

MUSEUMS AND GALLERIES ACT 1992

Account, of the Victoria and Albert Museum prepared pursuant to Museums and Galleries Act 1992, c.44, para 9(7) for the year ended 31 March 2003, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 1148 of 2001-2002.)

Presented pursuant to Museums and Galleries Act 1992, c. 44, para. 9(8).

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# Victoria and Albert Museum Account 2002-2003

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 17 JULY 2003

The National Audit Office  
scrutinises public spending  
on behalf of Parliament.

The Comptroller and Auditor General,  
Sir John Bourn, is an Officer of the  
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# Contents

	<b>Page</b>
Foreword and Annual Report	2
Annexes	
A: Legal and administrative information	5
B: Key Performance Indicators	6
C: Organisation chart	7
D: Supporters	8
Statement of Trustees' and Director's responsibilities	14
Statement on the System of Internal Control	15
The Certificate and Report of the Controller and Auditor General	17
Financial statements	
Consolidated Income and Expenditure account	19
Consolidated Statement of Financial Activities	20
Consolidated and Museum Balance Sheet	22
Consolidated Cashflow statement	23
Notes to the Financial Statements	24

## Foreword and Annual Report

### Aims and objectives

The Museum is a Non-Departmental Public Body of the Department for Culture, Media and Sport and its present constitution was established under the 1983 National Heritage Act. Its Trustees are appointed by the Prime Minister and are listed at Annex A. The V&A administers the Museum at South Kensington, the Theatre Museum at Covent Garden, the Museum of Childhood at Bethnal Green and the Wellington Museum at Apsley House.

### Statement of purpose

The Victoria and Albert Museum's purpose is to enable everyone to enjoy its collections and explore the cultures that created them; and to inspire those who shape contemporary design.

The V&A's strategic aims are expressed as follows

- to be a recognised source of inspiration for the creative industries at home and abroad and to play a role in promoting tourism;
- to increase the number and range of people who use the Museum, both on-site and remotely; to expand the range of learning opportunities open to our users and to develop high quality digital educational resources;
- to present public programmes which draw on cutting edge research and to be a resource for others in developing excellence; and
- to harness the potential of our collections to produce displays and programmes relevant to audiences that are currently under-served.

The V&A offers an encyclopedic resource - a wide and varied range of the visual arts from Europe and Asia, not only those of historical importance, but also of contemporary excellence. The Museum acts as the national centre for learning and participation in design and the arts. It is a powerhouse of skills and expertise, and a source of inspiration for young and old, for students and professionals in the arts and creative industries, and all those with a passion, interest and enthusiasm for making and using as well as looking.

### Operating and financial review

In 2002-2003 the Museum recorded a deficit of £802,800 (2002: £2,888 surplus) on its unrestricted general funds. Such funds represent the nearest equivalent to a core operational account and exclude those transactions that are likely to distort an assessment of the Museum's underlying financial performance and stability, such as the value of donated objects; and specific one-off operational and capital projects.

This deficit was incurred notwithstanding strong performance on income generation and sound cost control and, indeed, the deficit was far smaller than had originally been budgeted. Stronger financial performance was achieved through the excellent attendance at major exhibitions, particularly *Terracottas* and *Tiaras*, which ensured good ticket sales and retail trading.

The Museum anticipated a deficit for the year because of significant project expenditure. The deficit will be charged against Designated funds. These funds have been set aside to fund projects that are likely to be implemented over more than one financial year, particularly where the rate of expenditure in any specific year is difficult to predict. Such projects include investment in the FuturePlan, Gallery Environmental Monitoring, Information Technology and similar projects.

The Museum has adopted a three-year financial plan which aims to balance the operational account whilst also ensuring that a basic level of unrestricted general funds can still be allocated to FuturePlan projects and educational initiatives. This will be achieved through new income initiatives and cost efficiencies.

The financial stability and flexibility of the Museum needs to be underpinned by a sound level of reserves. The accounts record total funds of £315m (see note 14), but this is significantly misleading as it includes funds which represent the market value of inalienable property and restricted funds given for specific projects; and neither would be available for the general financial support of the Museum.

The trustees only have access to the combined total of certain General, Designated and Bequests funds which stand at the modest level of £5.96m (2002: £7.32m). The value of reserves has fallen because of the deficit on the operational account and investment losses on Bequest Funds due to poor stock market conditions in the year.

### **V&A Enterprises Ltd**

The charity's wholly-owned trading subsidiary carries out non-charitable trading activities for the charity. As at 31 March 2003 the company was due to make a gift aid payment of £1,240,787, transferring all its taxable profits to the Museum.

The upturn in visitor numbers following the opening of the British Galleries and the introduction of free entry, in addition to three successful exhibitions in the year, *'Tiaras'* and *'Terracottas'* and *'Versace'* strengthened retail and publishing activities, although trade sales in USA were poor. Licensing experienced increasingly competitive market conditions, particularly in the UK and Europe, and also in Japan, where the business is being restructured.

### **Fixed assets**

During the year, the Museum at South Kensington was revalued at £271.6m by Gerald Eve resulting in a surplus on revaluation of £18.8m. In addition, the Museum of Childhood at Bethnal Green was introduced into the books of the Museum at a valuation of £9.2m.

### **Funding agreement targets**

Key targets agreed with the Department for Culture, Media and Sport in the 2002-2003 Funding Agreement are tabulated at Annex B.

### **Organisation and Supporters**

An organisation chart showing the principal functions of the Museum is at Annex C and a list of Supporters at Annex D.

### **Financial status**

The V&A is funded by Grant in aid from the Department for Culture, Media and Sport and by receipts from exhibition charges, income-generating activities, sponsorship, charitable donations, and legacies and bequests. The Museum is an exempt charity under the terms of the Charities Act 1993. Its investments are governed by the Trustee Act 2000.

The Museum owns 100% of the issued share capital of V&A Enterprises Limited which carries out trading operations on behalf of the Museum. These accounts consolidate the results of the Museum (that is grant-funded activities and the Museum's Development, Trust and Bequest funds) with those of V&A Enterprises Limited.

The V&A makes no political gifts and, as a charity itself, does not normally make donations to other charities.

### **Bill paying**

The Museum's expressed intent is to adhere to the Government's standard on bill-paying by aiming to settle bills within the 30 days terms of the Museum's standard contract. Actual performance has improved over the past year with an average time for payment of invoices not subject to query reducing to 27 days (2002: 29 days). 72% (2002: 68%) of non-queried invoices were paid within 30 days.

## Staffing policies

The Museum is actively looking at ways of maximising access to its collections, expertise, facilities and services. Museum staff have translated this commitment into HR policies that engender a working environment in which individuals are valued for their contribution and the skills and experiences they bring from their diverse backgrounds. Work on diversity is continuous and underpinned by compliance with the legislative framework.

Established equality policies; an active training and development provision; a refreshed communications strategy, including a suggestion and innovation scheme; a revamped recruitment policy and practices; the extension of existing work/life initiatives and the continued development of best practice in policy and monitoring demonstrate the Museum's continued commitment to diversity. The Museum was granted the Investors in People award in October 2002 for its commitment to developing its staff.

## Sickness absence

The average number of days lost through sickness absence per employee was 9.77 days (2002: 9.2 days) against the DCMS target of 9.5 days. However this falls to 5.81 days (2002: 5.7 days) when long-term absence is excluded.

## Reserves policy

The Trustees have reviewed the level of readily available reserves (those that are not restricted or tied up as fixed assets) appropriate to the scale, complexity and risk profile of the organisation.

Although Grant in aid accounts for around three quarters of all income, which provides limited exposure to liquidity risk, the remainder of operational costs must be financed by self-generated income (such as exhibition admissions and trading) which is volatile. This risk is managed through the Museum's policy to maintain general and designated funds and is reviewed periodically.

The Trustees also consider that reserves are required to provide a sound underpinning, in terms of cash flow planning and budgetary risk, to on-going investments in the capital infrastructure at the South Kensington site and the branch museums.

Taking an overall view of the impact of annual operational activities and capital projects, the Trustees believe that the *minimum* level of general and designated funds should be £2.5m.

The level of reserves is reviewed by the Trustees each year, in conjunction with a review of this reserves policy.

## Investment policy

The Museum's investment managers work to maximise the total return on the portfolio over the long term in a way consistent with a prudent spread of risk. The fund is governed by the Trustees Act 2000. Surplus funds are invested in short term cash deposits within the UK.

Mark Jones  
Director and Accounting Officer

7 July 2003

Paula Ridley  
Chairman of Trustees

7 July 2003

## Annex A: Legal and administrative information

### Trustees

Paula Ridley OBE (Chairman)  
Professor Margaret Buck  
Penelope, Viscountess Cobham  
Rob Dickins CBE  
Professor Sir Christopher Frayling  
Jane Gordon Clark  
Sir Terence Heiser GCB  
Lady Anne Heseltine [left Board on 31 August 2002]  
Rick Mather  
Peter Rogers  
Paul Ruddock [joined Board on 3 May 2002]  
Dame Marjorie Scardino DBE [joined Board on 7 February 2003]  
Jonathan Scott CBE (Deputy Chairman) [left Board on 31 March 2003]  
Professor Sir Christopher White CVO

### Director

Mark Jones

### Principal address

Victoria and Albert Museum  
Cromwell Road  
London SW7 2RL

### Auditors

#### *External*

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

### Auditors

#### *Internal*

Littlejohn Frazer  
1 Park Place  
London E14 4HJ

### Bankers

National Westminster  
Knightsbridge Business Centre  
186 Brompton Road  
London SW3 1XJ

### Investment Managers

Chiswell Associates Ltd  
4 Chiswell Street  
London EC1Y 4UP

### Solicitors

Farrer & Co  
66 Lincoln's Inn Fields  
London WC2A 3CH

## Annex B: Key Performance Indicators

In 2002-2003, the DCMS/V&A Funding Agreement contained a mix of core performance indicators - common to all National Museums and Galleries in addition to V&A-specific ones. Only performance against the core targets is reported here.

