

# Trustees' and Accounting Officer's Annual Report and Foreword

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The Trustees of the British Museum have pleasure in submitting their Annual Report and Financial Statement for the year ended 31 March 2001. Pages 1 to 36 and details of Trustees and Official Addresses set out in *Appendix 1* form the *White Paper Account* as audited by the Comptroller and Auditor General and laid before Parliament on 11 February 2002, numbered HC613.

This Report gives a detailed review of the Museum's activities and major projects in fulfilment both of the Museum's aims and objectives and of its published Plan for 2000/01.

## Purpose and Aims of the British Museum

The British Museum holds for the nation collections of antiquities, prints and drawings, ethnography and coins and medals which are amongst the finest in the world. The collections derive from all cultures and periods of time. They are housed in safety, conserved, curated, researched and exhibited. Responsibilities and activities flow from the custodianship both of the collections and of the building in which they are housed. The collections are exhibited for the visiting public in London and, more widely, through loans to other museums, both in the UK and abroad. They are enhanced by means of purchases and gifts, through excavation and fieldwork undertaken by Museum staff. The Museum acts as an international centre for scholarly activity, making the collections available for research and discussion. It aims to fulfil its functions efficiently, effectively, economically and in a friendly and accessible manner.

### Purpose

The British Museum exists to illuminate to present and future generations throughout the world the histories of cultures by preserving, presenting, enhancing and researching the unique national collections in its care.

### Mission

To inspire and excite visitors and other users of the Museum, helping them to enjoy the collections to the fullest extent, through well-presented and serviced public galleries and reserves, world-class exhibitions, education programmes and publications and imaginative use of new technologies.

### Aims

In order to fulfil its purpose and mission, the Museum's guiding aims are to:

- curate the collections - including conservation and documentation - to the highest possible standards
- extend knowledge and understanding of the collections by study, research and scholarly publication, including contributions from field work and archaeological excavation, and to share this knowledge with the museum and education community
- extend and enrich the content of the collections through acquisition
- maintain and improve the buildings which house the collections and, in particular, to enhance those areas which are in public use
- make visitors feel welcome through the accessibility of the displays and the quality of its visitor services.

Research and scholarship are central to the understanding of the collections and support all the Museum's work, enabling objects to be interpreted through display, publication and educational programmes and providing answers to many thousands of enquiries about the Museum-based subjects each year. The Trustees monitor the academic work and excavations, field work, conferences, publications, collaborative projects and study visits both in the UK and abroad.

## Organisation of the British Museum

### The Trustees

The British Museum was founded by Act of Parliament in 1753 and is now governed in accordance with The British Museum Act 1963. General management and control are vested in a Board of 25 Trustees and are exercised through meetings of the Board and its specialised committees (listed in *appendix 1*). One Trustee is appointed by the Sovereign, 15 are appointed by the Prime Minister, four are appointed by the Secretary of State for Culture, Media and Sport on nominations by learned societies, and five are elected by the Trustees themselves. Operations are conducted by a Management Board, on the basis of a Plan approved by the Board, chaired by the Managing Director until 31 December 2001 and since then by the Operations Director and comprised of other senior Museum officials. Under the terms of the 1963 Act, the Trustees are required to report triennially to Parliament on the Museum's activities, but have decided to fulfil this obligation on an annual basis.

### Departments

The Museum comprises ten curatorial departments: Ancient Egypt and Sudan, Ancient Near East, Coins and Medals, Ethnography, Greek and Roman Antiquities, Japanese Antiquities, Medieval and Modern Europe, Oriental Antiquities, Prehistory and Early Europe and Prints and Drawings. In addition, there are four other departments: Conservation, Scientific Research, Education and Libraries and Archives. Support is provided by the Directorates of Operations, Marketing and Public Affairs, Human Resources and Finance. There is a staff of just over 1,100.

### Housing the Collections

Custodianship of the Museum's collections and its main building is vested in the Trustees. The Museum's main site is at Bloomsbury. Until its closure to the public at the end of 1997, the Museum's main outstation was the Department of Ethnography (known as the Museum of Mankind) at Burlington Gardens and for some years two buildings in Hoxton, East London, have provided additional workshops and storage for the Departments of Ethnography, Prehistory and Early Europe and Conservation. Archaeological and general material has been stored at a property in Hammersmith, shared between the British Museum, the Science Museum and the Victoria & Albert Museum.

### Financing the Museum

The Museum is a Non-Departmental Public Body subject to a Financial Memorandum agreed with its sponsoring department, the Department of Culture, Media and Sport (DCMS). It is an exempt charity under Schedule 2 of the Charities Act 1993. The Museum is funded by a combination of grant-in-aid allocated by DCMS and income secured through activities for which a charge is made, sponsorship and a range of commercial and fund-raising activities. Since its foundation, gifts have been received from private sources in the form of objects for the collections, buildings and financial support for the Museum's objectives. The Trust Funds established with financial donations are directed towards the general purposes of the museum or towards specific areas of its activities in accordance with the wishes of the benefactors. A significant proportion of the funds is held as permanent endowments or in restricted funds; one

fund is managed on the basis of custodian trusteeship. The Trustee's investment powers are governed by a Court order made under the Trustee Investment Act 1961 in 1983 and by the Trustee Act 2000.

The British Museum Company (BMCo), set up in 1973, is a limited company, wholly owned by the Trustees and an exempt charity. It furthers the educational objectives of the Museum through publishing curatorial activities and research, and acts as its main retailing and off-site trading arm. The British Museum Development Trust (BMDT), an exempt charitable trust, was set up by the Trustees in 1989 to support the aims of the Museum. Relunched in 1994, the Trust spearheads the Museum's fundraising efforts for all major capital development projects and administers the Patrons' scheme. The British Museum Great Court Ltd was set up in 2000 as a limited company wholly owned by the Trustees, to further the trading and income generating potential afforded by the Great Court development.

## Support for the Museum

The work of the Museum is also supported by three 'friends' associations. The British Museum Friends (formerly known as The British Museum Society) furthers collecting, public services, conservation, and services the needs of the Friends. The American Friends of the British Museum (AFBM) is committed to supporting the Museum's development, particularly by enhancing visibility and awareness as well as raising funds for the Museum in the United States. The Society of Canadian Friends of the British Museum seeks to promote links between the BM and museums and interested groups in Canada. Some antiquities departments are also supported by groups of friends: The Caryatids (Greek and Roman Antiquities); the Friends of the Ancient Near East (Ancient Near East Antiquities); the Japanese Friends (Japanese Antiquities); and the Patrons of Old Master Drawings (Prints and Drawings).

## Illuminating World Cultures

The British Museum is one of the most popular Museums in the world, receiving 5.5 million visitors in 2000/01. The Museum is committed to continuing and developing its openness to the whole range of interests which visitors hold in its collections. In pursuit of this it plans to fulfil five strategic aims:

- a radical improvement in the quality of the general visitors' experience
- a broadening and deepening of the opportunities for the visitor to explore the collections
- enhancement and rationalisation of the Museum's estate and its fabric
- an upgrading of the facilities for curatorial endeavour
- coherence of the Museum's ambitions to serve its public and curatorial undertakings.

## Development Programme

### The Great Court

The Queen Elizabeth II Great Court was formally opened on 6 December 2000 by Her Majesty The Queen. Built in 30 months, but the culmination of six years' work, it has transformed the physical experience by opening up the lost courtyard at the heart of the Museum's Grade 1 listed building. The Great Court concourse acts as a focal point for the Museum, providing a spectacular square for London at the centre of a new north-south route through Bloomsbury. The glass and steel roof linking the surrounding facades with the Reading Room dome is a technological masterpiece.

The Great Court development now provides the Museum with:

- the Joseph Hotung Great Court Gallery, a flexible special exhibition area
- the Sainsbury African Galleries, a substantial permanent exhibition space for 600 items from one of the world's finest collections of African art
- the Clore Education Centre, a state of the art conference and lecture theatre complex comprising:
  - the BP lecture theatre
  - the Stevenson lecture theatre
  - the Sackler seminar room
  - the Studio
  - the Claus Moser seminar room
- the Ford Centre for Young Visitors, a dedicated facility for groups of schoolchildren and students during term time and families during the weekends and holidays
- the Round Reading Room, an inspiring historic building containing:
  - the Hamlyn public access reference library of some 12,500 volumes on world culture
  - the Walter and Leonore Annenberg Information Centre with terminals for COMPASS, a database of thousands of objects in the Museum's collections
- elegant retail and catering facilities.

### The King's Library

The Museum intends to open the King's Library in 2003 in one of London's finest architectural settings. As the main project in the Museum's 250<sup>th</sup> anniversary celebration it will embody and explore the intellectual, aesthetic and cultural climate of the age of King George III after whom the room is named and whose reign marks the early development of the British Museum. The King's Library will provide an introduction to the Museum and its collections and will highlight the way that our understanding of human history has changed.

### The Wellcome Trust Gallery

2003 should also mark the opening of a new gallery funded by the Wellcome Trust. On a broadly medical theme it will illuminate world cultures through ideas such as wellbeing and misfortune, health and sickness, advantage and disadvantage.

### Funding the developments

The funding of the Great Court was an extraordinary success. By the time of its completion, a total of £109.3 million had been raised, of which £63.7 million was private donations from individuals and foundations, including £20 million from the Garfield Weston Foundation. £30 million was provided by the Millennium Commission and £15.6 million by the Heritage Lottery Fund.

The Wellcome Trust Gallery and enabling works are funded by a £5.35 million donation from the Wellcome Trust. The King's Library will be funded by donations, of which over £6 million has been pledged to date.

