

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 2004, together with the Report of the Comptroller and Auditor General thereon. (In continuation of House of Commons Paper No. 1032 of 2002-2003)

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

Victoria and Albert Museum Account 2003-2004

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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 and the Museum of Childhood at Bethnal Green.

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

Highlights of 2003-2004

2003-2004 was another strong year for the V&A and, as a result of the imagination, commitment and hard work of staff across the V&A family of museums and of people beyond the organisation, there are many successes to report.

High points included the further rise in the total number of visits to the Museum of 2.74 million, notwithstanding the most successful V&A exhibition ever held (Art Deco), within a varied and stimulating public programme. The Museum of Childhood at Bethnal Green and the Theatre Museum at Covent Garden each attracted over 200,000 visits for the first time in recent years. The V&A has demonstrated its commitment to sharing its collections, its knowledge and its expertise as widely as possible and our high standards of excellence in scholarship and display were recognised by being named European Museum of the Year 2003 for the recently refurbished British Galleries.

FuturePlan made great strides in opening up the Museum during the year with new galleries for Paintings and Photography, a dramatic and welcoming Grand Entrance and a new scheme for signage and navigation. Improvements in the visitors' physical environment were complemented by improved services, delivered through the Essential Services Review and the Gallery Services Review, and the Front-of-House training programme. The Museum of Childhood completed Phase 1 of its redevelopment, making essential repairs to the fabric, renewing the Childhood Galleries and creating a new café and shop.

Progress on Phase 2 of FuturePlan (the Spiral) included the agreement of a sound business plan, endorsed by the Office of Government Commerce, and the appointment of a Project Director. Designed by Daniel Libeskind this will be a stunning example of contemporary design in its own right and is vital to realising the ambition for the V&A to be the national and international focus for design and contemporary culture. Preparing for it through fundraising, lobbying and enhancing the Contemporary programme is likely to be a key feature of the coming year.

Fundraising is vital for turning plans into action and there were some notable successes during the year. Almost every element of FuturePlan was externally funded by generous donations, primarily from the private sector although public funding included a Stage 1 HLF pass for the Museum of Childhood Phase 2 redevelopment. Backed by a programme of branding and strong communications, the V&A has a proven track record in the efficient delivery of exciting, innovative and effective projects and exhibitions which generate confidence among funders, policy-makers and the public, that will pay dividends in the future. The V&A's image has never been better.

Visits to V&A websites, including the Online Museum, now surpass those to the Museum, at over 4m hits. Adding 10,000 objects to Collections Online (formerly called 'Access to Images') significantly boosted collections access, as did the completion of the 'Heritage Project' to digitise the National Art Library catalogues. The Theatre Museum launched PeoplePlayUK, a lively and engaging site dedicated to the history of performance in addition to temporary exhibitions, family events and other projects which provided rich content, including opportunities for visitors' own work to be featured. Some of these were part of a major web project, as part of the government initiative 'Culture Online', called 'Every Object Tells a Story'. The V&A was the only national museum to be involved in a 'Culture Online' project and, with partners Ultralab and Channel 4, received £950,000 for a two-year period. The coming year will see the launch of the 'Every Object Tells a Story' website, sharing stories about museum objects. The V&A's own websites have been re-designed and the main site will also be re-launched in 2004-2005.

The V&A led a consortium of regional museums and other organisations that was funded under a joint government initiative which involved the Department for Culture, Media and Sport and the Department for Education and Skills. This strategic commissioning scheme was to encourage partnerships between regional and national museums to deliver projects with schools and local communities. The project, 'Image & Identity', was based on drawing activities and themes from the Cinema India exhibition. Events around the country include showing the Cinema India exhibition itself, at Preston in 2003-2004 (10,000 visits) and Birmingham in 2004-2005, professional peer observation, an academic conference, many creative workshops and an exhibition of work created by participants. Over 17,000 participants were directly engaged and many more visited exhibitions, received teaching packs or attended teachers' study days.

In 2003-2004, the 'Image & Identity' project was the main vehicle for the expansion of the V&A's regional activities. It is intended that the links thus forged will continue to flourish and develop through sharing of collections and expertise in the coming year and beyond. The close partnership with the Sheffield Galleries & Museums Trust continued, and the Constable exhibition at the Millennium Galleries, to which the V&A was a major contributor, was the most successful held there so far, with 30,000 visits. The partnership was renewed with a commitment to collaborate on one exhibition a year until 2007.

At any time, well over 2,000 V&A objects can be seen at other venues around the UK. The V&A remains committed to sharing its collections widely and making borrowing as straightforward as possible. One UK touring exhibition next year will be based on the early 7th century bronze standing Buddha acquired jointly with the British Museum in 2003-2004, the first such joint acquisition. The cost of £850,000 was met with support from the Heritage Lottery Fund, National Art Collections Fund, the British Museum's Brooke Sewell Fund, Friends of the V&A and private donors. Many regional museums and archives continue to encounter the V&A through the Regional Liaison unit; and via the Museum, Libraries & Archives (V&A Purchase Grant Fund) they awarded 224 grants in the year, enabling acquisitions to the value of £3.2m to go ahead.

International activity was stepped up in 2003-2004, with five touring exhibitions showing nearly 800 objects at six venues in the US, Canada, Australia, Europe and China. The last was 'Souvenir from Canton' (Chinese Export Watercolours from the V&A), which was visited by 100,000 people and marked the start of closer ties with China, the world's fastest-growing economy. In total over 400,000 visits were reported to V&A exhibitions abroad.

No year is without some setbacks and disappointments. High on this list was the failure to secure Heritage Lottery funds for the major redevelopment of the Theatre Museum and finding alternative ways to proceed with this, and to do justice to the outstanding collections of the National Museum of Performing Arts, is a priority for the coming year.

A caveat should also be applied to celebrations of increased attendance. While the majority of extra visits to South Kensington were generated by Art Deco and while it was on, visits exceeded the corresponding month in the previous year, the effect was, when it finished in July, to reduce the monthly figures in 2003 for the corresponding period in 2002, although they did recover early in 2004. Fluctuation is natural in a programme that aims to satisfy diverse audiences, and this should be borne in mind when comparing performance trends and forecasting future audience numbers. The Museum is also affected by events beyond its control, such as the general downturn in tourism resulting from the war in Iraq. Overall, however, the V&A enjoyed another successful and productive year in the year under review.

Financial review

In 2003-2004 the Museum recorded a deficit of £0.78m on its core operational account. This was similar to the operational result for 2002-2003, but was well below the deficit anticipated in the original budget for the year.

The Museum enjoyed excellent ticket and trading income as a result of the huge popularity of the Art Deco exhibition. The Museum was able to use some of this income to accelerate progress on a number of priorities including further investment in the Contemporary Programme, the FuturePlan, urgent building repairs and rationalisation of accommodation.

During the year the Museum spent £4.6m in support of the FuturePlan of which over £3m was financed from external funders (public and private). The Museum has been successful in using relatively modest spending from its own resources to lever significant additional funding, but remains very concerned that expenditure still remains well below the level it ought to invest in gallery displays, visitor services and educational facilities. The Museum also faces serious challenges in financing the repair and maintenance of its capital infrastructure to an appropriate level.

The financial stability and flexibility of the Museum needs to be underpinned by a sound level of reserves. The accounts record total funds of £328m (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 £5.66m (2003: £5.96m) per Note 22. The reserves fell due to the deficit recorded on the operational account but this was partly counterbalanced by a rise in the value of Bequest Funds due to improvements in the value of investments.

V&A Enterprises Ltd

The charity's wholly-owned trading subsidiary carries out non-charitable trading activities for the charity. As at 31 March 2004 the company was due to make a gift aid payment of £1,772,852, after retaining £29,252 to eliminate a brought forward deficit on its retained earnings account, which transferred the balance of its taxable profits to the Museum.

The year's performance was driven by record-breaking results from both the Art Deco and Gothic exhibitions and the positive effect of opening a new exhibition shop leading directly from the galleries. High catalogue sales of strong exhibition titles also benefitted the publishing division and licensing showed positive signs of recovery after a difficult previous year. This was also the first year where V&A Images were included in the V&A portfolio and investment was made in the year on software to increase their future commercial return.

Fixed assets

During the year, the Museum at South Kensington was revalued at £273.1m by Gerald Eve (Chartered Surveyors) resulting in a surplus on revaluation of £3.03m. The Museum of Childhood at Bethnal Green was also revalued at £9.3m but a net revaluation deficit of £34,000 arose resulting from the valuation increment being less than the amount capitalised in respect of their Redevelopment project for the year. In addition, a third of the value of the site at Blythe House i.e. £7.258m was introduced into the books of the Museum using the valuation provided to the Department of Culture Media and Sport by Chestertons (Chartered Surveyors) of £21.775m.

The Museum's reduced depreciation charge for the year of £5.385m (2003: £10.314m) resulted from the useful economic life on the South Kensington site being revised upwards to 50 years. This had the effect of reducing the allocation of the depreciation charge by floor space to Collections and Research by some £3.8m in the year.

Funding agreement targets

Key targets agreed with the Department for Culture, Media and Sport in the 2003-2004 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 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 and in a form directed by the Secretary of State with the consent of Treasury in accordance with the Museums and Galleries Act 1992.

Under statute, the Comptroller & Auditor General is the principal auditor of the Museum's consolidated accounts for the year 2003-2004. The audit fee in respect of this work was £26,000.

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 26 days (2003: 27 days). 71% (2003: 72%) 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. The Museum has adopted a detailed Pay and Workforce Strategy in order to meet these objectives and 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.

