museum's subsidiaries, Grant Thornton LLP provided the Museum with tax and VAT advice.

Names of Trustees

The Board of Trustees

Mr Niall FitzGerald KBE (*Chairman*)⁽⁶⁾
 Chief Emeka Anyaoku⁽¹⁾
 Lord Broers
 Sir Ronald Cohen
 Professor Sir Barry Cunliffe KBE⁽⁴⁾
 Mr Francis Finlay
 Mr Antony Gormley⁽²⁾
 Ms Val Gooding
 Mr Stephen Green
 Ms Bonnie Greer
 Mrs Penny Hughes (appointed 1 July 2007)
 Mr George Iacobescu (appointed 1 July 2007)

Dr Olga Kennard OBE FRS⁽⁵⁾
 Baroness Kennedy QC
 Mr Richard Lambert
 Mrs Edmée Leventis
 Mr David Lindsell
 Mr David Norgrove
 Lord Powell KCMG⁽⁶⁾
 Mr Eric Salama
 Mr Vikram Seth (retired 9 February 2008)
 Sir Keith Thomas FBA (retired 20 January 2008)⁽³⁾
 Sir John Tusa⁽⁶⁾

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

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

- ⁽⁵⁾ the Royal Society
- ⁽⁶⁾ the Trustees

A register of Trustees' interests is maintained by the Museum's solicitor and is open to inspection at the Museum on application to him.

Trustees' Committees and Membership

The Chairman of the Trustees is an *ex officio* member of all Committees other than the Audit Committee

Standing Committee

Mr Niall FitzGerald KBE
 Professor Sir Barry Cunliffe KBE
 Ms Val Gooding
 Mr Richard Lambert
 Sir John Tusa
 Mr David Lindsell
 Lord Powell KCMG

Nomination and Governance Committee

Mr Niall FitzGerald KBE
 Chief Emeka Anyaoku
 Baroness Kennedy QC
 Sir John Tusa
 Ms Val Gooding

Audit Committee

Mr David Norgrove (*Committee Chair*)
 Dr Olga Kennard OBE FRS
 Mr Richard Lambert
 Mr David Lindsell

Investment Sub-committee

Sir Ronald Cohen (*Sub-committee Chair*)
 Mr David Lindsell
 Mr Francis Finlay
 Mr Stan Miranda

North West Development Committee

Mr David Lindsell (*Chair*)
 Mr George Iacobescu
 Dr Olga Kennard OBE FRS
 Mr David Norgrove

Trustee membership of related Councils and Boards

British Museum Company Limited: Board of Directors

Mrs Penny Hughes (Chair)
Mr Niall FitzGerald KBE
Ms Bonnie Greer
Mr David Lindsell
Professor Sir Barry Cunliffe KBE
Sir John Tusa

British Museum Friends: Council

Professor Sir Barry Cunliffe KBE
Mr David Lindsell

The American Friends of the British Museum

Mr Francis Finlay

Official Addresses

Principal address:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Great Court Limited:	The British Museum, Great Russell Street, London WC1B 3DG
British Museum Company Limited:	38 Russell Square, London WC1B 3QQ
Auditors:	
The Museum and the group	The Comptroller and Auditor General, 151 Buckingham Palace Road, Victoria, London SW1W 9SS
BMCo, BMGC and the Trust Funds	Grant Thornton UK LLP, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
Bankers:	National Westminster Bank Plc, 214 High Holborn, London WC1V 7BX Paymaster (1836) Ltd, Russell Way, Crawley, West Sussex RH10 1UH
Solicitor:	Mr Tony Doubleday, Head of Legal Services, British Museum

Remuneration Report

The Board of Trustees and the Director are responsible for directing and controlling the major activities of the British Museum.

The Chairman and Board of Trustees neither received nor waived any remuneration for their services during the year (2006/07: £Nil).

The disclosures in this table are subject to audit.

	Salary	Real increase in pension and related lump sum at age 60	Total accrued pension at age 60 at 31/3/08 and related lump sum	Cash equivalent transfer ¹ value at 31/3/07	Cash equivalent transfer value at 31/3/08	Real increase in CETV after adjustment for inflation and changes in market investment factors
	(£k)	(£k)	(£k)	(to nearest £k)	(to nearest £k)	(to nearest £k)
Neil MacGregor Director	£130-135k (2006-07 £140- £145k)	£0-(2.5)k plus £0- (2.5)k lump sum	£65-70k plus £195-200k lump sum	£1,542k	£1,616k	(£21k)
Andrew Burnett Deputy Director	£80-85k (2006-07 £85-£90k)	£0-(2.5)k plus £0- (2.5)k lump sum	£35-40k plus £115-120k lump sum	£778k	£881k	(£8k)
Christopher Yates Director of Administration (from 01/01/08)	£20-25k (2006-07 £nil)	£0-£2.5k plus £2.5-5.0k lump sum	£5-10k plus £25-30k lump sum	£95k	£130k	£15k

None of these senior managers received other cash or non-cash benefits of value, and no severance or compensation payments were made to senior managers during the year (2006/07: none). Senior managers' contracts determine the circumstances in which a compensation payment may be made. The compensation provisions are no more advantageous than those set out in the Civil Service Compensation Scheme.

The Nominations and Governance Committee, whose members are listed above, assesses the performance of the Director, Neil MacGregor, each year. His salary is agreed with the Chairman. His contract commenced in 2002 and expires in 2011, and specifies a notice period of three months.

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

¹ A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

The Museum has a job family pay structure. Members of staff are allocated to clusters within each job family according to their responsibilities and competencies. All members of staff below their cluster or personal pay maxima are entitled to an annual, standard uplift and to annual progression payments.

The majority of staff members are employed on permanent contracts. Some individuals working on discrete short term projects are employed on contracts which match the duration of the projects concerned. All staff employed on contracts of one year or more are entitled to join the Principal Civil Service Pension Scheme, a defined benefits scheme. Details of the scheme are shown in note 18 to the accounts.

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

14 July 2008

Statement of Trustees' and Accounting Officer's Responsibilities

Under Section 9 (4) and (5) of the Museum and Galleries Act 1992, the Trustees of The British Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, 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 its year end.

In preparing the Museum's accounts the Trustees are 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
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport designated Neil MacGregor as the Accounting Officer for the Museum. 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, as set out in *Managing Public Money* issued by the Treasury.

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

14 July 2008

Statement on Internal Control

1. Scope of Responsibility

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

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

The Museum has a three-year Funding Agreement with its sponsor department, the Department for Culture, Media and Sport, which includes targets in support of the Department's own Public Service Agreement targets and which identifies the most significant risks to achievement of the Museum's objectives. Progress against the Funding Agreement targets is monitored at least twice a year.

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives, to evaluate the likelihood of those risks materialising and the impact should they materialise, and to manage them efficiently, effectively and economically.

3. Capacity to Handle Risk

The Accounting Officer has overall responsibility for the Museum's risk management framework. The Directorate Group, which meets to receive and consider reports or recommendations for action or decision to the Accounting Officer, co-ordinates the management of risk within the Museum's departments and ensures that the Museum's risk register is kept up-to-date. It is supported for this purpose by the Director of Administration, with advice from Internal Audit. Risk management within departments is supplemented by risk assessments and monitoring by project managers for cross-departmental projects.

4. The Risk and Control Framework

The Museum managers, cluster groups and the Directorate Group notify new risks as they arise to the Director of Administration, who maintains the Museum's risk register. The Directorate Group regularly reviews the risks on the risk register, reassesses the likelihood of their materialising and potential impact and considers indicators for monitoring the risks, actions to reduce the likelihood of the risks materialising and appropriate responses should they materialise. The responsibility for managing each risk is assigned to a senior manager.