## Other Major Achievements in 2000/01

The following highlights bear witness to the diversity and wealth of the Museum's outputs:

### Selected acquisitions

- the Octavian gem
- the Red Cliff hanging scroll
- Indian Baburnama manuscript
- works on paper from Picasso to the Chapman Brothers
- fragment of outer sarcophagus of Amenhotop, son of Hopu
- Burmese lacquerware
- calligraphy by Wang Dongling
- Palaeolithic flint artefacts from Swanscombe
- annuraaq clothing from Igloolik
- Vietnamese ceramics from the Hoi An shipwreck
- Dunrobin sarcophagus
- reference collection of rock samples from an Egyptian quarry site
- Princes Watching a Nautch. Watercolour from Faizabad
- silver gilt figure from Buntingford
- Hellenistic marble statuette of Aphrodite Euploia
- Hungarian bronze decorated shaft-hole axes.

### Major touring exhibitions

- Writing Arabic
- The Popular Print in England
- Mummies, Death and Afterlife
- Eternal Egypt
- Ancient Faces
- William Blake.

Major special exhibitions attracting more than 120,000 visitors including:

- *Visions from the Golden Land: Burma and the Art of Lacquer*
- *Gladiators and Caesars*
- *Rembrandt the Printmaker*
- *Human Image.*

### Website

- COMPASS available on the Museum's website
- Ancient Egypt and Mesopotamia websites launched
- Year of the Dragon tour on COMPASS, developed with the Chinese school in Wembley.

### New permanent galleries

- Korea Foundation Gallery (opened November 2000)
- Joseph Hotung Great Court Gallery (opened December 2000)
- Sainsbury African Galleries (opened March 2001).

## Fieldwork & excavation

- directed or contributed to more than 30 major excavations, including Egypt; Sudan; Jordan; India; Knidos, Turkey; Forum Novum, Italy; Merv, Turkmenistan; Vanuata; Banou, Pakistan; Winchester.

## Publishing

- some 58 books ranging from Indigo to Etruscan Civilisation and Vikings: Records, Memorials and Myths
- occasional papers
- resource packs
- gallery guides
- multimedia.

## Other

- visitor surveys and market research
- servicing the Portable Antiquities Scheme and the Treasure Act
- conferences, including the Learning Power of Museums, and Galleries
- collaborative work with others including the National Trust at Sutton Hoo, Manchester Museum, Tate Britain, Birmingham Museums and Art Gallery.

## Management and Planning

The Plan covering the years 2000/01 - 2004/05 was agreed by the Board of Trustees in March 2000. This defined the Museum's Purpose - to illuminate world cultures for every generation - as a number of Museum wide aims. The Plan set priorities and management objectives under a new structure of accountability, projects and programmes. It set out to integrate the strategies and activities of the Museum.

In early 2001, the Plan was further developed for 2001/02 to 2003/04 and set out an ambitious programme of developments from the period immediately following the opening of the Great Court through to the Museum's 250<sup>th</sup> anniversary in 2003 and to lay the foundations for the major developments beyond.

It was organised around the five aims and key commitments to: Openness, Learning and Engagement, Research and Understanding, Public Recognition and Effectiveness. The first three describe the Museum's fundamental purposes and move from breadth to depth of outcome. The fourth ensures the continuation and growth of support. The final aim covers the management of people, processes, resources and risks to enable the other aims to be achieved. The Plan established Museum objectives cascading to departmental and personal objectives with the following key initiatives:

- development of the King's Library and the Wellcome Gallery
- an extensive public programme
- development of the Study Centre to widen and deepen public access
- creation of the virtual museum
- investment in people, infrastructure and the care of the collections.

In May 2001 Trustees approved the Plan in principle. However, in September 2001 the Trustees determined that cost reduction actions needed to be taken to address the Museum's financial deficit. As a result, the decision was taken to suspend the Study Centre project and to scale back the other key initiatives set out in the plan.

# Report and Basis of Preparation of Financial Statements

The Report and 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 to meet the requirements of the accounting standards issued by the Accounting Standards Board and the Statement of Recommended Practice *Accounting for Charities* (SORP) in so far as those requirements are appropriate.

## Corporate Governance

### The Board

The governing body is the Board of Trustees whose members are appointed for fixed terms of service and are listed in *Appendix 1*. They are non-executive and unpaid. The Board meets regularly, retains full and effective control over the Museum and monitors the Management. Matters for the Board's decision and the respective responsibilities for the Board and Management are clearly defined. The Board has access to independent financial advice and the Secretary ensures that Board procedures are followed.

### The Board:

- appoints the Director and the Managing Director, subject to the approval of the Prime Minister. It also determines the contracts of employment and the Remuneration Committee reviews their remuneration annually
- seeks to give a full account of the British Museum's affairs in this Report and Financial Statements which it publishes annually
- takes due cognizance of the Financial Memorandum agreed with the DCMS and of the Three Year Funding Agreement
- establishes policies and strategy covering the major aspects of the Museum's work
- agrees the Plan drawn up by management to fulfil the policies
- monitors the achievement of the Plan and ensures its fulfilment.

### The Accounting Officer

Over the course of the year 2000/01 the Managing Director, Ms. S. Taverne, was responsible under the Board for the overall organisation, management and staffing of the Museum and its procedures in financial and other matters, including conduct and discipline. She was the designated Accounting Officer. The designated Accounting Officer is responsible to Parliament and the Accounting Officer of DCMS for resources under her control. The essence of the role of Accounting Officer is a personal responsibility for the propriety and regularity of the public finances for which she or he is answerable, for the keeping of proper accounts, for prudent and economic administration, for the avoidance of waste and extravagance and for the efficient and effective use of all resources under her or his charge. The Accounting Officer has a responsibility to see that appropriate advice is offered to the Board on all these matters. These include the provision of assurances contained in this Report and Financial Statements. Upon the departure of Ms. Taverne on 31 December 2001, the role of Accounting Officer was transferred to Mr. C. Jones, the Director of Operations.

## Internal Control

Both the Board and the Accounting Officer have overall responsibility for all systems of internal control applied at The British Museum.

The systems employed are designed to provide reasonable, but not absolute, assurance against material misstatement or loss.

The Board has formally adopted a schedule of matters which are reserved for its decision so as to ensure that effective control is maintained over appropriate strategic, financial, organisational and compliance issues. In relation to non-reserved matters it is assisted by a number of committees with delegation of authority. An organisational structure is in place with clearly defined lines of responsibility and delegation of authority. Established regular procedures, including budgetary controls, operate to monitor the receipt of income and both revenue and capital expenditure. These are regularly reviewed by the Finance and Planning Committee.

The Audit and Governance Committee receives and reviews regular reports from both the external auditors and Internal Audit in relation to internal financial control matters. During 2000/01 it continued to develop its role by assessing the range, degree and management of all risks to which The British Museum is exposed and by determining an appropriate strategy to deal with them.

The Audit and Governance Committee reports to the full Board regularly and all members of the Board have the right to receive papers and attend meetings.

## Going Concern

The British Museum receives grant-in-aid from the Department of Culture, Media and Sport. The Department has confirmed the level of funding it will make available for the year ending 31 March 2002 and that it will continue to provide funding over the following two years. It is the budgetary policy of the Board to maintain adequate reserves and budget over a period of years so as to balance income with expenditure and to fund capital expenditure in full, so that the Museum is able to present a programme of work consistent with its aims and resources. The Museum's May 2001 Plan is consistent with stated Government objectives in relation to museums but could only be delivered with additional funding from Government or other sources. The reduction in income suffered by the Museum since 31 March 2001 as a result of reduced visitor numbers in the wake of the foot and mouth epidemic and the events of 11 September 2001 has increased the funding gap. The funding granted by the Department of Culture, Media and Sport is insufficient to enable the Museum to deliver its plan and accordingly cost reduction actions have been implemented, in order to reduce the Museum's financial deficit and to ensure that the Board's budgetary policy is not put at risk. The Board continues to adopt the going concern basis for preparing its Financial Statements.

## Payment of Creditors

The Museum adheres to the Government's code on bill-paying by aiming to settle bills within 30 days or by due date. During the year The British Museum paid approximately 67.3% of its invoices within the target of 30 days. This represents a 7% improvement on the previous year, but still falls some way short of best practice. Improvements in the handling and processing of invoices are being introduced.



## Connected Entities

BMCo, a registered company wholly owned by the Trustees, is an exempt charity and, with its subsidiary BM Ventures Ltd, acts as the Museum's main trading and publishing arm. It is separately administered and a majority of its Directors are trustees of the Museum (a list of Directors is set out in *Appendix I*). Material transfers made between the Company and the Museum comprised payment of rents (at market rates) of £74,000 to the Museum, sales of £57,000 and other costs of £48,000. The Museum advanced a loan of £150,000 to BMCo on commercial terms.

BM Great Court Ltd, a registered company wholly owned by the Trustees, acts as the Museum's trading arm for catering and other income generating activities other than retailing within the Museum. Its Directors are senior employees of the Museum (a list of Directors is set out in *Appendix I*). During the year the company made a Gift Aid donation of £197,000 to the Museum.

BMDT, an exempt charitable trust, acts as the Museum's fundraising arm. It is separately administered and a majority of its Trustees are Trustees of the Museum. During the year, the Trust made grants of £5,444,000 to the Museum and the Museum made a grant to the Trust of £757,000. A list of the BMDT Trustees can be found in *Appendix 1*.

The American Friends of the British Museum (AFBM) is incorporated for charitable purposes in New York. It is independent of the Museum and a majority of its Board Members are not Trustees or senior employees of the Museum or of the BMDT. During the year it made grants of £186,000 to the Museum and £1,505,000 to the BMDT. The latter are included in the grants made by BMDT to the Museum.

British Museum Friends is a registered charitable trust. It is separately administered and independent of the Museum and a majority of its Council are not Trustees or senior employees of the Museum or of other connected entities. During the year it made grants of £423,000 to the Museum including £214,000 towards the Great Court.

