

MUSEUMS AND GALLERIES ACT 1992

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

Victoria and Albert Museum Annual Report and Accounts 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20th JULY 2005

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Annual Report

The V&A was named 'Large Visitor Attraction of the Year' at the 2004 Visit London Awards and the V&A Museum of Childhood was 'Favourite Children's Attraction'.

Brief history and constitution

The V&A is Britain's national museum of art and design. It was founded in 1852 as the Museum of Manufactures (at Marlborough House), was renamed the Museum of Ornamental Art in 1853 and opened as the South Kensington Museum in 1857. Queen Victoria conferred the name "Victoria and Albert Museum" in 1899.

In addition to the main South Kensington site the V&A has, at various times, held responsibility for several other buildings and collections. Today the V&A comprises a family of museums that includes the V&A at South Kensington, the V&A Museum of Childhood at Bethnal Green and the V&A Museum of Performance in Covent Garden. It also operates an accessible archive and store at Blythe House in West London (jointly run with the British Museum and the Science Museum) and a store at Kirtling Street, Battersea.

Statutory background

The V&A was part of the Government's Department of Education and Science and operated under the auspices of an Advisory Council until 1 April 1984 when it acquired Trustee status with the passing of the National Heritage Act 1983 (NHA). The NHA was modified and repealed to some extent by the Museums and Galleries Act 1992, but this did not materially affect the status of the Museum. The V&A is currently sponsored by the Department for Culture, Media & Sport (DCMS). The Museum's Board of Trustees is answerable to the Secretary of State for Culture, Media & Sport for the policies and performance of the Museum. The Minister is, in turn, answerable to Parliament. The Director of the V&A is accountable both to the Board as Chief Executive and to the Secretary of State as Accounting Officer.

Statement of Board Members' responsibilities

The Trustees, including the Chairman, are appointed by the Prime Minister under the terms of the NHA. Appointments to the Board are governed by selection on merit on the basis of equal opportunities and are subject to monitoring by the Commissioner for Public Appointments. The Board of Trustees is a body corporate, analogous to the board of a company. It comprises between 12 and 20 members. Trustees serve a maximum term of four years and are eligible for re-appointment without limit. In practice, Trustees are restricted to serving two terms or a maximum total of 10 years, in line with guidance from the Office of the Commissioner for Public Appointments.

The Board of Trustees is statutorily responsible for the custody of the collections and the overall management of the Museum, though day to day responsibility for managing the Museum is delegated to the Director. The Board's functions 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
- Disseminate that knowledge.

Names of Trustees who have served during the year

Paula Ridley OBE (Chairman)

Jonathan Altaras

Professor Margaret Buck

Professor Rob Dickins CBE

Professor Sir Christopher Frayling MA

Jane Gordon Clark

Betty Jackson MBE (appointed December 2004)

Professor Lisa Jardine CBE

Rick Mather

Peter Rogers

Paul Ruddock

The Right Hon Sir Timothy Sainsbury

Dame Marjorie Scardino DBE

Samir Shah OBE (appointed December 2004)

Company directorships and other significant interests held by Trustees

Trustees do not hold any company directorships or other significant interests that may conflict with their responsibilities.

Statement of Purpose

The 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 objectives are :

- Access & Audiences: To provide optimum access to collections and services for diverse audiences, now and in the future
- National & International: To be acknowledged and respected as the world's leading museum of art and design
- Creative Design: To promote, support and develop creativity in individuals and in the economy
- Efficiency & Effectiveness: To operate with the greatest possible financial and organisational efficiency.

The V&A Strategic Plan 2005-2010 indicates how the Museum intends to work towards these objectives in the next five years. This is described further under 'Future Directions' below.

The V&A offers an encyclopaedic 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.

Review of Performance during past year

FuturePlan

FuturePlan is the V&A's long-term programme to enhance the visitors' experience by improving facilities and redesigning the galleries to give a clearer layout and more imaginative and informative displays. 2004/5 saw the creation of new spaces that also opened up the remarkable architecture of the building. The key projects are listed below:

- September 2004: Reopened the entrance from the Exhibition Road tunnel directly into the Museum galleries. (Eva Jiricna Architects)
- October 2004: Opened the Gilbert Bayes Sculpture Gallery to show the Museum's unrivalled collection of small sculpture from the Middle Ages to the present day. Reopening the arches in this arcaded bridge gallery also allows dramatic views of the Cast Courts. (Eva Jiricna Architects)
- November 2004: Opened the Architecture Gallery featuring highlights from the collections of the V&A and the Royal Institute of British Architects (RIBA). Around 160 architectural models, drawings, designs, material samples and building fragments are displayed in the first permanent space in Britain devoted to history of architecture. (Gareth Hoskins Architects)
- November 2004: redeveloped three floors of the Henry Cole Wing to complement the Architecture Gallery by providing a Study Room, stores and offices for RIBA materials and staff plus a much-improved V&A Print Room and dedicated teaching space. (Wright and Wright Architects).
- November 2004: Opened the Belinda Gentle Gallery of Metalware on the bridge overlooking the Grand Entrance. It displays over 200 pieces of brass, pewter and cutlery dating from 1400 to the present day.
- November 2004: Opened a new Members Room to provide a calm and elegant place where Members can relax and get light refreshments. (Designed by Softroom)
- December 2004: Opened the Märit Rausing Gallery of Contemporary Glass to showcase the V&A's spectacular collection of modern glass. (Pringle, Richards, Sharratt Architects)
- March 2005: Opened the Julie and Robert Breckman Gallery of Prints and Drawings and also the International Music and Art Foundation Gallery of Portrait Miniatures. These galleries complete the relocation of the Museum's paintings collections to the original suite of top-lit galleries that was begun when the five Paintings galleries opened to the public in 2003. (Designed by Casson Mann)

Other major FuturePlan projects were also advanced during 2004/5. Kim Wilkie Associates were selected by competition to re-design the Garden at the Museum's heart. In the next two years the V&A will open new galleries for Scared Silver & Stained Glass, Sculpture and Islamic art, alongside a new Shop and Restaurants. Studies have

also begun for new Jewellery and Ceramics galleries to open by 2009. The biggest FuturePlan gallery project, though, is the suite of Medieval & Renaissance Galleries, due to open by 2010. Extensive research, conservation, design and other preparatory work is already underway and a major funding application was submitted to the Heritage Lottery Fund (HLF).

The V&A Museum of Childhood secured funding from HLF and private donors for Phase 2 of its redevelopment. Starting in October 2005, this will create two new galleries and new facilities that will enable expansion of learning and community programmes. The Museum of Childhood will close for one year while the work takes place.

The V&A Theatre Museum, while working on plans for major redevelopment in the future, redesigned its public entrance area in 2004/05 to make it more appealing and refurbished the studio theatre as a flexible space for live performance. The Theatre Museum shares a building with London's Transport Museum, which embarked on building works in 2004/5. This prompted relocation of some of the Theatre Museum research collections, starting in March 2005. They join the main part of the research collections at Blythe House where, after a short period of closure, an enhanced access service will be provided.

One of the most significant decisions taken by Trustees in 2004/05 was that the Museum would not build the planned new Spiral building on Exhibition Road that would have showcased the V&A's contemporary collections and events. It was concluded that – although more than £30 million had been pledged privately – it would not be possible to raise enough public money to proceed with the project. The loss of this landmark building is to be regretted for the Museum, for London as a world city and for Britain. The Museum is now exploring other ways to display its contemporary programme at South Kensington.

Acquisition

Acquisition is vital for enhancing and developing the Museum's collections, and to their continuing appreciation, inspiration and enjoyment by our audiences. The Museum can make only a very modest allocation for acquisition from its core budgets, which it uses to lever in additional sums from other sources. Nevertheless, items that are the subject of export licence stops because they are deemed highly important for the nation are often prohibitively expensive. The Museum also acquires objects through gifts, donations and bequests, for which it is extremely grateful.

At South Kensington there is emphasis on collecting contemporary works as part of the V&A's important relationship with contemporary design. Under this heading, significant acquisitions in 2004/05 included:

- Six items from COLLECT (the prestigious contemporary craft fair organised by the Crafts Council and held annually at the V&A) were purchased, including a striking oak stool by Jim Partridge and a silver wine carafe by Rudolf Bott. The V&A was also presented with the winning objects of the Sotheby's prize, two necklaces by Evert Nijland and a ceramic piece by Martin Bodilsen Kaldahl
- Prints by Christine Borland and Julian Opie
- 100 architectural designs by Sir Nicholas Grimshaw
- A double-sided clock by 2004 Turner Prize nominees Langlands and Bell was commissioned for the new Prints & Drawings and RIBA Architecture Study Rooms by Robert Breckman in memory of his wife, Julie.

The Museum has adopted a policy of acquiring objects relevant to its major exhibitions. A rare Russian Arts and crafts cabinet (1885-90) and a silver tea and coffee service (1903-3) by Archibald Knox were acquired for International Arts and Crafts, the latter purchased with contributions from the National Art Collections Fund (NACF) and the Friends of the V&A. Modernism, to be held in 2006, has prompted purchases of important posters and furniture.

Other significant acquisitions included:

- Purchase at auction of an exceptional woman's spangled jacket of about 1630-40 (with the help of the NACF) and, even rarer, an unadorned linen handkerchief and bed-cap of similar date.
- An archive of theatrical designs by Oliver Messel (1904-78) (with the aid of the NACF, HLF and the Friends of the V&A)
- The archive of the calligrapher and letter designer Edward Johnson (1872-1942)
- An important group of drawings and designs by Edward McKnight Kauffer (1890-1954)
- A set of publicity materials for 1950s products was acquired for the trade literature collection.

The year's setback was three thefts late in 2004, which showed how vulnerable older parts of the Museum can be. Immediate security measures included closure of some galleries, increased warder density and bag-searching on entry and exit. The thefts necessitated a reprioritisation of budgets from 2005/6 and an advance from DCMS against future Grant in Aid allocations in order to bring forward improvements to security systems. The first phase of these works were underway by the end of 2004/5.