The Audit Committee reviews the risk register and actions taken at each of its meetings. It focuses on the highest rated risks in terms of their likelihood and impact taken together, and challenges the Museum's officers for evidence of good management. The Audit Committee routinely requires middle managers to provide assurance that risk management and internal controls are thoroughly understood and effectively implemented at operating level.

The risk management priorities for the Museum during 2007/08 have been to maintain the focus of managers on delivering the Museum's strategic plan: continuing to develop effective space planning, delivering exhibition programmes, improving the delivery of facilities management soft services, revising and clarifying the human remains policy, improving the infrastructure to support its research projects and continuing to build public support.

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

5. Review of Effectiveness

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

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

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

The Museum continues to focus its efforts on scrutinising areas of perceived higher risk and, in particular, is enhancing the controls operating around training and development, events management, and IS asset management. During the year there were four incidents of fraud or potential fraud. Two did not result in any financial loss and, in the other two cases, the loss was immaterial.

Working with the Board and the Audit Committee, we plan to ensure continuous improvement to the system.

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

14 July 2008

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

I certify that I have audited the financial statements of the British Museum for the year ended 31 March 2008 under the Museums and Galleries Act 1992. These comprise the consolidated Statement of Financial Activities, the consolidated Balance Sheet and Museum Balance Sheet, the consolidated Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

The Board of Trustees and the Director as Accounting Officer are responsible for preparing the Trustees' and Accounting Officer's Annual Report (Annual Report), the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder 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 Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder. I report to you whether, in my opinion, the information which comprises the Operating Environment and the Financial Performance, given in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

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

I review whether the Statement on Internal Control reflects the British Museum's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the British Museum'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 information comprises the Strategy and Structure, Our Operations and Performance against Strategy and the unaudited parts of the Remuneration Report included in the Annual 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 in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the British Museum 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 incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit 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, of the state of the British Museum and the group's affairs as at 31 March 2008 and of its incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and the Secretary of State for Culture Media and Sport's directions made thereunder; and
- information, which comprises the Operating Environment and the Financial Performance included within the Annual Report, is consistent with the financial statements.

Audit Opinion on Regularity

In my opinion, in all material respects, the expenditure and income funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

16 July 2008

National Audit Office
151 Buckingham Palace Road,
Victoria,
London SW1W 9SS

The British Museum

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

Consolidated Statement of Financial Activities for the year ended 31 March 2008

	Notes	Revenue Funds		Capital Funds			Total Funds		Total 2007 £000s (restated)
		Unrestricted £000s	Restricted £000s	Total Unrestricted £000s	Restricted Acquisitions £000s	Total Unrestricted £000s	Restricted Endowment £000s	Total 2008 £000s	
Incoming Resources									
Voluntary Income									
Grant-in-aid		41,648	0	41,648	0	3,250	0	3,250	44,898
Donations and legacies		758	3,610	4,368	0	4,301	1,652	9,563	10,321
Activities for generating funds									
Commercial Trading									
Activities	9(c)	15,138	0	15,138	0	0	0	0	15,138
Investment income and rent receivable	2	1,256	510	1,766	811	210	0	2,067	2,787
Incoming Resources from charitable activities									
4(c)		11,522	5	11,527	0	0	0	11,522	11,527
Total Incoming Resources		70,322	4,125	74,447	811	7,761	1,652	71,133	84,671
Resources Expended									
Charitable activities									
Costs of generating Funds									
Costs of generating voluntary income									
Commercial Trading									
Activities	9(c)	12,915	0	12,915	0	0	0	12,915	10,839
Investment Management Costs		271	0	271	0	0	0	271	271
Government Costs									
4(a)		282	1	283	0	4	0	282	291
Total Resources expended		61,552	3,323	64,875	0	9,388	0	61,552	74,267
Net incoming resources before transfers	3	8,770	802	9,572	811	(1,627)	1,652	9,581	10,404
Transfers between funds	14(b)	(14,281)	(12)	(14,293)	11,579	2,417	297	(2,702)	0
Net incoming resources before other recognised gains and losses		(5,511)	790	(4,721)	12,390	790	1,949	6,879	10,404
Gains on revaluation of fixed assets for the Museum's own use									
(Loss)/gain on investment assets	6(a)	0	0	0	0	13,384	0	0	13,384
Actuarial gain on defined benefit pension scheme		(1,167)	(275)	(1,442)	(336)	0	0	(1,503)	(3,284)
Net movement in funds		970	0	970	0	0	0	970	970
Fund balances brought forward at 1 April	14(a)	(5,708)	515	(5,193)	12,054	14,174	1,949	6,346	21,474
Prior period adjustment									
Restated fund balances brought forward at 1 April	14(a)	22,359	9,365	31,724	48,700	437,416	33,034	71,059	564,957
Fund balances carried forward at 31 March		804	(1,349)	(545)	0	1,495	0	804	950
		23,163	8,016	31,179	48,700	438,911	33,034	71,863	565,907
	14(a)	17,455	8,531	25,986	60,754	453,085	34,983	78,209	587,381

The notional cost of capital is reported in note 5.

Net incoming resources before transfers but including the cost of capital were £573,000 (2007: (£7,293,000)).

All operations of the Museum continued throughout both periods and none were discontinued in either period.

The British Museum has no recognised gains and losses other than those above and consequently no separate Statement of Total Recognised Gains and Losses has been presented.

A change to the accounting policy governing income recognition has resulted in a prior period adjustment, the cumulative effect of which is to increase opening reserves as at 1 April 2007 by £0.95m.

The notes on pages 33 to 52 form part of these accounts.

Consolidated Balance Sheet as at 31 March 2008

	Notes	2008 £000s	2007 £000s (restated)
Fixed Assets			
Tangible assets	6(a)	446,950	431,348
Heritage Assets	7	34,983	33,034
Investments	8(a)	82,871	63,305
		564,804	527,687
Current Assets			
Stock-goods for resale		1,682	1,896
Debtors	10	5,960	5,515
Short term investments	8(b)	21,383	39,000
Cash at bank and in hand	8(c)	10,240	10,335
Total Current Assets		39,265	56,746
Creditors: amounts falling due within one year	11	(13,568)	(14,337)
Net current assets		25,697	42,409
Total assets less current liabilities		590,501	570,096
Provision for liabilities and charges:	12		
Early retirement provision		(1,528)	(1,459)
Other provisions		(392)	(460)
Net Assets excluding pension liability		588,581	568,177
Liability on defined benefit pension scheme	18	(1,200)	(2,270)
Net Assets including pension liability		587,381	565,907
Represented by:			
Permanent Endowments		12,573	14,083
Restricted Funds		496,599	479,961
Unrestricted Funds			
Designated Funds		58,358	53,606
General Funds		18,468	17,939
General Funds held in subsidiaries		1,383	318
		78,209	71,863
Total Funds	14(a)	587,381	565,907