## Trustees and Senior Staff Transactions 2000/01

During 2000/01 none of the Trustees, members of key management staff or persons connected with them has undertaken any material transactions with the Museum.

## Staff Policies

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

The Management Board meets regularly to identify and examine policy options, to monitor performance and develop major reports for the Board, through the Accounting Officer and the Director. Action notes for this Board and the other major Management Committees are disseminated rapidly to relevant staff.

Directors' Meetings which follow Trustees' Board Meetings act as the initial step in informal team briefings along departmental lines by which Trustees and Management decisions are disseminated. A defined system of management and union negotiation allows matters raised by staff to be aired; employees are encouraged to discuss with their representatives any matters about which they are concerned and factors affecting the Museum.

*The Museum Plan*, revised annually, is distributed to all departments. Joint staff/management committees address issues of common concern. Suggestions from employees aimed at improving the Museum's performance are always welcomed.

The British Museum is an equal opportunities employer. Full consideration is given to applications for employment made by people with disabilities, having regard for their particular capabilities and ability. When a person with a disability is employed, or an employed person develops a disability, appropriate training or re-training is arranged as necessary to ensure, as far as possible, his or her progress within the organisation.

The Health and Safety Office has maintained a high level of performance and awareness in the organisation and during the year achieved further significant improvements in health and safety practice and training.

# Financial Review 2000/01

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## Results

The Museum incurred a deficit of £3,051,000 in 2000/01 on Income and Expenditure, compared with a surplus of £2,781,000 in 1999/00. The change reflects investment to modernise the operations and income generating capability of the Museum to match the physical improvements offered by the development of the Great Court. Allowing for additional costs of substantially improved public access and a continuing real decrease in public funding this result reflects considerable improvements in efficiency across the Museum.

The scope for further such efficiency improvements is limited. While the balance on revenue funds of £14,882,000 provides a measure of comfort, the Museum is committed to achieving a return to breakeven by addressing the imbalance of funding and activity.

The Museum's main building at Great Russell Street was revalued at 31 March 2001. This is reflected in a £63,017,000 reduction in fund balances.

## Financial Objectives

The Museum's financial aims should not change significantly from year to year and they should provide a useful and constant yardstick to assess performance. The Museum fulfils its charitable objectives by offering work, services and goods to a freely admitted public, to scholars and researchers and to fellow museums and galleries in the UK and around the world. Increasingly, the Museum charges for these services while upholding the principle and practice of free general access. While most indicators of our successful output will remain non-financial, it is possible to state financial objectives which measure the fulfilment of our objectives. These are to:

- invest adequately in research, teaching, publication and exhibitions
- devote sufficient resources to widening access through education and other initiatives
- achieve reasonable returns from services for which the Museum charges
- maximise the profitability of the Museum's trading activities
- raise high amounts of sponsorship and donations
- demonstrate good value for money
- restore and then sustain the real value of the Grant
- raise sufficient resources (a) for property developments in hand, and (b) to remedy the backlog of insufficient maintenance of the fabric and services
- ensure the future solvency of the Museum.

The following paragraphs review the extent of achievements under these headings.

## Investment in Curatorial Work and Exhibitions

Direct investment in basic curatorial functions rose over the year by 2.0% to £19,870,000 while the direct costs of exhibiting the collections rose by 30% to £9,319,000. Capital expenditure on permanent exhibitions rose from £2,992,000 in 1999/00 to £3,931,000 in 2000/01, with completion of the Korean and Sainsbury African galleries.

Acquisitions rose dramatically from £2,454,000 in 1999/00 to £9,725,000 in 2000/01, due to the generosity of donors. 83% of the acquisitions by value was gifted, 12% was funded by donations and 5% was funded by DCMS.

## Widening Access

Direct spending on services to visitors rose by 69% over the year from £3,730,000 to £6,313,000 with the launch of the full public programme and investment in marketing expertise and research. Direct spending on Education rose similarly by 60% from £1,204,000 to £1,936,000 with further development of outreach and lifelong learning programmes.

## Income from Services

Income from curatorial and visitor services rose by 7.5% to £2,782,000 in 2000/01.

## Commercial Activities

Commercial turnover rose from £9,117,000 in 1999/00 to £10,721,000 in 2000/01 while operating results fell from a profit of £125,000, to a deficit of £146,000. This was a reflection of the disruption caused by the Great Court building works as well as adverse market conditions. Commercial revenue has improved significantly since the opening of the Great Court; we expect it to record a profit in 2001/02.

## Sponsorship, Donations and Legacies

### Revenue

Income from sponsorship, donations and legacies surged ahead from £2,735,000 in 1999/00 to £4,236,000 in 2000/01, buoyed by opportunities presented by the opening of the Great Court and by the efforts of staff and Trustees. This remains a strategically important source of funding for promoting new initiatives.

### Capital

The British Museum Development Trust maintained the momentum it built up on the Great Court by securing a further £6.3 million pledged donations towards development projects.

### Good Value for Money

The Museum has increased its public floor area by 40% and its public opening hours by 45% with the commissioning of the Great Court. This has been delivered without commensurate cost increases.

### Grant

The Museum's grant-in-aid would have to be increased by 30% in 2003/04 to restore the Museum's funding to that of ten years earlier. This calculation takes into account the loss of income from the British Library, the effect of inflation and the recent change in VAT legislation. We will continue to press our case for the real increases necessary to fund the initiatives which are central to both our and the Government's agendas and to make inroads into the backlog of under-investment in the infrastructure of the Museum.

### Reserves

It is the objective of the Museum to bring the General Fund back into sustainable surplus. Taken together with the policy of seeking full funding of capital projects, this will assure the Museum's continued solvency.

At 31 March 2001 the Museum had reserves of £352.4 million. Of these reserves, £305.8 million were applied in financing fixed assets including the Great Russell Street building and subsidiaries and £37.3 million represented permanent endowment and restricted funds. After allowing for other commitments, the Museum had accessible reserves of £5.3 million of which the General Fund component was in deficit by £2.5 million. The position was in line with previous forecasts and advice to Trustees. Since 31 March 2001 authorisation has been received from the Department of Culture, Media and Sport to release £14 million of the restricted reserves for normal capital expenditure. Cost reductions are being implemented and it is intended to bring the General Fund back into surplus over a period of about 5 years by judicious management of core costs, developmental expenditure and funding.

### Capital Resources

Work on the basic fabric and plant of our existing building proceeded at £1.56m during 2000/01. This included major sums on works on fire alarm and emergency lighting systems to replace inadequate existing facilities. Note 7(c) to the Financial Statements describes the rationale for the valuation of the buildings.

### Accounting Policies and Practices

There have been no significant changes in 2000/01. However, the Museum stresses the view that the Income and Expenditure Account, taken together with the Statement of Funds in note 15, continues to provide the clearest expression of its accountability as an organisation providing services to the public. The related Statement of Financial Activities blends capital and revenue items, when the Museum is accountable for them separately to a large degree, and it obscures the value attributable to each year of donations and sponsorship.

### Funding Agreement

The Secretary of State requires the Museum to give details of the key corporate targets set by him (in the Funding Agreement for 2000/01) together with performance achieved. These are set out below:

<b>Performance Indicator</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01 Target</b>	<b>2000-01 Actual</b>
<b>Openness</b>				
Number of visitors	5,610,081	5,460,537	5,700,000	5,466,246
Visitors to touring exhibitions	1,652,610	2,169,761	761,500	825,276
Website visits	754,000	1,750,000	3,000,000	3,900,000
UK loan venues	184	154	150	47
Overseas loan venues	154	84	80	88
% of time open	57%	57%	61%	69%
<b>Public Recognition</b>				
Spend per visitor head	£2.01	£2.19	£2.55	£2.62
Numbers of 'Friends'	12,250	12,750	15,000	13,600

<b>Performance Indicator (continued)</b>	<b>1998-99</b>	<b>1999-00</b>	<b>2000-01 Target</b>	<b>2000-01 Actual</b>
Learning and Engagement				
Repeat visitors as % of total	42%	42%	43%	43%
International visitors	4.48M	4.26M	4.22M	3.34M
British visitors	1.12M	1.2M	1.48M	2.13M
Greater London visitors	0.561M	0.6M	0.74M	1.11M
Number of child visitors	0.673M	0.655M	0.798M	0.766M
% visitors from ethnic minorities	8%	8%	10%	7%
% of visitors from C2, D and E SEGs	12%	12%	13%	13%
% of collection internet - accessible	0.1%	10%	12%	12%
Learners in on-site programmes	270,000	287,000	300,000	238,350
Learners in outreach programmes	-	-	7,500	7,500
Visitors to special exhibitions	161,500	260,000	100,000	197,157
Evaluation of user satisfaction	61%	59%	60%	71%
Excellence				
% of collections visually accessible	90%	85%	80%	80%
Numbers of research visits	16,726	14,579	15,000	13,161
% of collection documented to stated international electronic standards	53%	53.5%	54%	54%
Numbers of Treasure Act cases processed	167	207	180	349
% storage at right environmental quality	65%	68%	70%	70%
Skills sharing				
Numbers of interns	32	38	40	37
Numbers of volunteers	184	227	235	150
Numbers of collaborative educational projects	14	12	20	149
Effectiveness				
G-I-A as % of total operating spend	75%	74%	74%	68%
G-I-A per visitor	£6.05	£6.36	£6.11	£6.39
Non G-I-A revenue income as % of total operating spend	25%	26%	26%	32%
Average days lost sick per employee	14	10	9	9

## The Future

The following strategic directions underpin the future of the Museum:

- reduction of costs across the Museum
- growth of all strands of finance with self-generated income forming an increasing proportion of the whole
- co-ordinated action on shared objectives by all the constituent entities of the Museum
- improved efficiency through streamlined processes
- assurance to Trustees and Government of effective corporate governance, internal control and internal financial control.