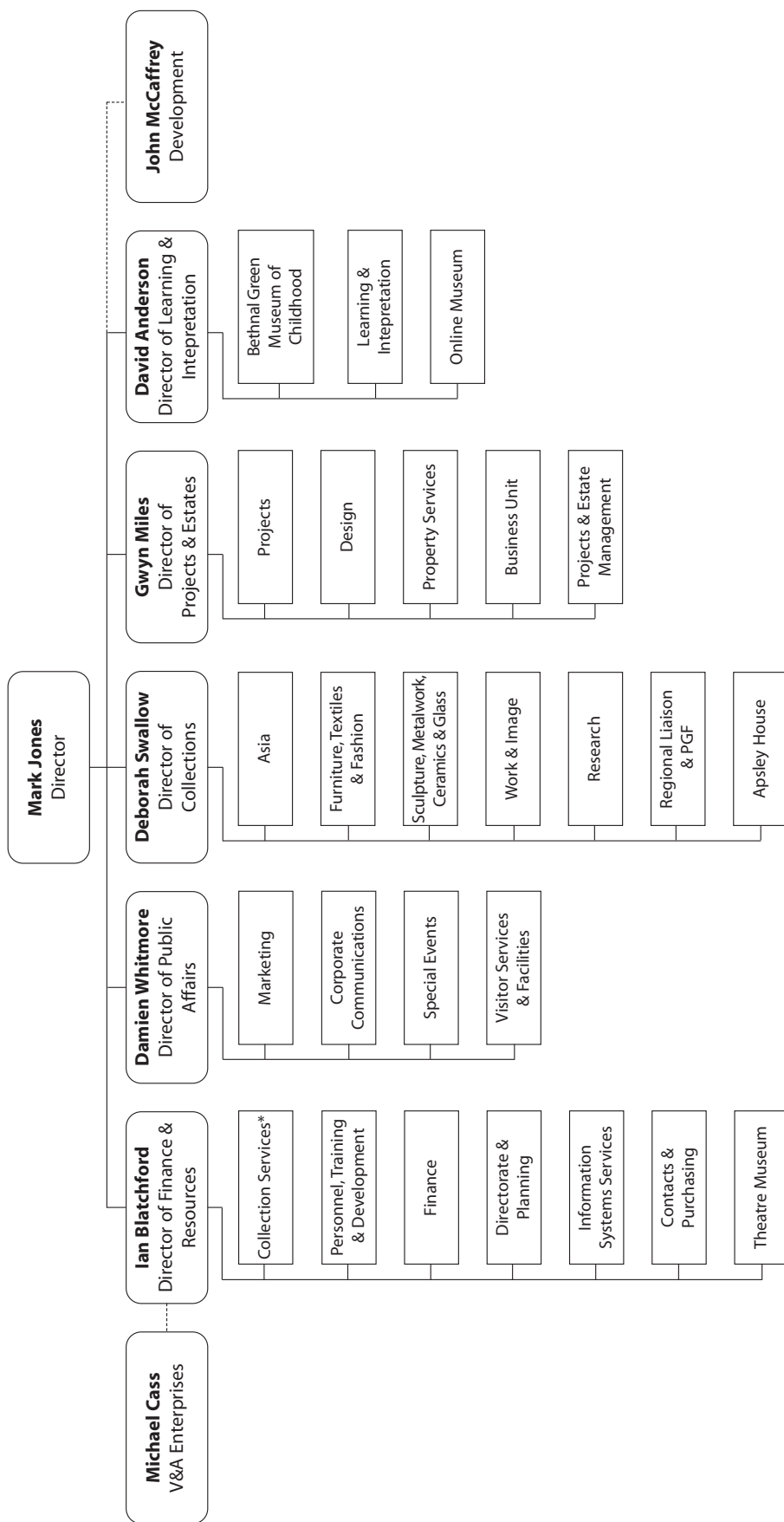
Indicator	2001-2002 Actual	2002-2003 Target	2002-2003 Actual
Number of visits to all V&A sites	1,862,534	1,600,000	2,539,671
Number of visits by children	274,343 (re-stated)	255,500	348,550
Number of visits by over 60s	278,990	196,500	390,649
Number of repeat visits	1,115,204	750,000	1,365,286
Number of web site visits	1,599,273	1,500,000	3,038,015
Number of loans	292	320	3,15 <sup>1</sup>
% of collection storage meeting appropriate standards	65%	62%	66%
% of collections that can be accessed through the internet	(original:18.4%) rebased <sup>2</sup> : 13.8%	(original: 22%) rebased <sup>2</sup> : 16.5%	16.2%
% of time Museum open (South Kensington)	71%	67%	71%
Number of learners in V&A programmes	432,186	310,000	432,892
Grant in aid per user (visits + website visits)	£9.36 (re-stated)	£10.99	£6.12
Average number of days sickness absence per employee	9.15	9.5	9.77 <sup>2</sup>

1 The target refers to loan agreements: the number of loan venues was 347. Lending is a reactive process.

2 If long-term absences (>8 weeks) are excluded, the outturn is 5.81 days per employee.

# Annex C: Organisational structure

The diagram shows the V&A's organisational structure at March 2003.



\* Includes Conservation, Records & Collections Services, Exhibitions and Photographic Services

## Annex D: Supporters

We are particularly grateful to those listed below who have made significant contributions to our work in the financial year 2002-2003. Special mention must be made of the extensive support from the Heritage Lottery Fund, the National Art Collections Fund and the Friends of the V&A.

### **V&A FuturePlan**

Mr Gerald Levin  
Paul and Jill Ruddock  
The Steel Charitable Trust  
The AH & BC Whiteley Charitable Trust  
And other donors who wish to remain anonymous

### **Exhibitions**

*Art Deco 1910-1939*  
Ernst & Young

*The Canon Photography Gallery*  
Canon UK Ltd

*Digital Responses*  
Gallery Systems

*Earth & Fire: Italian Terracottas*  
The Crescent Trust  
The Henry Moore Foundation

*Exotic Encounters*  
The Fidelity Foundation

*The Adventures of Hamza*  
The National Council for Culture, Arts & Heritage of Qatar

*Versace*  
The Friends of the V&A

*Village Fete*  
The Audi Design Foundation

### **Acquisitions**

Mr Paul Bedford  
The Julie and Robert Breckman Print Fund  
The Julie and Robert Breckman Staffordshire Fund  
Professor Patrick Bridgwater  
William Castell in memory of Peggy and Ted Castell  
Mrs Lee Chungie  
Heather Collins  
The Lord Cornwallis  
Danen Arts Co Ltd  
Bequest of Elizabeth Dumbell  
The late Mr John Espir and Mrs Helen Espir  
Everts-Comnene-Logan Collection  
The Friends of the V&A  
Heritage Lottery Fund  
Mr Masao Hirooka  
Mr Ishira Hiroshi

The American Friends of the V&A through the generosity of the Hite Foundation  
 Houghton Hall (In lieu of Inheritance Tax)  
 Miss Joan Hurst through the National Art Collections Fund  
 Paul Huson Esq  
 Tatsuo Kitamura  
 The Michael Marks Charitable Trust  
 Susane John Moor  
 The National Art Collections Fund  
 Mr Suzuki Nohjin  
 Mr Hiroaki Omote  
 Stephen Overbury  
 Dame Merle Park  
 Tom Pesvner  
 The American Friends of the V&A through the generosity of Dr Barry S Ramer  
 Stephen Richards  
 Susan Sackner  
 Caroline Dear and Nick Scarfe  
 Claude Sère  
 The American Friends of the V&A through the generosity of Ben Shneiderman  
 Ms Mitsuhashi Shouzan  
 Goto Shuntaro  
 The American Friends of the V&A through the generosity of the Ten Ten Foundation  
 Michael Webb  
 The AH & BC Whiteley Charitable Trust  
 Yamaguchi Yasujiro  
 And other donors who wish to remain anonymous

### **Bethnal Green Museum of Childhood**

#### *Acquisitions*

The Friends of the V&A

#### *Other grants and donations*

Arts & Business  
 Carlton Television Trust  
 Citiside Regeneration  
 Copus  
 Heritage Lottery Fund  
 Margarete Steiff GmbH  
 Neighbourhood Renewal Unit  
 Parmiter's Bethnal Green Educational Fund  
 PRS Foundation  
 The JSF Pollitzer Charitable Trust

### **The British Galleries**

Mr and Mrs Benjamin Bonas  
 The American Friends of the V&A through the generosity of Horace W Brock  
 The Clore Duffield Foundation  
 Mr and Mrs Edwin Davies  
 Design History Society  
 Sir Harry Djanogly  
 Jeremy & Kim White Foundation

### **Conservation**

Department for Culture, Media and Sport  
Drapers' Charitable Fund  
Brian Murgatroyd Esq  
Royal Institute of Chartered Surveyors

### **Learning**

Heritage Lottery Fund  
Arts Council England, London  
The Paul Mellon Centre for Studies in British Art  
And another donor who wishes to remain anonymous

### **Research**

*The Domestic Interior in Italy, 1400-1600*  
The Getty Grant Program

*The Oliver Ford Scholarship*  
Macfarlanes

*The Country Seat Scholarship*  
Country Seat

### **Theatre Museum**

*Acquisitions*  
Lez Brotherston  
Sylvie Nicholson  
Thelma Holt (on behalf of The Round House)  
Tricycle Theatre Company  
Mr & Mrs C Whiteman

*Other grants and donations*  
Awards for All  
Mr Adam Bager  
The British Library  
Cameron Mackintosh Ltd  
Central St Martins College of Art & Design  
Gladys Kriebel Delmas Foundation  
The John Ellerman Foundation  
Mr R C M Hall  
Ian McKellen Productions Ltd  
The Mousetrap Charitable Trust  
New Opportunities Fund  
Talawa Theatre Company  
The Wellcome Trust  
The City of Westminster

### **The Whiteley Silver Galleries**

The AH & BC Whiteley Charitable Trust

### **Other grants and donations**

The American Express Foundation  
The American Friends of the V&A through the generosity of Jane and Raphael Bernstein  
The Julie and Robert Breckman Bursary, Assistant Curator of Prints  
Mr and Mrs Thomas Brenninkmeyer

The Friends of the V&A  
H Goldie & Co Ltd  
Bequest of Mrs Winifred M Le Roy  
The Henry Moore Foundation  
The Nehru Trust Foundation  
New Opportunities Fund  
The Royal College of Music through the generosity of the family of Belle Shenkman  
The Charles Wallace India Trust