The notes on pages 33 to 52 form part of these accounts

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

14 July 2008

Museum Balance Sheet as at 31 March 2008

	Notes	2008 £000s	2007 £000s <i>(restated)</i>
Fixed Assets			
Tangible assets	6(b)	445,556	429,812
Heritage Assets	7	34,983	33,034
Investments	8(a)	82,871	63,305
Investment in subsidiaries	9(a)	1,250	1,250
		564,660	527,401
Current Assets			
Debtors	10	8,622	7,455
Short term investments	8(b)	21,379	39,000
Cash in bank and in hand	8(c)	6,464	6,018
		36,465	52,473
Creditors: amounts falling due within one year	11	(13,371)	(12,576)
Net current assets		23,094	39,897
Total assets less current liabilities		587,754	567,298
Provision for liabilities and charges			
Early retirement provision	12	(1,528)	(1,459)
Other provisions		(228)	(250)
Net assets		585,998	565,589
Represented by:			
Permanent Endowments		12,573	14,083
Restricted Funds		496,599	479,961
Unrestricted Funds			
Designated Funds		58,358	53,606
General Funds		18,468	17,939
		76,826	71,545
Total Funds	14(a)	585,998	565,589

The notes on pages 33 to 52 form part of these accounts

Neil MacGregor
Accounting Officer

David Norgrove
Trustee

14 July 2008

Consolidated Cash Flow Statement for the year ended 31 March 2008

	Notes	2008 £000s	2007 £000s <i>(restated)</i>
Net cash inflow from operating activities	15(a)	15,511	6,151
Returns on investments and servicing of finance:			
Interest received		2,219	3,389
Dividends received		512	112
Rents receivable		56	318
Net cash inflow from returns on investments and servicing of finance	2	2,787	3,819
Investing Activities:			
Capital expenditure and financial investments:			
Sale of fixed asset investments		8,682	749
Purchase of tangible assets		(12,145)	(8,897)
Purchase of heritage assets		(1,015)	(1,720)
Purchase of fixed asset investments		(31,532)	(33,260)
Net cash outflow from investing activities		(36,010)	(43,128)
Management of liquid resources			
Net sale/(purchase) of short term investments		17,617	37,500
Increase/(Decrease) in cash	15(c)	(95)	4,342

The notes on pages 33 to 52 form part of these accounts

Notes to the Accounts

1. ACCOUNTING POLICIES

Accounting Conventions

- (a) The accounting format and policies are prescribed in the Accounts Direction issued by the Secretary of State for Culture, Media and Sport in accordance with the Museum's Financial Memorandum. A copy of the Direction is available from the Department for Culture, Media and Sport.
- (b) The financial statements are prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the treatment of investments, which have been included at market value.

Without limiting the information given, the accounts meet the requirements of accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate including the Statement of Recommended Practice (Revised 2005) *Accounting and Reporting by Charities* issued by the Accounting Standards Board.

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

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

- (i) This statement discloses the totality of the resources receivable by the Museum during the year and their disposition. Resources are allocated to particular funds according to their purpose. Permanent endowment, capital and revenue elements are shown separately.
- (ii) In general, incoming resources are accounted for on a receivable basis. Grant-in-aid is taken to the SOFA in the year in which it is received. Grants for fixed assets are recognised in the SOFA when they are received or receivable. Donations are recognised as incoming resources when the conditions for their receipt have been met. Legacies are recognised as incoming resources when there is certainty that the conditions have been met and there is certainty as to the amount. Income from endowment funds is restricted.

In previous years, contractual sponsorship income has been treated as restricted, and recognised when receivable. The Museum has changed its policy for the recognition of such income. Contractual and trading income is now recognised as incoming resources to the extent that the Museum has provided the associated goods or services. Where income is received in advance and the Museum does not have entitlement to these resources until the goods or services have been provided, the income is deferred.

This change in accounting policy has resulted in a prior period adjustment, the cumulative effect of which is to increase opening reserves as at 1 April 2007 by £0.95m, increase deferred income at 31 March 2007 by £0.95m and increase accrued income at 31 March 2007 by £1.9m.

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

Grants payable are recognised at the time each grant is approved.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities according to the space occupied by each activity. Costs of generating funds are those incurred in seeking voluntary and sponsored contributions for the Museum. Governance costs are those costs incurred in connection with the general governance of the British Museum including compliance with constitutional and statutory requirements.

The Museum is covered by the provisions of the VAT Act 1994 s 33a, which allows it to recover the majority of VAT which is borne. Irrecoverable VAT is treated as an overhead cost and apportioned over the activities of the Museum as described in note 4.

(d) *Heritage Assets*

Acquisitions for the collection since 1 April 2001, whether donated or purchased, are capitalised and recognised in the balance sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable and reliable. Items donated or bequeathed to the Museum's collection are valued by internal valuers if an external valuation for the items is not available. Such items are not depreciated or revalued as a matter of routine.

(e) *Tangible Fixed Assets*

Assets with an economic life of more than one year and value greater than £5,000 are capitalised. All assets are carried at current cost valuations unless the trustees consider that this is not materially different from historic cost. All the Museum's properties are revalued for accounting purposes by external chartered surveyors in accordance with the Appraisal and Valuation Standards as published by the Royal Institute of Chartered Surveyors and with FRS 15 – Tangible Fixed Assets every five years. Valuations of the main Museum building at Great Russell Street and its perimeter buildings and of two properties used for storage at Orsman Road were carried out by Gerald Eve as at 31 March 2004. Valuation of the operational property of 1/2 Montague Place was carried out by Kinney Green as at 31 March 2004. The valuation of Blythe House was carried out by Chesterton's on 19 January 2004. The Museum is valued on a depreciated replacement cost basis and Blythe House and the Orsman Road properties are valued on an existing use basis. Between the quinquennial valuations, Gerald Eve undertakes a desktop valuation to update the values of land & buildings and plant & machinery, with relevant indices provided by the Office of National Statistics applied to other assets.

Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the value of each asset evenly over its expected useful life, as follows:

Freehold buildings	15 to 100 years
Capital improvements to leasehold properties	life of lease
Exhibitions and galleries	25 years
Plant and machinery	10 to 15 years
Furniture, fit out and equipment	3 to 10 years

Depreciation is calculated on the revalued amounts and no residual value is assumed for any asset at the end of the period of depreciation.

It is the policy of the Trustees of the British Museum to plan the maintenance and refurbishment of the buildings on an even basis and at a level designed to maintain and preserve the buildings for the foreseeable future. The cost of such works is written off to the SOFA in the year incurred.

(f) *Investments*

Investments are stated at market value as at 31 March 2008. Realised and unrealised gains and losses on investments are reflected in the Statement of Financial Activities.

Freehold investment properties have been brought into the accounts at open market value and are not depreciated. This is in accordance with SSAP 19. A formal valuation of the Investment properties is carried out every five years by independent valuers in accordance with the RICS Appraisal and Valuation manual. Between these quinquennial valuations the same independent valuers perform a desktop valuation.

The investment in subsidiaries is carried at cost. For further details see note 9. The Museum carries out an annual impairment review of the investment in each subsidiary.

(g) *Stock*

Stock is stated at the lower of cost and net realisable value.

(h) *Liabilities*

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

(i) *Provisions*

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

(j) *Liquid resources*

Liquid resources, as referred to in the cash flow statement, are defined as current asset investments held as readily disposable stores of value. A readily disposable investment is one that is disposable without curtailing or disrupting its business and is either readily convertible to known amounts of cash at or close to its carrying value or traded in an active market.

(k) *Leases*

The British Museum has no finance leases. Costs relating to operating leases are charged over the life of the lease.

(l) *Foreign Currencies*

Assets and liabilities denominated in foreign currencies are translated 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 SOFA.

(m) *Pensions*

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

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

The British Museum has operated an Early Retirement Scheme which gives retirement benefits to certain qualifying employees. These benefits conform to the rules of the Civil Service Pension Scheme. The British Museum bears the costs of these benefits until normal retiring age of the employees retired under the Early Retirement Scheme. Future payment of these benefits has been discounted at a rate of 3.5%.