In its recruitment and employment policies the Museum encouraged full and fair consideration of disabled people for all vacancies and included every effort to provide them with the facilities they needed to ensure equal opportunities for career development. Employment and career progression were based solely on ability, qualifications and relevant skills and experience. In May 2003 the Museum received confirmation that it had been successful in its application to become a Disability 'Two Ticks' employer.

Sickness absence

The average number of days lost as the result of sick absence per employee was 9.24 days during the year (2003: 9.77 days). This falls to 6.12 days if long-term absences of eight weeks or more are 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 half of its 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

Paula Ridley OBE
Chairman of Trustees

29 June 2004

Annex A: Legal and administrative information

Trustees

Paula Ridley OBE (Chairman)
Jonathan Altaras (joined 17 December 2003)
Professor Margaret Buck
Jane Gordon Clark
Penelope, Viscountess Cobham (until 29 September 2003)
Rob Dickins CBE
Professor Sir Christopher Frayling
Sir Terence Heiser GCB (until 29 September 2003)
Professor Lisa Jardine (joined 17 December 2003)
Rick Mather
Peter Rogers
Paul Ruddock
Sir Timothy Sainsbury (joined 17 December 2003)
Marjorie Scardino DBE
Professor Sir Christopher White CVO (until 28 February 2004)

Director

Mark Jones

Principal address

Victoria and Albert Museum
Cromwell Road
London SW7 2RL

Solicitors

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

Auditors - External

Comptroller and Auditor General
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

Annex B: Key Performance indicators

Performance indicators

The V&A met all quantitative targets as set out in the DCMS/V&A Funding Agreement 2003-2004 to 2005-2006, as shown in table 1.

Table 1 Funding Agreement performance targets and performance

Performance targets (excl. Wellington Museum)	2002-2003 target	2002-2003 outturn	2003-2004 target	2003-2004 outturn²	% difference 2002-2003 – 2003-2004
Total visits (000) ¹	1,650	2,477	2,200	2,690	+8.6%
Child visits (000) ²	255.5	330	300	309	-6.40%
Loan venues in England ³	NA	235	250	255	+8.5%
UK C2, D & E visits (000)	NA	182	168	196	+7.7%
Website visits (000)	1,500	3,038	2,500	4,120	+35.6%
Children and young people in education programmes (000) ⁴	NA	404	205	456	+12.9%

1 2003-2004 figures as at 31 March 2004 review.

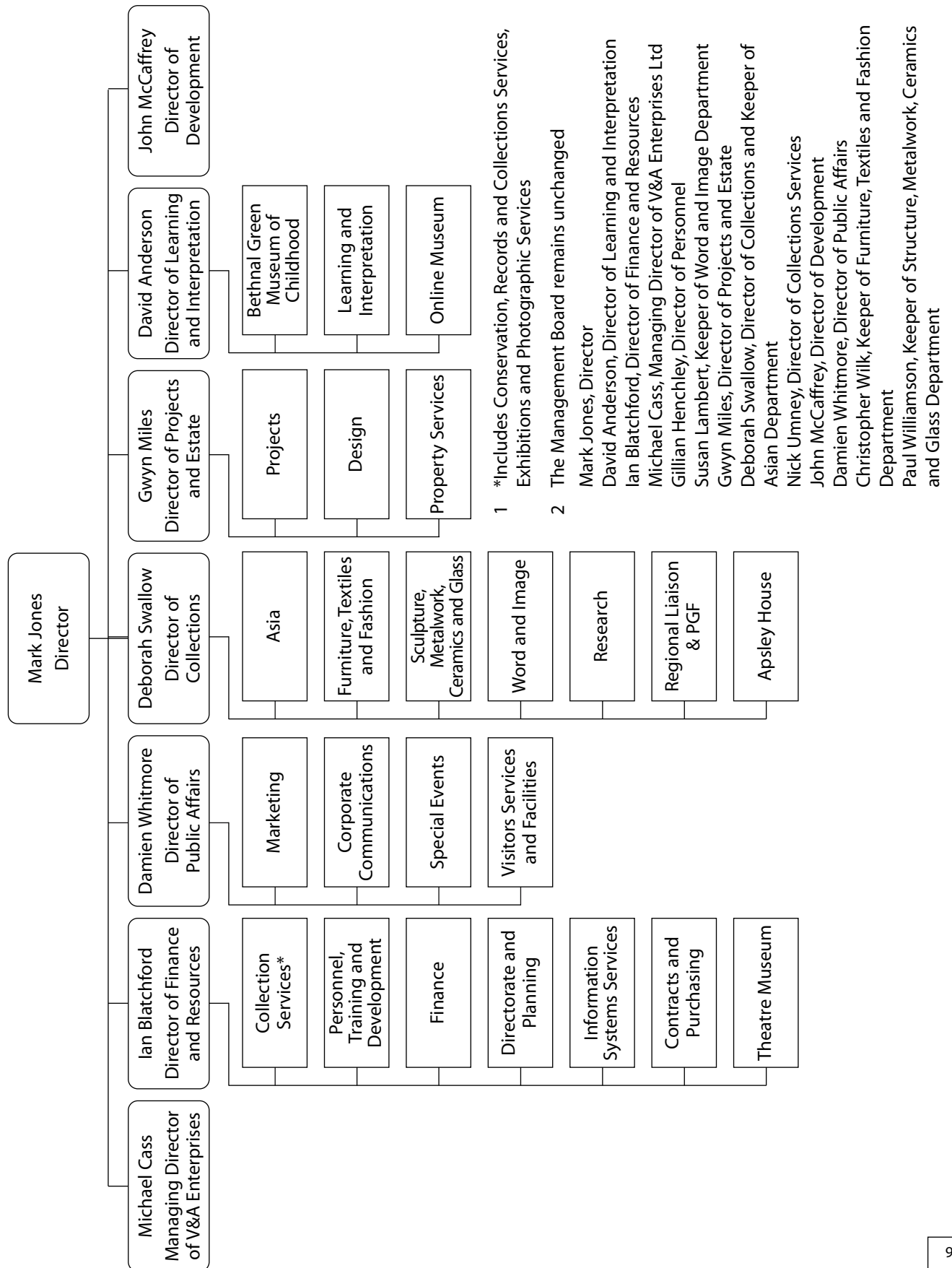
2 Visitors aged 15 and under.

3 Target amended from original Funding Agreement by agreement with DCMS.

4 Young people aged 24 and under and all students.

Annex C: Organisational structure

The diagram shows the V&A's organisational structure at March 2004.



Annex D: Supporters

We would like to thank the following for generously supporting the Museum's ongoing programme of redevelopment.

William and Judith Bollinger
The Julie and Robert Breckman Fund
The Clore Duffield Foundation
Mr and Mrs Edwin Davies OBE
Sir Harry Djanogly CBE
Hartwell plc
The Headley Trust
Heritage Lottery Fund
The Hintze Family Charitable Foundation
Mr and the Hon Mrs Ronald McAulay
The Monument Trust
Dr and Mrs Mortimer Sackler
Paul and Jill Ruddock
The AH & BC Whiteley Charitable Trust
The Wolfson Foundation
And other donors who wish to remain anonymous

The Gilbert Bayes Charitable Trust
Mr and Mrs Benjamin Bonas
The Clothworkers' Foundation
Mr and Mrs Paolo Cuniberti
Department for Culture, Media and Sport
The John Ellerman Foundation
The Foyle Foundation
The Friends of the V&A
International Music and Art Foundation
Daniel Katz Ltd
National Heritage Memorial Fund
The Hans and Märit Rausing Charitable Trust
The Basil Samuel Charitable Trust
And other donors who wish to remain anonymous

The Amalur Foundation
CHK Charities Limited
Dr Genevieve and Mr Peter Davies
The Horace W Goldsmith Foundation
The Old Possums Practical Trust
The Rayne Foundation
Dr and Mrs Stephen K Scher
Patricia Wengraf Ltd
Jeremy and Kim White Foundation
And other donors who wish to remain anonymous

We are particularly grateful to those listed below who have made a significant contribution to the work of the V&A

Patrons of the V&A

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The Band Trust
William and Judith Bollinger
Julie and Robert Breckman
The Right Hon The Lord and Lady Carrington
The Hon Henry and Mrs Channon
The John S Cohen Foundation
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 George and Patricia White
 Mr and Mrs Rainer Zietz

And other donors who wish to remain anonymous

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The Patrons of the V&A
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The Adventures of Hamza

The Friends of the V&A

Vivienne Westwood at the V&A

Motorola

Acquisitions

The American Friends of the V&A through the generosity of Dale and Doug Anderson
The Gilbert Bayes Charitable Trust
Paul Bedford
The American Friends of the V&A through the generosity of Jeanne Miles Blackburn
Norman Bloom and the Bloom Family Trust South Africa in memory of Mrs Florence Bloom
Miss Mary Boast from the collection of Charles E. Boast
Juliette Boisseau and David Hardman
The Julie and Robert Breckman Print Fund
The Julie and Robert Breckman Staffordshire Fund
Bullseye Glass
Joan Burr
Mr Raymond Burton CBE
William Castel in memory of Peggy and Ted Castel
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Glass Artists' Gallery
Habatat Gallery, Royal Oak, Michigan, USA
Heritage Lottery Fund
John and Judith Hillelson
HM Government in lieu of Inheritance Tax, from the estate of Edward, 2nd Baron Strachie
HM Government in lieu of Tax
The bequest of the late Mr and Mrs H Ingham in gratitude to England for giving them refuge from Nazi Germany
Menno Jonker
JPMorgan Chase Art Collection through the National Art Collections Fund
Kang Collection, Inc
Hazel Kohlmann-Everard
Mr Bob Lockyer
Dante Marioni
Johanna Nitzke Marquis and Caterina Tognon in honour of Ludovico Diaz de Santillana
Gayle Matthias
The American Friends of the V&A through the generosity of Malcolm and Alice Nanes
The National Art Collections Fund
National Heritage Memorial Fund
Suzuki Nohjin
NSCAD University
Raglan Gallery
Adrian Sassoon, Esq
The American Friends of the V&A through the generosity of Leslie and Judith Schreyer and Gabrielle Shrem
Schreyer
Bequest of Mrs Margaretha EM Seth
The American Friends of the V&A through the generosity of Mr George Stephanopoulos
Swarovski, London (Swarovski Crystal Palace Collection)
Lino Tagliapietra
Uniq plc
Jane Wilgress
The Worshipful Company of Mercers
And other donors who wish to remain anonymous