Research

Research underpins all of the Museum's public-facing services and is a fundamental core activity. It operates in various ways; some projects come under the aegis of the dedicated Research Department, others are embedded in many other departments across the Museum. As well as the Museum's own staff, the V&A works with Higher Education and other organisations within the UK and abroad to provide research opportunities and access other streams of expertise and funding. The chief areas for research are the collections, conservation, learning and audiences. Some outputs are highly visible – exhibitions, gallery renewal and books, for example – while others advance our understanding and practice behind the scenes; some projects are discrete with designated personnel and large budgets, other work is small-scale and incremental, but still the lifeblood of the Museum.

Some examples of the V&A's rich and diverse research activity in 2004/5:

- *Spectres* exhibition (24/2/05-8/5/05): curated by Judith Clark, V&A/London College of Fashion Research Fellow in Contemporary Fashion
- *Brilliant* exhibition (toured as V&A branded exhibition to NEC, Birmingham and the National Glass Centre, Sunderland) and a book on lighting in the new range of contemporary publications, by Jane Pavitt, University of Brighton research Fellow in Product Design and Museology.
- C.60 MA, MPhil and PhD students on the post-graduate courses in Design History and Conservation run jointly with the Royal College of Art (RCA)
- 3-year research project into the conservation of Japanese lacquer was awarded a grant from the Getty Grant Program. In collaboration with the Tokyo National Research Institute of Cultural Properties, the project will focus on one of the V&A's most prized objects, the *Mazarin* Chest.
- EU-funded research projects: to produce and take to market a new light dosimeter (LiDo) (winner of the European Grand Prix for innovation 2003); to develop methods for making electronic 2D and 3D images available (SCULPTEUR); to improve systems for matching and retrieving art images (ARTISTE) and to develop technology for museums to create 3D virtual exhibitions on the Web (ARCO)
- Partner in the Arts & Humanities Research Board Research Centre for the Study of the Domestic Interior (partners: The RCA, and the Bedford Centre, Royal Holloway, University of London)
- Two international conferences linked to exhibitions: 'Black Style' in partnership with the University of the Arts London; and 'Encounters: The Meeting of Asia and Europe 15500-1800'
- 26 publications published by V&A Enterprises. *Gothic: Art for England* won the AXA/Art Newspaper prize for best exhibition catalogue.

The V&A is part of a consortium led by the University of Brighton that successfully bid to the Higher Education Funding Council for England to become a Centre of Excellence in Teaching and Learning through Design: this will facilitate research into how HE students use the Museum.

V&A websites

The worldwide web is increasingly a tool for enabling access to the collections. In 2004/5 the number of visits to V&A websites increased enormously to over 6.5 million, making it the third most-visited art museum site in the country. This success reflected a redesign that made the site much easier to use. The V&A's electronic newsletter is emailed to nearly 50,000 subscribers.

Over 20,000 objects are now available for close scrutiny in 'Search the Collections' (formerly 'Collections Online'). New aspects include 360° views of the Paintings galleries that allow users to zoom in on individual paintings. The National Art Library site merged with the main Museum site to make searching easier. Major exhibitions are accompanied by web microsites that provide background information and educational materials as well as selling tickets. They also ensure a life for the content that extends beyond the run of each exhibition. Other online projects included the digitisation of c. 600 textile fragments from the Ancient Silk Road of central Asia (funded by the Andrew W Mellon Foundation), and development of a history site (with the National Archives) aimed at primary schools, 'The Tudors'.

The MoC and TM websites will be re-designed in 2005/6.

The V&A was the only National Museum to gain a commission from Culture Online in the first round of bids, for a project called *Every Object Tells a Story*. The main partners with the V&A are Ultralab (at Anglia Polytechnic University) and Channel 4, and three of the V&A's UK Partners (see below) are also involved (in Tyne & Wear, Manchester and Brighton).

Learning and Community Events

- Between September and December 2004, 22,500 school students visited the V&A at South Kensington – up 23% on the previous year.
- Over 17,000 people attended the two-day Chinese New Year festival; a quarter of these were first-time visitors to the V&A.
- To coincide with the *Encounters* exhibitions, the V&A was represented at the Asian Mela in Gunnersbury Park in west London. A cultural celebration in the opening week was attended by people from all parts of the Asian community and encouraged them to promote the exhibition. Supporting events included talks on the history of Asians in Britain, film screenings with Meera Syal and Mike Leigh and a Fashion Fun Day.
- The V&A celebrated the 40th anniversary of the Notting Hill Carnival in 2004 with an exhibition of photographs and costumes: people were encouraged to use their mobile phones to text comments and stories to the *Every Object Tells a Story* website. A Carnival For All day included puppetry, music, dance and film, and ended with a costume parade with 18 Carnival *mas* bands.
- The Language & Literacy programme assisted over 1,500 refugees and non-English speakers.
- The second photographic competition and exhibition was run in collaboration with Mencap to encourage creativity in people with learning difficulties.
- A new programme of social inclusion initiatives included workshops and short placements for young people at risk and the homeless.
- Family events were especially successful in the school holidays, with t-shirt printing workshops proving highly popular. Over 4,600 children and adults participated on one half-term holiday, more than double the same period in 2003.
- A highlight of the young people's programme was the pilot of the V&A College. Gifted and talented students from a range of state schools and social backgrounds attended Saturday workshops at the Museum.
- The V&A/RIBA Architecture partnership proved popular with over 1,300 people attending special gallery openings, lectures and workshops.
- 'Friday Lates', now in their fifth year at South Kensington, present an eclectic mix of displays, music and performance. Average attendance for each of the ten evenings was 3,500.
- Weekly Wednesday late opening offers lectures and other events, including a singles evening (in association with the dating agency Art to Heart).
- The V&A hosted *Joined Up Design for Schools in 2005*, an exhibition for the Sorrell Foundation that brought together pupils from over 60 schools and top designers and architects.
- MoC introduced new teaching sessions and resources for school parties and its capacity of almost 15,000 children was quickly filled.
- MoC ran new daily gallery activities including handling sessions, trails, arts and crafts, dance and movement workshops. There was also a diverse programme of special events, many linked to exhibitions.
- MoC Community Programme ran artist-led workshops with local people of all ages. See the Funding Agreement section – World in the East End projects reported under qualitative targets.
- TM introduced early evening events on Thursdays and Fridays. Under the banner 'Inside TheatreLand', a range of talks, debates, interviews and performances explored performance past and present.
- TM's continuing programme, ranging from formal education to make-up demonstrations, costume workshops and storytelling, remained popular. Visits during February half-term were up by 12% compared to 2003/4.

UK Strategy

The V&A's widespread national working was given added focus and impetus in 2004/5 through some restructuring and the agreement of a new UK Strategy and Policy in September 2004. The Museum's activity and presence throughout the UK is more fully reported in 'V&A UK 2004/5', the first annual report on national working. Some specific initiatives and projects are outlined below, but there are many other examples of advice and practical assistance between the V&A and regional organisations.

Around 3,000 objects are made available in the UK through touring exhibitions and loans every year. New models of co-operative exhibitions have been developed to maximise opportunities to bring V&A collections to new audiences and to ensure that the V&A gets appropriate recognition. This has led to an increase in V&A exhibitions – alone and in partnerships – from one or two per year up to 2003, to 15 exhibitions at 10 venues in 2004/5. Eight of these had reported visitor figures by mid-May 2005 and these totalled over 200,000.

V&A UK Touring Exhibitions 2004/5

Title	Venue and Region	Dates	No. objects (No. V&A Objects)	No. visits
Cinema India	Birmingham Museum & Art Gallery West Midland (V&A UK Partner)	19/3/04 – 20/06/04	111 (111)	18,800
Zoomorphic	Bury St Edmunds Art Gallery East of England	3/7/04 – 4/9/04	78 (0)	900
Radiant Buddha*	Birmingham Museum & Art Gallery West Midland (V&A UK Partner)	13/11/04 – 30/01/05	24	77,300
	Cartwright Hall, Bradford Yorkshire & Humberside	14/2/05 – 24/4/05	(14)	Not yet available†
Brilliant	The Lighting Show, NEC, Birmingham West Midlands	23/1/05 – 26/1/05	6-7***	15,000
	National Glass Centre, Sunderland North East	17/2/05 – 30/4/05	(0)	Not yet available
Must-Have Toys	Tullie House Museum, Carlisle North West	12/2/05 – 15/5/05	168 (165)	Not yet available
Totals				
5 exhibitions	7 venues		385 (290)	112,000 (so far)

* Joint acquisition and touring exhibition with the British Museum
†29,000 in the first two weeks

V&A Co-operative Exhibitions 2004/5

Title	V&A Staff Member	Venue and Region	Dates	No. objects (No. V&A Objects)	No. visits
The Biggest Draw		Millennium Galleries, Sheffield	15/9/04 –		
Co-curated by the V&A		Yorkshire & Humberside	15/12/04	78	12,700
Aspects of Architecture		Graves Art Gallery, Sheffield	22/9/04 –		
Curated by the V&A		Yorkshire & Humberside	22/1/05	68	13,300
Toulouse-Lautrec and the Art of the French Poster		Bowes Museum North East	10/9/04 – 13/3/05	73	46,700
Curated by the Bowes Museum with support from the V&A		Ferens Art Gallery, Hull Yorkshire & Humberside	From March 05		Not yet available
Depth of Field: the place of relief in the time of Donatello		Henry Moore Institute, Leeds	23/9/04 –	40	16,000
Produced by HMI in collaboration with the V&A		Yorkshire & Humberside	27/3/05		
Beatrix Potter's Garden		Reading Museum South East	21/2/04 – 30/5/04	11	
Organised by the Warne Archive with V&A support		Portsmouth City Museum South East	20/6/04 26/9/04	11	Not yet available
		Liverpool Museum North West	9/10/04 – 8/1/05	38	
Totals					88,700
5 exhibitions	8 venues			297	(at May 2005)

The V&A has a strong, formal partnership with the Sheffield Galleries & Museums Trust (SGMT) that includes co-operation across all activities, not just loans and exhibitions. A similar model, albeit not contractual, is being developed with another four museum/gallery services to form a productive network: the V&A UK Partnership. As well as SGMT, the Partnership includes: Tyne & Wear Museums, Manchester City Galleries, Birmingham Museums & Art Gallery and Brighton & Hove Museums.