(n) *Notional Costs*

In accordance with Treasury instructions, the notional cost of capital is calculated and details given in Note 5.

(o) *Taxation*

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

(p) *Funds Structure*

The Museum has the following categories of funds:

- Restricted permanent endowment funds which the donors have stated are to be held as capital.
- Restricted funds whose investment or usage are subject to specific restriction imposed by sponsors and donors.

- Designated funds which have been set aside at the discretion of the Trustees for specific purposes.
- General funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum.

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

2. Investment Income and Rent Receivable

	SOFA Total 2008 £000s	SOFA Revenue 2008 £000s	SOFA Capital 2008 £000s	SOFA Total 2007 £000s	SOFA Revenue 2007 £000s	SOFA Capital 2007 £000s
Income from UK bank deposits	2,357	1,336	1,021	3,262	1,388	1,874
Income from overseas bank deposits	2	2	0	52	52	0
Income from UK fixed interest investments	136	136	0	61	61	0
Income from overseas fixed interest investments	74	74	0	14	14	0
Income from UK listed investments	64	64	0	(17)	(17)	0
Income from overseas listed investments	98	98	0	129	129	0
	2,731	1,710	1,021	3,501	1,627	1,874
Rents Receivable	56	56	0	318	318	0
	2,787	1,766	1,021	3,819	1,945	1,874

3. Net Incoming Resources

Net incoming resources are stated after charging:

	2008 £000s	2007 £000s
Auditors' remuneration: Comptroller and Auditor General audit fee	47	51
Auditors' remuneration: Subsidiary companies audit fee	39	37
Auditors' remuneration: Grant Thornton VAT advice	1	13
Operating lease rentals: Hire of plant and machinery	3	3
Operating lease rentals: Land and buildings	274	260

4. Total Resources Expended

4(a)	Direct Costs £000s	Support Grants £000s	2008 Depreciation £000s	2007 Costs £000s	Total £000s	Total £000s (restated)
Care, research and conservation	27,139	937	4,380	2,755	35,211	34,428
Public access and events	12,469	0	4,795	2,550	19,814	21,094
Charitable trading	4,756	0	182	119	5,057	3,341
Charitable activities	44,364	937	9,357	5,424	60,082	58,863
Costs of generating voluntary income	671	0	27	10	708	704
Commercial trading operations	12,915	0	0	0	12,915	10,839
Investment management costs	271	0	0	0	271	213
Governance costs	284	0	4	3	291	295
	58,505	937	9,388	5,437	74,267	70,914

Under the Portable Antiquities scheme, the British Museum made grants of £937,000 in 2008 (2007, £980,000). The scheme is the only proactive mechanism in England and Wales for recording archaeological finds made by the public. The grants are made to local authorities to support the work of Find Liaison Officers. Details of these grants are obtainable from the Portable Antiquities Scheme administrator at the British Museum.

4(b) Support costs relate to the Museum's Finance, Information Services, Human Resources and Legal Services functions. The support and depreciation costs are allocated according to the space occupied by each activity.

	Finance Information Services	Human Resources	Legal Services	2008 Total	2007 Total
Care, research and conservation	934	1,026	646	2,755	3,012
Public access and events	864	949	599	2,550	2,787
Charitable trading	40	44	28	119	130
Charitable activities	1,838	2,019	1,273	5,424	5,929
Costs of generating voluntary income	4	4	2	10	11
Governance costs	1	1	1	3	3
	<u>1,843</u>	<u>2,024</u>	<u>1,276</u>	<u>5,437</u>	<u>5,943</u>

Finance costs include early retirement and redundancy costs of £1,028,000

4(c) Charitable Trading

The main income generating activities undertaken by the Museum are:

	Income 2008 £000s	Direct Costs 2008 £000s	Income 2007 £000s <i>(restated)</i>	Direct Costs 2007 £000s
Exhibition income	9,405	4,866	2,312	2,297
Loan of the collection	1,613	738	1,467	630
Sale of guides to the permanent collection	129	117	245	116
Other income	380	0	359	0
Total	<u>11,527</u>	<u>5,721</u>	<u>4,383</u>	<u>3,043</u>

There are no individually significant activities included in Other income.

4(d) Governance Costs

Analysis of direct governance costs:

	2008 £000s	2007 £000s <i>(restated)</i>
Staff costs	78	79
British Museum auditor's remuneration	47	51
Subsidiary charities auditors' remuneration	39	38
Internal audit costs	91	98
Cost of meetings	26	17
Reimbursement of trustee expenses	3	4
Other	0	1
	<u>284</u>	<u>288</u>

4(e) Staff Costs

	2008 £000s	2007 £000s
Wages and salaries	28,588	25,959
Social security costs	2,216	2,068
Pension costs	4,882	4,512
Agency staff costs	1,869	1,462
Early retirement and voluntary redundancy costs	1,028	1,348
	<u>38,583</u>	<u>35,349</u>

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

	2008	2007
£60,001 – £70,000	11	11
£70,001 – £80,000	3	8
£80,001 – £90,000	2	2
£90,001 – £100,000	1	0
£100,001 – £110,000	0	1
£130,001 – £140,000	2	0
£140,001 – £150,000	0	1

17 staff (2007, 19) whose emoluments amounted to more than £60,000 in the year are members of a defined benefit scheme and 2 staff (2007, 4) are members of a defined contribution scheme. Contributions of £14,735 (2007, £16,477) were paid on behalf of the members of the defined contribution scheme.

Senior Managers' remuneration is disclosed in the Remuneration Report on page 21 of the annual report.

4(f) The average number of employees, analysed by function was:

2008	Agency and contract		Total
	Staff	staff	
Care, research and conservation	475	14	489
Public access and education	393	12	405
Trading – Charitable Objectives	42	0	42
Fundraising and publicity	14	2	16
Commercial Trading Activities	132	29	161
Governance	3	0	3
	1,059	57	1,116

2007	Agency and contract		Total
	Staff	staff	
Care, research and conservation	442	15	457
Public access and education	384	10	394
Trading – Charitable Objectives	41	1	42
Fundraising and publicity	12	1	13
Commercial Trading Activities	112	13	125
Governance	3	0	3
	994	40	1,034

4(g) **Trustees:**

The Trustees neither received nor waived any emoluments during the year (2007 £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2008, 6 Trustees (2007: 7) were reimbursed £2,505 (2007: £3,546).

5. Notional Cost of Capital

	2008	2007
	£000s	£000s
Cost of capital	9,831	9,399

The cost of capital is calculated as 3.5% of the average capital employed by the Museum in the year excluding the capitalised value of collection items and any assets funded by donations or the public lottery.