Christopher Jones

*Operations Director*

David Lindsell

*Trustee*

Graham Greene

*Trustee*

*26 January 2002*

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

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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 judgement 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 Ms. Suzanna Taverne, the Managing Director as the Accounting Officer, including her responsibility for the propriety and regularity of the public finances for which she is answerable and for the keeping of proper records, are set in the Non - Departmental Public Bodies' Accounting Officer Memorandum, issued by the Treasury and published in Government Accounting. On Ms Taverne's departure on 31 December 2001 she was replaced as Accounting Officer by Mr Christopher Jones.

Christopher Jones                      *Director of Operations*

David Lindsell                         *Trustee*

Graham Greene                        *Trustee*

*26 January 2002*

# Statement on the System of Internal Financial Control

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As Accounting Officer, I acknowledge my responsibility for ensuring that an effective system of internal financial control is maintained and operated by the British Museum.

The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal financial control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- comprehensive budgeting systems with an annual budget which is reviewed and agreed by the Museum Management Board and by the Board of Trustees
- regular reviews by the Museum Management Board and by the Board of Trustees of periodic and annual financial reports which indicate financial performance against the forecasts
- setting targets to measure financial and other performance
- clearly defined capital investment control guidelines
- as appropriate, formal project management disciplines.

The British Museum has an Internal Audit Unit, which operates to standards defined in the Government Internal Audit Manual (GIAM). The work of the Internal Audit Unit is informed by an analysis of the risk to which the body is exposed, and the annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the body's Audit and Governance Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on internal audit activity. The report includes the HIA's independent opinion on the adequacy and effectiveness of the British Museum's system of internal financial control.

The Audit and Governance Committee has noted that governance and internal controls require improvement. Action has been and is being taken to improve governance and internal controls. These include the following during 2000/01:

- Trustees' agreement and publication of a governance guide
- appointment of a Head of Assurance and completion of an initial assessment of risk throughout the organisation
- a review and re-definition of financial authorities
- co-ordination of planning and operations of the Museum, the British Museum Company and the British Museum Development Trust
- agreement of roles of Trustee Committees, in relation to risks
- Trustees consideration and development of a comprehensive set of policies
- commissioning an external review of the Museum's governance processes
- publication of Standing Financial Instructions
- appointment of external resources to augment the internal audit team
- implementation of capital projects and control disciplines
- transfer of the payroll team to Finance
- strengthening of control over overtime and purchasing.



My review of the effectiveness of the system of internal financial control is informed by the work of the internal auditors, by the Audit Committee which has oversight of the internal audit function, by the executive managers within the body who have responsibility for the development and maintenance of the financial control framework, and by comments made by the external auditors in their management letter and other reports.

As Accounting Officer, I am aware of the recommendations of the Turnbull Committee and I am taking reasonable steps to comply with HM Treasury and proposed charities reporting requirements for a Statement of Internal Control to be included in the report and accounts for the year ended 31 March 2002.

Christopher Jones  
*Director of Operations*

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

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I certify that I have audited the financial statements on pages 19 to 36 under the Museums and Galleries Act 1992. These financial statements have been prepared under the historic cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 24 and 25.

Respective responsibilities of the Trustees, the Accounting Officer and Auditor

As described on page 14, the Trustees and the Accounting Officer of the British Museum are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions. The Trustees and the Accounting Officer are also responsible for the preparation of the Annual Report and Foreword. My responsibilities, as independent auditor, are established by statute and guided by the Auditing Practices Board and the auditing profession's ethical guidance.

I report my opinion as to whether the financial statements give a true and fair view, and are properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report, if in my opinion, the Annual Report and Foreword on pages 1 to 13 is not consistent with the financial statements, if the British Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

I review whether the statement on pages 15 and 16 reflect The British Museum's compliance with the Treasury's guidance 'Corporate Governance: statement on the system of internal financial control'. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements.

## Basis of opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees and the Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are appropriate to the British Museum's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity and that, in all material respects, the expenditure and income 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.

## Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the British Museum and the Group at 31 March 2001 and of its incoming resources and application of resources, including its income and expenditure, and cash flows, for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and with the directions made thereunder by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities that govern them.

I have no observations to make on these financial statements.

John Bourn  
*Comptroller and Auditor General*

National Audit Office  
157 - 197 Buckingham Palace Road  
London SW1 9SP

*31 January 2002*

# Consolidated Income and Expenditure Account

For the year ended 31 March 2001

	Notes	2001 £000s	2000 £000s
<b>Income</b>			
Grant-in-aid	2(a)	34,939	34,721
Sponsorship, donations and legacies		4,236	2,735
Trading and other fees	8	2,782	2,587
Income from commercial activities	10(c)	10,721	9,117
Investment income and rent receivable	3	2,969	3,078
		<u>55,647</u>	<u>52,238</u>
<b>Expenditure</b>			
Direct costs		39,172	32,926
Cost of commercial activities	10(c)	10,933	9,170
Support costs		7,437	5,835
Less depreciation allocated to Capital Funds		(6,170)	(3,224)
Income allocated to Capital Expenditure		7,326	4,750
	5(b)	<u>58,698</u>	<u>49,457</u>
Operating (loss)/surplus after grant-in-aid	5(c)	(3,051)	2,781
Losses/gains on investments	5(d)	(350)	3,883
Exceptional item: early retirement costs	5(e)	0	(2,553)
(Loss)/Surplus for the year		<u>(3,401)</u>	<u>4,111</u>
Transfers from/(to)			
Restricted Capital Funds		50	(3,942)
Unrestricted Capital Funds		0	(325)
Designated Capital Funds		0	262
Restricted Revenue Funds		297	(139)
Designated Revenue Funds		0	500
Trust Funds		(23)	(253)
Allocation of (surplus) for the year:			
British Museum Company Ltd		(1)	(121)
(Loss)/Surplus allocated to Museum		<u>(3,078)</u>	<u>93</u>
General Fund at 1 April 2000		600	507
General Fund (deficit)/surplus at 31 March 2001		<u>(2,478)</u>	<u>600</u>

The above figures do not reflect the exceptional adjustment, a reduction in value of £(63,017,000) arising from a revaluation of the Museum's fixed assets at 31 March 2001 (2000, an increase in value of £8,061,000) as it is charged against capital funds and has no impact on the Museum's operating costs. Full details are given in Note 7(c).

The notes on pages 24 to 36 form part of these accounts  
All amounts relate to continuing operations

# Consolidated Statement of Financial Activities

For the year ended 31 March 2001

	Notes	Unrestricted Funds £000s	Restricted Funds £000s	Permanent Endowment Funds £000s	Total 2001 £000s	Total 2000 £000s
<b>Incoming Resources</b>						
Grant-in-aid	2(a)	34,939	0	0	34,939	34,721
Sponsorship, donations and legacies	2(b)	1,402	32,213	0	33,615	25,783
Trading and other fees	8	2,782	0	0	2,782	2,587
Income and commercial activities	10(c)	10,721	0	0	10,721	9,117
Investment income and rents receivable	3	2,981	987	0	3,968	4,701
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		52,825	33,200	0	86,025	76,909
<b>Resources Expended</b>						
Direct charitable expenditure		41,722	12,824	0	54,546	39,799
Fundraising and publicity		946	0	0	946	684
Costs of miscellaneous trading		253	0	0	253	274
Cost of commercial activities	10(c)	10,933	0	0	10,933	9,170
Management and administration of the charity		557	32	0	589	458
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	5(a)	54,411	12,856	0	67,267	50,385
Net incoming resources-surplus	5(c)	(1,586)	20,344	0	18,758	26,524
<b>Notional Costs</b>						
Cost of capital	6	14,046	0	0	14,046	14,925
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net incoming/(outgoing) resources after notional costs		(15,632)	20,344	0	4,712	11,599
Reversal of notional costs		14,046	0	0	14,046	14,925
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net incoming resource-surplus	4	(1,586)	20,344	0	18,758	26,524
Gains on investment assets	5(d)	(154)	(196)	(690)	(1,040)	4,568
Exceptional item		0	0	0	0	(2,553)
Revaluation of fixed assets	7(a)	361	(63,378)	0	(63,017)	8,061
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds		(1,379)	(43,230)	(690)	(45,299)	36,600
Fund balances brought forward at 1 April 2000		49,865	337,294	10,585	397,744	361,144
Transfers between funds		(11,514)	11,514	0	0	0
Fund balances carried forward at 31 March 2001		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
		36,972	305,578	9,895	352,445	397,744

All operations of the Museum continued throughout both periods and none were discontinued in either period but during 2000/2001 a catering operation commenced. The British Museum has no recognised gains and losses other than those above and consequently no separate statement of total recognised gains and losses has been presented.

The notes on pages 24 to 36 form part of these accounts.