These are the Partners in a highly successful consortium – also including NCH, the children's charity to deliver a DFES/DCMS Strategic Commissioning project called *Image & Identity*. 2004/5 was the second year of the project and through creative workshops, museum visits and other events it engaged with 940 young people from participating schools, NCH centres and residential units for looked after children, plus over 50 teachers, artists and carers. Compared with 2003/04 there was much less Government funding available (£80,000 compared to £350,000) but an additional £131,000 was raised in grants from the Paul Hamlyn Foundation (£95,000) and the Lloyds TSB Foundation for England & Wales (£36,000). *Image & Identity* continues in 2005/6, but the availability of public funding thereafter is not known.

The fact that three UK Partners are involved in the Culture Online project, *Every Object Tells a Story* was referred to above. In addition, Manchester and Tyne & Wear have joined a V&A initiative for adult learners, *Inspired By*. This is an annual competition in which people (some with disabilities or learning difficulties) enter things they have made inspired by museum objects. The winners and selected entries are shown in the museums.

The V&A was successful in four bids to the Museums, Libraries & Archives Council to initiate Subject Specialist Networks: one Implementation Grant and three Exploratory Grants. This concept of networks based on collections expertise rather than geography is seen by the Museum as a useful way to share collections, skills and knowledge.

The V&A runs the MLA/V&A Purchase Grant Fund (PGF) that makes grants for acquisitions to non-national museums, galleries and specialist libraries. It is through the PGF that many regional organisations deal with the V&A, and it is a source of advice as much as funding. In 2004/5 the PGF engaged with 141 institutions, 104 of which received grants totalling £1 million. This enabled purchases costing £3.8 million to go ahead.

International

The V&A's reach is international. As for national working, collections are made accessible through V&A touring exhibitions and loans, while V&A personnel collaborate with colleagues around the world. Curators worked with the Islamic Mediterranean Group and advised museums in Mumbai and Jodhpur on collections care issues. The V&A continues to develop links in China, and a staff member from Beijing Museum was seconded to the V&A for two months in 2004 to gain professional experience. International research projects are noted in the relevant section.

Four major V&A exhibitions toured internationally in 2004/5. *Art Deco 1910-1939* continued its tour in San Francisco and Boston. Nearly a million visitors have now seen the exhibition. A smaller version will tour Japan in 2005/6. *Palace and Mosque: Islamic Art for the Victoria and Albert Museum* opened at the National Gallery of Art in Washington DC in July 2004. The international tour of this exhibition has been made possible by the generosity of Mohammed Jameel, the benefactor of the V&A's Jameel Gallery of Islamic Art which is dedicated to the memory of Mr Abdul Latif Jameel, the late founder of the Abdul Latif Jameel Group, and his wife, Nafisa. Vivienne Westwood was the first V&A exhibition to travel to Australia, where it was shown at the National Gallery of Canberra and attracted over 60,000 visits. *Rural England Through a Victorian Lens* showed photographs by Benjamin Brecknell Turner at the St Louis Art Museum.

The V&A began work to formalise its international strategy and this will be published in 2005. The Museum also participated in regular meetings with the British Museum and British Library to co-ordinate international activity and advocacy.

International loans were made to 100 venues during 2004/5, including to the following exhibitions:

- *Fra Carnevale* at the Metropolitan Museum of Art in New York (two Della Robbia roundels)
- *La Ceramica umbra al tempo del Perugino* in Deruta, Italy
- *Cloud Images: The Discovery of the Heavens* in Hamburg (sketches by Constable)
- *Goa and the Great Mughal* at the Calouste Gulbenkian Museum, Lisbon
- *Working for Diaghilev* at the Groninger Museum, The Netherlands.

V&A Enterprises

V&A Publications published 26 new titles in 2004/5. Corporate Events looked after over 17,000 guests. The focus for Business Development & Licensing has been to capitalise on the Museum's touring exhibitions, particularly in Japan, and the awareness on the V&A brand that these bring. V&A Images (VAI) launched its commercial website in June 2004. VAI is now represented by agencies in Sweden and Germany, with representation in Spain, Poland, the USA and Russia in development. V&A Shops increased in both number and size and a new website was launched in March 2005. Product design has included unique collaborations with leading designers and artists, and has featured prominently in the press.

Performance against DCMS agreed targets

The DCMS/V&A Funding Agreement 2003/4 – 2005/6

The relationship between the V&A and its sponsoring body, the DCMS, is largely defined by the Funding Agreement. 2004/5 was the second year of a three-year agreement. The Funding Agreement sets targets for six core quantitative performance measures and the Museum also reports on four 'case studies' as examples of qualitative performance measures that contribute to DCMS's strategic priorities (SPs). The year-end report is required by DCMS by July 2005 and is thereafter published on the Museum's website. The provisional core target outturns for 2004/05 are given below with summaries for the qualitative measures.

Core quantitative measure (all sites)	2003/4		2004/5	
	Target	Outturn	Target	Outturn (provisional)
Total number of visits	2,000,000	2,689,500	2,250,000	2,471,600
Total Number of visits by children (aged 15 and under)	300,000	309,500	305,000	364,800
Number of website visits User sessions at all V&A sites)	2,500,000	4,120,000	2,600,000	6,541,900
Number of venues in England to which objects from the collections are loaned *	250	255	250	252
Number of children in organised education sessions	205,000	284,000	220,000	309,300
Number of visitors from socio-economic groups C2, D and E to achieve an 8% increase by 2005/6 on the 2002/3 baseline	168,000	248,800	173,000	238,100

* Target adjusted to 250 in 2004/05.

The V&A met all of its Funding Agreement performance targets in 2004/05 and substantially exceeded some of them. The V&A fulfilled its ambition to sustain visit numbers of over 2 million per year at South Kensington, even after the initial impact of free entrance and the opening of the British Galleries in 2001/02 declined. The 8% drop in the visits total compared to 2003/04 can be largely ascribed to the exceptional success of the *Art Deco* exhibition last year. The Theatre Museum and Museum of Childhood each continued to build their audiences, with increases of 7% and 3% respectively.

Within overall visit numbers there are other successes to celebrate. The numbers of children visiting all the V&A Museums are up and the rise at South Kensington is 26%. This is due in part to a reinvigorated programme for schools plus the popular family events at all sites, such as *Carnival* and t-shirt printing workshops. This is also reflected in the increase of 9% in the number of children taking part in learning activities across the V&A. While the number of UK visitors from socio-economic categories C2, D and E has declined somewhat in absolute terms, the proportion of the audience from these groups has risen.

Use of the Museum's websites increased massively in 2004/05. Some of this can be attributed to wider internet usage generally, but the V&A has also worked hard to improve its web-based services through clearer design and navigation, specific sites for major exhibitions and rich, participative content. The main site was re-launched in July and the number of user-sessions leapt up immediately. Visits to the Theatre Museum and Museum of childhood sites more than doubled, with the *PeoplePlay UK* site being credited for the especially large rise of 137% at the Theatre Museum.

The V&A is one of the most active national museums in making its collections available through loans and touring exhibitions, but the performance measure is only part of the story. As well as at venues in England, V&A objects can be seen throughout the UK and around the world.

Qualitative measures

DCMS SP1: Enhancing access to a fuller cultural life for children and young people

V&A activity: the Big/Biggest Draw annual events

The V&A participates in the Campaign for Drawing's annual Big Draw, with a range of creative family events. In 2004/5 the focal point was an exhibition called *The Biggest Draw*, co-curated by the V&A and its primary regional partner, the Sheffield Galleries & Museums Trust. The exhibition took place at the Millennium Galleries, Sheffield, 15/9/04-15/12/04. The V&A lent 78 of the c. 150 objects on show. An entrance charge applied, except on the main Big Draw Live Saturday when 2,750 people attended and participated in special events (average Saturday attendance is 200). 2,975 school pupils attended in booked groups.

The total number of visits to *The Biggest Draw* exhibition was 12,700.

The theme for the V&A's own 2004 Big Draw programme was 'Getting into Shape'. Events run took place on the 26 September as part of the 'Rolf On Art' launch at Trafalgar Square and during the weekend of 16 and 17 October at the V&A. 4,154 visitors took part (1,767 adults and 2,387 children).

DCMS SP2: Opening up our institutions to the wider community to promote lifelong learning and social cohesion.

V&A activity (i): Black British Style exhibition

Black British Style (BBS) was shown in the Contemporary Space at V&A South Kensington, 7/10/04-16/1/05 and was part of a sustained strategy to build a loyal Black British audience. It was the first exhibition to look at the style of Black Britons and examine its historical roots. It was accompanied by a lively events programme that included workshops for designing graffiti T-shirts, breakdancing, hip-hop and fashion poetry and a "Looking Good" day that focused on black hair and grooming, as well as the Museum's regular celebration of Carnival. The BBS exhibition will be toured to Manchester, Bradford, September, Bristol, Birmingham, Leicester in 2005-2007 and the V&A has secured a grant of £50,000 from Arts Council England – matched from other sources – to support an associated events programme.

Number of visits to the BBS exhibition: 45,700

Number of participants in BBS and Carnival events: over 8,600

Events participants profile: more than 50% Black and ethnic minority visitors.

V&A activity (ii): Museum of Childhood World in the East End gallery and events programme

The Gallery opened in January 2004. It explores the traditions of diverse local communities and the contribution they make to the cultural livelihood of the area through objects, film, images and text. There are sections for young people's research and a temporary display area that presents changing exhibitions of work made as part of the Museum's Community Programme by local schools and community groups. 2004/5 projects included:

- A Tower Hamlets tower block made from shoe boxes by a year 6 class from Shapla School.
- A hanging textile of playground games and rhymes made by a gifted and talented group at Bluegate Fields Primary School. A local artist's painting, commissioned by the Museum and depicting multicultural nursery rhymes, inspired the project.
- A video about comparative childhoods made by year 4 pupils at Cyril Jackson School and their parents.
- A week-long project with ten refugee orphans living in care in East Ham. The group visited a number of local sites before making their own work at the Museum.