Conservation

The Idlewild Trust
The Worshipful Company of Painter-Stainers

Learning

The Ernest Cook Trust
Samuel H Kress Foundation

Research

The Oliver Ford Scholarship
The Oliver Ford Trust

Other grants
Miss Dorothy Frances Craig

Other grants and donations

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The American Express Foundation
The Bagri Foundation
Barbara Lang Barnicot
Arthur Bartlett
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
Trustees of the Crescent Trust
Department for Media, Culture and Sport
Department for Education and Skills
Mrs EF Elsdon
The Friends of the V&A
H Goldie & Co Ltd
Heritage Lottery Fund
The American Friends of the V&A through the generosity of The Andrew W Mellon Foundation
Nehru Trust Foundation
New Opportunities Fund
NHK Educational
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Uniq plc
The American Friends of the V&A through the generosity of Benjamin Zucker
And other donors who wish to remain anonymous

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

V&A Illustration Awards
The Enid Linder Foundation

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Mr Paul Ruddock
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Mrs Beth Rudin DeWoody
Mr Leslie Schreyer
Mr and Mrs Victor Segal
Mr Andrew Solomon
Ms Michele Tocci
Dr Santo Versace
Mr David Wheeler
Mr Andreas Whittam Smith

Our grateful thanks to those who have generously hosted events on our behalf

Mr Geoffrey Berg, British Consul-General, Toronto
Raphael Bernstein
Mr and Mrs Gordon Getty
Sir Thomas Harris, British Consul-General, New York
Mrs Daniella Luxembourg
The Lady Marks
Dr and Mrs Mortimer Sackler
Robert Tchenguiz
Vincent Tchenguiz
Mr and the Hon Mrs Galen Weston

Bethnal Green Museum of Childhood

Acquisitions

The Robert Gavron Charitable Trust

Other grants and donations

Aldgate and Allhallows Barking Exhibition Foundation
Arts & Business
Copus
Department for Education and Skills
Nicholas and Judith Goodison
The Helen Hamlyn Trust
The Paul Hamlyn Foundation
Heritage Lottery Fund
The Leverhulme Trust
Barnardo's, Better Play
And other donors who wish to remain anonymous

Theatre Museum

Acquisitions

Michael Cox on behalf of the Coward Estate
HM Government in lieu of Tax, from the Estate of Myfanwy Piper
Alex Martin
Irene Worth

Other grants and donations

Noel Coward Foundation
Gladys Kriebel Delmas Foundation
John Ellerman Foundation
The Friends of the V&A
David Morales, Patron of the Michael Annals Exhibition
New Opportunities Fund
Nureyev Foundation
The Society of London Theatre

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*, 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

Paula Ridley OBE
Chairman of Trustees

29 June 2004

* A copy of which is available from the Financial Controller, Victoria & Albert Museum, Cromwell Road, London SW7 2RL.

Statement on Internal Control

Scope of responsibility

As Accounting Officer and Chair of the Audit Committee (as representative of the Board of Trustees), we have joint 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 the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him under Government Accounting.

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Victoria and Albert Museum for the year ended 31 March 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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. In the 2003-2004 financial year, the Audit Committee membership was increased to include a non-Trustee member, with extensive business experience, in order to expand the range of expertise and scrutiny available to the Committee.

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 Risk Management Group meets on a regular basis to ensure that the Register remains relevant and inclusive.

Every six months, the work of the Risk Management Group is formally reviewed by the Management Board, which consists of the most senior permanent staff in the Museum, and by the Audit Committee on an annual basis. An annual report on the Register is also made by the Director of Finance and Resources to the Board of Trustees.

The risk and control framework

Identification and assessment of risk

We have held risk management workshops, attended by representatives of all grades of staff throughout the Museum, during which we identified the Museum's significant risks as well as the mitigating actions being taken to minimise those risks.

The risk 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 Register addresses the following broad risk areas

General and Strategy - this section addresses key corporate governance issues such as the role of the Accounting Officer and Trustees. It also addresses risk management through corporate planning; emergency response policies; maintenance of building fabric; compliance with Health and Safety and Disability Discrimination regulations; clear approaches to loan exhibition programming; and fundraising strategy;

Audience - this area covers the need to sustain visitor levels, reach new audiences, and evaluate the implications of marketing research; provision of educational programmes; and the quality of amenities such as catering and retail;

Collections - this area covers acquisition, display and storage policies; conservation standards and research; and the need to preserve the collections from accidental, environmental or deliberate damage;

People - this area addresses the need to ensure the skill, experience and honesty of Museum staff; ensuring quality of opportunity; succession planning; trade union relations; development of volunteer staff; and compliance with Government pay remits;

Finance and procurement - this section covers the need to ensure audit and tax compliance; fraud avoidance; achieving of value-for-money through sound (and EC compliant) procurement systems; and

Information systems - this addresses the need to ensure the confidentiality, integrity and continuity of data systems.

In addition to the individual sections, the first section of the Register records all the High Level Risks drawn from the specific sections outlined above. The Audit Committee believes that this provides a useful summary of the key risk issues that need to be monitored.

Monitoring of risk

The following procedures have been established to monitor the risks facing the Museum

- the Management Board's agenda considers risk management and internal control on a regular basis during the year;
- a system of key performance and risk indicators has been developed;
- the Audit Committee receives regular reports from the Internal Auditor on the steps taken to manage risks in all areas of activity;
- the Audit Committee uses the Register, particularly the identification of the highly ranked risks, as the basis for setting the annual internal audit plan;
- the Finance Committee reviews the financial management of the Museum through quarterly management reports and three-year outline budgets; and
- large capital projects, such as the FuturePlan, are monitored by the Buildings Strategy Committee.

The standard reporting cycle run can, however, be short circuited if a major new risk emerges and, in such a case, the Director of Finance and Resources would make an immediate report to the Management Board.

In addition to the actions mentioned above, we have

- established a risk management policy document, which has been sent to all staff setting out the Museum's attitude to risk to the achievement of our objectives;
- incorporated risk management more fully in the corporate planning and decision making process; and
- continued the programme of risk awareness training.

Review of effectiveness

As Accounting Officer and Chair of the Audit Committee (as representative of the Board of Trustees), we have joint responsibility for reviewing the effectiveness of the controls. Our review of the effectiveness of the system of internal control 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.

Internal Audit - 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 Head of Internal Audit also reports on progress against recommendations made in previous financial years and provides an annual statement of assurance to the Accounting Officer supporting the work performed during the year. In 2003-2004 the Internal Auditor reported on business continuity planning; corporate governance; financial reporting; health and safety policies; introduction of the Government procurement card; implementation of a new payroll system; and the monitoring of fixed assets.

Executive Management – each member of the Executive Management Board provides an annual assurance statement confirming that all financial transactions and liabilities have been recorded and notified; and also confirming that they will operate within the budget resources allocated for the forthcoming financial year.

We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Board of Trustees and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Mark Jones
Director and Accounting Officer

Marjorie Scardino DBE
Chairman of Audit Committee

29 June 2004

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 21 to 47 under the Museums and Galleries Act 1992. These financial statements have been prepared in the form directed by the Secretary of State for Culture, Media and Sport and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 26 to 27.

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

As described on page 15 the Board of Trustees and the Director of the Victoria and Albert Museum, as the Accounting Officer, are responsible for the preparation of the financial statements and for ensuring the regularity of financial transactions funded via Parliament. The Board of 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 I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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, income and resources funded via Parliament 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 other contents of the Foreword and Annual Report are not consistent with the financial statements, if the 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 16 to 18 reflects the Museum's compliance with Treasury's guidance on the 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. I am not required to consider, nor have I considered, whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

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, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum and the group 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, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

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 as at 31 March 2004 and of the incoming resources, application of resources and cash flows of the group for the year then ended and have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made by the Secretary of State for Culture, Media and Sport; and
- in all material respects the expenditure, income and resources funded via Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

19 July 2004

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

"The maintenance and integrity of the National Gallery's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website."

Consolidated Summary Income and Expenditure Account

The aim of this statement is to extract a core operational account (unrestricted funds) from the Consolidated Statement of Financial Activities which follows at page 22. The statement below therefore excludes capital receipts, endowment funds and restricted funds and shows that the Group recorded an operational deficit of £783,857 (2003: £802,800 deficit).

	2004	2003
	£	£
Total income of continuing operations	68,369,141	63,492,678
Total expenditure of continuing operations	(58,787,792)	(57,623,058)
Total surplus for year	9,581,349	5,869,620
<i>Less: Movement on capital funds</i>	(8,279,050)	(4,065,859)
Total Net income for the year	1,302,299	1,803,761
<i>Less: Movement on restricted funds</i>	(3,450,199)	(4,232,051)
<i>Add: Transfer from restricted to unrestricted funds</i>	1,364,043	1,625,490
Unrestricted net expenditure for the year	(783,857)	(802,800)

The notes on pages 26 to 47 form part of these financial statements.