*The Cecil Beaton Fund*  
Camera Press Ltd

*The Hereford Screen*  
James and Lucilla Joll

*The Warne Curatorship for Children's Literature*  
Frederick Warne & Co

*V&A Illustration Awards*  
The Enid Linder Foundation  
And another donor who wishes to remain anonymous

## **PATRONS OF THE V&A**

### **Corinthian Patrons**

Daniel Katz  
Paul and Jill Ruddock  
Mrs Garry Weston

### **Ionic Patrons**

The Band Trust  
Sirdar Aly Aziz, The Dashwood Group  
Mr and Mrs William G Bollinger  
The Rt Hon the Lord and Lady Carrington  
The John S Cohen Foundation  
Colefax and Fowler Limited  
Milburns Restaurants Ltd  
The Oppenheimer Charitable Trust (De Beers)

### **Doric Patrons**

Prince Ayn Aga Khan  
Toby and Kate Anstruther  
The Hon Nicholas and Mrs Assheton  
Mr Edgar Astaire  
The Basil Street Hotel: Parrot Club  
Katrin Bellinger  
Tom and Diane Berger  
Mr John V Bloomfield  
Mr and Mrs Benjamin Bonas  
Bond Street Jewellers Ltd  
Marc and Nicole Booty  
Antoine Bourbon-Parme  
Viscount and Viscountess Bridgeman  
The Bridgeman Art Library  
Mr and Mrs John H Bryan

Mr and Mrs Peter Cadbury  
CMS Cameron McKenna  
Mrs Alan Campbell-Johnson  
Russ and Linda Carr  
Christie's  
Penelope, Viscountess Cobham  
Anthony and Marietta Coleridge  
Baron and Baroness Dimitri de Gunzburg  
Mr Damon and The Hon Mrs de Laszlo  
Avril and Elizabeth Denton  
Mr and Mrs David K Diebold  
Sir Andrew and Lady Duff Gordon  
The Marchioness of Dufferin & Ava  
Lord and Lady Egremont  
Giles Ellwood Ltd  
Lord and Lady Faringdon  
Gander & White Shipping Ltd  
The Hon Piers and Mrs Gibson  
Paul Arthur Gismondi Esq  
Mme Michel Goldet  
Nicholas and Judith Goodison  
Mrs Jane Gordon Clark  
Mr and Mrs John Gore  
Joan Hampson  
Sara Heaton  
Mrs Robin Heller Moss  
Lady Heseltine  
Simone Hyman  
James and Lucilla Joll  
Mr and Mrs Philip Joseph  
Sir Paul and Lady Judge  
Mr and Mrs Richard Kaufman  
Mr Nand Khemka and Princess Jeet Nabha Khemka  
KLJM Ltd  
Mr Harry Leuckert  
Lady Lever  
Holt Massey  
Mr and Mrs Michael Milburn  
Mrs Julia Moir-Jones  
Momart Limited  
Justin Moodie and Francisca Sepulveda  
The Old Broad Street Charity Trust  
Nicholas A Oppenheim  
H A Percheron Ltd  
S J Phillips Limited  
Victoria de Luria Press  
Mr and Mrs Michael Priest  
Lady Purves  
Rare Art (London) Ltd  
Graham and Jane Reddish  
Mr and Mrs Robert Rhea  
Pamela Roditi  
Adrian Sassoon Esq  
Mr and Mrs Hugh Sassoon  
Mrs Sylvia Scheuer  
David and Sophie Shalit  
Mr and Mrs Tom Sharpe  
Yvonne Sherrington  
Mr and Mrs David Silich

Sotheby's Institute for Fine & Decorative Art  
Arnold Stevenson  
Jeremy and Margaret Strachan  
Mr and Mrs Peter Stringham  
Lucy Sun and Warren Felson  
The Dowager Lady Swaythling  
Frederick and Kathryn Uhde  
Mr and Mrs David M Wheeler  
George and Patricia White  
Jeremy & Kim White Foundation  
Rainer Zietz Ltd  
And other donors who wish to remain anonymous

## Statement of Trustees' and Director's responsibilities

The Board of Trustees of the V&A was established by the National Heritage Act 1983. The functions of the Board, as defined by the National Heritage Act are to

- care for, preserve and add to the collections;
- ensure that the collections are made available by display and by providing reference facilities;
- add to the body of knowledge relevant to the collections through research; and
- disseminate that knowledge.

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

In preparing the accounts the Trustees are required to

- observe the accounts direction issued by the Secretary of State (a copy of which is available from the Financial Controller, Victoria & Albert Museum, Cromwell Road, London SW7 2RL), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Museum will continue in operation.

The Accounting Officer for the Department for Culture, Media and Sport has designated the Director 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, are set out in the Non-Departmental Public Bodies Accounting Officer Memorandum issued by HM Treasury and published in Government Accounting.

*Mark Jones*  
Director and Accounting Officer

7 July 2003

*Paula Ridley*  
Chairman of Trustees

7 July 2003

## Statement on the System of Internal Control

The Trustees maintain an overview of internal control issues through the work of the Audit Committee, which is chaired by a Trustee and on which other Trustees also serve.

The Accounting Officer has specific responsibility for maintaining a sound system of internal control that supports the achievement of the Museum's objectives whilst safeguarding public funds and the Museum's assets, for which he is personally responsible, in accordance with the responsibilities assigned under Government Accounting.

The system of internal control is designed to manage rather than eliminate the 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 the principal risks to the achievement of Museum policies, aims and objectives, to evaluate the nature and extent of those risks and to manage them efficiently, effectively and economically. This process has been in place for the year ended 31 March 2003 and up to the date of approval of the annual report and accounts and accords with Treasury Guidance.

The Museum has the following systems and processes in place

### Risk Policy and Risk Register

The Audit Committee has approved both a policy and detailed risk register. Both documents were generated by a Risk Management Group, Chaired by the Director of Finance & Resources, with a membership representing all the key curatorial and operational areas of the Museum. The Register identifies almost 60 specific risks and in each case the risk has been assigned

- An 'owner' being a member of the Museum's Management Board;
- A 'mitigator' being a senior staff member responsible for operational management of the risk; and
- A ranking which assesses the impact on the Museum of a risk being realised and the probability of occurrence.

The Risk Management Group will meet on a regular basis to ensure that the Register remains relevant and inclusive and it will be formally reviewed by the Management Board every six months, and by the Audit Committee on an annual basis.

The Audit Committee now uses the Register, particularly the identification of the highly ranked risks, as the basis for setting the annual internal audit plan.

### Internal Audit Plan

The Museum has appointed a firm of Chartered Accountants to provide Internal Audit Services, operating to standards defined in the Government Internal Audit Standards. The annual internal audit plan is approved by the Audit Committee. At regular intervals throughout the year, the Internal Auditors provide the Accounting Officer with reports generated from the annual review plan and these are then presented to the Audit Committee. Such reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the Museum's system of internal control during the report period together with recommendations. The Internal Auditor also report on progress against recommendations made in previous financial years.

## Subsidiary bodies

Both the Risk Register and the work of the Internal Auditor include the activities of V&A Enterprises, the trading subsidiary of the Museum.

The role of the Accounting Officer is to review the effectiveness of the system of internal control and he is informed by the work of the Internal Auditors and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports.

*Mark Jones*  
Director and Accounting Officer

7 July 2003

*Penelope Viscountess Cobham*  
Chairman of Audit Committee

7 July 2003

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

I certify that I have audited the financial statements on pages 19 to 43 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 to 25.

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

As described on page 14, the Trustees and the Director of the Victoria and Albert Museum as the Accounting Officer are responsible for the preparation of financial statements in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport thereunder and for ensuring the regularity of financial transactions. The Trustees and the Director are also responsible for the preparation of the Foreword and Annual Report. 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 Foreword and Annual Report on pages 2 to 13 is not consistent with the financial statements, if the Victoria and Albert 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 reflects the Victoria and Albert Museum's compliance with the Treasury's guidance 'Corporate Governance: statement on internal 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 audit 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 Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Victoria and Albert 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 Victoria and Albert Museum and the Group at 31 March 2003 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 which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

15 July 2003

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

## Summary Consolidated Income and Expenditure Account Year ended 31 March 2003

The aim of this statement is to extract a core operational account (unrestricted funds) from the Consolidated Statement of Financial Activities which follows at pages 20 to 21. The statement below therefore excludes capital receipts, endowment funds and restricted funds and shows that the Group recorded an operational deficit of £802,201 (2002: £2,888 surplus).

	<b>2003</b>	2002
	<b>£</b>	£
Total income of continuing operations	<b>63,492,678</b>	64,704,440
Total expenditure of continuing operations	<b>(57,623,058)</b>	(51,571,452)
Total surplus for year	<b>5,869,620</b>	13,132,988
Less: movement on Capital funds	<b>(4,065,859)</b>	(14,178,251)
Total net income for the year	<b>1,803,761</b>	(1,045,263)
Less: movement on restricted funds	<b>(4,232,051)</b>	213,666
Add: transfer from restricted to unrestricted funds	<b>1,625,490</b>	834,485
Unrestricted net income for the year	<b>(802,800)</b>	2,888