DCMS SP3: Maximising the contribution that the leisure and creative industries can make to the economy.

V&A activity: The V&A as a showcase for talent; various events

- **Fashion in Motion:** These exciting catwalk shows have become must-see events and the 2,000 free tickets are snapped up within hours of release. In 2004/5 the subjects were Vivienne Westwood, top graduates from Central St Martins College of Art and Swarovski (in association with Istituto Marangon).
- **COLLECT:** January 2004/5 was the second time this prestigious craft fair, organised by the Crafts Council, was held at the V&A. 8,000 people attended and the V&A made several significant acquisitions through purchase and presentation of award-winners.

- Inspired By: a competition for adult learners in the decorative arts who make their own works based on Museum objects. Selected entries are displayed at the V&A's three sites, where possible close to the objects that inspired them. Some of the student entrants have disabilities or learning difficulties. The competition began in 1999 and is organised by the V&A Access, Social Inclusion and Community Development team with support from the National Institute of Adult Continuing Education. In 2004, 84 objects out of 173 entries were displayed. For 2005 the project has been extended to include partner museums in Tyne & Wear and Manchester.
- The V&A hosted the annual Classic Design Awards in association with Homes & Garden and Crabtree & Evelyn. This is the only award that recognises the best in mass-manufactured design for the home, products that serve their purpose perfectly, enhance the quality of our lives, and will stand the test of time to become classics. The awards event was held in the V&A in March 2005.
- The Museum also runs the V&A Illustration Awards annually, culminating in an exhibition at the V&A South Kensington (1/12/04-15/5/05).

Foreword to the V&A Annual Report & Accounts 2004/05

FINANCIAL REVIEW

The accounts have been prepared in a form directed by the Secretary of State with the consent of the Treasury in accordance with the Museum and Galleries Act 1992.

In 2004/5 the Museum recorded a deficit of £151,662 on its general funds (net of transfers from designated and bequest funds). The gross deficit, before transfers from designated and bequest funds, is £1.68m (2003/4-£0.78m). Although the final result was similar to original budget, the composition of that result reflected a mixture of positive and negative variances.

Whilst attendances for Vivienne Westwood and Bill Brandt met target, audiences for Encounters were below those we had hoped for and this led to lower admission ticket income and retail spending. Also, on the income side, the Museum launched its Corporate Membership scheme, which performed well although it drifted somewhat from budget.

On expenditure, the Museum incurred significant costs in setting up an operation in New York, which will bring benefits to fundraising for the FuturePlan in future years. The trading company also undertook important investment expenditure in the year, including an ambitious upgrade of stock and EPOS systems and an expansion of the exhibition shop.

The Museum also undertook a large amount of departmental restructuring within the year, which resulted in the reduction of permanent staff posts. Although complex and expensive, such work was essential to increase efficiency and reduce the underlying annual running costs of the Museum. Spending on restructuring was within budget.

During the year the V&A spent £10.13m in the support of FuturePlan, of which £8.4m was financed from external funders (public and private). The V&A has been successful in using relatively modest spending from its own resources to lever substantial additional funding, but is 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 £350m (see note 14), which includes the market value of inalienable property and restricted funds donated for specific projects, neither of which would be available for the general financial support of the Museum.

The Trustees have access to only the combined total of certain General, Designated and Bequest funds, which stand at £4.27m ie: £4.47m less £20m investment in V&A Enterprises Ltd (2004: £5.66m, see note 22). The reserves fell due to the deficit recorded on the operational account, which was partially financed by the Bequest funds. There was also a rise in the value of Bequest Funds due to an improvement in the value of investments, which somewhat compensated for the deficit.

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.

Though grant-in-aid accounts for around half of the Museum's income, the remainder of operational costs must be financed by self generated income (such as exhibition admission 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. The market value of investments was £5.4m at 31 March 05 and the net gain on revaluation was £0.5m during the year.

Fixed Assets

During the year, the Museum at South Kensington was revalued at £289.9m by Gerald Eve, Chartered Surveyors; the Museum of Childhood at Bethnal Green at £9.1m; and a third of the site at Blythe House at £7m.

The depreciation charge for the year was £7.310m (2004: £5.385m)

Payment policy

The Museum's expressed intent is to adhere to the Government's standard on bill paying by aiming to settle bills within the 30 day terms of the Museum's standard contract. From a sample, we can project that over the past year the average time for payment of invoices not subject to query was 29 days (2004: 26 days).

Trading Company

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 Ltd. As at 31 March 2005, VAE was due to make a gift aid payment of £872,218, which transferred the balance of its taxable profits to the Museum.

Political Gifts/ Donations

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

Post Balance Sheet Events

There have been no post balance sheet events.

Policy in relation to disabled employees

The V&A policy in relation to disabled employees forms part of the Museum's Diversity Policy and is stated in the Staff Handbook (Section E5). The opening policy statement is:

The Victoria & Albert Museum is committed to equal opportunities for all its employees and potential employees. All individuals will be treated or considered for employment and advancement on the basis of their relative merits, abilities and qualifications. The aim of this policy is to ensure that every employee, prospective employee or person connected with the V&A will receive equally favourable treatment regardless of their gender, marital status, sexual orientation, race, ethnic/national origins, colour, disability, religion or belief and membership/non-membership of a Trades Union. The V&A is committed to making this policy effective and will continually monitor and review the Museum's employment practices. Harassment, discrimination or victimisation on the grounds listed above are unacceptable to the V&A in its role both as an employer and as the provider of an important public service.

In recent years, the V&A's senior management team has made a significant commitment to disability, taking an integrated approach to both audiences and staff. Following the success of the British Galleries development in 2001, where an Access Consultant was employed for the first time, disability has been firmly on the museum's agenda.

- A dedicated Disability And Access Officer was appointed in 2002;
- The Management Board and Board of Trustees signed up to the Access, Inclusion and Diversity Strategy in 2003 and to the Disability Action Plan in March 2004 (see below);
- Funding for disability initiatives was agreed in 2004, with an additional £65K allocated for year 1 delivery against the Disability Action Plan;
- Since 2002 there has been a Board-level Diversity Champion
- There is specific inclusion of disability equality within the 5 year Strategic Plan 2005 – 2010 (see below);

- The V&A was granted Disability Two Ticks symbol-user status in spring of 2003 and has had this re-endorsed in spring 2005;
- The V&A signed up to the Employer's Forum on Disability "Disability Standard" in spring 2005, a national benchmarking survey spanning service delivery, education and employment of disabled people.

The Disability Action Plan: The purpose of the V&A's Disability Action Plan (2004/07) is to help the museum focus on areas covered by the Disability Discrimination Act and to complement Museum policies such as Access for Disabled People; the Access, Inclusion and Diversity Strategy, and the Diversity Policy. Its purpose is to help the Museum achieve equality in employment, service provision, access to premises and education, and it aims to show how – through changing attitudes, the development of partnerships and increased expertise – the V&A can continue to be proactive in recognising and removing the barriers which disabled people face in accessing the museum in different ways. It is also a recognition that improving provision for disabled people will create an environment which will be accessible to all users.

Disability and the V&A Strategic Plan: The V&A's Strategic Plan 2005-2010 articulates the broad strands of activities and major goals that the Museum will work towards over the next five years. One of the strategic objectives identified is the provision of optimum access to collections and services for diverse audiences, both now and in the future. This includes a commitment to increasing the diversity of its personnel and developing a more diverse pool of museum sector recruits, and to increasing consultation with stakeholder groups, including employees (reference to section A1, in particular, of the V&A Strategic Plan 2005 – 2010, and D1.s3) .

Action taken to maintain or develop the provision of information to, and consultation with employees

There are several streams by which the Museum regularly keeps staff informed of plans and progress:

- Intranet
- Teambrief: distributed monthly electronically for managers to use at local staff briefings
- V&A News: monthly informal hard copy newsletter
- Museum Notice: occasional bulleting distributed as hard copy and on the Intranet with official notices on staffing, policy and procedures
- Meetings for all staff four times per year at which topical items are presented and comments invited.

Museum representatives meet the Trade Unions Side in the Joint Consultative Committee every two months: the Director attends at least one meeting per year. A new three-year pay deal was agreed in 2004/5.

The V&A Plan 2004/05 was distributed as hard copy to every Department – one copy per person in those departments that required this – and was available via the Intranet document Library. The V&A Strategic Plan 2005-2010 has been distributed in the same way, and has, additionally, been published on the V&A website.

The V&A operates a scheme under which staff may observe meetings of the Management Board. Minutes of Management Board meetings are posted onto the Intranet.

In 2004/5 the V&A embarked upon Cultureplan. This long-term project complements FuturePlan by focusing on people rather than buildings and collections. The aim is to improve public service by embodying the Museum's values in the way its people work, thus making the Museum a more satisfying place to work. A network of 'champions' and managers is being established throughout every Department to identify the things staff want to change and ways to achieve this.

Auditors

The Museum is audited by the National Audit Office. The estimated cost of work performed in respect of the reporting period is £26,000.