Consolidated Statement of Financial Activities

	Notes	Unrestricted funds	Restricted funds	Permanent endowment funds	2004 Total funds	2003 Total funds
		£	£	£	£	£
Incoming resources						
Grant in aid	2	34,439,000	400,000	0	34,839,000	34,771,000
<i>Donations, legacies and other similar income</i>						
Donations		335,499	7,517,535	0	7,853,034	6,785,728
Donated objects		0	2,776,339	0	2,776,339	2,004,783
Transfer of Heritage Fixed Assets	7	0	5,607,512	0	5,607,512	6,928,779
Legacies		15,053	10,000	0	25,053	1,166
Patrons scheme		216,222	0	0	216,222	141,551
		<u>566,774</u>	<u>15,911,386</u>	<u>0</u>	<u>16,478,160</u>	<u>15,862,007</u>
Activities in furtherance of the charity's objectives						
Admissions and exhibition fees		2,438,693	0	0	2,438,693	1,383,027
Loans and touring exhibition fees		464,436	0	0	464,436	227,745
Lottery income		0	444,331	0	444,331	1,400,446
Other income	3	1,945,126	12,957	0	1,958,083	1,119,478
		<u>4,848,255</u>	<u>457,288</u>	<u>0</u>	<u>5,305,543</u>	<u>4,130,696</u>
Activities for generating funds						
Trading income	9	10,933,235	0	0	10,933,235	7,672,571
Sponsorship		198,000	32,784	0	230,784	579,204
		<u>11,131,235</u>	<u>32,784</u>	<u>0</u>	<u>11,164,019</u>	<u>8,251,775</u>
Investment income	3	<u>215,764</u>	<u>366,655</u>	<u>0</u>	<u>582,419</u>	<u>477,200</u>
Total incoming resources		<u>51,201,028</u>	<u>17,168,113</u>	<u>0</u>	<u>68,369,141</u>	<u>63,492,678</u>
Resources expended						
Cost of generating funds						
Fundraising		1,161,902	1,997	0	1,163,899	830,198
Publicity		1,426,064	9,129	0	1,435,193	1,349,451
Investment managers fees		18,656	18,104	0	36,760	33,987
Trading costs	9	9,097,960	0	0	9,097,960	6,366,297
		<u>11,704,582</u>	<u>29,230</u>	<u>0</u>	<u>11,733,812</u>	<u>8,579,933</u>
Cost of activities in furtherance of the charity's objectives						
Collections and research		9,338,019	877,622	0	10,215,641	13,668,626
Collection services		4,258,166	141,998	0	4,400,164	4,767,037
Exhibitions		2,798,451	352,703	0	3,151,154	2,807,706
Contemporary programme		518,197	5,024	0	523,221	505,154
Learning and interpretation		1,653,915	276,658	0	1,930,573	1,715,728
Visitor services and facilities		7,632,054	57,682	0	7,689,736	7,533,284
Branch Museums		3,854,802	313,840	0	4,168,642	4,549,231
Museum Developments		2,961,369	484,065	0	3,445,434	1,865,487
		<u>33,014,973</u>	<u>2,509,592</u>	<u>0</u>	<u>35,524,565</u>	<u>37,412,253</u>

Consolidated Statement of Financial Activities *(Continued)*

	Notes	Unrestricted funds	Restricted funds	Permanent endowment funds	2004 Total funds	2003 Total funds
		£	£	£	£	£
Support costs						
Information services and support		1,455,372	11,106	0	1,466,478	1,767,937
Projects and estates		7,024,849	14,763	0	7,039,612	6,297,695
Management and administration		2,883,933	139,392	0	3,023,325	3,565,240
		<u>11,364,154</u>	<u>165,261</u>	<u>0</u>	<u>11,529,415</u>	<u>11,630,872</u>
Total resources expended		<u>56,083,709</u>	<u>2,704,083</u>	<u>0</u>	<u>58,787,792</u>	<u>57,623,058</u>
Net (outgoing)/incoming resources before notional costs						
		(4,882,681)	14,464,030	0	9,581,349	5,869,620
Cost of capital	6	(167,610)	(8,980,375)	0	(9,147,985)	(14,898,694)
Net resources expended after notional costs		<u>(5,050,291)</u>	<u>5,483,655</u>	<u>0</u>	<u>433,364</u>	<u>(9,029,074)</u>
Reversal of notional costs		167,610	8,980,375	0	9,147,985	14,898,694
Net (outgoing)/incoming resources before transfers		<u>(4,882,681)</u>	<u>14,464,030</u>	<u>0</u>	<u>9,581,349</u>	<u>5,869,620</u>
Gross transfers between funds		3,954,671	(3,954,671)	0	0	0
Net incoming resources after transfers		<u>(928,010)</u>	<u>10,509,359</u>	<u>0</u>	<u>9,581,349</u>	<u>5,869,620</u>
Gains/(losses) on investment assets		521,194	13,430	342,047	876,671	(1,556,296)
Gain on revaluation of fixed assets for the charity's own use		0	3,029,308	0	3,029,308	18,803,321
Net movement in funds		<u>(406,816)</u>	<u>13,552,097</u>	<u>342,047</u>	<u>13,487,328</u>	<u>23,116,645</u>
Fund balances brought forward at 1 April 2003		<u>9,281,429</u>	<u>303,321,501</u>	<u>2,465,009</u>	<u>315,067,939</u>	<u>291,951,294</u>
Fund balances carried forward at 31 March 2004		<u>8,874,613</u>	<u>316,873,598</u>	<u>2,807,056</u>	<u>328,555,267</u>	<u>315,067,939</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 26 to 47 form part of these financial statements.

Consolidated and Museum Balance Sheet

	Notes	Group 2004 £	Museum 2004 £	Group 2003 £	Museum 2003 £
Fixed assets					
Tangible assets	7	312,756,744	312,485,967	301,448,789	301,177,611
Investments	8	4,944,822	5,147,350	4,100,586	4,303,114
		317,701,566	317,633,317	305,549,375	305,480,725
Current assets					
Investments	8	0	0	395,493	395,493
Stock		1,324,786	19,936	1,424,894	25,792
Debtors	10	5,310,921	6,691,365	5,251,911	6,114,267
Cash		11,930,361	11,067,801	9,725,963	9,127,590
		18,566,068	17,779,102	16,798,261	15,663,142
Creditors due within one year	11	(7,323,250)	(6,468,035)	(6,950,238)	(5,717,217)
Net current assets		11,242,818	11,311,067	9,848,023	9,945,925
Total assets less current liabilities					
Provisions for liabilities and charges	12	(389,117)	(389,117)	(329,459)	(329,459)
Net assets		328,944,384	328,944,384	315,397,398	315,426,650
Income funds					
Designated funds		8,418,574	8,418,574	8,205,548	8,205,548
General funds		456,039	456,039	1,075,881	1,105,133
Unrestricted funds	14	8,874,613	8,874,613	9,281,429	9,310,681
Restricted funds	14	316,873,598	316,873,598	303,321,501	303,321,501
Total income funds		325,748,211	325,748,211	312,602,930	312,632,182
Permanent endowment funds	14	2,807,056	2,807,056	2,465,009	2,465,009
Total funds		328,555,267	328,555,267	315,067,939	315,097,191

The financial statements on pages 21 to 47 were approved by the Director and Chairman.

Mark Jones
Director and Accounting Officer

Paula Ridley OBE
Chairman of Trustees

29 June 2004

Consolidated Cashflow Statement

	Notes	2004 £	2003 £
Net cash inflow from operating activities	16	6,611,475	6,552,249
Returns on investments	17	582,419	477,200
Capital expenditure and financial investment	17	(5,384,989)	(2,372,590)
Management of liquid resources	18	395,493	778,656
Increase in cash and cash equivalents	19	<u>2,204,398</u>	<u>5,435,515</u>

The notes on pages 26 to 47 form part of these financial statements.

Notes to the Consolidated Financial Statements

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 and in a form directed by the Secretary of State with the consent of Treasury in accordance with the Museums and Galleries Act 1992.

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 and is charged based upon opening asset values.

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, Bethnal Green and Blythe House 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. Assets with a value greater than £2,000 are capitalised and included in the balance sheet.

Depreciation has been provided on all opening gross book values of tangible assets except land 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 fitting	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 Principal 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 dependants' benefits. 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

£34,839,000 of Grant-in-aid has been received during the year (2003: £34,771,000). Of this £350,000 was for work on the Redevelopment Project at the Museum of Childhood in Bethnal Green and £50,000 was earmarked for conservation work on chattels from Houghton Hall. The balance of the grant was for core activities.

3 Income

	2004 £	2003 £
Investment income		
Interest receivable	329,678	347,251
British Government stocks	36,199	16,570
UK equities	95,097	101,647
Overseas equities	63,595	11,732
Exchange gains	57,850	0
	582,419	477,200
Other income		
RIBA project income ¹	1,209,486	253,713
Commission fee on Restaurant income ²	356,185	273,761
Picture Library income ³	0	223,101
Other miscellaneous income	392,412	368,903
	1,958,083	1,119,478

- 1 RIBA project income includes the costs recharged in respect of the 'Architecture for All' project, which is a partnership between the Royal Institute of British Architects and the V&A, to bring together the architecture collections of both institutions and display them in a new purpose built Architecture Gallery and study rooms.
- 2 The Commission fee on Restaurant income is included within Other Income as the Museum does not bear the risk of trading.
- 3 Picture Library activities and its income were transferred to V&A Enterprises Ltd at 1 April 2003 and is now included within trading income.