# Consolidated Balance Sheet

As at 31 March 2001

	Notes	2001 £000s	2000 £000s
<b>Fixed Assets</b>			
Tangible assets	7(a)	303,020	322,272
Investments	9(a)	20,467	21,256
		<u>323,487</u>	<u>343,528</u>
<b>Current Assets</b>			
Stock-goods for resale		3,188	2,754
Debtors	11	8,102	7,189
Short term investments	9(b)	31,250	44,238
Cash at bank and in hand		5,211	16,182
		<u>47,751</u>	<u>70,363</u>
Creditors: amounts falling due within one year	12	(18,040)	(15,204)
Net current assets		<u>29,711</u>	<u>55,159</u>
Provision for liabilities and charges:			
Early retirement provision	13	(753)	(943)
Net Assets		<u>352,445</u>	<u>397,744</u>
Represented by:			
<b>Capital Funds</b>			
Permanent Endowments	15	9,895	10,585
Restricted Funds		298,737	331,173
Unrestricted Funds		28,931	36,526
		<u>337,563</u>	<u>378,284</u>
<b>Revenue Funds</b>			
Restricted Funds	15	6,841	6,121
Unrestricted Funds		8,041	13,339
		<u>14,882</u>	<u>19,460</u>
Total Funds		<u>352,445</u>	<u>397,744</u>

The notes on pages 24 to 36 form part of this account

Mr Christopher Jones            Operations Director

Mr David Lindsell                Trustee

Mr Graham Greene                Trustee

Date

# Museum Balance Sheet

As at 31 March 2001

	Notes	2001 £000s	2000 £000s
<b>Fixed Assets</b>			
Tangible assets	7(b)	300,672	321,222
Investments	9(a)	20,467	21,256
Investment in subsidiaries	10(a)	500	0
		<u>321,639</u>	<u>342,478</u>
<b>Current Assets</b>			
Debtors	11	7,094	6,540
Short term investments	9(b)	31,250	44,238
Cash in bank and in hand		4,156	14,162
		<u>42,500</u>	<u>64,940</u>
Creditors: amounts falling due within one year	12	(16,005)	(13,971)
Net current assets		<u>26,495</u>	<u>50,969</u>
<b>Provision for liabilities and charges</b>			
Early retirement provision	13	(753)	(943)
Net assets		<u>347,381</u>	<u>392,504</u>
Represented by:			
<b>Capital Funds</b>			
Permanent Endowments	15	9,895	10,585
Restricted Funds		298,737	331,173
Unrestricted Funds		26,582	35,475
		<u>335,214</u>	<u>377,233</u>
<b>Revenue Funds</b>			
Restricted Funds	15	6,841	6,121
Unrestricted Funds		5,326	9,150
		<u>12,167</u>	<u>15,271</u>
Total Funds		<u>347,381</u>	<u>392,504</u>

The notes on pages 24 to 36 form part of this account

Mr Christopher Jones            Operations Director

Mr David Lindsell            Trustee

Mr Graham Greene            Trustee

Date

# Consolidated Cash Flow Statement

For the year ended 31 March 2001

	Notes	2001 £000s	2000 £000s
<b>Net cash inflow from operating activities</b>	16(a)	22,641	32,557
<b>Returns on investments and servicing of finance:</b>			
Interest receivable	3	3,218	3,501
Dividends receivable	3	368	500
		<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>		3,586	4,001
<b>Investing Activities:</b>			
Capital expenditure and financial investments:			
Purchase of tangible assets and investments		(54,331)	(57,625)
Receipts from sale of tangible assets and investments	9(a)	4,145	26,209
		<hr/>	<hr/>
<b>Net cash outflow from investing activities</b>		(50,186)	(31,416)
		<hr/>	<hr/>
		(23,959)	5,142
<b>Management of liquid resources</b>			
Short term deposits		12,988	5,137
		<hr/>	<hr/>
<b>Increase/(Decrease)in cash</b>	16(c)	(10,971)	10,279
		<hr/> <hr/>	<hr/> <hr/>



# 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 Director of Finance at the British Museum.
- (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 the Companies Act 1985, accounting standards issued or adopted by the Accounting Standards Board so far as those requirements are appropriate and the Statement of Recommended Practice *Accounting for Charities* issued by the Accounting Standards Committee in October 1995.

Consolidated accounts include the Museum's operating statement, trust funds owned and administered by the Museum, the British Museum Development Trust which fundraises for the Museum, and its trading companies The British Museum Company Limited and The British Museum Great Court Limited. The form of control exercised by the British Museum over these entities is set out under Connected charities in the Foreword to these Accounts.

### (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 and comprise both capital and revenue elements.

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purpose and use of the designated funds are set out in the notes to the financial statements.

Restricted funds are funds subject to specific restriction imposed by sponsors and donors.

Permanent endowment funds are funds which the donor has stated are to be held as capital.

- (ii) All incoming resources are accounted for on a receivable basis. Grant-in-aid is taken to the SOFA in the year to which it relates. Sponsorship receipts and donations are recognised as incoming resources when the conditions for their receipt have been, or will be, met.
- (iii) Resources expended are classified in the SOFA under the principal categories of charitable and other expenditure rather than under the type of expense.

Resources expended comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributable, they have been allocated to activities on a basis consistent with use of the resources. Fundraising and publicity costs are those incurred in seeking voluntary and sponsored contributions for the Museum. Management and administration costs are those incurred in connection with the management of the Museum's assets, and compliance with constitutional and statutory requirements.

### (d) **Income and Expenditure Account**

- (i) The Museum substantially achieves its objectives through current operations, the majority of which are revenue-generating. The Income and Expenditure Account measures current operating results.
- (ii) All income is accounted for on a receivable basis. Grant-in-aid is taken into account in the year to which it relates. Sponsorship and donations are taken into account in the year in which funded activities take place.
- (iii) Current expenditure is classified under the relevant headings as set out in (c)(iii) above.

(e) **Collection Purchases**  
The Museum's collection of exhibits has not been capitalised in the balance sheet as it is considered to be inalienable. Purchases for the collection are charged to the Statement of Financial Activities in the year of acquisition.

(f) **Tangible Fixed Assets**  
Tangible fixed assets, with the exception of assets in the course of construction which are carried at cost, are carried at valuation. Depreciation is provided on all tangible assets, other than freehold land, at rates calculated to write off the value of each asset evenly over their expected useful life, as follows:

Freehold buildings	20 to 112 years
Capital improvements to leasehold properties	life of lease
Permanent gallery exhibitions	25 years
Furniture, fittings and equipment	4 years (Museum, British Museum Development Trust)
Furniture, fittings and equipment	3 years (British Museum Company Ltd)

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 and the Income and Expenditure Account in the year incurred.

Freehold investment properties have been brought into the accounts at open market value and are not depreciated. This is in accordance with SSAP 19.

(g) **Investments**  
Investments are stated at market value as at 31 March 2001. The Income and Expenditure Account and Statement of Financial Activities include those gains and losses arising from the revaluation of the investment portfolio throughout the year.

(h) **Stock**  
Stock is stated at the lower of cost and net realisable value.

(i) **Leases**  
The British Museum has no finance leases. Costs relating to operating leases are charged in the Income and Expenditure Account and Statement of Financial Activities over the life of the lease.

(j) **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 Income and Expenditure Account and Statement of Financial Activities.

(k) **Pensions**  
Pension contributions are paid to the Paymaster General at rates determined from time to time by the Government Actuary and advised by the Treasury.

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.

(l) **Notional Costs**  
In accordance with Treasury instructions, the notional cost of capital is charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. This is reversed so that no provision is included on the balance sheet.

(m) **Donated Assets**  
Assets in the form of objects for the collections have been donated to the Museum. These assets have been included in the Statement of Financial Activities where a valuation is available.

2(a). GRANT-IN-AID - CLASS XI VOTE 1

£34,939,000 of Grant-in-aid has been received in the year from the Museum's funding department, the DCMS (1999-2000 £34,721,000)

2(b). SPONSORSHIP AND DONATIONS

Included in Sponsorship and Donations in the SOFA are the following material items: Heritage Lottery Fund £3,408,000 and Millennium Commission £6,023,000.

3. INVESTMENT INCOME AND RENT RECEIVABLE

	SOFA 2001 £000s	I & E 2001 £000s	SOFA 2000 £000s	I & E 2000 £000s
Interest Receivable	3,218	2,251	3,501	2,378
Dividends Receivable	368	336	500	0
	<u>3,586</u>	<u>2,587</u>	<u>4,001</u>	<u>2,378</u>
Rents Receivable	382	382	700	700
	<u>3,968</u>	<u>2,969</u>	<u>4,701</u>	<u>3,078</u>

4. NET INCOMING RESOURCES

is stated after charging

	2001 £000s	2000 £000s
Auditors' remuneration: Audit fees	64	57
Auditors' remuneration: Other	5	5
Operating lease rentals: Hire of plant and machinery	66	82
Operating lease rentals: Land and buildings	589	214

5. TOTAL RESOURCES EXPENDED

(a) Statement of Financial Activities	Direct Staff	Other Direct	Depreciation £000s	Allocated Support	2001 Total £000s	2000 Total £000s
	Costs £000s	Costs £000s		Costs £000s	Costs £000s	
Collection purchases	0	9,725	0	0	9,725	2,454
Care, research and authorship	12,477	2,280	2,853	3,594	21,204	20,411
Conservation	1,979	175	106	134	2,394	2,451
Exhibiting the Collections	4,895	1,810	2,614	3,293	12,612	9,422
Visitor Services	4,421	1,873	19	24	6,337	3,750
Education	1,354	313	269	338	2,274	1,311
	<u>25,126</u>	<u>16,176</u>	<u>5,861</u>	<u>7,383</u>	<u>54,546</u>	<u>39,799</u>
Fundraising and publicity	448	481	17	0	946	684
Miscellaneous trading	187	30	16	20	253	274
Costs of merchandising	2,780	7,904	249	0	10,933	9,170
Management/admin of the charity	247	281	27	34	589	458
	<u>28,788</u>	<u>24,872</u>	<u>6,170</u>	<u>7,437</u>	<u>67,267</u>	<u>50,385</u>

Included in Collection Purchases of £9,725,000 are donated assets with an estimated value of £8,069,000

(b) Income and Expenditure Account	Direct Costs £000s	Support Costs £000s	2001 Total £000s	2000 Total £000s
Care, research and authorship	17,610	3,594	21,204	20,411
Conservation	2,260	134	2,394	2,451
Exhibitions	9,319	3,293	12,612	9,422
Visitor Services	6,313	24	6,337	3,750
Education	1,936	338	2,274	1,311
Fundraising and publicity	946	0	946	684
Miscellaneous trading	233	20	253	274
Costs of merchandising	10,933	0	10,933	9,170
Management and administration of the charity	555	34	589	458
Depreciation transferred to Capital Funds	(6,170)	0	(6,170)	(3,224)
Income allocated to Capital Expenditure	7326	0	7,326	4,750
	<u>51,261</u>	<u>7,437</u>	<u>58,698</u>	<u>49,457</u>

(c)	Reconciliation of Income and Expenditure Account and Statement of Financial Activities		
		2001	2000
		£000s	£000s
	Operating (Loss)/Surplus per Income and Expenditure Account	(3,051)	2,781
	Incoming Resources designated for Capital Projects:		
	Unrestricted	6,421	4,784
	Restricted	30,676	23,953
	Resources Expended designated as Capital Projects:		
	Depreciation	(6,170)	(3,224)
	Designated Gallery Refurbishment	908	0
	Collection Purchase	(9,725)	(2,454)
	Net incoming Revenue (Expenditure)/Income designated as deferred income	(301)	684
	Net Incoming Resources per Statement of Financial Activities	<u>18,758</u>	<u>26,524</u>

The above statement identifies those elements of incoming and expended resources in the Statement of Financial Activities which the Trustees have designated as Capital Projects and have excluded from the Consolidated Income and Expenditure Account.