Future Direction

The V&A has published a five-year Strategic Plan 2005-2010, in a break from the annual Plans of recent years. The Strategic Plan is available via the V&A website. There are four primary, long-term strategic objectives and the Plan sets out how the Museum will work towards achieving these by defining outcomes for the short-term (2005-07), medium-term (2008-09) and longer term (2010). It also discusses performance measurement and the Museum will agree a suite of measures during 2005/6. The four primary strategic objectives fall under 'strands' of activity and each of these is subdivided into 'themes':

Strand: Strategic Objective	Themes
Access & Audiences: To provide optimum access to collections and services for diverse audiences, now and in the future	The V&A continues to build audiences in both size and diversity The V&A's collections are accessible to all People enjoy themselves, learn and find inspiration at the V&A The V&A is a visitor-focused e-museum
National & International: To be acknowledged and respected as the world's leading museum of art and design	The V&A is an international organisation, not a location The V&A helps to promote London as a world city The V&A's reputation is based on excellence The V&A is a nationwide museum
Creative Design: To promote, support and develop creativity in individuals and in the economy	Creativity is at the core of the V&A's purpose The V&A's public offer reflects the central position of creativity in the Museum's values The V&A is a key player in the UK creative economy
Efficiency & Effectiveness: To operate with the greatest possible financial and organisational efficiency	The V&A is a joined-up organisation The V&A delivers maximum benefit for all investment in it The V&A is increasingly an environmentally sustainable organisation The V&A's collections and assets are well protected and managed



MARK JONES
 Director and Accounting Officer
 14 July 2005



PAULA RIDLEY OBE
 Chairman of Trustees
 14 July 2005

Annex A: Legal and administrative information

Trustees

Paula Ridley OBE (Chairman)

Jonathan Altaras

Professor Margaret Buck

Jane Gordon Clark

Professor Rob Dickins CBE

Professor Sir Christopher Frayling MA

Professor Lisa Jardine CBE

Rick Mather

Peter Rogers

Paul Ruddock

The Right Hon Sir Timothy Sainsbury

Dame Marjorie Scardino DBE

Betty Jackson MBE (joined 6.12.04)

Samir Shah OBE (joined 6.12.04)

Director

Mark Jones

Principal address

Victoria and Albert Museum
Cromwell Road
London SW7 2RL

Auditors – External

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

Bankers

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

Solicitors

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

Auditors – Internal

Littlejohn Frazer
1 Park Place
London E14 4HJ

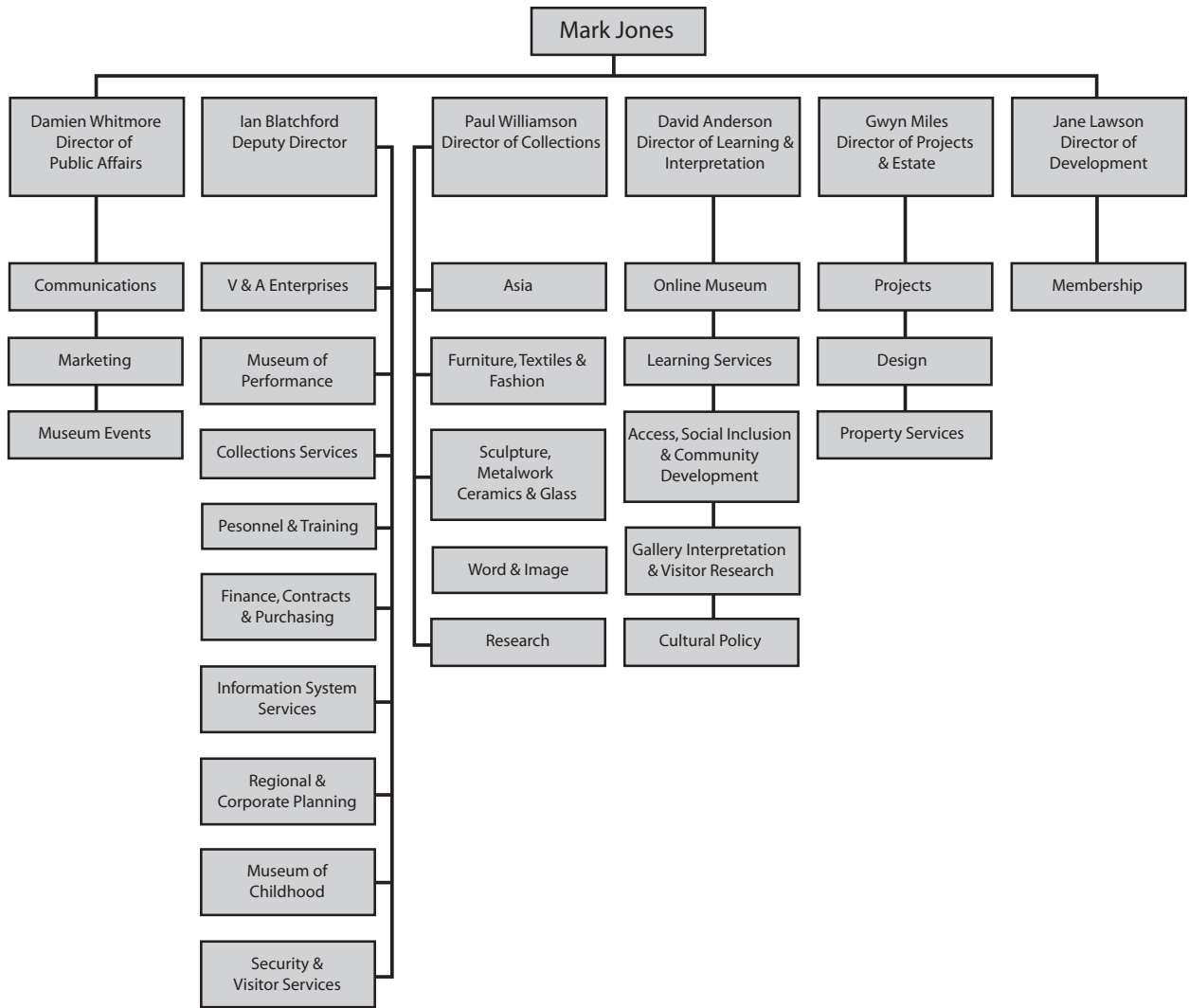
Investment Managers

Chiswell Associates Ltd
4 Chiswell Street
London EC1Y 4UP

Annex B: Organisational structure

The diagram shows the V&A's organisational structure at July 2005

V&A Organisational Chart: 1 July 2005



The Management Board consists of:

Mark Jones, Director
 David Anderson, Director of Learning & Interpretation
 Ian Blatchford, Deputy Director
 Julius Bryant, Keeper of Word & Image Department
 Di Lees, Director of Museum of Childhood
 Geoff Marsh, Director of Theatre Museum

Beth McKillop, Keeper of Asian
 Gwyn Miles, Director of Projects & Estates
 Nick Umney, Director of Collections Services
 Paul Williamson, Director of Collections
 Damien Whitmore, Director of Public Affairs
 Christopher Wilk, Keeper of Furniture, Textiles & Fashion Department

Laurence Stracey

In May 2005 the Museum was deeply saddened by the sudden death of Laurence Stracey, Director of Personnel & Visitor Services. He was an outstanding member of the management team and a respected figure amongst the wider museum community.

Annex C: Supporters

The V&A would like to thank the following for generously supporting the Museum's ongoing redevelopment programme

William and Judith Bollinger
Mr and Mrs Edwin Davies OBE
Department for Culture, Media and Sport
Sir Harry Djanogly CBE
The Friends of the V&A
The Hintze Family Charitable Foundation
John Madejski OBE DL
Paul and Jill Ruddock
The Wolfson Foundation
And others who wish to remain anonymous

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The Michael Marks Charitable Trust
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The BAND Trust
The Horace W. Goldsmith Foundation
Hari N Harilela
Mr and Mrs Maurice Lambert
Patricia Wengraf Ltd
The Old Possum's Practical Trust
The American Friends of the V&A through the generosity of the Parnassus Foundation, courtesy of Jane and Raphael Bernstein

Annex C: Supporters (contd)

The V&A is particularly grateful to those who have made a significant contribution to the Museum's work

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Friday Late: Garden Night
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Friday Late: Village Fete
 Marks and Spencer

Gothic: Art for England 1400-1547
 The Manifold Trust

International Arts & Crafts
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The American Friends of the V&A through the generosity of the Figge Foundation
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Abbas Kiarostami: Visions of the Artist
 Iran Heritage Foundation

A Masterpiece Reconstructed: The Hours of Louis XII
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 Arts Council England
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Style and Splendour: Queen Maud of Norway's Wardrobe 1896-1938
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Georgina and Katy English
The Friends of the V&A
James Galanos
Glass Artists' Gallery and Simon Butler
Glass Artists' Gallery and Craft Arts Magazine
Nicholas and Judith Goodison through the National Art Collections Fund
Grace Construction Products
Karl Guttman
Brian Harkins
Barbara Hepworth Estate
Theo Hessing
The Kessler Foundation which is funded by the Jewish Chronicle
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Dominic Lowe, in memory of Aeneas John McDonnell
The family of Feroza Jamsheed Marker, in her memory
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 The American Friends of the V&A; Gift to the American Friends by Leslie and Judith Schreyer
 The Charles Wallace India Trust
 The American Friends of the V&A through the generosity of Mrs Deedee Wigmore
 The W Investments Scholarship
 The Worshipful Company of Scriveners
And others who wish to remain anonymous

The Oliver Ford Scholarship
 The Oliver Ford Trust

V&A Illustration Awards
 The Enid Linder Foundation

The Warne Curatorship for Children's Literature
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V&A Museum of Childhood

Arts & Business
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And others who wish to remain anonymous

Annex C: Supporters (contd)

V&A Theatre Museum

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The Cameron Mackintosh Foundation
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The American Friends of the V&A through the generosity of Chase Mishkin
National Art Collections Fund
New Opportunities Fund
Brian Peters
The American Friends of the V&A through the generosity of Harold Prince
The American Friends of the V&A through the generosity of Martin E Segal
The American Friends of the V&A through the generosity of the Melvin R Seiden Fund of the Fidelity Charitable Gift Fund
The American Friends of the V&A through the generosity of the Dorothy Streslin Foundation
Iris Tunicliffe on behalf of the Museum of Entertainment, Whaplode St Catherine

The V&A would like to pay special tribute to the following Major Benefactors for their extraordinary generosity

William and Judith Bollinger
The Clore Duffield Foundation
Mr and Mrs Edwin Davies OBE
Department for Culture, Media and Sport
Sir Harry Djanogly CBE
The Friends of the V&A
The Headley Trust
Heritage Lottery Fund
Michael and Dorothy Hintze
The American Friends of the V&A through the generosity of the Iris Foundation
Mr Mohammed Abdul Latif Jameel
John Madejski OBE DL
The Monument Trust
National Art Collections Fund
National Heritage Memorial Fund
Paul and Jill Ruddock
Dr T T Tsui
The Weston Family
The Wolfson Foundation
And others who wish to remain anonymous

The V&A is most grateful to the Trustees of the American Friends of the V&A for their valuable commitment and support

Mr Ian Blatchford
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Mrs Frances Downing
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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
14 July 2005



PAULA RIDLEY OBE
Chairman of Trustees
14 July 2005

* (a copy of which is available from the Head of Finance, Victoria & Albert Museum, Cromwell Road, London SW7 2RL)

Statement on Internal Control

Scope of Responsibility

1. 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.
2. The Museum has a three-year funding agreement with its Government sponsor body, the Department for Culture, Media and Sport (DCMS), which includes targets for the Museum, to assist the Department in meeting its Public Service Agreement obligations and identifies the most significant risks to achieving the Museum's objectives. Progress against those funding agreement targets is monitored at least quarterly.