6. Tangible Fixed Assets

6(a) Consolidated Tangible Fixed Assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant & Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2007	375,548	6,449	21,586	51,170	6,132	460,885
Additions during the year	0	11,747	0	0	398	12,145
Disposals during year	0	0	0	0	(85)	(85)
Transfer	3,004	(8,493)	1,126	1,911	2,452	0
Revaluation adjustment	13,003	0	467	1,969	47	15,486
At 31 March 2008	391,555	9,703	23,179	55,050	8,944	488,431
Depreciation						
At 1 April 2007	11,168	0	6,084	9,548	2,737	29,537
Disposals during year	0	0	0	0	(85)	(85)
Provided during the year	4,200	0	1,001	3,624	1,103	9,928
Modified historic cost adjustment	1,372	0	70	601	58	2,101
At 31 March 2008	16,740	0	7,155	13,773	3,813	41,481
Net Book Value						
At 31 March 2008	374,815	9,703	16,024	41,277	5,131	446,950
At 31 March 2007	364,380	6,449	15,502	41,622	3,395	431,348
Net book value at 31 March 2008 represents						
fixed assets for directly charitable objectives	373,901	9,679	15,985	41,176	3,728	444,469
Other activities	914	24	39	101	1,403	2,481
	374,815	9,703	16,024	41,277	5,131	446,950

6(b) Museum Tangible Fixed Assets

	Freehold Land and Buildings £000s	Assets in the Course of Construction £000s	Exhibitions and Galleries £000s	Plant & Machinery £000s	Equipment £000s	Total £000s
Current Cost						
At 1 April 2007	375,548	6,449	21,586	51,170	3,126	457,879
Additions during the year	0	11,747	0	0	0	11,747
Transfer	3,004	(8,493)	1,126	1,911	2,452	0
Revaluation adjustment	13,003	0	467	1,969	47	15,486
At 31 March 2008	391,555	9,703	23,179	55,050	5,625	485,112
Depreciation						
At 1 April 2007	11,168	0	6,084	9,548	1,267	28,067
Provided during the year	4,200	0	1,001	3,624	563	9,388
Modified historic cost adjustment	1,372	0	70	601	58	2,101
At 31 March 2008	16,740	0	7,155	13,773	1,888	39,556
Net Book Value						
At 31 March 2008	374,815	9,703	16,024	41,277	3,737	445,556
At 31 March 2007	364,380	6,449	15,502	41,622	1,859	429,812
Net book value at 31 March 2008 represents						
fixed assets for directly charitable objectives	373,901	9,679	15,985	41,176	3,728	444,469
Other activities	914	24	39	101	9	1,087
	374,815	9,703	16,024	41,277	3,737	445,556

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

6(c) The historic cost of the land and buildings is not known.

Valuations of the main Museum building at Great Russell Street and its perimeter buildings and of two properties used for storage at Orsman Road were carried out by Gerald Eve as at 31 March 2004. Valuation of the operational property of 1/2 Montague Place was carried out by Kinney Green as at 31 March 2004. The valuation of Blythe House was carried out by Chesterton's on 19 January 2004.

At that time the Museum operational properties were valued at £301,953,000.

Blythe House is currently occupied by the British Museum, the Science Museum and the Victoria and Albert Museum on a shared basis with the rights and obligations of ownership accruing to the occupants. It has accordingly been included in the Museum's balance sheet at one third of the valuation.

7. Heritage Assets – Group and Museum

	2008	2007
	£000s	£000s
At 1 April 2007	33,034	30,146
Purchased from Museum resources	288	345
Purchased by the Museum trust funds	289	760
Purchased from donations	438	615
Items donated or bequeathed	934	1,168
At 31 March 2008	34,983	33,034

8. Investments

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

	2008	2007
	£000s	£000s
Investment assets in the UK:		
Listed Common Investment Funds and Unit Trusts	21,066	27,669
Listed Equity	7,939	1,615
Unlisted Equity	12,062	0
Fixed interest	4,544	7,415
Cash held as part of investment portfolio	270	445
Commodities	675	445
Investment assets outside the UK:		
Listed Equities	4,039	5,527
Unlisted Equities	24,580	13,821
Fixed interest	4,577	3,493
Commodities	657	418
Investment Properties	2,462	2,457
	82,871	63,305
Investments at 1 April 2007	63,305	26,717
Additions	31,532	33,260
Disposals at cost	(8,682)	(669)
(Loss)/gain in value	(3,284)	3,997
Investments at 31 March 2008	82,871	63,305

Stock Market investments are revalued at market value at the year end. The valuation of investments properties in Bloomsbury were carried out by Kinney and Green at 31 March 2004 in accordance with the RICS Appraisal and Valuation manual. The market value was £1,883,000.

8(b) Current Asset Investments

	Group 2008 Cost £000s	Group 2007 Cost £000s	Museum 2008 Cost £000s	Museum 2007 Cost £000s
Short term cash deposits	21,383	39,000	21,379	39,000

8(c) Cash at bank and in hand

	Group 2008 £000s	Group 2007 £000s	Museum 2008 £000s	Museum 2007 £000s
Balance with Office of Paymaster General	165	164	165	164
Balance with commercial banks and in hand	10,075	10,171	6,299	5,854
	10,240	10,335	6,464	6,018

9. Subsidiaries

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

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

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

9(b) Results of Trading Subsidiaries

	BM Co 2008 £000s	BMGC 2008 £000s	Total 2008 £000s	Total 2007 £000s
Turnover	12,115	4,591	16,706	12,846
Cost of sales	(4,357)	(2,359)	(6,716)	(5,769)
Gross profit	7,758	2,232	9,990	7,077
Selling and distribution costs	(3,380)	0	(3,380)	(2,677)
Administrative expenses	(2,509)	(472)	(2,981)	(2,496)
Other operating income	68	0	68	69
Operating profit	1,937	1,760	3,697	1,973
Finance cost	(40)	0	(40)	(60)
Interest receivable	109	131	240	171
Onerous lease provision and repairs to onerous lease	0	0	0	594
Actuarial gain/(loss) on defined benefit scheme	970	0	970	770
Taxation payable	0	0	0	(6)
Contribution to the Trustees of the British Museum	(1,906)	(1,896)	(3,802)	(1,994)
Surplus/(deficit) retained in the Company	1,070	(5)	1,065	1,448

The operating profit of the British Museum Company Limited is stated after charging staff costs of £4,060,000 (2007: £3,216,000) and depreciation of tangible fixed assets of £540,000 (2007: £322,000).

The two subsidiaries have made gift aid contributions to the British Museum in the year of £3,802,000 (2007: £1,994,000).

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

	2008	2008	2007	2007
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From the British Museum Company Limited	12,115	12,172	9,715	9,174
Other operating income	68	0	69	0
From the British Museum Great Court Limited	4,591	4,698	3,725	2,545
less transactions with the British Museum	(1,636)	(3,955)	(1,051)	(880)
	15,138	12,915	12,458	10,839

Net assets at 31 March 2008 comprise:

	BM Co	BMGC	BM Co	BMGC
	2008	2008	2007	2007
	£000s	£000s	£000s	£000s
Tangible fixed assets	1,394	0	1,536	0
Current assets	5,905	3,556	4,379	2,721
Creditors due within one year	(3,804)	(3,054)	(2,374)	(2,214)
Creditors due after one year	(1,364)	0	(2,480)	0
Net assets	2,131	502	1,061	507

10. Debtors

	Group		Museum	
	2008	2007	2008	2007
	£000s	£000s	£000s	£000s
		<i>(restated)</i>		<i>(restated)</i>
Trade debtors	1,263	897	183	273
Other debtors	1,648	1,592	1,614	1,655
Prepayments and accrued income	3,049	3,026	2,867	2,855
Amount due from subsidiaries	0	0	3,958	2,672
	5,960	5,515	8,622	7,455

A change to the accounting policy governing income recognition has resulted in a prior period adjustment, the cumulative effect of which is to increase accrued income at 31 March 2007 by £1.9m. Full details of the change in policy are disclosed in note 1c. There are no material balances outstanding relating to Whole of Government Accounts at 31 March 2008.