The operating loss in the Income and Expenditure Account therefore is adjusted by the net income assigned to capital projects in the Statement of Financial Activities of £21,809,000 (£23,743,000 in 1999-2000).

(d)	Gains on investment assets				
		SOFA	I & E	SOFA	I & E
		£000s	£000s	£000s	£000s
		2001	2001	2000	2000
	Realised (loss)/gains on:				
	Fixed Asset Investments	81	2	(224)	(40)
	Current Asset Investments	0	0	(65)	(65)
	Sale of Investment Property	0	0	3,635	3,635
	Unrealised gains on:				
	Fixed Asset Investments (note 9a)	(1,121)	(352)	1,222	353
	Current Asset Investments			0	0
		<u>(1,040)</u>	<u>(350)</u>	<u>4,568</u>	<u>3,883</u>

(e) Exceptional item: Early retirement provision

There was no new charge to the Early Retirement Provision in 2000-01 (£2,553,000 in 1999-2000). There is a continuing commitment under the Scheme to make payments until normal pensionable age. Details of movements in this provision are shown in note 13.

(f)	Staff Costs		
		2001	2000
		£000s	£000s
	Wages and salaries	23,924	21,931
	Social security costs	1,855	1,639
	Pension costs	<u>3,009</u>	<u>2,795</u>
		28,788	26,365
	Exceptional item: early retirement costs	0	2,553
		<u>28,788</u>	<u>28,918</u>

The number of employees, including the three Directors referred to below, whose emoluments as defined for taxation purposes amounted to over £40,000 in the year was as follows:

		2000	2000
	£40,001 - £50,000	34	20
	£50,001 - £60,000	19	19
	£60,001 - £70,000	2	0
	£70,001 - £80,000	0	3
	£80,001 - £90,000	2	2
	£90,001 - £100,000	2	0

(g) Directors' remuneration:

The Director of the British Museum received remuneration of £109,697 including £16,197 of employer's pension contributions to the Principal Civil Service Scheme (£101,493 including £15,845 of employers pension contribution in 1999-2000). In addition, the Director pays towards a residence provided at the Museum. The Managing Director of the British Museum received £109,697 including £16,197 of employers pension contributions to the Principal Civil Service Scheme (£91,519 including £14,288 of employers pension contributions in 1999-2000). The director has been re-appointed for a further term until June 2002.

## Director's Pension

	Age	Salary for year £000s	Real pension increase in the year £	Total accrued pension at 60 at 31 March 2000 £
Robert Anderson, Director	56	93	997	33,365
Suzanna Taverne, Managing Director	41	93	1,089	2,090

The highest paid Director of the British Museum Company Limited received total emoluments of £82,000 (£78,000 in 1999-2000) and pension contributions of £19,000 (£12,274 in 1999-2000). The remaining Directors, including the Chairman, received no remuneration for their services to the Company.

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

	2001	2000
Care, research and authorship	463	499
Conservation	69	77
Exhibiting the collections	190	171
Education	48	37
Visitor services	259	205
Fundraising and publicity	13	18
Miscellaneous Trading	10	9
Commercial activities	118	94
Management and administration of the Museum	5	23
	<u>1,175</u>	<u>1,133</u>

(i) Trustees:

The Trustees neither received nor waived any emolument during the year (2000: £nil). All Trustees are entitled to be reimbursed for reasonable travel and subsistence expenses incurred in the performance of their duties. In 2001 these amounted to £3,216 (2000: £2,645).

## 6. NOTIONAL COST OF CAPITAL

Notional cost of capital is calculated as 6% of the average capital employed by the Museum in the year, excluding assets funded by donations or the lottery.

## 7. TANGIBLE FIXED ASSETS

7(a) Consolidated Tangible Fixed Assets	Freehold Land and Buildings £000s	Assets in the course c'struction £000s	Investment Properties £000s	Leasehold Improvements £000s	Permanent Exhibitions £000s	Plant	Total £000s
						Equipment Fixtures Fittings £000s	
Cost or valuation							
As at 1 April 2000: Cost	0	87,696	0	0	0	0	87,696
Valuation	218,413	0	2,380	656	13,463	2,888	237,800
Additions during the year	0	45,874	0	69	78	3,914	49,935
Disposals during the year	0	0	0	0	0	0	0
Transfer	102,156	(110,770)	0	0	3,853	4,761	0
Fixed Asset Valuation Adjustment	(67,471)	0	80	16	430	265	(66,680)
	<u>253,098</u>	<u>22,800</u>	<u>2,460</u>	<u>741</u>	<u>17,824</u>	<u>11,828</u>	<u>308,751</u>
As at 31 March 2001: Cost	0	22,800	0	0	0	0	22,800
Valuation	253,098	0	2,460	741	17,824	11,828	285,951
	<u>253,098</u>	<u>22,800</u>	<u>2,460</u>	<u>741</u>	<u>17,824</u>	<u>11,828</u>	<u>308,751</u>
Depreciation:							
At 1 April 2000:	1,795	0	0	5	540	884	3,224
Provided during the year	2,896	0	0	42	684	2,548	6,170
Fixed Asset Valuation Adjustment	(3,663)	0	0	0	0	0	(3,663)
At 31 March 2001:	<u>1,028</u>	<u>0</u>	<u>0</u>	<u>47</u>	<u>1,224</u>	<u>3,432</u>	<u>5,731</u>
Net Book Value:							
At 31 March 2001	<u>252,070</u>	<u>22,800</u>	<u>2,460</u>	<u>694</u>	<u>16,600</u>	<u>8,396</u>	<u>303,020</u>
At 31 March 2000	<u>216,618</u>	<u>87,696</u>	<u>2,380</u>	<u>651</u>	<u>12,923</u>	<u>2,004</u>	<u>322,272</u>
Net book value at 31 March 2001 represents fixed assets for:							
Directly charitable activities	248,172	22,447	2,422	0	16,344	6,637	296,022
Other activities	3,898	353	38	694	256	1,759	6,998
	<u>252,070</u>	<u>22,800</u>	<u>2,460</u>	<u>694</u>	<u>16,600</u>	<u>8,396</u>	<u>303,020</u>

## (b) Museum Tangible Fixed Assets

	Freehold Land and Buildings £000s	Assets in the course c'struction £000s	Investment Properties £000s	Permanent Exhibitions £000s	Plant Equipment Fixtures Fittings £000s	Total £000s
Cost or valuation:						
At 1 April 2000:						
Cost	0	87,430	0	0	0	87,430
Valuation	218,413	0	2,380	13,463	2,498	236,754
Additions during the year	0	45,874	0	78	2,508	48,460
Disposals during the year	0	0	0	0	0	0
Transfers	102,156	(110,504)	0	3,853	4,495	0
Fixed Asset Valuation Adjustment	(67,471)	0	80	430	209	-66,752
At 31 March 2001:	253,098	22,800	2,460	17,824	9,710	305,892
Cost	0	22,800	0	0	0	22,800
Valuation	253,098	0	2,460	17,824	9,710	283,092
	253,098	22,800	2,460	17,824	9,710	305,892
Depreciation:						
At 1 April 2000:	1,795	0	0	540	627	2,962
Provided during the year	2,896	0	0	684	2,341	5,921
Fixed Asset Valuation Adjustment	(3,663)	0	0	0	0	(3,663)
At 31 March 2001:	1,028	0	0	1,224	2,968	5,220
Net Book Value:						
At 31 March 2001	252,070	22,800	2,460	16,600	6,742	300,672
At 31 March 2000	216,618	87,430	2,380	12,923	1,871	321,222
Net book value at 31 March 2001 represents fixed assets for:						
Directly charitable activities	248,172	22,447	2,422	16,344	6,637	296,022
Other activities	3,898	353	38	256	105	4,650
	252,070	22,800	2,460	16,600	6,742	300,672

(c) The historic cost of the land and buildings is not known; cumulative additions shown above represent purchases since 1 April 1999. The main Museum site at Great Russell Street was valued at 31 March 2001 on the basis of depreciated replacement cost for existing use. The other freehold buildings were valued at 31 March 1999 at total worth in existing use based on open market value. Investment properties were valued at open market value. The Trustees do not consider that there is any material difference between the market value and carrying values in the accounts of any interest in land and buildings held as Fixed Assets except in relation to the Study Centre which has a market value of £22 million compared with a carrying value of £15.7 million under the heading Capital Assets in the Course of Construction. A decision since the year end means that this property will be recategorised as an investment property and will be revalued accordingly.