The purpose of the system of internal control

3. The system of internal control is designed to manage risk to a reasonable level consistent with the Museum's purpose and objectives. It is not designed to focus on elimination of risk and the system can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system's approach is an ongoing process designed to identify and prioritise the risks to the achievement of the Museum's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised; and to manage them efficiently, effectively and economically.
4. The system of internal control has been in place in the Victoria and Albert Museum for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

5. The Trustees maintain an overview of internal control issues through the Audit Committee. This Committee plays a pivotal role in ensuring a sound control environment, and in the course of 2004/5 its membership was enlarged to ensure that a wide range of experience and expertise was available to the Museum.
6. Its membership now comprises three Trustees (one of whom chairs the Committee) and two external members, especially qualified for membership through their professional experience. The Director, Deputy Director and Head of Finance attend all meetings, as do representatives of the National Audit Office, and Internal Audit. The Committee may hold sessions with auditors alone or without management, at any time.
7. The Audit Committee has approved both a Risk Management Policy and a Risk Register, which it reviews regularly.

The risk and control framework

Identification and assessment of risk

8. The Museum first undertook a major risk review in 2002/3 and held management workshops, attended by representatives of all grades of staff throughout the Museum, during which it identified the Museum's significant risks as well as the mitigating actions being taken to minimise those risks.
9. The Risk Register identified almost 60 specific risks and in each case the risk was 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 (in terms of viability and reputation) on the Museum of a risk being realised and the probability of occurrence.
10. However, in January and April 2005, the Audit Committee decided to review the format of the Risk Register, and the management arrangements supporting it. The Committee was concerned that the large number of risks identified made comprehensive review by the full Board of Trustees impractical and that some of the risks were more appropriate for executive review.

11. The Committee decided upon certain changes with effect from 1 April 2005, the most important of which are as follows:
12. *Format of Registers.* In future the Museum will maintain two registers: Strategic and Operational
13. The **Strategic Risk Register** will deal with issues mostly within the control of Trustees, and so likely to benefit from their scrutiny. Such risks would include governance, reputational and policy matters.
14. It was also agreed that this section would include key physical threats, relating to issues such as health and safety and the security of the collections, where the Trustees have statutory or quasi-statutory obligations or where realisation of a risk would have exceptionally serious consequences (eg. business continuity planning).
15. The **Operational Risk Register** will deal with matters more within the control, and personal responsibility, of senior management. This embraces a wide range of issues such as collections management; staff recruitment, development and appraisal; financial management and fraud prevention; information systems security; audience development; and procurement.
16. *Management of Registers.* The Committee decided that the Strategic Risk Register should be reviewed on a periodic basis by the Resource Group (a regular meeting of the six most senior executive directors) followed by an annual review by the Audit Committee and then the Board of Trustees, unless circumstances should require a more immediate review.
17. The Operational Risk Register will be managed by the Risk Management Group. This group comprises managers from learning & interpretation, planning, projects, conservation, security, personnel and collections and is chaired by the Deputy Director. It will make a six-monthly report to the Management Board and an annual report to the Audit Committee.
18. The Audit Committee also decided that where a major new risk emerges a report should be made immediately to the Management Board, rather than waiting to report under the normal cycle.

Monitoring of risk

19. The procedures associated with the Risk Register are only part of the control environment operating within the Museum. Other key aspects include:
 - the Management Board meets fortnightly to review all operational issues;
 - the Trustees and senior management have agreed a Strategic Plan (2005-2010) which outlines key short and medium-term objectives and appropriate indicators. This ensures that scarce resources are applied to key corporate priorities;
 - the Audit Committee receives regular reports from the Internal Auditor (see 23 below) on the steps taken to manage risks in all areas of activity;
 - the Museum also benefits from the work of the External Auditors (National Audit Office) and the Management Letter commentaries produced as part of the annual audit; and the work of the value-for-money team at the National Audit Office;
 - the Finance Committee reviews the financial management of the Museum through quarterly management reports and three-year outline budgets;
 - the Buildings Strategy Committee monitors the progress of large capital projects and the performance of management on health and safety issues
 - The Development Committee assesses the feasibility of fundraising targets (both revenue and capital) and donor relations;
 - The Collections Committee monitors key aspects of collections management and major acquisition and loan proposals.

Review of effectiveness

20. As Accounting Officer and Chair of the Audit Committee (on behalf 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 by audits and comments made by external auditors in their management letter and other reports.
21. **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.
22. The annual internal audit plan is approved by the Audit Committee and the Risk Register is used to identify appropriate areas for investigation.
23. 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 and the Trustees based on the work performed during the year.
24. In 2004/5 the Internal Auditor reported on collections management, IT security, key financial controls, business continuity and risk management. We have been advised on the implications of these reviews and a plan to address weaknesses and ensure continuous improvement of the system is in place.
25. 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.

Theft of Museum objects in 2004/5

26. Theft of items from its collections is one of the Museum's major risks and actions to mitigate this risk are being progressively enhanced. The Museum suffered three thefts from its collections during 2004. In October 2004, nine Chinese jades were stolen (with a total value of £52,000) from the Ceramics Galleries. In November, fifteen Meissen figurines (with a total value of £57,000) were removed from the same galleries. In December eight Renaissance plaquettes (with a total value of £455,000) were removed from galleries on the ground floor.
27. Trustees are clearly concerned by the seriousness of the threat to the Museum and its collections and in 2004 an extensive range of measures was put in place to enhance security with immediate effect, including the closure of the most vulnerable galleries (i.e. those with the display cases overdue for renewal), enhanced gallery warding and specific measures such as bag searching of visitors.
28. The Trustees also adopted a medium-term plan aimed at delivering a significant overhaul in gallery security. SecurePlan is a four-year (and £1.6m) plan to install a new range of gallery security measures on all sites. This task will be supervised by the Security Strategy Group (chaired by the Deputy Director) and advice has already been received from external consultants, the national security advisor of the Museums, Libraries & Archives Council (MLA) and the Metropolitan Police.
29. Although the Museum will receive no additional public funding to implement this plan, DCMS has been able to advance £500,000 from the Museum's allocation for 2006/7 payable in the 2005/6 financial year. This is intended to assist the early stages of SecurePlan.
30. The fact of, and circumstances surrounding, each theft were properly notified to DCMS and it has been kept appraised of the medium-term security review.



MARK JONES
Director and
Accounting Officer
14 July 2005



MARJORIE SCARDINO DBE
Chair
Audit Committee
14 July 2005

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 34 to 59 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 39 to 40.

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

As described on page 28 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 contents of the Foreword 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 also read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 29 to 31 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 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 2005 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 2005

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

Consolidated Summary Income and Expenditure Account for the year ended 31 March 2005

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 35. The statement below therefore excludes capital receipts, endowment funds and restricted funds. The Group recorded a deficit of £151,662 for the year on its general funds (excluding designated and bequest funds). The gross deficit, taking the designated and bequest funds into account is £1,675,232 (2004: £783,857 deficit).

	2005 £	2004 £
Total income of continuing operations	66,102,515	68,369,141
Total expenditure of continuing operations	(59,100,088)	(58,787,792)
Total surplus for year	7,002,427	9,581,349
Less: Movement on Capital funds	(6,212,886)	(8,279,050)
Total Net Income for the year	789,541	1,302,299
Less: Movement on Restricted funds	(3,098,618)	(3,450,199)
Add: Transfer from Restricted to Unrestricted funds	633,846	1,364,043
Unrestricted Net Expenditure for the year	(1,675,23)	(783,857)
Less: Movement on Designated funds	372,359	490,93
Add: Transfer from Designated to General funds	1,151,208	(540,577)
Unrestricted Net Expenditure for the year on General Funds	(151,663)	(833,495)

The notes on pages 39 to 59 form part of these financial statements.