*The notes on pages 24 to 43 form part of these financial statements.*

## Consolidated Statement of Financial Activities

### Year ended 31 March 2003

	Notes	Unrestricted funds	Restricted funds	Permanent endowment funds	2003 Total funds	Restated 2002 Total funds
		£	£	£	£	£
<b>Incoming resources</b>						
Grant in aid	2	34,071,000	700,000	–	<b>34,771,000</b>	32,337,000
<b>Donations, legacies and other similar income</b>						
Donations		158,873	6,626,855	–	<b>6,785,728</b>	5,844,426
Donated objects		–	2,004,783	–	<b>2,004,783</b>	10,432,817
Transfer of Heritage Fixed Assets	7	–	6,928,779	–	<b>6,928,779</b>	–
Legacies		1,166	–	–	<b>1,166</b>	15,630
Patron's scheme		141,551	–	–	<b>141,551</b>	159,346
		<u>301,590</u>	<u>15,560,417</u>	<u>–</u>	<u><b>15,862,007</b></u>	<u>16,452,219</u>
<b>Activities in furtherance of the charity's objectives</b>						
Admissions and exhibition fees		1,383,027	–	–	<b>1,383,027</b>	1,457,065
Loans and touring exhibition fees		227,745	–	–	<b>227,745</b>	92,470
Lottery income		–	1,400,446	–	<b>1,400,446</b>	5,508,770
Other income	3	957,971	161,507	–	<b>1,119,478</b>	1,016,159
		<u>2,568,743</u>	<u>1,561,953</u>	<u>–</u>	<u><b>4,130,696</b></u>	<u>8,074,464</u>
<b>Activities for generating funds</b>						
Trading income	9	7,672,571	–	–	<b>7,672,571</b>	6,745,246
Sponsorship		475,000	104,204	–	<b>579,204</b>	388,709
		<u>8,147,571</u>	<u>104,204</u>	<u>–</u>	<u><b>8,251,775</b></u>	<u>7,133,955</u>
<b>Investment income</b>	3	<u>267,688</u>	<u>209,512</u>	<u>–</u>	<u><b>477,200</b></u>	<u>706,802</u>
<b>Total incoming resources</b>		<u><b>45,356,592</b></u>	<u><b>18,136,086</b></u>	<u><b>–</b></u>	<u><b>63,492,678</b></u>	<u><b>64,704,440</b></u>
<b>Resources expended</b>						
<b>Cost of generating funds</b>						
Fundraising		824,840	5,358	–	<b>830,198</b>	710,942
Publicity		1,338,145	11,306	–	<b>1,349,451</b>	1,110,472
Investment managers' fees		33,987	–	–	<b>33,987</b>	33,291
Trading costs	9	6,366,297	–	–	<b>6,366,297</b>	5,816,300
		<u>8,563,269</u>	<u>16,664</u>	<u>–</u>	<u><b>8,579,933</b></u>	<u>7,671,005</u>
<b>Cost of activities in furtherance of the charity's objectives</b>						
Collections and research		12,021,384	1,647,242	–	<b>13,668,626</b>	10,691,440
Collection services		4,473,607	293,430	–	<b>4,767,037</b>	4,210,407
Exhibitions		2,223,607	584,099	–	<b>2,807,706</b>	2,285,337
Contemporary programme		474,653	30,501	–	<b>505,154</b>	215,263
Learning and interpretation		1,613,294	102,434	–	<b>1,715,728</b>	1,187,156
Visitor services and facilities		7,481,552	51,732	–	<b>7,533,284</b>	6,709,010
Branch museums		3,923,135	626,096	–	<b>4,549,231</b>	4,214,018
Museum developments		1,752,907	112,580	–	<b>1,865,487</b>	3,492,076
		<u>33,964,139</u>	<u>3,448,114</u>	<u>–</u>	<u><b>37,412,253</b></u>	<u>33,004,707</u>

	Notes	Unrestricted funds	Restricted funds	Permanent endowment funds	2003 Total funds	Restated 2002 Total funds
		£	£	£	£	£
<b>Support costs</b>						
Information services and support		1,753,801	14,136	–	<b>1,767,937</b>	1,693,901
Projects and estates		6,280,342	17,353	–	<b>6,297,695</b>	6,036,659
Management and administration		3,467,106	98,134	–	<b>3,565,240</b>	3,165,180
		<u>11,501,249</u>	<u>129,623</u>	<u>–</u>	<u><b>11,630,872</b></u>	<u>10,895,740</u>
<b>Total resources expended</b>		<u>54,028,657</u>	<u>3,594,401</u>	<u>–</u>	<u><b>57,623,058</b></u>	<u>51,571,452</u>
<b>Net incoming resources before notional costs</b>						
		(8,672,065)	14,541,685	–	<b>5,869,620</b>	13,132,988
Cost of capital	6	<u>(384,623)</u>	<u>(14,514,071)</u>	<u>–</u>	<u><b>(14,898,694)</b></u>	<u>(13,952,000)</u>
<b>Net resources expended after notional costs</b>						
		(9,056,688)	27,614	–	<b>(9,029,074)</b>	(819,012)
Reversal of notional costs		<u>384,623</u>	<u>14,514,071</u>	<u>–</u>	<u><b>14,898,694</b></u>	<u>13,952,000</u>
<b>Net incoming resources before transfers</b>						
		(8,672,065)	14,541,685	–	<b>5,869,620</b>	13,132,988
Gross transfers between funds		<u>6,645,545</u>	<u>(6,464,840)</u>	<u>(180,705)</u>	<u>–</u>	<u>–</u>
<b>Net incoming resources after transfers</b>						
		(2,026,520)	8,076,845	(180,705)	<b>5,869,620</b>	13,132,988
Losses on investment assets		<u>(815,379)</u>	<u>(452,698)</u>	<u>(288,219)</u>	<u><b>(1,556,296)</b></u>	<u>(275,716)</u>
Gain on revaluation of fixed assets for the charity's own use		<u>–</u>	<u>18,803,321</u>	<u>–</u>	<u><b>18,803,321</b></u>	<u>27,578,208</u>
<b>Net movement in funds</b>		<u>(2,841,899)</u>	<u>26,427,468</u>	<u>(468,924)</u>	<u><b>23,116,645</b></u>	<u>40,435,480</u>
<b>Fund balances bfwd at 1 April 2002</b>		<u>12,123,328</u>	<u>276,894,033</u>	<u>2,933,933</u>	<u><b>291,951,294</b></u>	<u>251,515,814</u>
<b>Fund balances cfwd at 31 March 2003</b>		<u>9,281,429</u>	<u>303,321,501</u>	<u>2,465,009</u>	<u><b>315,067,939</b></u>	<u>291,951,294</u>

All operations of the Museum continued throughout both periods and no operations were acquired or discontinued in either period. There are no recognised gains or losses other than those shown above.

*The notes on pages 24 to 43 form part of these financial statements.*

## Consolidated and Museum Balance Sheet

### As at 31 March 2003

	Notes	Group 2003 £	Museum 2003 £	Group 2002 £	Museum 2002 £
<b>Fixed assets</b>					
Tangible assets	7	301,448,789	301,177,611	278,393,623	278,308,431
Investments	8	4,100,586	4,303,114	9,005,903	9,208,431
		<b>305,549,375</b>	<b>305,480,725</b>	287,399,526	287,516,862
<b>Current assets</b>					
Investments	8	395,493	395,493	1,174,149	1,174,149
Stock		1,424,894	25,792	1,066,141	16,121
Debtors	10	5,251,911	6,114,267	5,698,601	6,413,503
Cash		9,725,963	9,127,590	4,290,447	3,655,250
		<b>16,798,261</b>	<b>15,663,142</b>	12,229,338	11,259,023
Creditors due within one year	11	(6,950,238)	(5,717,217)	(7,295,581)	(6,413,350)
<b>Net current assets</b>		<b>9,848,023</b>	<b>9,945,925</b>	4,933,757	4,845,673
<b>Total assets less current liabilities</b>		<b>315,397,398</b>	<b>315,426,650</b>	292,333,283	292,362,535
Provisions for liabilities and charges	12	(329,459)	(329,459)	(381,989)	(381,989)
<b>Net assets</b>		<b>315,067,939</b>	<b>315,097,191</b>	291,951,294	291,980,546
<b>Income funds</b>					
Designated funds		8,205,548	8,205,548	11,093,723	11,093,723
General funds		1,075,881	1,105,133	1,029,605	1,058,857
Unrestricted funds	14	9,281,429	9,310,681	12,123,328	12,152,580
Restricted funds	14	303,321,501	303,321,501	276,894,033	276,894,033
<b>Total income funds</b>		<b>312,602,930</b>	<b>312,632,182</b>	289,017,361	289,046,613
Permanent endowment funds	14	2,465,009	2,465,009	2,933,933	2,933,933
<b>Total funds</b>		<b>315,067,939</b>	<b>315,097,191</b>	291,951,294	291,980,546

The financial statements on pages 19 to 43 were approved by the Director and Chairman.

Mark Jones  
Director and Accounting Officer

7 July 2003

Paula Ridley  
Chairman of Trustees

7 July 2003

The notes on pages 24 to 43 form part of these financial statements.

## Consolidated Cashflow Statement

### Year ended 31 March 2003

	Notes	<b>2003</b> £	2002 £
Net cash inflow from operating activities	16	<b>6,513,577</b>	9,885,395
Returns on investments	17	<b>515,873</b>	772,294
Capital expenditure and financial investment	17	<b>(2,372,590)</b>	(11,423,612)
Management of liquid resources	18	<b>778,656</b>	797,022
<b>Increase in cash and cash equivalents</b>	19	<b><u>5,435,516</u></b>	<u>31,099</u>

*The notes on pages 24 to 43 form part of these financial statements.*

# Notes to the Consolidated Financial Statements

## Year ended 31 March 2003

### 1 Accounting policies

#### a Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets and with the exception of investments which have been included at market value, and comply with Statement of Recommended Practice "Accounting and Reporting by Charities", applicable accounting standards, the requirements of the Companies Act and the Accounts Direction issued by the Department for Culture, Media & Sport in 2001-2002.

Consolidated accounts have been prepared which include the Museum accounts and the Museum's trading subsidiary V&A Enterprises Ltd. The Museum Trustees act as trustees to all the individual funds within the Museum accounts apart from the London Archives of the Dance for which the Director is a trustee along with two non-Museum trustees. The Museum owns the whole of the issued share capital of V&A Enterprises Ltd and exercises further control through its overall majority voting powers by virtue of the fact that two of the Museums trustees as well as the Museum Director are directors of the company.

#### b Incoming resources

Grant in aid income from the Department for Culture, Media and Sport is shown in its entirety in the Statement of Financial Activities.

All income is accounted for on a receivable basis.

#### c Expenditure

Expenditure is classified under the principal categories of Charitable expenditure and Cost of generating funds rather than by type of expense, in order to provide more useful information to the users of the financial statements. These categories comprise direct expenditure including direct staff costs attributable to the activity.

Depreciation has been allocated to activities on a basis consistent with the use of assets.

#### d Notional cost of capital

The notional cost of capital has been included in accordance with Treasury guidance.

#### e Acquisitions for the collection

In accordance with the Executive NDPB Annual Reports and Accounts Guidance as issued by the Treasury, additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such a cost or valuation is reasonably obtainable. Such items are not depreciated or revalued as a matter of routine.

#### f Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum. Designated funds comprise unrestricted funds which have been set aside at the discretion of the trustees for specific purposes. Restricted funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal. Permanent endowment funds are funds which the donor has stated are to be held as capital.