Valuations were carried out for accounting purposes at 31 March 2001 by Gerald Eve, Chartered Surveyors for the main Museum building at Great Russell Street and at 31 March 1999 by Kinney and Green, Chartered Surveyors for the other freehold land and buildings in accordance with the Guidance Notes issued by the Royal Institution of Chartered Surveyors.

Permanent Exhibitions and Plant, Equipment, Fixtures and Fittings have been adjusted by the application of relevant Office for National Statistics indices to the net book value at 31 March 1999.

The valuation adjustment of £63,089,000 arises from the revaluation referred to above and the application of relevant indices to the carrying values at 31 March 2001 and has not had a material impact on the depreciation charge for the year. This has been treated in the Statement of Financial Activities as an exceptional item and has not been included in the Income and Expenditure Account as it has no impact on the operating costs of the Museum.

The freehold of Blythe House was valued at £4,400,000 at 1 April 1989 and has not been revalued since that date. The building is jointly occupied with the Science Museum and the Victoria & Albert Museum. The freehold is in the process of being transferred to the Trustees of the three occupying museums from the Secretary of State for the Environment and is not included above.

8. TRADING AND OTHER FEES

Trading and other fees arise from the sale of photographs and associated reproduction fees of objects from the collections of £436,000, fees from loan exhibitions of £995,000, admission fees to temporary exhibitions and fees from educational and other activities totalled £1,255,000.

9. INVESTMENTS

9(a) Fixed Asset Investments - Group and Museum

	2001 £000s	2000 £000s
Market value at 1 April 2000	21,256	20,110
Less: disposals at cost (proceeds £4,145,000, gain £81,000)	(4,064)	(14,762)
Add: acquisitions at cost	4,396	14,686
Net (loss)/gain on revaluation	(1,121)	1,222
Market value at 31 March 2001	<u>20,467</u>	<u>21,256</u>
Historical cost at 31 March 2001	18,354	17,431
Investment gains at 31 March 2001	<u>2,113</u>	<u>3,825</u>
	<u>20,467</u>	<u>21,256</u>

Investments comprised the following:

Investment assets in the UK:

British Government Stocks	3,191	2,684
Listed Equities	6,435	7,384
Cash held as part of investment portfolio	6,009	5,209

Investment assets outside the UK:

Listed Equities	4,832	5,979
	<u>20,467</u>	<u>21,256</u>

Investments are revalued at middle market value at the year end.

9(b) Current Asset Investments

	2001 Market Value £000s	2001 Cost £000s	2000 Market Value £000s	2000 Cost £000s
Short term investments				
Short Term Deposits	<u>31,250</u>	<u>31,250</u>	<u>44,238</u>	<u>44,238</u>

10(a) SUBSIDIARIES

The Museum owns 100% of the issued share capital of British Museum Company Limited and The British Museum Great Court Limited, a subsidiary newly established in the current year at a cost of £500,000. The Museum incorporates their results in the consolidated accounts.

10(b) RESULTS OF TRADING SUBSIDIARIES

	BM Co	BMGC	Total	BM Co	
	2001	2001	2001	2001	2000
	£000s	£000s	£000s	£000s	£000s
Turnover	9,500	1,278	10,778	9,265	
Cost of sales	(4,969)	(1015)	(5,984)	(4,732)	
Gross profit	4,531	263	4,794	4,533	
Selling and distribution costs	(3,067)	0	(3,067)	(2,948)	
Administrative expenses	(1,938)	(66)	(2,004)	(1,583)	
Other operating income	131	0	131	123	
Operating profit	(343)	197	(146)	125	
Income from investments	0	0	0	(43)	
Interest receivable	82	0	82	102	
Fixed Asset Valuation Adjustment	72	0	72	(7)	
Contribution to the Trustees of the British Museum	13	(197)	(184)	(325)	
Profit/(loss) retained in the Company	(176)	0	(176)	(148)	

Operating profit is stated after charging staff costs of £2,780,000 (£2,224,000 in 1999-2000) and depreciation of tangible fixed assets of £249,000 (£262,000 in 1999-2000) and has been adjusted for consolidation purposes to include fixed assets at modified historical cost thus decreasing the loss for the year by £63,000 (2000 decrease of surplus of £165,000). The two subsidiaries have made Gift Aid contributions to the British Museum in the year of £184,000 (2000, £325,000).

10(c) Amounts as shown in the SOFA and Income and Expenditure account are as follows:

	2001	2001	2000	2000
	Turnover	Costs	Turnover	Costs
	£000s	£000s	£000s	£000s
From British Museum Company Limited	9,500	9,974	9,265	9,263
From British Museum Great Court Limited	1,278	1,081	0	0
less transactions with the British Museum	(57)	(122)	(148)	(93)
	10,721	10,933	9,117	9,170

Net assets at 31 March 2001 comprise:

	BM Co	BMGC	Total	
	2001	2001	2001	2000
	£000s	£000s	£000s	£000s
Tangible fixed assets	2,349	0	2,349	1054
Current assets	4,949	978	5,927	5,797
Creditors due within one year	(2,234)	(478)	(2,712)	(1,607)
Net assets	5,064	500	5,564	5,244

The British Museum Company Limited has capital consisting of 750,000 £1 shares all of which are allocated and fully paid. 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 and did not trade during the year ended 31 March 2001. As from 1st April 2001 the company commenced to trade.

The British Museum Great Court Limited was incorporated on 30th October 2000 with an authorised share capital of 10 million ordinary shares of £1 each, 500,000 of which have been issued at par and commenced to trade during the year.

11. DEBTORS

	Group		Museum	
	2001	2000	2001	2000
	£000s	£000s	£000s	£000s
Trade debtors	1,839	2,850	781	2,244
Other debtors	633	750	263	543
Prepayments and accrued income	5,630	3,589	5,382	3,417
Amount due from subsidiaries			668	336
	8,102	7,189	7,094	6,540



12. CREDITORS

	Group		Museum	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Amounts falling due within one year:				
Trade creditors	4,026	3,639	3,028	3,145
Other creditors	2,127	3,930	2,173	3,874
Early Retirement Provision	617	1,391	617	1,391
Accruals	11,270	6,244	10,178	5,561
Amount due to subsidiaries			9	0
	<u>18,040</u>	<u>15,204</u>	<u>16,005</u>	<u>13,971</u>

13. PROVISIONS AND CHARGES

Early retirement commitments at 31 March 2001 are as follows:

	2001 £000s	2000 £000s
Pension provision brought forward	2,334	1,010
Provided in year - exceptional item ( note 5e )	0	2,553
Payments in year	<u>(964)</u>	<u>(1,229)</u>
	1,370	2334
Less current portion - included in creditors amounts falling due within one year	<u>(617)</u>	<u>(1,391)</u>
	<u>753</u>	<u>943</u>

14. FINANCIAL COMMITMENTS

At 31 March 2001 the British Museum had annual commitments under operating leases as follows:

	Land and Buildings		Plant and Machinery	
	2001 £000s	2000 £000s	2001 £000s	2000 £000s
Leases which expire: within one year	0	0	29	31
in the second to fifth year	567	62	37	47
over five years	<u>221</u>	<u>222</u>		<u>0</u>
	<u>788</u>	<u>284</u>	<u>66</u>	<u>78</u>

During the year the Secretary of state for Culture, Media and Sport transferred the ownership of 6 Burlington Gardens to the Royal Academy. The Royal Academy has granted the British Museum a five year lease from the 1 July 2000 at a rent of £500,000 per annum (£500,000 in 1999-2000).

15. STATEMENT OF FUNDS

	At 1 April 2000 £000s	Income £000s	Expenditure £000s	Revaluation/ Investment gains/losses £000s	Movement during year £000s	Transfers between funds £000s	At 31 March 2001 £000s
<b>Funds</b>							
<b>Capital Funds</b>							
<i>Permanent Endowment Funds</i>	10,585	0	0	(690)	(690)	0	9,895
<i>Restricted Capital Funds</i>							
Collection Purchase Fund	812	8,719	9,263	0	(544)	352	620
Building Revaluation Fund	226,966	0	0	(63,378)	(63,378)	0	163,588
Estates Proceeds	14,962	0	0	0	0	(937)	14,025
Construction Projects Fund	15,655	21,957	0	0	21,957	(31,704)	5,908
Fixed Asset Fund	72,778	0	684	0	(684)	42,502	114,596
	331,173	30,676	9,947	(63,378)	(42,649)	10,213	298,737
<i>Unrestricted Capital Funds</i>							
Collection Purchase Fund	0	462	462	0	0	0	0
Building Revaluation Fund	4,926	0	0	287	287	0	5,213
Fire Safety Security Fund	1,476	0	0	0	0	1,147	2,623
Great Court Fund	7,400	0	0	0	0	(7,400)	0
Gallery Refurbishment Reserve	62	0	0	0	0	908	970
Maintenance Reserve	500	0	0	0	0	0	500
Construction Projects Fund	4,559	0	0	0	0	(4,559)	0
Fixed Asset Fund	16,552	5,959	5,237	2	724	0	17,276
	35,475	6,421	5,699	289	1,011	(9,904)	26,582
<b>Total Museum Capital Funds</b>	<b>377,233</b>	<b>37,097</b>	<b>15,646</b>	<b>(63,779)</b>	<b>(42,328)</b>	<b>309</b>	<b>335,214</b>
British Museum Co Ltd Fixed Assets	1,051	0	249	72	(177)	1,475	2,349
<b>Total Consolidated Capital Funds</b>	<b>378,284</b>	<b>37,097</b>	<b>15,895</b>	<b>(63,707)</b>	<b>(42,505)</b>	<b>1,784</b>	<b>337,563</b>
<b>Revenue Funds</b>							
<i>Restricted Revenue Funds</i>							
Restricted Income Trust Funds	3,063	0	101	(196)	(297)	(52)	2,714
Deferred Income Fund	3,058	2,524	2,808	0	(284)	1,353	4,127
	6,121	2,524	2,909	(196)	(581)	1,301	6,841
<i>Unrestricted Revenue Funds</i>							
Unrestricted Trust Funds	8,317	568	391	(154)	23	(752)	7,588
Oriental Research Fund	112	6	23	0	(17)	0	95
Reorganisation Reserve	121	0	0	0	0	0	121
General Funds	600	34,826	37,046	0	(2,220)	(858)	(2,478)
	9,150	35,400	37,460	(154)	(2,214)	(1,610)	5,326
<b>Total Museum Revenue Funds</b>	<b>15,271</b>	<b>37,924</b>	<b>40,369</b>	<b>(350)</b>	<b>(2,795)</b>	<b>(309)</b>	<b>12,167</b>
British Museum Co Ltd	4,189	9,726	9,725	0	1	(1,475)	2,715
The British Museum Great Court Ltd	0	1,278	1,278	0	0	0	0
<b>Total Consolidated Revenue Funds</b>	<b>19,460</b>	<b>48,928</b>	<b>51,372</b>	<b>(350)</b>	<b>(2,794)</b>	<b>(1,784)</b>	<b>14,882</b>
<b>Total Funds</b>	<b>397,744</b>	<b>86,025</b>	<b>67,267</b>	<b>(64,057)</b>	<b>(45,299)</b>	<b>0</b>	<b>352,445</b>