4 Net incoming resources is stated after charging

	2004 £	2003 £
Auditors' remuneration	38,500	36,500
<i>Operating lease payments</i>		
Land and Buildings	1,118,630	1,035,875
Other	132,841	438,264

5a Total resources expended

	Staff costs	Other costs	Depreciation	Total 2004	Total 2003
	£	£	£	£	£
Cost of generating funds					
Fundraising	737,737	410,857	15,305	1,163,899	830,198
Publicity	649,072	751,003	35,118	1,435,193	1,349,451
Investment managers fees	0	36,760	0	36,760	33,987
Trading costs	2,490,047	6,509,443	98,470	9,097,960	6,366,297
Cost of activities in furtherance of the charity's objectives					
Collections and research	6,172,423	443,502	3,599,716	10,215,641	13,668,626
Collection services	3,483,369	543,429	373,366	4,400,164	4,767,037
Exhibitions	545,045	2,445,969	160,140	3,151,154	2,807,706
Contemporary programme	171,527	340,430	11,264	523,221	505,154
Learning and interpretation	1,720,713	132,864	76,996	1,930,573	1,715,728
Visitor services and facilities	3,340,061	4,179,842	169,833	7,689,736	7,533,284
Branch museums	1,984,590	1,595,897	588,155	4,168,642	4,549,231
Museum developments	733,453	2,688,723	23,258	3,445,434	1,865,487
Support costs					
Information services and support	594,733	828,013	43,732	1,466,478	1,767,937
Projects and estates	1,266,792	5,718,486	54,334	7,039,612	6,297,695
Management and administration	1,680,436	1,108,804	234,085	3,023,325	3,565,240
Total resources expended	25,569,998	27,734,022	5,483,772	58,787,792	57,623,058

5b Wages and salaries

	2004	2003
	£	£
Wages and salaries	20,741,525	19,436,799
Social security costs	1,645,700	1,373,271
Pension costs	2,508,414	2,415,924
Agency temporary and contract staff	433,376	370,149
	25,329,015	23,596,143
Early retirement and severance costs	240,983	217,365
	25,569,998	23,813,508

During the year external funding was received in respect of salaries totalling £531,755 (2003: £583,823).

V&A Enterprises Ltd's staff costs were £3.521m (2003: £3.088m) of which £2.490m (2003: £1.994m) was for trading activities and £1.031m (2003: £1.094m) 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

	2004	2003
£50,001 - £60,000	12	8
£60,001 - £70,000	11	10
£70,001 - £80,000	4	2
£80,001 - £90,000	1	1
£90,001 - £100,000	0	0
£100,001 - £110,000	0	1
£110,001 - £120,000	1	0
	29	22

5c Management Board salary and pension disclosure

		2004 Salary inc performance pay £	2004 Real increase in pension at age 60 £	2004 Pension accrued to date payable at age 60 £
Management Board members				
Mark Jones	Director	112,520	2,558	46,488
Ian Blatchford	Director of Finance and Resources ¹	79,750	N/A	N/A
Deborah Swallow	Director of Collections	67,500	1,139	26,513
Gwyn Miles	Director of Projects	72,000	1,311	26,840
David Anderson	Director of Learning and Interpretation	65,500	1,961	25,925
Damien Whitmore	Director of Public Affairs	79,750	1,138	13,082
Gillian Henschley	Director of Personnel ²	54,019	1,108	13,150
Nick Umney	Director of Collections Services	60,500	1,347	14,994
Christopher Wilk	Keeper of Furniture, Textiles and Fashion	63,900	1,092	13,607
Paul Williamson	Keeper of Sculpture, Metalwork, Ceramics and Glass	63,900	1,011	19,522
Susan Lambert	Keeper of Word and Images	65,400	1,115	31,240

1 Joined 22 April 2002. Less than two years service and so not eligible for a Preserved Pension. However Pension Scheme Liability of £2,791 (2003: £487) in respect of contributions to Widow(er)'s Pension Scheme.

2 Moved to part time working during the year.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument. There were no benefits in kind during the year.

		2003 Salary inc performance pay £	2003 Real increase in pension at age 60 £	2003 Pension accrued to date payable at age 60 £
Management Board members				
Mark Jones	Director	102,775	12,034	42,733
Ian Blatchford	Director of Finance and Resources ¹	69,212	N/A	N/A
Deborah Swallow	Director of Collections	64,890	3,262	24,682
Gwyn Miles	Director of Projects	68,950	1,885	24,833
David Anderson	Director of Learning and Interpretation	61,492	5,339	23,311
Damien Whitmore	Director of Public Affairs	76,688	2,689	11,619
Gillian Henschley	Director of Personnel	59,474	3,117	11,714
Nick Umney	Director of Collections Services	58,417	2,475	13,275
Christopher Wilk	Keeper of Furniture, Textiles and Fashion	63,462	1,643	12,175
Paul Williamson	Keeper of Sculpture, Metalwork, Ceramics & Glass	61,462	2,533	18,006
Susan Lambert	Keeper of Word and Images	62,962	4,457	29,304

1 Joined 22 April 2002. Less than two years service and so not eligible for a Preserved Pension. However Pension Scheme Liability of £2,791 (2003-£487) in respect of contributions to Widow(er)'s Pension Scheme.

The Principal Civil Service Pension Scheme (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 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003-2004, employers' contributions of £2.508m were payable to the PCSPS (2002-2003: £2.416m) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. The scheme's Actuary reviews employer contributions every four years following a full scheme valuation. Rates will remain the same next year, subject to revalorisation of the salary bands, but will increase from 2005-06. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

From 1 October 2002, museum staff may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium, and classic plus). The Schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index.

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium and classic plus. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum but members may give up (commute) some of their pension to provide a lump sum. Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as per classic.

Employees joining after 1 October 2002 could opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £4,742 were paid to one of more of a panel of four appointed stakeholder pension providers. Employer's contributions are age-related and range from 3 to 12.5 per cent of pensionable pay. Employers' also match employee contributions up to 3 per cent of pensionable pay.

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

5d Trustees

The Trustees neither received nor waived any emoluments during the year (2003: £nil).

Expenses reimbursed to four Trustees amounted to £3,849 (2003: £4,406).

5e Average number of employees*

	Management Board	Other permanent	Agency/ temporary staff	Total 2004	Restated Total 2003
Fundraising	0	21	0	21	19
Publicity	1	15	1	17	20
Collections and research	4	168	28	200	220
Collection services	1	106	1	108	121
Exhibitions	0	14	0	14	12
Contemporary programme	0	6	0	6	5
Learning and interpretation	1	43	135	179	214
Visitor services and facilities	0	132	0	132	142
Branch museums	0	53	32	85	93
Museum developments	0	18	0	18	14
Information services and support	0	12	0	12	19
Projects and estates	1	29	0	30	33
Management and administration	3	40	1	44	46
Trading activities	0	101	0	101	87
	<u>11</u>	<u>758</u>	<u>198</u>	<u>967</u>	<u>1,045</u>

Comparitives have been restated to comply with the requirement to include agency and temporary members of staff. For 2003 these amounted to 260.

* Based on full-time equivalents.

6 Notional cost of capital

Notional cost of capital calculation is a requirement of Treasury and is calculated as 3.5% (2003:6%) of the average non-donated capital employed by the Museum in the year.

7 Tangible fixed assets

Group	Land and buildings	Furniture and fittings	Equipment	Acquisitions for the collection	Assets in course of construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2003	285,072,539	814,123	2,399,451	16,347,717	2,280,725	306,914,555
Re-classification	1,462,162	0	0	0	(1,462,162)	0
Additions	5,293,067	60,748	433,744	4,647,987	2,110,773	12,546,319
Disposals	0	(47,684)	(77,171)	0	(17,990)	(142,845)
Revaluation	(1,868,336)	0	0	0	0	(1,868,336)
At 31 March 2004	289,959,432	827,187	2,756,024	20,995,704	2,911,346	317,449,693
Depreciation						
At 1 April 2003	3,820,708	391,025	1,254,033	0	0	5,465,766
Re-classification	0	0	0	0	0	0
Charged for the year	4,945,036	138,994	399,742	0	0	5,483,772
Disposals	0	(47,684)	(56,305)	0	0	(103,989)
Revaluation	(6,152,600)	0	0	0	0	(6,152,600)
At 31 March 2004	2,613,144	482,335	1,597,470	0	0	4,692,949
Net book value						
At 31 March 2004	287,346,288	344,852	1,158,554	20,995,704	2,911,346	312,756,744
At 31 March 2003	281,251,831	423,098	1,145,418	16,347,717	2,280,725	301,448,789

The net book value at 31 March 2004 represents fixed assets of the Group for

	Land and buildings	Furniture and fittings	Equipment	Acquisitions for the collection	Assets in course of construction	Total
	£	£	£	£	£	£
Direct charitable activities	173,638,976	208,389	700,096	12,687,383	1,759,282	188,994,126
Other activities	113,707,312	136,463	458,458	8,308,321	1,152,064	123,762,618
Total	287,346,288	344,852	1,158,554	20,995,704	2,911,346	312,756,744

Tangible fixed assets (continued)

Museum	Land and buildings	Furniture and fittings	Equipment	Acquisitions for the collection	Assets in course of construction	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2003	285,072,539	499,679	2,344,471	16,347,717	2,280,725	306,545,131
Re-classification	1,462,162	0	0	0	(1,462,162)	0
Additions	5,293,067	7,139	388,118	4,647,987	2,110,773	12,447,084
Disposals	0	(3,211)	(71,542)	0	(17,990)	(92,743)
Revaluation	(1,868,336)	0	0	0	0	(1,868,336)
At 31 March 2004	289,959,432	503,607	2,661,047	20,995,704	2,911,346	317,031,136

Depreciation

At 1 April 2003	3,820,708	308,184	1,238,628	0	0	5,367,520
Re-classification	0	0	0	0	0	0
Charged for the year	4,945,036	65,384	374,882	0	0	5,385,302
Disposals	0	(3,211)	(51,842)	0	0	(55,053)
Revaluation	(6,152,600)	0	0	0	0	(6,152,600)
At 31 March 2004	2,613,144	370,357	1,561,668	0	0	4,545,169

Net book value

At 31 March 2004	287,346,288	133,250	1,099,379	20,995,704	2,911,346	312,485,967
At 31 March 2003	281,251,831	191,495	1,105,843	16,347,717	2,280,725	301,177,611

The net book value at 31 March 2004 represents fixed assets of the Museum for

	Land and buildings	Furniture and fittings	Equipment	Acquisitions for the collection	Assets in course of construction	Total
	£	£	£	£	£	£
Direct charitable activities	173,638,976	80,521	664,338	12,687,383	1,759,282	188,830,500
Other activities	113,707,312	52,729	435,041	8,308,321	1,152,064	123,655,467
Total	287,346,288	133,250	1,099,379	20,995,704	2,911,346	312,485,967

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.