The South Kensington and Bethnal Green sites are subject to restrictions on their disposal. As a result a transfer is made each year from Unrestricted to Restricted funds in respect of the government funded portion of capital movements in the year.

*g Tangible fixed assets*

Tangible fixed assets are accounted for using modified historic cost accounting. However, adjustments to the net book value are only made where material.

Depreciation has been provided on all tangible assets calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows

Buildings	- between 4 and 50 years
Furniture and fittings	- between 4 and 20 years
Equipment	- between 4 and 10 years

For assets under construction, depreciation is not charged until the year the asset has been completed.

As stated above, acquisitions to the collection are not depreciated or revalued as a matter of routine.

*h Investments*

Investments are stated at market value. It is the Museum's policy to keep valuations up to date such that when investments are sold there is no gain or loss arising. As a result the Statement of Financial Activities includes only those unrealised gains arising from the revaluation of the investment portfolio throughout the year. Disclosure is made in note 8 of the difference between the historical cost and the sale proceeds of the investments sold during the year.

*i Stock and work in progress*

Stock is valued at the lower of cost and net realisable value and comprises goods for resale.

*j Pension cost*

Past and present employees are covered by the provisions of the Civil Service Pension Scheme which are described at Note 5. The defined benefit elements of the schemes are unfunded and are non-contributory except in respect of dependents benefits. Employees currently contribute 1.5% of salary towards widow(er)s pensions. The Museum recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the Principal Civil Service Pension Scheme (PCSPS) of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution elements of the schemes, the Museum recognises the contributions payable for the year.

V&A Enterprises Ltd operates a defined contribution pension scheme and the assets of the scheme are held separately from those of the company in an independently administered fund.

*k Operating leases*

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred.

*l Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the SOFA.

## 2 Grant in aid

£34,771,000 of Grant in aid has been received during the year (2002: £32,337,000). Of this £500,000 was for work on the Grand Entrance Hall and Dome and £200,000 was earmarked for conservation work on chattels from Houghton Hall. The balance of the grant was for core activities.

## 3 Income

	2003 £	2002 £
<b>Investment income</b>		
Interest receivable	347,251	484,489
British Government stocks	16,570	100,453
UK equities	101,647	107,872
Overseas equities	11,732	13,988
	<u>477,200</u>	<u>706,802</u>
	£	£
<b>Other income</b>		
RIBA project income	253,713	78,915
Commission fee on Restaurant income	273,761	237,841
Picture Library income	223,101	241,203
Other miscellaneous income	368,903	458,200
	<u>1,119,478</u>	<u>1,016,159</u>

## 4 Net incoming resources

is stated after charging	2003 £	2002 £
Auditors remuneration	-	-
Other financial services	61,901	57,831
Operating lease payments – Land and buildings	1,035,875	1,057,044
– Other	438,264	596,907

**5 Total resources expended**

	<b>Staff costs</b>	<b>Other costs</b>	<b>Depreciation</b>	<b>Total 2003</b>	Restated Total 2002
	£	£	£	£	£
<b>Cost of generating funds</b>					
Fundraising	614,605	182,975	32,618	<b>830,198</b>	710,942
Publicity	555,631	751,972	41,848	<b>1,349,451</b>	1,110,472
Investment manager's fees	–	33,987	–	<b>33,987</b>	33,291
Trading costs	2,305,235	4,018,276	42,786	<b>6,366,297</b>	5,816,300
<b>Cost of activities in furtherance of the charity's objectives</b>					
Collections and research	5,732,488	458,170	7,477,968	<b>13,668,626</b>	10,691,440
Collection services	3,761,833	440,446	564,758	<b>4,767,037</b>	4,210,407
Exhibitions	362,092	2,129,065	316,549	<b>2,807,706</b>	2,285,337
Contemporary programme	109,644	381,814	13,696	<b>505,154</b>	215,263
Learning & interpretation	1,191,446	446,801	77,481	<b>1,715,728</b>	1,187,156
Visitor services and facilities	3,170,345	4,258,766	104,173	<b>7,533,284</b>	6,709,010
Branch Museums	1,976,148	1,433,013	1,140,070	<b>4,549,231</b>	4,214,018
Museum Developments	643,384	1,199,345	22,758	<b>1,865,487</b>	3,492,076
<b>Support costs</b>					
Information services & support	681,937	1,031,980	54,020	<b>1,767,937</b>	1,693,901
Projects and estates	1,018,052	5,219,526	60,117	<b>6,297,695</b>	6,036,659
Management and administration	1,690,668	1,466,419	408,153	<b>3,565,240</b>	3,165,180
<b>Total resources expended</b>	<b>23,813,508</b>	<b>23,452,555</b>	<b>10,356,995</b>	<b>57,623,058</b>	<b>51,571,452</b>

Categories of expenditure have been reclassified to reflect the restructuring of the management of the Museum. Comparative figures have been restated as a result.

	<b>2003</b>	2002
	£	£
Wages and salaries	<b>19,789,786</b>	18,745,077
Social security costs	<b>1,390,433</b>	1,356,682
Pension costs	<b>2,415,924</b>	2,248,807
	<b>23,596,143</b>	22,350,566
Early retirement and severance costs	<b>217,365</b>	18,239
	<b>23,813,508</b>	22,368,805

During the year external funding was received in respect of salaries totalling £583,823 (2002: £453,983).

V&A Enterprises Ltd's staff costs were £3.088m (2002: £2.650m) of which £1.994m (2002: £1.701m) was for trading activities and £1.094m (2002: £0.949m) was for services provided to the museum.

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows

	<b>2003</b>	2002
£50,001–£60,000	<b>8</b>	11
£60,001–£70,000	<b>10</b>	5
£70,001–£80,000	<b>2</b>	2
£80,001–£90,000	<b>1</b>	1
£90,001–£100,000	<b>–</b>	1
£100,001–£110,000	<b>1</b>	–
	<b>22</b>	20

## 5 Total resources expended (continued)

The amounts paid by way of salary during the year and the pension entitlements of the Director and members of the Museum's Management Board are as follows

Employee Name	Position	2003	2003	2003	2003	2002	2002	2002
		Age	Salary inc perform- ance pay	Real increase in pension at age 60	Pension accrued to date payable at age 60	Salary inc perform- ance pay	Real increase in pension date payable at age 60	Pension accrued to date payable at age 60
			£	£	£	£	£	£
Mark Jones	Director	52	102,775	12,034	42,733	82,500	7,701	30,186
James Close <sup>1</sup>	Deputy Director	60	71,376	2,436	39,109	78,083	2,729	36,060
Ian Blatchford <sup>2</sup>	Director of Finance & Resources	37	69,212	N/A	N/A	N/A	N/A	N/A
Deborah Swallow	Director of Collections	54	64,890	3,262	24,682	60,862	1,684	21,063
Gwyn Miles	Director of Projects	55	68,950	1,885	24,833	63,597	1,683	22,565
David Anderson	Director of Learning & Interpretation	50	61,492	5,339	23,311	59,701	1,343	17,671
Damien Whitmore	Director of Public Affairs	42	76,688	2,689	11,619	22,984	1,124	8,781
Gillian Henchley	Director of Personnel	56	59,474	3,117	11,714	56,317	935	8,453
Nick Umney	Director of Collection Services	53	58,417	2,475	13,275	47,662	1,819	10,620
Christopher Wilk	Keeper of Furniture, Textiles & Fashion	48	63,462	1,643	12,175	58,245	1,254	10,355
Paul Williamson	Keeper of Sculpture, Metalwork, Ceramics & Glass	48	61,462	2,533	18,006	57,612	741	15,214
Susan Lambert	Keeper of Word & Images	59	62,962	4,457	29,304	57,890	2,114	24,432

- 1 Retired 30 January 2003. Therefore Preserved Pension estimate calculated at 31 January 2003.
- 2 Joined 22 April 2002. Less than 2 years service and so not eligible for a Preserved Pension. However Pension Scheme Liability of £487 in respect of contributions to Widow(er)'s Pension Scheme.

Included in the salary of Mark Jones is a performance related bonus of £9,870 in respect of the year which was paid in May 2003 and a relocation package of £36,000 (£7,647 of which was paid in the year, with £25,939 paid last year).

The PCSPS is an unfunded multi-employer defined benefit scheme but the Victoria and Albert Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 1999. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

For 2002-2003, employers contributions of £2.416m were payable to the PCSPS (2001-2002: £2.249m) at one of four rates in the range 12 to 18.5% of pensionable pay, based on salary bands. Rates will remain the same next year, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

**5b Trustees**

The Trustees neither received nor waived any emoluments during the year (2002: £nil).

Expenses reimbursed to 4 trustees amounted to £4,406 (2002: £3,421).

**5c Average number of employees**

	<b>2003</b>	2002
Fundraising	<b>19</b>	17
Publicity	<b>18</b>	14
Collections and research	<b>182</b>	178
Collection services	<b>117</b>	127
Exhibitions	<b>12</b>	10
Contemporary programme	<b>5</b>	5
Learning and interpretation	<b>38</b>	33
Visitor services & facilities	<b>142</b>	156
Branch museums	<b>57</b>	55
Museum developments	<b>14</b>	16
Information services and support	<b>19</b>	17
Projects and estates	<b>31</b>	33
Management and administration	<b>44</b>	49
Trading activities	<b>87</b>	81
	<b>785</b>	791

**6 Notional cost of capital**

Notional cost of capital calculation is a requirement of Treasury and is calculated as 6% of the average non-donated capital employed by the Museum in the year.