Consolidated Statement of Financial Activities for the year ended 31 March 2005

	Notes	Unrestricted funds	Restricted funds	Permanent Endowment funds	2005 Total funds	2004 Total funds
		£	£	£	£	£
Incoming resources						
Grant in aid	2	36,189,000	–	–	36,189,000	34,839,000
Donations, legacies & other similar income						
Donations		439,576	12,084,289	–	12,523,865	7,853,034
Donated objects		–	3,522,206	–	3,522,206	2,776,339
Transfer of Heritage Fixed Assets		–	–	–	–	5,607,512
Legacies		2,000	–	–	2,000	25,053
Corporate Members		83,000	–	–	83,000	–
Patrons scheme		241,875	–	–	241,875	216,222
		<u>766,451</u>	<u>15,606,495</u>	<u>–</u>	<u>16,372,946</u>	<u>16,478,160</u>
Activities in furtherance of the charity's objectives						
Admissions & exhibition fees		1,371,942	–	–	1,371,942	2,438,693
Loans & touring exhibition fees		599,763	–	–	599,763	464,436
Lottery income		–	379,071	–	379,071	444,331
Other income	3	513,009	703,458	–	1,216,467	1,958,083
		<u>2,484,714</u>	<u>1,082,529</u>	<u>–</u>	<u>3,567,243</u>	<u>5,305,543</u>
Activities for generating funds						
Trading income	9	8,450,420	–	–	8,450,420	10,933,235
Sponsorship		775,126	32,784	–	807,910	230,784
		<u>9,225,546</u>	<u>32,784</u>	<u>–</u>	<u>9,258,330</u>	<u>11,164,019</u>
Investment income	3	<u>261,615</u>	<u>453,381</u>	<u>–</u>	<u>714,996</u>	<u>582,419</u>
Total incoming resources		<u>48,927,326</u>	<u>17,175,189</u>	<u>–</u>	<u>66,102,515</u>	<u>68,369,141</u>
Resources expended						
Cost of generating funds						
Fundraising		1,280,012	3,079	–	1,283,091	1,163,899
Publicity		1,470,318	2,799	–	1,473,117	1,435,193
Investment managers fees		14,321	14,583	–	28,904	36,760
Trading costs	9	7,567,339	–	–	7,567,339	9,097,960
		<u>10,331,990</u>	<u>20,461</u>	<u>–</u>	<u>10,352,451</u>	<u>11,733,812</u>
Cost of activities in furtherance of the charity's objectives						
Collections & research		10,172,882	955,580	–	11,128,462	10,215,641
Collection services		4,394,702	144,376	–	4,539,078	4,400,164
Exhibitions		2,907,575	305,277	–	3,212,852	3,151,154
Contemporary programme		807,711	65,327	–	873,038	523,221
Learning & interpretation		1,937,055	310,620	–	2,247,675	1,930,573
Visitor services & facilities		7,478,011	840	–	7,478,851	7,689,736
Branch Museums		4,125,628	288,559	–	4,414,187	4,168,642
Museum Developments		685,342	1,269,119	–	1,954,461	3,445,434
		<u>32,508,906</u>	<u>3,339,698</u>	<u>–</u>	<u>35,848,604</u>	<u>35,524,565</u>

Consolidated Statement of Financial Activities for the year ended 31 March 2005 (cont'd)

	Notes	Unrestricted funds	Restricted funds	Permanent Endowment funds	2005 Total funds £	2004 Total funds £
		£	£	£	£	£
Support costs						
Information services & support		1,496,130	3,732	–	1,499,862	1,466,478
Projects & estates		7,641,009	207,823	–	7,848,832	7,039,612
Management and administration		3,486,696	63,643	–	3,550,339	3,023,325
		<u>12,623,835</u>	<u>275,198</u>	<u>–</u>	<u>12,899,033</u>	<u>11,529,415</u>
Total resources expended		<u>55,464,731</u>	<u>3,635,357</u>	<u>–</u>	<u>59,100,088</u>	<u>58,787,792</u>
Net (outgoing)/incoming resources before exceptional items						
Exceptional item	5	(6,537,405)	13,539,832	–	7,002,427	9,581,349
		<u>–</u>	<u>(675,614)</u>	<u>–</u>	<u>(675,614)</u>	<u>–</u>
Net (outgoing)/incoming resources before notional costs						
Cost of capital	6	(6,537,405)	12,864,218	–	6,326,813	9,581,349
		<u>(109,610)</u>	<u>(9,122,961)</u>	<u>–</u>	<u>(9,232,571)</u>	<u>(9,147,985)</u>
Net resources expended after notional costs		<u>(6,647,015)</u>	<u>3,741,257</u>	<u>–</u>	<u>(2,905,758)</u>	<u>433,364</u>
Reversal of notional costs		109,610	9,122,961	–	9,232,571	9,147,985
Net (outgoing)/incoming resources before transfers		<u>(6,537,405)</u>	<u>12,864,218</u>	<u>–</u>	<u>6,326,813</u>	<u>9,581,349</u>
Gross transfers between funds		4,715,849	(4,715,849)	–	–	–
Net incoming resources after transfers		<u>(1,821,556)</u>	<u>8,148,369</u>	<u>–</u>	<u>6,326,813</u>	<u>9,581,349</u>
Gains/(losses) on investment assets	8	281,327	5,095	209,279	495,701	876,671
Gain on revaluation of fixed assets for the charity's own use		–	15,083,725	–	15,083,725	3,029,308
Net movement in funds		<u>(1,540,229)</u>	<u>23,237,189</u>	<u>209,279</u>	<u>21,906,239</u>	<u>13,487,328</u>
Fund balances bfwd at 1 April 2004		<u>7,048,548</u>	<u>318,699,663</u>	<u>2,807,056</u>	<u>328,555,267</u>	<u>315,067,940</u>
Fund balances cfwd at 31 March 2005		<u>5,508,319</u>	<u>341,936,852</u>	<u>3,016,335</u>	<u>350,461,506</u>	<u>328,555,267</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 39 to 59 form part of these financial statements.

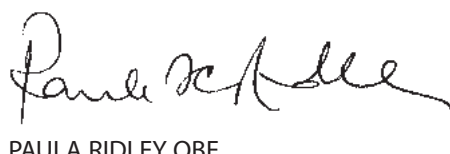
Consolidated and Museum Balance Sheets as at 31 March 2005

	Notes	Group 2005 £	Museum 2005 £	Group 2004 £	Museum 2004 £
Fixed assets					
Tangible assets	7	334,371,381	333,775,070	312,756,744	312,485,967
Investments	8	5,388,404	5,590,932	4,944,822	5,147,350
		339,759,785	339,366,002	317,701,566	317,633,317
Current assets					
Stock		1,070,392	–	1,324,786	19,936
Debtors	10	5,604,354	6,910,993	5,310,921	6,691,365
Cash		14,945,749	14,289,367	11,930,361	11,067,801
		21,620,495	21,200,360	18,566,068	17,779,102
Creditors due within one year	11	(10,522,467)	(9,708,549)	(7,323,250)	(6,468,035)
Net current assets		11,098,028	11,491,811	11,242,818	11,311,067
Total assets less current liabilities		350,857,813	350,857,813	328,944,384	328,944,384
Provisions for liabilities and charges	12	(396,307)	(396,307)	(389,117)	(389,117)
Net assets		350,461,506	350,461,506	328,555,267	328,555,267
Income funds					
Designated funds		5,090,835	5,090,835	6,592,507	6,592,507
General funds		417,484	417,484	456,041	456,041
Unrestricted funds	14	5,508,319	5,508,319	7,048,547	7,048,547
Restricted funds	14	341,936,852	341,936,852	318,699,664	318,699,664
Total income funds		347,445,171	347,445,171	325,748,211	325,748,211
Permanent endowment funds	14	3,016,335	3,016,335	2,807,056	2,807,056
Total funds		350,461,506	350,461,506	328,555,267	328,555,267

The financial statements on pages 34 to 59 were approved by the Director and Chairman.



MARK JONES
Director and Accounting Officer
14 July 2005



PAULA RIDLEY OBE
Chairman of Trustees
14 July 2005

Consolidated Cashflow Statement for the year ended 31 March 2005

	Notes	2005 £	2004 £
Net cash inflow from operating activities	16	13,388,525	6,611,475
Returns on investments	17	714,996	582,419
Capital expenditure and financial investment	17	(11,088,133)	(5,384,989)
Management of liquid resources	18	—	395,493
Increase in cash and cash equivalents	19	<u>3,015,388</u>	<u>2,204,398</u>

The notes on pages 39 to 59 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 2005 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 1st 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 – Structural, Fit-out and Plant & Machinery	between 4 and 50 years
Furniture and Fittings	between 4 and 20 years
Equipment	between 4 and 10 years

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

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

h) Investments

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

i) Stock and work in progress

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

j) Pension cost

Past and present employees are covered by the provisions of the 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 dependents' 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 Statement Of Financial Activities 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 Statement Of Financial Activities.

2 Grant in aid

£36,189,000 of Grant in aid has been received during the year (2004: £34,839,000).

3 Income

	2005 £	2004 £
Investment Income		
Interest receivable	562,033	329,678
British Government stocks	49,000	36,199
UK equities	96,948	95,097
Overseas equities	7,014	63,595
Exchange gains	–	57,850
	<u>714,996</u>	<u>582,419</u>
Other Income		
Commission fee on Restaurant income ¹	164,060	356,185
Other miscellaneous income	1,052,407	1,601,898
	<u>1,216,467</u>	<u>1,958,083</u>

¹The Commission fee on Restaurant income is included within Other Income as the Museum does not bear the risk of trading.

4 Net incoming resources: is stated after charging:

	2005 £	2004 £
Auditors' remuneration	41,650	38,500
Operating lease payments – Land and Buildings	1,229,725	1,118,630
– Other	159,508	132,841

5a Total resources expended

	Staff Costs £	Other Costs £	Depreciation £	Total 2005 £	Total 2004 £
Cost of generating funds					
Fundraising	915,217	345,682	22,192	1,283,091	1,163,899
Publicity	637,261	815,852	20,004	1,473,117	1,435,193
Investment managers fees	–	28,904	–	28,904	36,760
Trading costs	2,287,614	5,174,571	105,154	7,567,339	9,097,960
Cost of activities in furtherance of the charity's objectives					
Collections & research	5,902,388	355,599	4,870,475	11,128,462	10,215,641
Collection services	3,583,072	571,839	384,167	4,539,078	4,400,164
Exhibitions	638,146	2,368,327	206,380	3,212,852	3,151,154
Contemporary programme	212,713	648,757	11,568	873,038	523,221
Learning & interpretation	2,058,539	156,316	32,820	2,247,675	1,930,573
Visitor services & facilities	3,036,612	4,383,774	58,466	7,478,851	7,689,736
Branch Museums	1,890,723	1,720,851	802,612	4,414,187	4,168,642
Museum Developments	810,102	942,231	202,128	1,954,461	3,445,434
Support costs					
Information services & support	602,724	839,064	58,073	1,499,862	1,466,478
Projects & estates	1,445,598	6,140,825	262,409	7,848,832	7,039,612
Management and administration	1,750,229	1,526,839	273,271	3,550,339	3,023,325
Total resources expended	<u>25,770,938</u>	<u>26,019,431</u>	<u>7,309,719</u>	<u>59,100,088</u>	<u>58,787,792</u>

5b Exceptional Item

During the year, the Trustees made the decision to discontinue with their plans to build the Spiral, a major part of Futureplan. The exceptional item of £674,614 represents the write-down against restricted reserves of costs incurred on the Spiral project during the financial year and costs capitalised on the project over the last two years.