## Analysis of group net assets between funds

	Permanent Endowments £000s	Unrestricted Funds £000s	Restricted Funds £000s	Total 2001 £000s
Fund balances at 31 March 2001 are represented by:				
Tangible Fixed Assets	0	24,901	278,119	303,020
Fixed Asset Investments	9,808	8,233	2,426	20,467
Current Assets	98	18,807	28,846	47,751
Current Liabilities	(11)	(14,216)	(3,813)	(18,040)
Early retirement provision	0	(753)	0	(753)
Total Net Assets	9,895	36,972	305,578	352,445

### Unrealised losses included above

On investments	(770)	(196)	(156)	(1,122)
Total unrealised gains at 31 March 2000	(770)	(196)	(156)	(1,122)

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.

### Capital: Permanent Endowment Funds

These consist of funds for which only the income can be used. The major part consists of the Brooke-Sewell Permanent Fund. This was established by Mr Percy Thomas Brooke-Sewell with a series of benefactions made during his lifetime specifically for the purchase of Oriental antiquities and works of art.

The Bell Fund is a permanent endowment for which the Trustees of the British Museum act as custodians. The beneficiary of this is the British School of Archaeology in Iraq.

### Capital Funds: Restricted

These consist of a number of funds for major Museum gallery development premises.

### Capital Funds: Unrestricted

These consist of funds designated by the Trustees for various purposes and include:

#### (a) *Fire Safety and Security*

Monies designated for use in carrying out necessary works to ensure that the Museum complies with the statutory requirements needed to make the Museum a safe and secure environment for public and staff, and to renew the electrical infrastructure.

#### (b) *Great Court*

The Trustees had set aside £7,400,000 to underwrite the capital costs of the Great Court Scheme, all of which was released in the year.

### Restricted Trust Funds

These consist of a number of funds where the donor has specified the use to which they may be put. The major funds are as follows:

#### (a) *Ready Bequest*

A bequest from Miss M Ready to be used for the purchase of Greek and Roman antiquities.

#### (b) *Sharpe Bequest*

A bequest from Dr D Sharpe to be used for the purchase of books concerned with Ancient Greece or Rome.

#### (c) *Brooke-Sewell Bequest*

A bequest from Mr P Brooke-Sewell to be used for the purchase of Oriental and Japanese antiquities.

### Unrestricted Trust Funds

#### (a) *Shaw Fund*

The Charity Commission has agreed that this fund should be shared equally with the British Library further to an agreement dated 30th November 1999.

### Revenue: Designate Funds

#### *Oriental Research Fund*

A fund established mainly for travel to China in connection with research and fieldwork and for the funding of Chinese academics and students whilst working or studying at the British Museum.

16. CASH FLOW INFORMATION

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

	2001	2000
	£000s	£000s
Net incoming resources	18,758	26,524
Exceptional item: early retirement provision	0	(2,553)
Investment Income	(3,586)	(4,001)
Depreciation	6,170	3,224
(Increase)/Decrease in stocks	(434)	368
(Increase)/Decrease in debtors	(913)	2,278
Increase/(Decrease) in creditors	2,836	6,504
Increase/(Decrease) in early retirement provision	(190)	213
Net cash inflow from operating activities	<u>22,641</u>	<u>32,557</u>

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

Increase/(Decrease) in cash in the period	(10,971)	10,279
Cash flow from(decrease)/ increase in liquid resources	<u>(12,988)</u>	<u>(5,137)</u>
Change in net funds resulting from cash flows	(23,959)	5,142
Changes in market value	0	(65)
Movement in net funds in the period	<u>(23,959)</u>	<u>5,077</u>
Net funds at 1 April 2000	<u>60,420</u>	<u>55,343</u>
Net funds at 31 March 2001	<u>36,461</u>	<u>60,420</u>

(c) Analysis of net funds

	2001	Cash Flow	Other non cash	2000
	£000s	£000s	flow movement	£000s
Liquid Resources:				
Short Term Deposits	31,250	(12,988)		44,238
Cash:				
Cash at bank and in hand	<u>5,211</u>	<u>(10,971)</u>		<u>16,182</u>
	<u>36,461</u>	<u>(23,959)</u>	0	<u>60,420</u>

17. RELATED PARTY TRANSACTIONS

The British Museum is a Non-Departmental Public Body whose parent body is the Department for Culture, Media and Sport.

During the year, the British Museum had a number of transactions in the normal course of business and at full arms length with the Department and certain of its subsidiary bodies.

Sir David Attenborough is also a Trustee and Dr Jennifer Montagu a member of the Executive Committee of the National Arts Collection Fund. During the year the Fund supported the purchase of several items for the Museum collection.

Lord Moser is also a Trustee of the Rayne Foundation, and a consultant to the Paul Hamlyn Foundation, both of which made a donation to the Great Court Project.

Lord Browne is the Chief Executive of BP Amoco PLC. During the year the Ethnography Showcases and other projects were sponsored by a connected charitable foundation.

Mr Charles Allen-Jones is a partner of Linklaters who sponsored the Great Court Opening

Mr Graham Greene is also a trustee of the George Bernard Shaw Estate. The Museum's Trust funds are beneficiaries of this estate.

Dr Anna Ritchie is a member of the Heritage Lottery Fund Expert Panel on Historic Buildings and Land. The Heritage Lottery has made grants during the year to the Great Court Project.

Sir Michael Hopkins is also the Architect to the Royal Academy. The British Museum has entered into a lease to rent the Museum of Mankind from The Royal Academy.

Mr Christopher McCall's wife has been appointed as a part time curator for a year with responsibility for the Agatha Christie exhibition.

The British Museum has loaned items from the collections to the following organisations during 2000-01 which have the Department for Culture, Media and Sport or other Government Departments as a parent organisation:

National Maritime Museum	Natural History Museum, London
National Museums and Galleries of Wales, Cardiff	National Portrait Gallery, London
National Gallery, London	Sir John Soane's Museum, London
National Museums of Scotland	Tate Gallery, London
Wallace Collection	Ulster Museum, Belfast
British Library, London	

The British Museum has borrowed items from the collections of the following organisations during 2000-01 which have the Department for Culture, Media and Sport as a parent body:

National Gallery, London  
National Portrait Gallery, London  
Victoria & Albert Museum, London

National Gallery of Scotland  
National Museums & Galleries on Merseyside

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

#### 18. CAPITAL COMMITMENTS

At the balance sheet date, outstanding capital commitments amounted to some £3,000,000 of which £Nil was contracted for.

#### 19. PENSIONS

Staff of the Museum are offered pensions, as members of the Principal Civil Service Pension Scheme, under the conditions of the Superannuation Acts 1965 and 1972 and subsequent amendments apply.

For 2000-01, contributions of £2,646,317 (£2,527,527 for 1999-2000) were paid to the Paymaster General (Civil Superannuation Vote) at rates determined from time to time by the Government Actuary and advised by the Treasury. For 2000-01 these rates were 18.5%, 16.5%, 13.5% or 12% (dependent on salary bands) (18.5%, 16.5%, 13.5% or 12% in 1999-2000).

The British Museum Company Limited has separate defined contribution and defined benefit pension schemes. The assets of both schemes are held in funds which are administered independently of the company. The total net pension cost for the scheme was £276,000 (£218,000 for 1999-2000). The cost of the defined Benefit Scheme is 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 8.5% per annum and that this would exceed salary growth by 2.5% per annum. The market value of the scheme assets as at 1 May 1999 was £2,350,000. The actuarial value of those assets was sufficient to cover 80.6% of the benefits that had accrued to members, after allowing for expected future increases in earnings. Current and future contributions reflect the deficiency.

#### 20. CORPORATE FINANCIAL TARGETS

The key financial target set for 2000/2001 under the Funding Agreement by the Secretary of State was that grant-in-aid should not exceed 74% of the operating expenditure of the Museum. The museum received grant-in -aid of £34.939m, which equated to 68% of the operating expenditure of £51.372m. Details of the other corporate objectives are set out under the Funding Agreement in the Foreword to these Accounts.

#### 21. CONTINGENT LIABILITIES

Under an agreement approved by the Charity Commission on 30 November 1999 the balance of the Shaw Fund will be divided at a date to be determined equally between the British Museum and the British Library. The balance of this fund at 31 March 2001 was £7,629,000, some of which will be used to fund the completion costs of the Great Court. The Museum has been advised that a claim is being prepared in respect of a terminated PFI project. No value has been stated yet. The Trustees will vigorously contest any liability.