11. Creditors

	Group		Museum	
	2008	2007	2008	2007
	£000s	£000s	£000s	£000s
		<i>(restated)</i>		<i>(restated)</i>
Amounts falling due within one year:				
Trade creditors	4,034	6,261	3,375	5,390
Other creditors	1,295	307	1,278	295
Taxation and social security	314	694	0	627
Early retirement	1,146	1,466	1,146	1,466
Accruals	5,151	4,093	4,224	3,488
Deferred income	1,628	1,516	645	1,256
Amount due to subsidiaries	0	0	2,703	54
	13,568	14,337	13,371	12,576

A change to the accounting policy governing income recognition has resulted in a prior period adjustment, the cumulative effect of which is to increase deferred income at 31 March 2007 by £0.95m. Full details of the change in policy are disclosed in note 1c. There are no material balances outstanding relating to Whole of Government Accounts at 31 March 2008.

The movement on the deferred income account is as follows:

	2008	2007
	£000s	£000s
Deferred Income at 1 April	1,516	922
Released in year	(1,516)	(922)
Deferred in year	1,628	566
Prior period adjustment	0	950
Deferred income at 31 March	1,628	1,516

12. Provisions and Charges – Group and Museum

Early retirement and voluntary redundancy commitments at 31 March 2008 are as follows:

	2008	2007
	£000s	£000s
Pension provision brought forward	2,925	2,944
Provision made in year	1,027	1,348
Payments in year	(1,278)	(1,367)
	2,674	2,925
Less current portion – included in creditors amounts falling due within one year	(1,146)	(1,466)
	1,528	1,459

The £2,674,000 represents the provision for annual compensation payments to those employees who retire under an approved redundancy scheme aged 50 years or over for the period until they reach the normal retirement age of 60 years. £1,146,000 is payable in the next year. £1,265,000 is payable between 2009 and 2013 and £263,000 before 2018.

Other provisions include an onerous lease provision of £164,000 (2007, £210,000) which relates to rentals on a property until the lease expires in 2011 and a provision of £228,000 (2007, £250,000) against legal liabilities and costs.

	Onerous lease	Legal claims	Total
	£000s	£000s	£000s
At 1 April 2007	210	250	460
Arising during the year	0	275	275
Utilised during the year	(46)	(137)	(183)
Reversed unused	0	(160)	(160)
At 31 March 2008	164	228	392

It is expected that the legal claims will be payable in the next year.

13. Financial Commitments

At 31 March 2008 the British Museum had annual commitments under operating leases as follows:

		Land and Buildings	Plant and Machinery
		2008	2007
		£000s	£000s
Leases which expire:	within one year	0	0
	in the second to fifth year	261	2
	over five years	0	0
		261	2

14(a) Statement of Funds

	At 1 April 2007 £000s (restated)	Income £000s	Expenditure £000s	Net movement on investments and revaluation £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2008 £000s
<i>Permanent Endowment Funds</i>	14,083	0	4	(1,506)	(1,510)	0	12,573
<i>Restricted Funds</i>							
Collection Acquisitions Fund	33,034	0	0	0	0	1,949	34,983
Collection Purchase Fund	567	1,652	0	0	1,652	(1,609)	610
Fixed Asset Revaluation Fund	303,131	0	0	13,384	13,384	0	316,515
Fixed Asset Fund	126,681	3,250	9,388	0	(6,138)	8,498	129,041
Estates Proceeds	3,036	0	0	0	0	0	3,036
Construction Projects Fund	5,496	4,511	0	0	4,511	(6,124)	3,883
Restricted Income Trust Funds	4,560	510	127	(275)	108	0	4,668
Deferred Income Fund	3,456	3,615	3,196	0	419	(12)	3,863
	479,961	13,538	12,711	13,109	13,936	2,702	496,599
<i>Unrestricted Funds: Museum</i>							
<i>Designated:</i>							
North West Development Project	0	0	0	0	0	42,500	42,500
Gallery Projects	0	0	0	0	0	10,925	10,925
Infrastructure Projects	0	0	0	0	0	3,473	3,473
Study Centre proceeds	41,365	811	0	(340)	471	(41,836)	0
Gallery Refurbishment Reserve	218	0	0	0	0	(218)	0
Designated Trust Funds	1,722	(3)	17	(143)	(163)	(99)	1,460
Development Programme	10,301	0	0	0	0	(10,301)	0
	53,606	808	17	(483)	308	4,444	58,358
<i>General:</i>							
Investment Estate	2,458	0	0	4	4	0	2,462
General Funds (capital)	3,123	0	0	0	0	(3,123)	0
Unrestricted Trust Funds	8,118	46	12	(616)	(582)	99	7,635
General Funds	4,240	53,265	44,604	(408)	8,253	(4,122)	8,371
	17,939	53,311	44,616	(1,020)	7,675	(7,146)	18,468
<i>Unrestricted Funds: Subsidiaries</i>							
British Museum Co Ltd	(1,225)	12,292	12,192	970	1,070	142	(13)
British Museum Co Ltd Fixed Assets	1,536	0	0	0	0	(142)	1,394
The British Museum Great Court Ltd	7	4,722	4,727	0	(5)	0	2
	318	17,014	16,919	970	1,065	0	1,383
<i>Unrestricted Funds: Group</i>	71,863	71,133	61,552	(533)	9,048	(2,702)	78,209
Total Funds	565,907	84,671	74,267	11,070	21,474	0	587,381

Analysis of group net assets between funds

	Permanent Endowments £000s	Restricted Funds £000s	Unrestricted Funds £000s	Total 2008 £000s	Total 2007 £000s (restated)
Fund balances at 31 March 2008 are represented by:					
Tangible fixed assets	0	445,556	1,394	446,950	431,348
Heritage assets	0	34,983	0	34,983	33,034
Fixed asset investments	10,503	14,393	57,975	82,871	63,305
Net current assets	2,070	1,667	21,960	25,697	42,409
Early retirement provision	0	0	(1,528)	(1,528)	(1,459)
Other provisions	0	0	(392)	(392)	(460)
Liability on defined benefit pension scheme	0	0	(1,200)	(1,200)	(2,270)
Total net assets	12,573	496,599	78,209	587,321	565,907

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

Permanent Endowment Funds

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

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

Restricted Funds

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

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

<i>Hamlyn Gift</i>	for maintaining and equipping a reference library at the British Museum
<i>Rootstein-Hopkins</i>	for the acquisition of the works of qualifying artists in the fields of drawing and printmaking
<i>Sharp</i>	wish to be spent on books concerned with ancient Greece or Rome
<i>Sir Joseph Hotung Charitable Settlement – Asia</i>	to support research by the Department of Asia
<i>Governor James Albert Noe and Anna Gray Noe Fellowships</i>	award fellowships in religious traditions of the Middle East
<i>Hamlyn</i>	income only to be used for stock required for the library
<i>Oppenheimer</i>	for the Department of Prints and Drawings
<i>Sir Joseph Hotung Charitable Settlement – Middle East</i>	to support research by the Department of Middle East
<i>Playfair Bequest</i>	for the acquisition of prints and drawings
<i>Lloyd Bequest</i>	to acquire cabinets or other suitable accommodation for the prints and drawings
<i>Romenuk Bequest</i>	for the purchase of 14/15th century Hebrew manuscripts or Flemish Art

<i>Dennis</i>	for the general purposes of the Department of Africa, Oceania and Americas
<i>Dingwall</i>	for use by Horology
<i>Duthrie Bequest</i>	to be used for acquisitions and/or maintenance
<i>Christy</i>	for purchases for Departments of Prehistory & Europe and Africa, Oceania & Americas
<i>Woodward</i>	for the purchase of further English pottery and porcelain
<i>Ready Bequest</i>	for the purchase of Greek and Roman antiquities.