The Museum's reduced depreciation charge for the year of £5.385m (2003: £10.314m) resulted from the useful economic life on the South Kensington site being revised upwards to 50 years. This had the effect of reducing the allocation of the depreciation charge by floor space to Collections and Research by some £3.8m in the year.

Acquisitions for the Collection

Additions of £4.648m (2003: £3.412m) were made to the Collection. The additions comprise the following elements

	2004	2003
	£	£
Donations of objects by gift or bequest	2,498,839	1,077,025
Donations of objects under the acceptance in lieu scheme	277,500	927,758
	2,776,339	2,004,783
Acquisitions funded from unrestricted funds	604,984	413,532
Acquisitions funded by specific grants and donations (restricted funds)	1,266,664	993,987
Total additions	4,647,987	3,412,302

On the 31 March 2004 a full valuation was carried out by Gerald Eve (Chartered Surveyors) in accordance with the RICS appraisal and valuations manual. The site at South Kensington was valued at £273.1m and the site at Bethnal Green at £9.3m. The revaluation surplus arising of £3.029m on the site at South Kensington was transferred to Revaluation Reserve. However, although the carrying value of the site at Bethnal Green increased overall in the period, a net revaluation deficit of £34,000 arose resulting from the valuation increment being less than the amount capitalised in respect of the Redevelopment project for the year.

The site at Blythe House, jointly occupied by the British Museum, Science Museum and the Victoria and Albert Museum, was introduced into the books of the Museum on 31 March 2004 in order to comply with FRS5 'Reporting the Substance of Transactions' at a third of the total valuation of £21.775m. This valuation was provided to the Department of Culture, Media and Sport by Chestertons (Chartered Surveyors) on an Existing Use basis as a storage facility. The Freehold title continues to be 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 difference between the valuation amount and the capital expenditure already incurred by the Museum of £5.608m has been included within incoming resources under the heading 'Transfer of Heritage Fixed Assets'.

In addition, the following leasehold properties were also valued by Gerald Eve (Chartered Surveyors) as at 31 March 2004. The Valuation amounts are

Property	Title	Basis of valuation	2004	2003
			£000	£000
Theatre Museum, WC2	Leasehold	Existing use value	950	930
160 Brompton Road, SW3	Leasehold	Existing use value	0	217
88 Kirtling Street, SW8	Leasehold	Existing use value	320	139
34 Henrietta Street, WC2	Leasehold	Existing use value	0	0

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

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.

8 Investments

	2004 £	2003 £
Market value at 1 April	4,100,586	9,005,903
<i>Add: Acquisitions at cost</i>	642,973	594,221
<i>Less: Disposal proceeds</i>	(675,409)	(3,943,242)
Net (Loss)/gain on revaluation	876,672	(1,556,296)
Market value at 31 March	4,944,822	4,100,586
Historical cost at 31 March	5,011,997	5,186,380
Unrealised investment (loss) at 31 March	(67,175)	(1,085,794)
Investment (loss) based on historic costs	(142,066)	(108,621)

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

	2004 £	2003 £
Investment assets in the UK	1,376,559	3,365,846
Investment assets outside the UK	3,568,263	734,740
	4,944,822	4,100,586

£nil (2003: £395,493) 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

FRS13, 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 FRS13, 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 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.

Investments (continued)

	Total	Floating rate financial assets	Fixed rate financial assets	Non-interest bearing financial assets	Assets earning equity return	Weighted average fixed interest rate	Weighted average period for which rate is fixed years
	£000	£000	£000	£000	£000	%	
At 31 March 2004							
Sterling	15,888	11,519	660	236	3,473	6.72%	8.05
Other	1,000	24	139	151	686	4.25%	0.66
Total	16,888	11,543	799	387	4,159	6.29%	8.71
At 31 March 2003							
Sterling	13,235	9,098	1,335	69	2,733	7.17%	8.80
Other	1,040	211	227	91	511	4.25%	2.66
Total	14,275	9,309	1,562	160	3,244	6.75%	11.46

Reconciliation to Accounts

	2004 £000	2003 £000
Cash	11,930	9,726
Investments (current assets)	0	395
Investments (fixed assets)	4,945	4,101
Debtors (accrued interest portion only)	13	53
	16,888	14,275

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 V&A Picture Library and operates both a corporate entertainment business and the educational services facility 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

	2004 £	2003 £
Profit and loss account		
Turnover	10,933,235	7,672,571
Cost of sales	(4,335,842)	(3,060,689)
Gross profit	6,597,393	4,611,882
Administrative expenses	(4,785,411)	(3,448,620)
Other operating income - management fee	0	67,993
Trading profit	1,811,982	1,231,255
Interest receivable and similar income	30,424	26,556
Payment under gift aid to Museum	(1,772,852)	(1,240,787)
Profit on ordinary activities before taxation	69,554	17,024
Taxation	(40,302)	(17,024)
Retained in subsidiary	29,252	0

Trading subsidiary (continued)

	2004 £	2003 £
Balance sheet		
Tangible fixed assets	270,777	271,178
Current assets	3,232,934	3,309,467
Creditors	<u>(3,301,183)</u>	<u>(3,407,369)</u>
Net assets	<u>202,528</u>	<u>173,276</u>
Share capital and reserves	<u>202,528</u>	<u>173,276</u>

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

	2004 £	2003 £
Turnover	10,933,235	7,672,571
Other operating income - management fee	0	67,993
<i>Intercompany transactions</i>	<u>0</u>	<u>(67,993)</u>
Trading income per SOFA	<u>10,933,235</u>	<u>7,672,571</u>
Cost of sales	4,335,842	3,060,689
Administrative expenses	4,785,411	3,448,620
Taxation	40,302	17,024
<i>Intercompany transactions</i>	<u>(63,595)</u>	<u>(160,036)</u>
Trading costs per SOFA	<u>9,097,960</u>	<u>6,366,297</u>
Interest receivable and similar income	30,424	26,556
<i>Intercompany transactions</i>	<u>0</u>	<u>0</u>
Included in Investment Income per SOFA	<u>30,424</u>	<u>26,556</u>

10 Debtors

	2004 £	2003 £
Trade debtors	1,891,981	1,346,637
Other debtors	1,684,299	1,822,680
Prepayments and accrued income	681,436	791,199
Recoverable taxation	<u>1,053,205</u>	<u>1,291,395</u>
	<u>5,310,921</u>	<u>5,251,911</u>

11 Creditors: amounts falling due within one year

	2004 £	2003 £
Trade creditors	3,751,330	3,984,302
Other creditors	306,089	55,218
Accruals and deferred income	2,474,529	2,413,990
Taxation and social security costs	<u>791,302</u>	<u>496,728</u>
	<u>7,323,250</u>	<u>6,950,238</u>

12 Provisions for liabilities and charges

	2004	2003
	£	£
As at 1 April	329,459	381,989
Provision in year	183,496	48,101
Paid in year	(123,838)	(100,631)
As at 31 March	<u>389,117</u>	<u>329,459</u>
<i>Provision for future pension costs</i>		
Amounts payable within one year	105,333	102,615
Amounts payable after one year	283,784	226,844
	<u>389,117</u>	<u>329,459</u>

13 Financial commitments

At 31 March 2004 the Museum had annual commitments under non-cancellable leases as follows

	2004	2004	2003	2003
	Land and	Other	Land and	Other
	buildings		buildings	
	£	£	£	£
<i>Operating leases which expire</i>				
Within one year	0	4,861	0	45,178
Between two to five years	584,000	60,012	584,000	109,998
After five years	575,000	0	535,500	0
	<u>1,159,000</u>	<u>64,873</u>	<u>1,119,500</u>	<u>155,176</u>