**7 Tangible fixed assets**

<b>Group</b>	<b>Land &amp; buildings</b>	<b>Furniture &amp; fittings</b>	<b>Equipment</b>	<b>Acquisitions for the Collection</b>	<b>Assets in course of construction</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>						
At 1 April 2002	267,281,065	1,611,912	3,689,911	12,935,415	–	285,518,303
Re-classification	293,261	(284,261)	(9,000)	–	–	–
Additions	8,221,188	430,391	310,567	3,412,302	2,280,725	14,655,173
Disposals	–	(943,919)	(1,592,027)	–	–	(2,535,946)
Revaluation	9,277,025	–	–	–	–	9,277,025
<b>At 31 March 2003</b>	<b>285,072,539</b>	<b>814,123</b>	<b>2,399,451</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>306,914,555</b>
<b>Depreciation</b>						
At 1 April 2002	3,275,603	1,364,460	2,484,617	–	–	7,124,680
Re-classification	187,084	(181,684)	(5,400)	–	–	–
Charge in year	9,884,317	126,538	346,140	–	–	10,356,995
Disposals	–	(918,289)	(1,571,324)	–	–	(2,489,613)
Revaluation	(9,526,296)	–	–	–	–	(9,526,296)
<b>At 31 March 2003</b>	<b>3,820,708</b>	<b>391,025</b>	<b>1,254,033</b>	<b>–</b>	<b>–</b>	<b>5,465,766</b>
<b>Net book value</b>						
<b>At 31 March 2003</b>	<b>281,251,831</b>	<b>423,098</b>	<b>1,145,418</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>301,448,789</b>
At 31 March 2002	264,005,462	247,452	1,205,294	12,935,415	–	278,393,623

The net book value at 31 March 2003 represents fixed assets of the Group for

	<b>Land &amp; buildings</b>	<b>Furniture &amp; fittings</b>	<b>Equipment</b>	<b>Acquisitions for the Collection</b>	<b>Assets in course of construction</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Direct charitable activities	239,374,118	360,100	974,868	13,913,582	1,941,131	256,563,798
Other activities	41,877,713	62,998	170,550	2,434,135	339,594	44,884,991
<b>Total</b>	<b>281,251,831</b>	<b>423,098</b>	<b>1,145,418</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>301,448,789</b>

**7 Tangible fixed assets (continued)**

	<b>Land &amp; buildings</b>	<b>Furniture &amp; fittings</b>	<b>Equipment</b>	<b>Acquisitions for the Collection</b>	<b>Assets in course of construction</b>	<b>Total</b>
<b>Museum</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>						
At 1 April 2002	267,281,065	1,103,624	3,462,643	12,935,415	–	284,782,747
Re-classification	293,261	(284,261)	(9,000)	–	–	–
Additions	8,221,188	237,708	274,478	3,412,302	2,280,725	14,426,401
Disposals	–	(557,392)	(1,383,650)	–	–	(1,941,042)
Revaluation	9,277,025	–	–	–	–	9,277,025
<b>At 31 March 2003</b>	<b>285,072,539</b>	<b>499,679</b>	<b>2,344,471</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>306,545,131</b>
<b>Depreciation</b>						
At 1 April 2002	3,275,603	928,088	2,270,625	–	–	6,474,316
Re-classification	187,084	(181,684)	(5,400)	–	–	–
Charge in year	9,884,317	93,542	336,350	–	–	10,314,209
Disposals	–	(531,762)	(1,362,947)	–	–	(1,894,709)
Revaluation	(9,526,296)	–	–	–	–	(9,526,296)
<b>At 31 March 2003</b>	<b>3,820,708</b>	<b>308,184</b>	<b>1,238,628</b>	<b>–</b>	<b>–</b>	<b>5,367,520</b>
<b>Net book value</b>						
<b>At 31 March 2003</b>	<b>281,251,831</b>	<b>191,495</b>	<b>1,105,843</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>301,177,611</b>
At 31 March 2002	264,005,462	175,536	1,192,018	12,935,415	–	278,308,431

The net book value at 31 March 2003 represents fixed assets of the Museum for

	<b>Land &amp; buildings</b>	<b>Furniture &amp; fittings</b>	<b>Equipment</b>	<b>Acquisitions for the Collection</b>	<b>Assets in course of construction</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Direct charitable activities	239,374,118	162,982	941,186	13,913,582	1,941,131	256,332,998
Other activities	41,877,713	28,513	164,657	2,434,135	339,594	44,844,613
<b>Total</b>	<b>281,251,831</b>	<b>191,495</b>	<b>1,105,843</b>	<b>16,347,717</b>	<b>2,280,725</b>	<b>301,177,611</b>

**Acquisitions for the Collection**

Additions of £3.412m (2002: £12.935m) were made to the Collection. The additions comprise the following elements

	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>
Donations of objects by gift or bequest	1,077,025	509,076
Donations of objects under the acceptance in lieu scheme	927,758	9,923,741
	<b>2,004,783</b>	<b>10,432,817</b>
Acquisitions funded from unrestricted funds	413,532	443,490
Acquisitions funded by specific grants and donations (restricted funds)	993,987	2,059,108
<b>Total additions</b>	<b>3,412,302</b>	<b>12,935,415</b>

## 7 Tangible fixed assets (continued)

Fixed assets are split between direct charitable activities and other activities in the same ratio as direct charitable expenditure to total expenditure for the year.

On the 31 March 2003 the site at South Kensington was revalued using a desktop valuation by Gerald Eve (Chartered Surveyors), in accordance with the RICS appraisal and valuations manual, who had previously undertaken a full valuation as at 31 March 1999. The valuation amount was £271.6m. The surplus transferred to Revaluation Reserve was £17.28m.

The Bethnal Green Museum of Childhood was introduced into the books of the Museum on 31 March 2003 at a valuation of £9.2m provided by Gerald Eve. The difference between the valuation amount and the capital expenditure already incurred by the Museum of £6.93m has been included within income.

The appropriate basis of valuation for financial statements is normally Existing Use value. However, the Museum in Cromwell Road and the Museum of Childhood in Bethnal Green are of such a construction and specialised use that an Existing Use basis of valuation is inappropriate. The lack of demand or market value for the property in isolation from its current use is such that the land and buildings are most appropriately valued according to their Depreciated Replacement Cost.

Other properties have not yet been transferred to the Board of Trustees at 31 March 2003. Pending transfer, additions and improvements have been capitalised at cost. These properties were valued by Gerald Eve (Chartered Surveyors) as at 31 March 1999 and updated by means of a desk-top valuation as at 31 March 2003. The Valuation amounts are

Property	Title	Basis of valuation	2003 £'000	2002 £'000
Blythe House, W14 <sup>1</sup>	Freehold	Existing Use Value	<b>5,716</b>	5,700
Theatre Museum, WC2	Leasehold	Existing Use Value	<b>930</b>	1,020
160 Brompton Road, SW3	Leasehold	Existing Use Value	<b>217</b>	371
88 Kirtling Street, SW8 <sup>2</sup>	Leasehold	Existing Use Value	<b>39</b>	145
32 Henrietta Street, WC2	Leasehold	Existing Use Value	–	–

- 1 Blythe House is currently occupied by the British Museum, Science Museum and the Victoria and Albert Museum. The Freehold title is held in the name of the Secretary of State for the Environment, although ministerial responsibility for all Museum estate issues has subsequently transferred to the Secretary of State for Culture, Media and Sport. The three Museums have been investigating the implications of FRS 5 Reporting the Substance of Transactions with the National Audit Office. This process of examining the benefits and obligations of ownership will not be completed until the end of March 2004 and will take into account any proposals from the DCMS Museums Storage Review. For this reason Blythe House is not included in the Balance Sheet.
- 2 The valuers are of the opinion that there is negligible open market value of the Museum's leasehold interest in 88 Kirtling Street as the specialist adaptations combined with planning restrictions are unlikely to attract any value from other prospective warehouse occupiers. For all other properties, the valuers consider that the difference between open market value and the stated valuation would not be significant.

The valuation of leaseholds reflects any differences between rent being paid and current market rent.

**8 Investments**

	<b>2003</b>	2002
	<b>£</b>	£
<b>Market value at 1 April</b>	<b>9,005,903</b>	8,325,775
Add: acquisitions at cost	<b>594,221</b>	14,091,468
Less: disposal proceeds	<b>(3,943,242)</b>	(13,135,624)
Net (loss)/gain on revaluation	<b>(1,556,296)</b>	(275,716)
<b>Market value at 31 March</b>	<b>4,100,586</b>	9,005,903
<b>Historical cost at 31 March</b>	<b>5,186,380</b>	8,644,022
Unrealised investment (loss)/gains at 31 March	<b>(1,085,794)</b>	361,881
Investment (loss) based on historic costs	<b>(108,621)</b>	(53,042)

All investments are listed on a recognised stock exchange and are analysed as follows

	<b>2003</b>	2002
	<b>£</b>	£
Investment assets in the UK	<b>3,365,846</b>	8,083,584
Investment assets outside the UK	<b>734,740</b>	922,319
	<b>4,100,586</b>	9,005,903

£395,493 (2002: £1,174,149) cash deposits are classified as current asset investments.

All other investments are classified as fixed asset investments given that these assets are for the long term use of the business.

**The Role of Financial Instruments**

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

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

*Liquidity risk*

The majority of income is received by way of Grant in Aid and Lottery funding and as a result there is little exposure to liquidity risk. The remainder of operational costs must be financed by self-generated income which is volatile. This risk is managed through the Museum's policy to maintain general and designated funds and is viewed periodically.

*Foreign currency risk*

The Museum's exposure to foreign currency risk is not significant.

*Interest rate risk*

The Museum has no exposure to interest rate risk on its liabilities.

**8 Investments (continued)**

	<b>Total</b>	<b>Floating rate financial assets</b>	<b>Fixed rate financial assets</b>	<b>Non- interest bearing financial assets</b>	<b>Assets earning equity return</b>	<b>Weighted average fixed interest rate %</b>	<b>Weighted average period for which rate is fixed Yrs</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>		
<b>At 31 March 2003</b>							
Sterling	<b>13,235</b>	<b>9,098</b>	<b>1,335</b>	<b>69</b>	<b>2,733</b>	<b>7.17</b>	<b>4.05</b>
Other	<b>1,040</b>	<b>211</b>	<b>227</b>	<b>91</b>	<b>511</b>	<b>4.25</b>	<b>1.66</b>
<b>Total</b>	<b>14,275</b>	<b>9,309</b>	<b>1,562</b>	<b>160</b>	<b>3,244</b>	<b>6.22</b>	<b>3.70</b>
At 31 March 2002							
Sterling	12,934	8,215	665	10	4,044	6.88	8.80
Other	1,602	692	239	–	671	4.25	2.66
<b>Total</b>	<b>14,536</b>	<b>8,907</b>	<b>904</b>	<b>10</b>	<b>4,715</b>	<b>6.18</b>	<b>7.18</b>

**Reconciliation to Accounts**

	<b>2003 £000</b>	2002 £000
Cash	<b>9,726</b>	4,290
Investments (current assets)	<b>395</b>	1,174
Investments (fixed assets)	<b>4,101</b>	9,006
Debtors (accrued interest portion only)	<b>53</b>	66
	<b>14,275</b>	<b>14,536</b>

## 9 Trading subsidiary

The Museum owns the whole of the issued share capital of V&A Enterprises Limited, a company registered in England and Wales. The company's principal activities are the sale of books and other materials relating to art, craft and design, and the granting of licences of goods inspired by, or reproduced from artefacts displayed in the Museum. The company runs V&A Publications and operates a corporate entertainment business and educational services based at the Museum.