Unrestricted Designated Funds

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

North West Development Project: funds designated in support of the North West development project.

Gallery Projects: funds designated for capital projects to refurbish galleries.

Infrastructure Projects: funds designated for Museum infrastructure projects.

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

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

Unrestricted General Funds

These are funds that are expendable at the discretion of the Trustees.

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

14(b) Analysis of transfers between funds

	Restricted Capital Funds £000s	Unrestricted Capital Funds £000s	Restricted Revenue Funds £000s	Unrestricted Revenue Funds £000s
Collection purchases funded from unrestricted funds	288	0	0	(288)
Capital assets funded from unrestricted funds	4,882	0	0	(4,882)
Revenue expenditure incurred from Construction Projects Fund	(232)	0	0	232
Release of restricted income where relevant expenditure incurred and allocated against unrestricted funds in earlier years	(2,236)	0	0	2,236
Transfer from restricted donations for collection purchases	53	0	(53)	0
Transfer of expenditure of a revenue nature from restricted capital	(41)	0	41	0
Transfer to reflect Trustee designation	0	11,721	0	(11,721)
Net movement on British Museum Company Ltd fixed assets	0	(142)	0	142
	<u>2,714</u>	<u>11,579</u>	<u>(12)</u>	<u>(14,281)</u>

15. Cash Flow Information

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

	2008	2007
	£000s	£000s <i>(restated)</i>
15(a) Net incoming resources before revaluations	10,404	2,106
Actuarial gain on defined benefit scheme	970	770
Donated Assets – collection Items	(934)	(1,168)
Investment income	(2,787)	(3,819)
Depreciation	9,928	8,972
Loss on disposal of fixed assets	0	7
Decrease in stocks	214	130
(Increase)/Decrease in non-interest/dividend debtors	(445)	814
(Decrease)/Increase in early retirement creditors	(320)	356
Increase/(Decrease) in early retirement provisions	69	(375)
Decrease in non early-retirement creditors	(450)	(262)
Decrease in pension fund provision	(1,070)	(830)
Decrease in other provisions	(68)	(550)
Net cash inflow from operating activities	15,511	6,151
15(b) Reconciliation of net cash flow to movement in net funds		
(Decrease)/Increase in cash in the period	(95)	4,342
Decrease in liquid resources	(17,617)	(37,500)
Movement in net funds in the period	(17,712)	(33,158)
Net funds at 1 April	49,335	82,493
Net funds at 31 March	31,623	49,335
15(c) Analysis of net funds	2008	2007
	£000s	£000s
Liquid Resources:		
Short term deposits	21,383	(17,617)
Cash at bank and in hand	10,240	(95)
	31,623	(17,712)
	31,623	49,335

16. Related Party Transactions

The British Museum is a Non-Departmental Public Body whose sponsoring body is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year, the British Museum had a number of material transactions with the Department and with other entities for which the Department is regarded as the parent department.

The British Museum has loaned items from the collections to the following organisations during 2007-08 which have the Department for Culture, Media and Sport or other Government Departments as a parent organisation:

The British Council	The National Gallery
The British Library	The National Maritime Museum
English Heritage	National Museums and Galleries of Wales
The Hayward Gallery	National Museums and Galleries of Liverpool
Museum of London	The National Portrait Gallery
The Natural History Museum	The Royal Academy
Tate Britain	Tate Liverpool
The National Trust	The Victoria and Albert Museum

The British Museum has borrowed items from the collections of the following organisations during 2007-08 which have the Department for Culture, Media and Sport as the sponsoring department:

The National Trust	The British Library
The National Portrait Gallery	Tate Britain
The Victoria and Albert Museum	The National Maritime Museum

During the year the British Museum entered into the following material transactions:

Related party transactions						
Party	Nature of Relationship	Transaction	Expenditure for the year ended 31 March 2008	Income for the year ended 31 March 2008	Creditor balance as at 31 March 2008	Debtor balance as at 31 March 2008
			£'000	£'000	£'000	£'000
Reuters Plc	Mr Niall FitzGerald is the Chairman of Reuters Plc	Sponsorship	0	25	2	0
HSBC Holdings	Mr Stephen Green is the Chairman of HSBC Plc	Sponsorship	0	33	0	0
Thales	Lord Powell of Bayswater KCMG is an adviser to Thales	Sponsorship	0	35	26	0
Karim Rida Said Foundation	Lord Powell of Bayswater KCMG is a Trustee of Karim Rida Said Foundation	Support for Arab World Programme	0	86	0	0
Leverhulme Trust	Mr Niall FitzGerald is a Trustee of the Leverhulme Trust	Grants and Leverhulme fellowships awarded during the year	0	118	0	0
The British Museum Friends	Professor Sir Barry Cunliffe and Mr David Lindsell served as Trustees of the British Museum Friends	Grants awarded during the year	0	150	0	0
The American Friends of the British Museum	Mr Francis Finlay is chairman of the American Friends of the British Museum.	Grants awarded during the year	0	595	0	0

During the year none of the Trustees, members of key management staff or other related parties has undertaken any material transaction with the Museum, except as described above.

17. Capital Commitments

At the balance sheet date, outstanding capital commitments approved amounted to some £20.4m of which £17.7m was contracted for. Commitments are for a wide range of capital projects, the most significant being work on a number of galleries and the plan to develop the north west corner of the site. Further details of ongoing projects are provided in the annual report.

18. Pensions

British Museum

Present and past employees of the British Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). Staff who are members of the scheme can be in one of three statutory based "final salary" schemes, namely, classic, premium, and classic plus. New entrants after 1 October 2002 may choose between membership of the premium scheme or can join a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

For 2007-08, contributions of £4,544,000 (£4,184,000 for 2006-07) were payable to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury.

For 2007-8 the rates were as follows: for salaries under £19,000, 17.1%, for salaries between £19,001 and £39,000, 19.5%, for salaries between £39,001 and £66,500, 23.2%, for salaries over £66,501, 25.5%.

For 2006-7 the rates were as follows: for salaries under £18,500, 17.1%, for salaries between £18,501 and £38,000, 19.5%, for salaries between £38,001 and £65,000, 23.2%, for salaries over £65,001, 25.5%.

British Museum Company Limited

The British Museum Company Limited operates a defined contribution scheme for the benefit of employees who commenced their employment after 1 January 2000. The assets of the scheme are self administered in funds independent from those of the company. The company operates a defined benefit scheme for its employees, who commenced their employment prior to 1 January 2000, 'The British Museum Company Limited Retirement Benefits Plan'. The assets of the scheme are held separately from those of the Company and are managed by the British Museum Company Trustee Company Limited.

A full actuarial valuation of the scheme was carried out on 1 May 2005 and updated to 31 March 2008 by a qualified independent actuary, Pope Anderson, to reflect the difference in actuarial assumptions and the time period elapsed.

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

Pension costs are assessed in accordance with the advice of a qualified actuary using the attained age method. The assumptions, which have the most significant effect on the results of the valuation, are that, over the long term, investment returns would be at the rate of 6.5% per annum and that this would exceed the rate of salary growth by 3%.

The market value of the scheme assets as at 1 May 2005 was £4,434,313. The actuarial value of those assets was sufficient to cover 100% of the benefits that had accrued to members, after allowing for expected future increases in earnings.

Current and future contributions reflect the deficiency.