14 Statement of funds

<i>Unrestricted funds</i>	As at 1 April 2003 £	Incoming resources £	Resources expended £	Transfers £	Gains/losses and revaluation £	As at 31 March 2004 £
General income funds						
General fund ²	884,001	40,114,625	(41,822,111)	823,486	0	1
Development funds	221,132	29,728	(8,454)	0	213,633	456,039
V&A Enterprises Ltd	(29,252)	10,900,064	(10,870,812)	0	0	0
	<u>1,075,881</u>	<u>51,044,417</u>	<u>(52,701,377)</u>	<u>823,486</u>	<u>213,633</u>	<u>456,040</u>
Designated income funds						
Acquisitions ²	184,293	8,235	(604,740)	548,583	0	136,371
Islamic Museum	8,413	3,971	(1,477)	0	0	10,907
Designated for other purposes ³	1,110,870	0	0	(8,025)	0	1,102,845
Branch Museum	56,329	32,630	(28,613)	0	0	60,346
Bequests	3,693,896	111,775	(12,720)	0	307,561	4,100,512
	<u>5,053,801</u>	<u>156,611</u>	<u>(647,550)</u>	<u>540,558</u>	<u>307,561</u>	<u>5,410,981</u>
Designated capital funds						
South Kensington site designated fund ¹	0	774,232	(3,692,958)	2,918,726	0	0
Bethnal Green site designated fund ¹	0	80,716	(182,356)	101,640	0	0
Blythe House site designated fund ¹	0	0	(175,245)	175,245	0	0
Museum assets designated fund	3,151,747	365,197	(509,352)	0	0	3,007,592
Acquisitions designated fund ¹	0	604,984	0	(604,984)	0	0
Additions eliminated designated fund	0	(1,825,129)	1,825,129	0	0	0
	<u>3,151,747</u>	<u>0</u>	<u>(2,734,782)</u>	<u>2,590,627</u>	<u>0</u>	<u>3,007,592</u>
Total unrestricted funds	<u>9,281,429</u>	<u>51,201,028</u>	<u>(56,083,709)</u>	<u>3,954,671</u>	<u>521,194</u>	<u>8,874,613</u>

<i>Restricted funds</i>	As at 1 April 2003 £	Incoming resources £	Resources expended £	Transfers £	Gains/losses and revaluation £	As at 31 March 2004 £
Restricted income funds						
Acquisitions for the Collection	235,968	1,063,694	(1,122,492)	0	0	177,170
Collections and research funds	985,192	529,326	(456,653)	0	13,430	1,071,295
Collection services funds	325,784	140,946	(61,447)	0	0	405,283
Exhibitions funds	803,729	48,134	(328,393)	0	0	523,470
Contemporary Programme funds	2,134	0	(2,134)	0	0	0
Learning and Interpretation funds	0	267,662	(254,676)	0	0	12,986
Branch Museum funds ²	(114,109)	767,986	(541,732)	(27)	0	112,118
Museum development funds ²	2,887,890	5,867,206	(2,453,406)	(1,364,017)	0	4,937,673
Permanent endowment funds income	169,049	99,308	(113,129)	0	0	155,228
	<u>5,295,637</u>	<u>8,784,262</u>	<u>(5,334,062)</u>	<u>(1,364,044)</u>	<u>13,430</u>	<u>7,395,223</u>
Restricted capital funds						
South Kensington site restricted fund ¹	213,257,827	1,976,071	(586,653)	(2,918,726)	935,643	212,664,162
South Kensington revaluation fund	58,342,173	0	0	0	2,093,665	60,435,838
	<u>271,600,000</u>	<u>1,976,071</u>	<u>(586,653)</u>	<u>(2,918,726)</u>	<u>3,029,308</u>	<u>273,100,000</u>
Bethnal Green site restricted fund ¹	9,200,000	220,266	(18,626)	(101,640)	0	9,300,000
Blythe House site restricted fund ¹	0	5,607,512	0	(175,245)	0	5,432,267
Museum assets restricted fund	878,147	30,060	(257,803)	0	0	650,404
Acquisitions restricted fund ¹	16,347,717	4,043,003	0	604,984	0	20,995,704
Additions eliminated restricted fund	0	(3,493,061)	3,493,061	0	0	0
	<u>298,025,864</u>	<u>8,383,851</u>	<u>2,629,979</u>	<u>(2,590,627)</u>	<u>3,029,308</u>	<u>309,478,375</u>
Total restricted funds	<u>303,321,501</u>	<u>17,168,113</u>	<u>(2,704,083)</u>	<u>(3,954,671)</u>	<u>3,042,738</u>	<u>316,873,598</u>
Permanent endowment						
Permanent endowment	Restated As at 1 April 2003 £	Incoming resources £	Resources expended £	Transfers £	Gains/losses and revaluation £	As at 31 March 2004 £
	2,465,009	0	0	0	342,047	2,807,056
Total permanent endowment funds	<u>2,465,009</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>342,047</u>	<u>2,807,056</u>
Total funds	<u>315,067,939</u>	<u>68,369,141</u>	<u>(58,787,792)</u>	<u>0</u>	<u>3,905,979</u>	<u>328,555,267</u>

- 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 2004	Total 2003
	£	£	£	£	£
<i>Fund balances at 31 March 2004 are represented by</i>					
Tangible fixed assets	3,278,370	309,478,374	0	312,756,744	301,448,789
Investments	1,705,588	1,121,658	2,117,576	4,944,822	4,100,586
Current assets	11,603,022	6,273,566	689,480	18,566,068	16,798,261
Current liabilities	(7,323,250)	0	0	(7,323,250)	(6,950,238)
Provision for liabilities and charges	(389,117)	0	0	(389,117)	(329,459)
Net assets	8,874,613	316,873,598	2,807,056	328,555,267	315,067,939
Unrealised losses included above on fixed asset investments	(138,442)	40,323	30,943	(67,175)	(1,085,794)
Total unrealised gains at 31 March 2004	(138,442)	40,323	30,943	(67,175)	(1,085,794)

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

	2004 £	2003 £
Net incoming resources	9,581,349	5,869,620
Investment income	(582,419)	(477,200)
Net incoming resources before transfer and revaluations	8,998,930	5,392,420
Donated assets acquired	(8,383,851)	(8,933,562)
Depreciation	5,483,772	10,356,995
Loss on fixed assets	38,856	46,333
(Increase)/decrease in stocks	100,108	(358,753)
Decrease/(increase) in debtors	(59,010)	446,690
(Decrease)/increase in creditors	373,012	(345,343)
(Decrease)/increase in provisions for liabilities and charges	59,658	(52,530)
Net cash inflow from operating activities	6,611,475	6,552,249

17 Analysis of cash flows

	2004 £	2003 £
Return on investments		
Investment income	582,419	477,200
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(5,417,425)	(5,721,611)
Purchase of investments	(642,973)	(594,221)
Proceeds from sale of investments	675,409	3,943,242
	(5,384,989)	(2,372,590)
Management of liquid resources		
(Decrease)/increase in short term deposits	(395,493)	(778,656)

18 Reconciliation of net cash flow to movement in net funds

	2004	2003
	£	£
Increase in cash in the period	2,204,398	5,435,516
Cashflow from change in liquid resources	(395,493)	(778,656)
Movement in net funds in the period	1,808,905	4,656,860
Net funds at 1 April	10,121,456	5,464,596
Net funds at 31 March	11,930,361	10,121,456

19 Analysis of net funds

	At 1 April 2003	Cashflow	At 31 March 2004
	£	£	£
Cash at bank and in hand	9,725,963	2,204,398	11,930,361
Liquid resources	395,493	(395,493)	0
Net funds	10,121,456	1,808,905	11,930,361

20 Capital commitments

	2004	2003
	£	£
<i>Capital expenditure commitments were as follows</i>		
Contracted for, but not provided in the accounts	3,031,982	845,035
Authorised, but not contracted for	1,793,409	6,279,300

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	Donations/ grants received
	£	£	£
British Museum	598	349,226	0
Friends of the V&A	7,750	27,066	187,694
Imperial War Museum	21,736	503	0
National Heritage Memorial Fund	0	0	1,736,220
National Maritime	86	2,824	0
National Museums and Galleries of Merseyside	80	0	0
National Museums and Galleries of Wales	2,161	0	0
National Portrait Gallery	80	(610)	0
Natural History Museum	893,686	848	0
New Opportunities Fund	0	595	0
Royal College of Art	11,008	83,255	0
Science Museum	0	306,037	0
Tate Gallery	0	190	0

Two Trustees donated a total of £445,000 during the year.

No other Trustees or staff member obtained any personal pecuniary benefit from these transactions and no trustee or staff member had any other 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 2004

	As at 31 March 2003 £	As at 31 March 2004 £
Funds available for spending at Trustees' discretion		
General Grant-in-aid fund	1	884,001
General development funds ¹	253,511	18,604
Designated income funds ²	5,410,981	5,053,801
	<u>5,664,493</u>	<u>5,956,406</u>
Funds raised for specific purposes		
Restricted income funds	7,395,223	5,295,637
Total funds available for spending	<u>13,059,716</u>	<u>11,252,043</u>
Funds not available for Trustees' spending		
General funds and share capital of V&A Enterprises ¹	202,528	173,276
Permanent endowment funds (capital element)	2,807,056	2,465,009
Capital funds (fixed assets) ³	312,485,967	301,177,611
Total funds not available for spending	<u>315,495,551</u>	<u>303,815,896</u>
Total funds in balance sheet⁴	<u>328,555,267</u>	<u>315,067,939</u>

1 The total of these funds corresponds to the figure of £456,039 disclosed in Note 14 under unrestricted Development Funds.