In respect of an un-drawn overdraft facility Coutts & Co hold a Mortgage Debenture dated 22 March 1988 over the company's assets. This is in the form of a floating charge.

A summary of the results of the subsidiary is shown below

	2003 £	2002 £
<i>Profit and loss account</i>		
Turnover	7,672,571	6,745,246
Cost of sales	(3,060,689)	(2,681,015)
<b>Gross profit</b>	<b>4,611,882</b>	4,064,231
Administrative expenses	(3,448,620)	(3,482,188)
Other operating income – management fee	67,993	73,660
<b>Trading profit</b>	<b>1,231,255</b>	655,703
Interest receivable and similar income	26,556	31,413
Payment under gift aid to Museum	(1,240,787)	(659,283)
<b>Profit on ordinary activities before taxation</b>	<b>17,024</b>	27,833
Taxation	(17,024)	(27,833)
<b>Retained in subsidiary</b>	<b>–</b>	–
<i>Balance sheet</i>		
Tangible fixed assets	271,178	85,192
Current assets	3,309,467	2,891,529
Creditors	(3,407,369)	(2,803,445)
<b>Net assets</b>	<b>173,276</b>	173,276
<b>Share capital and reserves</b>	<b>173,276</b>	173,276

**9 Trading subsidiary (continued)**

Reconciliation of results of trading company to the consolidated Statement of Financial Activities

	2003 £	2002 £
Turnover	7,672,571	6,745,246
Other operating income – management fee	67,993	73,660
<i>Intercompany transactions</i>	<b>(67,993)</b>	<b>(73,660)</b>
<b>Trading income per SOFA</b>	<b>7,672,571</b>	<b>6,745,246</b>
Cost of sales	3,060,689	2,681,015
Administrative expenses	3,448,620	3,482,188
Taxation	17,024	27,833
<i>Intercompany transactions</i>	<b>(160,036)</b>	<b>(374,736)</b>
<b>Trading costs per SOFA</b>	<b>6,366,297</b>	<b>5,816,300</b>
Interest receivable and similar income	26,556	31,413
<i>Intercompany transactions</i>	–	–
<b>Included in investment income per SOFA</b>	<b>26,556</b>	<b>31,413</b>

**10 Debtors**

	2003 £	2002 £
Trade debtors	1,346,637	991,640
Other debtors	1,822,680	2,245,772
Prepayments and accrued income	791,199	1,493,615
Recoverable taxation	1,291,395	967,574
	<b>5,251,911</b>	<b>5,698,601</b>

**11 Creditors: amounts falling due within one year**

	2003 £	2002 £
Trade creditors	3,984,302	3,128,709
Other creditors	55,218	10,786
Accruals and deferred income	2,413,990	3,614,784
Taxation and social security costs	496,728	541,302
	<b>6,950,238</b>	<b>7,295,581</b>

**12 Provisions for liabilities and charges**

	<b>2003</b>	2002
	<b>£</b>	£
As at 1 April	<b>381,989</b>	492,532
Provision in year	<b>48,101</b>	3,577
Paid in year	<b>(100,631)</b>	(114,120)
As at 31 March	<b>329,459</b>	381,989
<b>Provision for future pension costs</b>		
Amounts payable within one year	<b>102,615</b>	97,351
Amounts payable after one year	<b>226,844</b>	284,638
	<b>329,459</b>	381,989

**13 Financial commitments**

At 31 March 2003 the Museum had annual commitments under non-cancellable leases as follows

	<b>Land &amp; buildings</b>	<b>Other</b>	Land & Buildings	Other
	<b>2003</b>	<b>2003</b>	2002	2002
	<b>£</b>	<b>£</b>	£	£
Within one year	–	<b>45,178</b>	–	2,559
Between two to five years	<b>584,000</b>	<b>109,998</b>	<b>530,000</b>	189,346
After five years	<b>535,500</b>	–	<b>515,000</b>	–
	<b>1,119,500</b>	<b>155,176</b>	<b>1,045,000</b>	191,905

**14 Statement of funds**

	As at 1 April 2002 £	Incoming resources £	Resources expended £	Transfers £	Revaluation £	Net investment gains/losses £	As at 31 March 2003 £
<b>Unrestricted funds</b>							
<i>General Income funds</i>							
General Grant in Aid fund <sup>2</sup>	825,689	37,413,265	(39,407,700)	2,052,747	-	-	<b>884,001</b>
General Development funds	233,168	7,365	(43,874)	-	-	24,473	<b>221,132</b>
General funds and share capital of V&A Enterprises	(29,252)	7,767,120	(7,767,120)	-	-	-	<b>(29,252)</b>
	<u>1,029,605</u>	<u>45,187,750</u>	<u>(47,218,694)</u>	<u>2,052,747</u>	<u>-</u>	<u>24,473</u>	<b>1,075,881</b>
<i>Designated Income funds</i>							
Designated as Acquisitions for the Collection <sup>2</sup>	89,036	175	(414,394)	509,476	-	-	<b>184,293</b>
Designated for Islamic Museum project	10,000	1,515	(3,102)	-	-	-	<b>8,413</b>
Designated for other purposes <sup>3</sup>	1,943,985	-	-	(833,115)	-	-	<b>1,110,870</b>
Designated as Branch Museum Development funds <sup>2</sup>	-	41,263	(136,996)	152,062	-	-	<b>56,329</b>
Designated Bequest funds	4,419,555	125,889	(11,696)	-	-	(839,852)	<b>3,693,896</b>
	<u>6,462,576</u>	<u>168,842</u>	<u>(566,188)</u>	<u>(171,577)</u>	<u>-</u>	<u>(839,852)</u>	<b>5,053,801</b>
<i>Designated Capital funds</i>							
Designated to fund future depreciation of South Kensington site <sup>1</sup>	-	1,144,497	(7,735,461)	6,590,964	-	-	-
Designated to fund future depreciation of Bethnal Green site <sup>1</sup>	855,144	620,586	(62,673)	(1,413,057)	-	-	-
Designated to fund future depreciation of Museum Assets	3,776,003	169,477	(793,733)	-	-	-	<b>3,151,747</b>
Designated against capitalised Acquisitions for the Collection <sup>1</sup>	-	413,532	-	(413,532)	-	-	-
Designated Purchased additions elimination	-	(2,348,092)	2,348,092	-	-	-	-
	<u>4,631,147</u>	<u>-</u>	<u>(6,243,775)</u>	<u>4,764,375</u>	<u>-</u>	<u>-</u>	<b>3,151,747</b>
<b>Total unrestricted funds</b>	<u>12,123,328</u>	<u>45,356,592</u>	<u>(54,028,657)</u>	<u>6,645,545</u>	<u>-</u>	<u>(815,379)</u>	<b>9,281,429</b>
<b>Restricted funds</b>							
<i>Restricted Income funds</i>							
Restricted for Acquisitions for the Collection <sup>2</sup>	130,374	957,366	(987,660)	135,888	-	-	<b>235,968</b>
Restricted Collections & Research funds	1,038,309	378,278	(376,517)	-	-	(54,878)	<b>985,192</b>
Restricted Collection Services (Conservation & Publications) funds <sup>2</sup>	196,357	343,212	(169,642)	(44,143)	-	-	<b>325,784</b>
Restricted Exhibitions funds <sup>2</sup>	240,193	1,169,180	(543,779)	(61,865)	-	-	<b>803,729</b>
Restricted Contemporary Programme funds	10,000	19,000	(26,866)	-	-	-	<b>2,134</b>
Restricted Learning & Interpretation funds	-	78,075	(78,075)	-	-	-	-
Restricted Branch Museum funds <sup>2</sup>	396,765	1,048,388	(1,404,836)	(153,937)	-	(489)	<b>(114,109)</b>
Restricted Museum Development funds <sup>2</sup>	697,076	5,095,967	(1,341,529)	(1,563,624)	-	-	<b>2,887,890</b>
Restricted Permanent endowment funds income <sup>2</sup>	507,675	113,059	(41,570)	(12,784)	-	(397,331)	<b>169,049</b>
	<u>3,216,749</u>	<u>9,202,525</u>	<u>(4,970,474)</u>	<u>(1,700,465)</u>	<u>-</u>	<u>(452,698)</u>	<b>5,295,637</b>

**14 Statement of funds (continued)**

	As at 1 April 2002 £	Incoming resources £	Resources expended £	Transfers £	Revaluation £	Net investment gains/losses £	As at 31 March 2003 £
<i>Restricted Capital funds</i>							
Restricted to fund future depreciation of South Kensington site <sup>1</sup>	259,800,000	1,198,592	(1,610,949)	(6,590,964)	1,528,006	–	<b>254,324,685</b>
Restricted Revaluation Reserve of South Kensington site	–	–	–	–	17,275,315	–	<b>17,275,315</b>
	<u>259,800,000</u>	<u>1,198,592</u>	<u>(1,610,949)</u>	<u>(6,590,964)</u>	<u>18,803,321</u>	<u>–</u>	<b>271,600,000</b>
Restricted to fund future depreciation of Bethnal Green site <sup>1</sup>	135,329	7,651,614	–	1,413,057	–	–	<b>9,200,000</b>
Restricted to fund future depreciation of Museum Assets	806,540	342,708	(271,101)	–	–	–	<b>878,147</b>
Restricted against capitalised Acquisitions for the Collection <sup>1</sup>	12,935,415	2,998,770	–	413,532	–	–	<b>16,347,717</b>
Restricted Purchased additions elimination	–	(3,258,123)	3,258,123	–	–	–	–
	<u>273,677,284</u>	<u>8,933,561</u>	<u>1,376,073</u>	<u>(4,764,375)</u>	<u>18,803,321</u>	<u>–</u>	<b>298,025,864</b>
<b>Total restricted funds</b>	<u>276,894,033</u>	<u>18,136,086</u>	<u>(3,594,401)</u>	<u>(6,464,840)</u>	<u>18,803,321</u>	<u>(452,698)</u>	<b>303,321,501</b>
<b>Permanent endowment funds</b>							
Permanent endowment funds–capital <sup>2</sup>	2,933,933	–	–	(180,705)	–	(288,219)	<b>2,465,009</b>
<b>Total permanent endowment funds</b>	<u>2,933,933</u>	<u>–</u>	<u>–</u>	<u>(180,705)</u>	<u>–</u>	<u>(288,219)</u>	<b>2,465,009</b>
<b>Total funds</b>	<u>291,951,294</u>	<u>63,492,678</u>	<u>(57,623,058)</u>	<u>–</u>	<u>18,803,321</u>	<u>(1,556,296)</u>	<b>315,067,939</b>

- 1 Transfers are made each year from Unrestricted to Restricted funds in respect of the Government funded portion of Capital movements since the assets are subject to restrictions on their disposal.
- 2 Transfers have been made from Restricted to Unrestricted funds in respect of funds where the status of the fund has been further clarified or to re-imburse Unrestricted funds which have borne Restricted expenditure.
- 3 Transfer to general funds in respect of future project expenditure.