With effect from 1 May 2006, a schedule of contributions was put into place to fund the scheme's defined benefits at the rate of 18% per annum of pensionable salary for scheme members. For employees joining the scheme before 1 November 1993, the scheme is non contributory. Employees joining the scheme with effect from 1 November 1993 pay 5% of pensionable salary towards the total.

The cost of insuring the death in service benefits is payable in addition to these amounts.

The total employer's pension contributions for entities adhering to the scheme was £271,000 (2006: £267,000).

Financial Reporting Standard No 17

The qualified actuary, independent of any participating employers, has adjusted the data used in the actuarial valuation for the 1 May 2002 valuation, for the purposes of calculating the FRS No 17 disclosures for the year ended 31 March 2008. The information required in connection with Financial Reporting Standard No 17 and the defined benefit scheme is as follows:

At 31 March 2008 the market value of assets in the scheme, the expected long term rate of return from them and the present value of scheme liabilities, as defined in accordance with Financial reporting Standard No 17 and valued by the group's actuary were as follows:

	% per annum		
	2008	2007	2006
Rate of increase in salaries*	3.30%	3.00%	2.25%
Rate of increase in inflation*	3.30%	3.00%	2.25%
Rate of increase of pensions in payment	nil to 5.0%	nil to 5.0%	nil to 5.5%
Discount Rate	6.60%	5.50%	5.00%

* chosen by employer

The assets in the scheme and the expected long term rate of return were:

	Long term rate of return expected at 31.03.2008	Value at 31.03.2008	Long term rate of return expected at 31.03.2007	Restated Value at 31.03.2007	Long term rate of return expected at 31.03.2006	Restated Value at 31.03.2006	Long term rate of return expected at 31.03.2005	Value at 31.03.2005
	%	£000s	%	£000s	%	£000s	%	£000s
Property	7.0	1,210	7.0	1,370	-	0	-	0
Equities	7.5	3,330	7.0	4,360	7.0	4,520	7.5	3,110
Bonds	6.6	700	5.5	600	5.0	600	5.5	1,310
Other	5.0	1,490	5.5	620	4.5	1,210	4.5	10
Total market value of assets		6,730		6,950		6,330		4,430
Present value of scheme liabilities		(7,930)		(9,220)		(9,430)		(7,790)
Surplus (deficit) in the scheme		(1,200)		(2,270)		(3,100)		(3,360)

Analysis of the amount charged to operating profit following full implementation of FRS 17 is:

	2008 £000s	2007 £000s	2006 £000s
Current service cost	120	110	110
Total operating charge	120	110	110

Analysis of the amount credited to other financial income

	2008 £000s	2007 £000s	2006 £000s
Expected return on pension scheme assets	470	410	310
Interest on pension scheme liabilities	(510)	(470)	(430)
Net Return	(40)	(60)	(120)

The history of experience gains and losses has been:

	2008	2007	2006	2005
Difference between expected and actual return on scheme assets – amounts in £000s	(790)	70	690	180
Percentage of scheme assets	12%	1%	11%	4%
Percentage of the present value of scheme liabilities	0%	0%	0%	0%
Total actuarial gains and losses – amounts in £000s	970	770	420	130
Percentage of scheme assets	12%	8%	4%	2%

The movement in the deficit in the year was:

	2008 £000s	2007 £000s	2006 £000s	2005 £000s
Deficit in scheme at 1 April	(2,270)	(3,100)	(3,360)	(1,600)
Prior year adjustment	0	0	0	(1,790)
Current service cost	(120)	(110)	(110)	(150)
Contributions	260	230	910	190
Other finance income	(40)	(60)	(120)	(140)
Actuarial gain/(loss)	970	770	(420)	130
	(1,200)	(2,270)	(3,100)	(3,360)

19. Contingent Liabilities

The Museum has no contingent liabilities at the year end.

20. 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 that the Museum faces in undertaking its role.

Liquidity Risks

In 2007-08 £44.9 million of the British Museum's income derived from Grant in Aid provided by the Department for Culture, Media and Sport. £2.8 million of income derived from returns on its investments. £15.1 million of income came from the Museum's commercial trading activities and £10.3 million from donations and legacies.

At the Balance Sheet date the Museum had net assets of £587.5 million. Although the Balance Sheet shows that the Museum holds significant reserves, it should be noted that many of these Funds have restrictions on how the money can be applied.

The Trustees feel that the £15.95 million holding of unrestricted, undesignated reserves at the year end, together with income budgeted for over the next year, is sufficient for the Museum not to be exposed to unacceptably high liquidity risks.

Interest Rate Risks

The Museum's financial assets, excluding short term debtors and creditors, are made up of cash and investments. Cash is held in a variety of bank accounts, some of which carry nil rates of interest, some of which carry floating rates of interest and some which carry fixed rates of interest. Returns on investments, such as capital growth, dividends and interest are subject to prevailing stock market conditions and the Museum employs professional fund managers to manage its investments as best it can in light of prevailing market conditions.

	Floating rate Financial Assets-Cash and Deposits	Fixed rate Financial Assets-Cash and Deposits	Non interest bearing Financial Assets-Cash and Deposits	Stock market based investments Trusts	Inflation linked fund	2008 Total	2007 Total
	£000s	£000s	£000s	£000s		£000s	£000s
Sterling Assets	45,859	24,544	2,538	3,042	4,398	80,381	86,844
US \$ investments	22,197	0	1,110	1,622	0	24,929	14,327
Japanese Yen	0	0	0	1,482	0	1,482	1,772
Euro	2,383	0	18	664	0	3,065	1,509
South African Rand	0	0	0	93	0	93	288
Swedish Kroner	0	0	0	148	0	148	279
Norwegian Kroner	0	624	0	196	0	820	1,036
Swiss Francs	0	3,086	0	490	0	3,576	2,344
Australian \$	0	0	0	0	0	0	705
Canadian \$	0	0	0	0	0	0	216
	<u>70,439</u>	<u>28,254</u>	<u>3,666</u>	<u>7,737</u>	<u>4,398</u>	<u>114,494</u>	<u>109,320</u>

The Museum has no financial liabilities such as bank loans.

The weighted average interest rate on fixed rate financial assets is 6.2% and the weighted average period of deposit is 81 days.

The interest receivable on the floating rate deposits is 0.1 of 1% below LIBOR.

The Trustees believe that the Museum is not exposed to significant interest rate risks.

Foreign Currency Risk

30% of the Museum's investment assets are denominated in currencies other than pounds sterling, the base currency for the Museum's operations. The Museum is consequently exposed to currency risk as the value of such investments may fluctuate with changes in exchange rates. Where the underlying assets in any currency represents more than 10% of the portfolio, allowing for fund managers' own currency hedging strategies, the Museum aims to hedge its currency risk through the use of foreign currency swaps.

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

Currency	Value 2008 £000s	Value 2007 £000s
US\$	24,929	14,327
Japanese Yen	1,482	1,772
Euro	3,065	1,509
South African Rand	93	288
Swedish Kroner	148	279
Norwegian Kroner	820	1,036
Swiss Francs	3,576	2,344
Australian \$	0	705
Canadian \$	0	216
	34,113	22,476
Less forward contract:- US\$	(14,713)	(3,047)
Total value exposed to currency risk	19,400	19,429

21. Post Balance Sheet Events

There were no post Balance Sheet Events.

The financial statements were authorised for issue by the Accounting Officer on 16 July.



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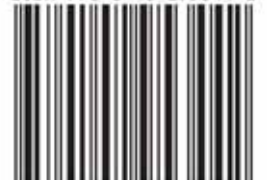
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