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

3 These funds are set aside to fund the future depreciation of fixed assets.

4 A further breakdown of these funds may be found at Note 14.

23 Permanent endowment (capital and income funds)

This note combines the capital and income in respect of each fund

	As at 1 April 2003 £	Incoming resources £	Resources expended £	Transfers £	Net investment gains/(losses) £	As at 31 March 2004 £
Barber Bequest	0	0	0	0	0	0
Brigadier Clarke Bequest	678,399	20,370	(59,462)	0	71,749	711,056
Bryan Legacy	0	0	0	0	0	0
Dr S L England	54,884	4,261	(4,261)	0	7,623	62,507
Elspeth A Evans Fund	113,692	4,483	(762)	0	15,791	133,204
Enthoven Bequest	109,656	4,324	(735)	0	15,230	128,475
Farquharson Bequest	7,295	272	(46)	0	959	8,480
Farquharson Prize	2,208	45	(8)	0	159	2,404
Hildburgh Bequest	82,187	3,241	(551)	0	11,415	96,292
Horn Bequest	72,214	2,848	(484)	0	10,030	84,608
Hugh Phillips Bequest	1,160,803	45,773	(42,780)	0	161,224	1,325,020
J R Jones Bequest	3,214	127	(22)	0	446	3,765
James Yorke-Radleigh Bequest	160,158	6,315	(2,803)	0	22,244	185,914
John Webb Trust Fund	23,509	927	(158)	0	3,265	27,543
Julie and Robert Breckman Staffordshire and Print Fund	0	0	0	0	0	0
London Archives of the Dance	6,060	101	0	0	0	6,161
Murray Legacy	146,332	5,770	(981)	0	20,324	171,445
Stephenson Bequest	6,242	246	(42)	0	867	7,313
Vallentin Bequest	0	0	0	0	0	0
Williams Prize	7,205	204	(35)	0	720	8,094
Trusts	0	0	0	0	0	0
Total funds	2,634,058	99,307	(113,130)	0	342,046	2,962,281

24 Contingent liabilities

There are no contingent liabilities as at 31 March 2004.

25 The 'Super' SOFA (Statement of Financial Activities)

At present, The Museum produces a Consolidated Summary of Income and Expenditure Account (page 21) and a Consolidated Statement of Financial Activities (page 22).

The Museum is working with the National Audit Office and a number of leading museums and galleries, to devise a revised format for these primary statements. The aim is to produce one primary statement and also provide much clearer disclosure on operational results, free reserves, collections acquisitions and capital value movements.

This note (see overleaf) shows the 2003-2004 result in the draft format for this new primary statement. It is provided here for information purposes only. The new primary statement will be introduced for the 2004-2005 financial year.

25 The 'Super' SOFA (Statement of Financial Activities)

Notes	Income and Expenditure funds		Capital funds		Collection and Acquisition funds		Total funds	
	2004 Unrestricted funds £	2004 Restricted fund £	2004 Unrestricted funds £	2004 Restricted fund £	2004 Unrestricted funds £	2004 Restricted fund £	2004 Perm Endow funds £	2004 Total funds £
Incoming resources								
2	34,439,000	400,000	0	0	0	0	0	34,839,000
Donations, legacies and other similar income								
Donations	335,499	7,517,535	0	0	0	0	0	7,853,034
Donated objects	0	0	0	0	2,776,339	2,776,339	0	2,776,339
Transfer of Heritage fixed assets	0	0	0	5,607,512	0	0	0	5,607,512
Legacies	15,053	10,000	0	0	0	0	15,053	25,053
Patrons scheme	216,222	0	216,222	0	0	0	216,222	0
	<u>566,774</u>	<u>7,527,535</u>	<u>8,094,309</u>	<u>5,607,512</u>	<u>2,776,339</u>	<u>2,776,339</u>	<u>566,774</u>	<u>15,911,386</u>
								<u>16,478,160</u>
Activities in furtherance of the charity's objectives								
Admissions and exhibition fees	2,438,693	0	2,438,693	0	0	0	0	2,438,693
Loans and touring exhibition fees	464,436	0	464,436	0	0	0	0	464,436
Lottery income	0	444,331	444,331	0	0	0	0	444,331
Other income	1,945,126	12,957	1,958,083	0	0	0	1,945,126	1,958,083
	<u>4,848,255</u>	<u>457,288</u>	<u>5,305,543</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,848,255</u>	<u>457,288</u>
								<u>5,305,543</u>
Activities for generating funds								
Trading income	10,933,235	0	10,933,235	0	0	0	0	10,933,235
Sponsorship	198,000	32,784	230,784	0	0	0	198,000	32,784
	<u>11,131,235</u>	<u>32,784</u>	<u>11,164,019</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>11,131,235</u>	<u>32,784</u>
								<u>11,164,019</u>
Investment income								
3	215,764	366,655	582,419	0	0	0	215,764	366,655
Total incoming resources	<u>51,201,028</u>	<u>8,784,262</u>	<u>59,985,290</u>	<u>5,607,512</u>	<u>2,776,339</u>	<u>2,776,339</u>	<u>51,201,028</u>	<u>17,168,113</u>
								<u>68,369,141</u>
Resources expended								
Cost of generating funds								
Fundraising	1,149,595	0	1,149,595	13,307	1,997	15,304	1,161,902	1,997
Publicity	1,400,075	0	1,400,075	25,989	9,129	35,118	1,426,064	9,129
Investment managers fees	18,656	18,104	36,760	0	0	0	18,656	18,104
Trading costs	9,097,960	0	9,097,960	0	0	0	9,097,960	0
	<u>11,665,286</u>	<u>18,104</u>	<u>11,683,390</u>	<u>39,296</u>	<u>11,126</u>	<u>50,422</u>	<u>11,704,582</u>	<u>29,230</u>
								<u>11,733,812</u>

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25 The 'Super' SOFA (Statement of Financial Activities) Continued

Notes	Income and Expenditure funds			Capital funds			Collection and Acquisition funds			Total funds		
	2004 Unrestricted funds £	2004 Restricted fund £	2004 Total funds £	2004 Restricted fund £	2004 Total funds £	2004 Unrestricted funds £	2004 Restricted fund £	2004 Total funds £	2004 Unrestricted funds £	2004 Restricted fund £	2004 Total funds £	
Cost of activities in furtherance of the charity's objectives												
	6,948,398	1,577,843	8,526,241	566,443	3,561,048	(604,984)	(1,266,664)	(1,871,648)	9,338,019	877,622	0	10,215,641
Collections and research	3,965,351	61,447	4,026,798	80,551	373,366	0	0	0	4,258,166	141,998	0	4,400,164
Collection services	2,678,733	328,394	3,007,127	24,309	144,027	0	0	0	2,798,451	352,703	0	3,151,154
Exhibitions	516,831	2,133	518,964	2,891	4,257	0	0	0	518,197	5,024	0	523,221
Contemporary programme	1,598,902	254,676	1,853,578	21,982	76,995	0	0	0	1,653,915	276,658	0	1,930,573
Learning and interpretation	7,631,872	0	7,631,872	57,682	57,864	0	0	0	7,632,054	57,682	0	7,689,736
Visitor services and facilities	3,451,934	541,719	3,993,653	(227,879)	174,989	0	0	0	3,854,802	313,840	0	4,168,642
Branch museums	3,701,083	2,453,407	6,154,490	(1,969,342)	(2,709,056)	0	0	0	2,961,369	484,065	0	3,445,434
Museum developments	30,493,104	5,219,619	35,712,723	(1,443,363)	1,683,490	(604,984)	(1,266,664)	(1,871,648)	33,014,973	2,509,592	0	35,524,565
Support costs												
	1,405,197	0	1,405,197	11,106	61,281	0	0	0	1,455,372	11,106	0	1,466,478
Information services and support	7,092,443	0	7,092,443	14,763	(52,831)	0	0	0	7,024,849	14,763	0	7,039,612
Projects and salaries	2,692,899	96,340	2,789,239	43,052	234,086	0	0	0	2,883,933	139,392	0	3,023,325
Management and administration	11,190,539	96,340	11,286,879	68,921	242,536	0	0	0	11,364,154	165,261	0	11,529,415
Total resources expended	53,348,929	5,334,063	58,682,992	(1,363,316)	1,976,448	(604,984)	(1,266,664)	(1,871,648)	56,083,709	2,704,083	0	58,787,792
Net resources before notional costs	(2,147,901)	3,450,199	1,302,298	(3,339,764)	6,970,828	604,984	4,043,003	4,647,987	(4,882,681)	14,464,030	0	9,581,349
Cost of capital	0	0	0	(167,610)	(8,980,375)	0	0	0	(167,610)	(8,980,375)	0	(9,147,985)
Net resources after notional costs	(2,147,901)	3,450,199	1,302,298	(2,009,547)	(5,516,921)	604,984	4,043,003	4,647,987	(5,050,291)	5,483,655	0	433,364
Reversal of notional costs	0	0	0	167,610	8,980,375	0	0	0	167,610	8,980,375	0	9,147,985
Net resources before transfers	(2,147,901)	3,450,199	1,302,298	(3,339,764)	6,970,828	604,984	4,043,003	4,647,987	(4,882,681)	14,464,030	0	9,581,349
Gross transfers between funds	1,364,044	(1,364,044)	0	2,590,627	(2,590,627)	0	0	0	3,954,671	(3,954,671)	0	0
Net after transfers	(783,857)	2,086,155	1,302,298	(749,137)	4,380,201	604,984	4,043,003	4,647,987	(928,010)	10,509,359	0	9,581,349
Gains/(losses) on investment assets	\$21,194	13,430	534,623	0	0	0	0	0	521,194	13,430	342,047	876,671
Gain on revaluation of fixed assets for the charity's own use	0	0	0	3,029,308	3,029,308	0	0	0	0	3,029,308	0	3,029,308
Net movement in funds	(262,664)	2,099,585	1,836,921	(749,137)	7,409,509	604,984	4,043,003	4,647,987	(406,817)	13,552,097	342,047	13,487,328
Fund balances brought forward at 1 April 2003	6,129,682	5,295,638	11,425,320	3,151,747	298,025,863	301,177,610	0	0	9,281,429	303,321,501	2,465,009	315,067,939
Fund balances carried forward at 31 March 2004	5,867,018	7,395,223	13,262,241	2,402,610	305,435,372	307,837,982	604,984	4,647,987	8,874,612	316,873,598	2,807,056	328,555,267

Value of acquisitions in year

Free reserves: general, designated and bequest

Operational result for the year

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