**15 Analysis of group net assets between funds**

	Unrestricted funds £	Restricted funds £	Permanent endowment funds £	Total 2003 £	Total 2002 £
Fund balances at 31 March 2003 are represented by					
Tangible fixed assets	3,422,925	298,025,864	–	<b>301,448,789</b>	278,393,623
Investments	1,406,541	894,117	1,799,928	<b>4,100,586</b>	9,005,903
Current assets	11,731,660	4,401,520	665,081	<b>16,798,261</b>	12,229,338
Current liabilities	(6,950,238)	–	–	<b>(6,950,238)</b>	(7,295,581)
Provision for liabilities and charges	(329,459)	–	–	<b>(329,459)</b>	(381,989)
<b>Net assets</b>	<u>9,281,429</u>	<u>303,321,501</u>	<u>2,465,009</u>	<b>315,067,939</b>	291,951,294
Unrealised gains included above					
On fixed asset investments	(504,267)	(225,835)	(355,692)	<b>(1,085,794)</b>	361,881
<b>Total unrealised gains at 31 March 2003</b>	<u>(504,267)</u>	<u>(225,835)</u>	<u>(355,692)</u>	<b>(1,085,794)</b>	361,881

**16 Reconciliation of changes in resources to net inflow from operating activities**

	2003 £	2002 £
Net incoming resources	5,869,620	13,132,988
Prior year adjustment	–	(3,050)
Investment income	<b>(477,200)</b>	(706,802)
Net incoming resources before transfer and revaluations	<b>5,392,420</b>	12,423,136
Donated assets acquired	<b>(8,933,562)</b>	(10,432,817)
Depreciation	<b>10,356,995</b>	6,750,925
Loss on fixed assets	<b>46,333</b>	–
(Increase) in stocks	<b>(358,753)</b>	(128,321)
Decrease in debtors	<b>408,017</b>	987,289
(Decrease)/increase in creditors	<b>(345,343)</b>	395,726
(Decrease) in provisions for liabilities and charges	<b>(52,530)</b>	(110,543)
<b>Net cash inflow from operating activities</b>	<b><u>6,513,577</u></b>	<u>9,885,395</u>

**17 Analysis of cash flows**

	2003 £	Restated 2002 £
<i>Return on investments</i>		
Investment income	<b>477,200</b>	706,802
Decrease in debtors	<b>38,673</b>	65,492
	<b><u>515,873</u></b>	<u>772,294</u>
<i>Capital expenditure and financial investment</i>		
Payments to acquire tangible fixed assets	<b>(5,721,611)</b>	(10,467,768)
Purchase of investments	<b>(594,221)</b>	(14,091,468)
Proceeds from sale of investments	<b>3,943,242</b>	13,135,624
	<b><u>(2,372,590)</u></b>	<u>(11,423,612)</u>
<i>Management of liquid resources</i>		
(Decrease)/ increase in short term deposits	<b><u>(778,656)</u></b>	<u>(797,022)</u>

**18 Reconciliation of net cash flow to movement in net funds**

	2003 £	2002 £
Increase in cash in the period	<b>5,435,516</b>	31,099
Cashflow from change in liquid resources	<b>(778,656)</b>	(797,022)
Movement in net funds in the period	<b>4,656,860</b>	(765,923)
Net funds at 1 April	<b>5,464,596</b>	6,230,519
Net funds at 31 March	<b><u>10,121,456</u></b>	<u>5,464,596</u>

**19 Analysis of net funds**

	At 1 April 2002 £	Cashflow £	At 31 March 2003 £
Cash at bank and in hand	4,290,447	5,435,516	<b>9,725,963</b>
Liquid resources	1,174,149	(778,656)	<b>395,493</b>
Net funds	<u>5,464,596</u>	<u>4,656,860</u>	<u><b>10,121,456</b></u>

**20 Capital commitments**

	2003 £	2002 £
Capital expenditure commitments were as follows		
Contracted for, but not provided in the accounts	<b>845,035</b>	730,295
Authorised, but not contracted for	<u><b>6,279,300</b></u>	<u>3,346,258</u>

**21 Related party transactions**

The Victoria and Albert Museum is a Non-Departmental Public Body (NDPB) sponsored by the Department for Culture, Media and Sport (DCMS). Other bodies sponsored by DCMS are regarded as related parties, as are organisations in which Trustees or key members of management (or their connected persons) have an interest. During the year, the Victoria and Albert Museum entered into the following material related party transactions

*Related party*

	Amount purchases £	Amount sold £	Grants received £
British Library	1,373	15,382	–
British Museum	2,126	249,782	–
British Tourist Authority	1,150	–	–
English Heritage	1,111	343	–
Friends of the V&A	858	53,285	–
Imperial War Museum	16,527	150	–
National Heritage Memorial Fund	–	–	1,714,929
National Museums and Galleries Merseyside	–	30,000	–
National Portrait Gallery	1,832	311	–
Natural History Museum	851,474	1,494	–
New Opportunities Fund	–	–	170,492
Science Museum	547	301,327	–

No Trustee or staff member obtained any personal pecuniary benefit from these transactions and no trustee or staff member had any material transactions with the Museum in the year.

Two of the Trustees, the Director and Assistant Director of the Victoria and Albert Museum serve unremunerated on the Board of V&A Enterprises Limited.

**22 Statement of fund commitments as at 31 March 2003**

	<b>As at 31 March 2003 £</b>	As at 31 March 2002 £
<i>Funds available for spending at Trustees' discretion</i>		
General Grant in Aid fund	<b>884,001</b>	825,689
General Development funds	<b>18,604</b>	30,640
Designated income funds <sup>1</sup>	<b>5,053,801</b>	6,462,576
	<b>5,956,406</b>	7,318,905
<i>Funds raised for specific purposes</i>		
Restricted income funds	<b>5,295,637</b>	3,216,749
<b>Total funds available for spending</b>	<b>11,252,043</b>	10,535,654
<i>Funds not available for Trustees' spending</i>		
General funds and share capital of V&A Enterprises	<b>173,276</b>	173,276
Permanent endowment funds – capital	<b>2,465,009</b>	2,933,933
Set aside to fund future depreciation of fixed assets	<b>301,177,611</b>	278,308,431
<b>Total funds not available for spending</b>	<b>303,815,896</b>	281,415,640
<b>Total funds in balance sheet</b>	<b>315,067,939</b>	291,951,294

- 1 Designated income funds are held for multi-year capital and operational projects where the exact timing of expenditure may vary.

**23 Permanent endowment funds**

	As at 1 April 2002 £	Incoming resources £	Resources expended £	Transfers gains/(losses) £	Net investment £	As at 31 March 2003 £
This note combines the capital and income in respect of each fund						
Barber Bequest	11,279	–	–	(11,279)	–	–
Brigadier Clarke Bequest	830,215	28,337	(4,008)	–	(176,145)	<b>678,399</b>
Bryan Legacy	27,464	–	–	(27,464)	–	–
Dr S L England	73,395	2,447	(5,746)	–	(15,212)	<b>54,884</b>
Elsbeth A Evans Fund	139,135	4,749	(672)	–	(29,520)	<b>113,692</b>
Enthoven Bequest	134,196	4,580	(648)	–	(28,472)	<b>109,656</b>
Farquharson Bequest	8,927	305	(43)	–	(1,894)	<b>7,295</b>
Farquharson Prize	2,702	92	(13)	–	(573)	<b>2,208</b>
Hildburgh Bequest	103,223	3,497	(2,795)	–	(21,738)	<b>82,187</b>
Horn Bequest	91,328	5,613	(5,977)	–	(18,750)	<b>72,214</b>
Hugh Phillips Bequest	1,420,314	48,481	(6,854)	–	(301,138)	<b>1,160,803</b>
J R Jones Bequest	4,066	151	(169)	–	(834)	<b>3,214</b>
James Yorke-Radleigh Bequest	202,637	6,851	(6,746)	–	(42,584)	<b>160,158</b>
John Webb Trust Fund	28,770	982	(139)	–	(6,104)	<b>23,509</b>
Staffordshire and Print Fund	137,677	–	–	(137,677)	–	–
London Archives of the Dance	6,376	123	(439)	–	–	<b>6,060</b>
Murray Legacy	186,378	6,289	(7,241)	–	(39,094)	<b>146,332</b>
Stephenson Bequest	7,639	261	(37)	–	(1,621)	<b>6,242</b>
Vallentin Bequest	17,069	–	–	(17,069)	–	–
Williams Prize	8,818	301	(43)	–	(1,871)	<b>7,205</b>
<b>Total permanent endowment Funds</b>	<b>3,441,608</b>	<b>113,059</b>	<b>(41,570)</b>	<b>(193,489)</b>	<b>(685,550)</b>	<b>2,634,058</b>

The Transfers above reflect the removal of restriction on these funds where the status of the fund has been further clarified. These balances have been transferred to the General Acquisitions Fund.

**24 Contingent liabilities**

There are no contingent liabilities as at 31 March 2003.

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