5c Wages and salaries

	2005	2004
	£	£
Wages and salaries	20,416,361	20,741,525
Social security costs	1,664,442	1,645,700
Pension costs	2,500,837	2,508,414
Agency Temporary & Contract Staff	453,016	433,376
	25,034,656	25,329,015
Early retirement and severance costs	736,282	240,983
	25,770,938	25,569,998

During the year external funding was received in respect of salaries totalling £589,936 (2004: £531,755).

V&A Enterprises Ltd's staff costs were £3.241m (2004: £3.521m) of which £2.288m (2004: £2.490m) was for trading activities and £0.953m (2004: £1.031m) was for services provided to the museum.

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

	2005	2004
£50,001 – £60,000	17	12
£60,001 – £70,000	7	11
£70,001 – £80,000	4	4
£80,001 – £90,000	2	1
£90,001 – £100,000	–	–
£100,001 – £110,000	–	–
£110,001 – £120,000	1	1
£120,001 – £130,000	1	–
	32	29

5d Management Board Salary and Pension disclosure

		2005	2005	2005
		Salary inc	Real	Pension
		performance	increase in	accrued to
		pay	pension at	date payable
			age 60	at age 60
		£	£	£
Management Board Members:				
Mark Jones	Director	120,000	8,411	56,340
Ian Blatchford	Deputy Director	85,988	1,549	4,170
Gwyn Miles	Director of Projects	73,000	1,231	28,903
David Anderson	Director of Learning and Interpretation	70,000	2,141	28,869
Damien Whitmore	Director of Public Affairs	81,345	870	14,358
Nick Umney	Director of Collections Services	65,610	1,620	17,079
Christopher Wilk	Keeper of Furniture, Textiles and Fashion	65,610	915	14,944
Paul Williamson	Director of Collections	70,000	1,666	21,793
Laurence Stracey ¹	Director of Personnel and Visitor Services	65,610	4,731	19,565
Julius Bryant ²	Keeper of Word and Images	9,509	797	15,542
Beth McKillop ³	Keeper of Asian	63,900	6,263	19,726
Diane Lees ⁴	Director of Museum of Childhood	56,494	8,462	7,849
Geoff Marsh ⁵	Director of Theatre Museum	56,494	931	1,958

The Director of Development and the Chief Executive of V&A Enterprises are excluded from these numbers because their remuneration derives from different contractual arrangements from those in place for the majority of Management Board members.

¹ Appointed 8 June 2004

² Appointed 7 February 2005

³ Appointed 6 December 2004

⁴ Appointed 1 April 2004

⁵ Appointed 1 April 2004

5d Management Board Salary disclosure (cont'd)

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.

		2004	2004	2004
		Salary inc	Real	Pension
		performance	increase in	accrued to
		pay	pension at	date payable
			age 60	at age 60
		£	£	£
Management Board Members:				
Mark Jones	Director	112,520	2,558	46,488
Ian Blatchford ¹	Director of Finance and Resources	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 Henchley ²	Director of Personnel	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 & 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 2 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 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 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 2004-05, employers' contributions of £2.284m were payable to the PCSPS (2003-04 £2.508m) 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 are subject to revalorisation of the salary bands, and 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 £20,989 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.

5e Trustees

The Trustees neither received nor waived any emoluments during the year (2004: £nil). Expenses reimbursed to 2 trustees amounted to £2,558 (2004: £3,849).

5f Average number of employees (*)

	Management Board	Other Permanent	Agency/ Temporary Staff	Total 2005	Total 2004
Fundraising	–	20	–	20	21
Publicity	1	17	2	20	17
Collections & research	4	171	19	194	200
Collection services	1	115	1	117	108
Exhibitions	–	18	–	18	14
Contemporary programme	–	8	–	8	6
Learning & interpretation	1	61	113	175	179
Visitor services & facilities	–	123	–	123	132
Branch Museums	1	53	32	86	85
Museum Developments	–	19	–	19	18
Information services & support	–	14	–	14	12
Projects & estates	1	31	–	32	30
Management and administration	3	38	–	41	44
Trading activities	–	98	–	98	101
	<u>12</u>	<u>786</u>	<u>167</u>	<u>965</u>	<u>967</u>

(*) 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% (2004: 3.5%) of the average non-donated capital employed by the Museum in the year.

7 Tangible fixed assets

Group	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course construction £	Total £
Cost or valuation						
At 1 April 2004	289,959,432	827,187	2,756,024	20,995,704	2,911,346	317,449,693
Re-classification	753,385	-	-	-	(753,385)	-
Additions	4,209,505	977,848	492,750	4,809,088	3,505,162	13,994,353
Disposals	-	(46,858)	(62,689)	-	(504,836)	(614,383)
Revaluation	9,131,836	-	-	-	-	9,131,836
At 31 March 2005	<u>304,054,158</u>	<u>1,758,177</u>	<u>3,186,085</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>339,961,499</u>
Depreciation						
At 1 April 2004	2,613,143	482,336	1,597,470	-	-	4,692,949
Re-classification	-	-	-	-	-	-
Charged for the year	6,488,852	303,053	517,814	-	-	7,309,719
Disposals	-	(46,858)	(41,885)	-	-	(88,743)
Revaluation	(6,323,807)	-	-	-	-	(6,323,807)
At 31 March 2005	<u>2,778,188</u>	<u>738,531</u>	<u>2,073,399</u>	-	-	<u>5,590,118</u>
Net book value						
At 31 March 2005	<u>301,275,970</u>	<u>1,019,646</u>	<u>1,112,686</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>334,371,381</u>
At 31 March 2004	<u>287,346,289</u>	<u>344,852</u>	<u>1,158,554</u>	<u>20,995,704</u>	<u>2,911,346</u>	<u>312,756,744</u>

The net book value at 31 March 2005 represents fixed assets of the Group for:

	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course construction £	Total £
Direct charitable activities	182,746,311	618,491	674,926	15,652,528	3,128,885	202,821,141
Other activities	118,529,659	401,155	437,760	10,152,264	2,029,402	131,550,240
Total	<u>301,275,970</u>	<u>1,019,646</u>	<u>1,112,686</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>334,371,381</u>

7 Tangible fixed assets (cont'd)

Museum	Land & Buildings £	Furniture & fittings £	Equipment £	Acquisitions for the collection £	Assets in course construction £	Total £
Cost or valuation						
At 1 April 2004	289,959,432	503,607	2,661,047	20,995,704	2,911,346	317,031,136
Re-classification	753,385	–	–	–	(753,385)	–
Additions	4,209,505	679,528	341,576	4,809,088	3,505,162	13,544,859
Disposals	–	–	(17,375)	–	(504,836)	(522,211)
Revaluation	9,131,836	–	–	–	–	9,131,836
At 31 March 2005	<u>304,054,158</u>	<u>1,183,135</u>	<u>2,985,248</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>339,185,620</u>
Depreciation						
At 1 April 2004	2,613,143	370,358	1,561,668	–	–	4,545,169
Re-classification	–	–	–	–	–	–
Charged for the year	6,488,852	233,932	481,781	–	–	7,204,565
Disposals	–	–	(15,377)	–	–	(15,377)
Revaluation	(6,323,807)	–	–	–	–	(6,323,807)
At 31 March 2005	<u>2,778,188</u>	<u>604,290</u>	<u>2,028,072</u>	<u>–</u>	<u>–</u>	<u>5,410,550</u>
Net book value						
At 31 March 2005	<u>301,275,970</u>	<u>578,845</u>	<u>957,176</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>333,775,070</u>
At 31 March 2004	<u>287,346,287</u>	<u>133,250</u>	<u>1,099,379</u>	<u>20,995,704</u>	<u>2,911,346</u>	<u>312,485,967</u>

The net book value at 31 March 2005 represents fixed assets of the Museum for:

Direct charitable activities	182,746,311	351,113	580,598	15,652,528	3,128,885	202,459,435
Other activities	118,529,659	227,732	376,578	10,152,264	2,029,402	131,315,635
Total	<u>301,275,970</u>	<u>578,845</u>	<u>957,176</u>	<u>25,804,792</u>	<u>5,158,287</u>	<u>333,775,070</u>

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 increased depreciation charge for the year of £7.310m (2003: £5.385m) resulted from the useful economic life on the South Kensington site being revised downwards to 15 years in respect of the Plant & Machinery component and 20 years in respect of the Fit-out component of the Buildings.

Acquisitions for the Collection

Additions of **£4.809m** (2004: £4.648m) were made to the Collection. The additions comprise the following elements

	2005	2004
	£	£
Donations of objects by gift or bequest	372,206	2,498,839
Donations of objects under the acceptance in lieu scheme	3,150,000	277,500
	3,522,206	2,776,339
Acquisitions funded from unrestricted funds	546,577	604,984
Acquisitions funded by specific grants and donations (restricted funds)	740,305	1,266,664
Total Additions	<u>4,809,088</u>	<u>4,647,987</u>

7 Tangible fixed assets (cont'd)

On the 31st March 2005 a desktop 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 £289.9m, the site at Bethnal Green at £9.1m and the V&A's share of Blythe House at £7.0m. The revaluation surplus arising of £15.8m on the site at South Kensington was transferred to Revaluation Reserve. However, net revaluation deficits of £199k and £61k arose on the revaluation of the sites at Bethnal Green and Blythe House respectively.

In addition, the following leasehold properties were also subject to a desktop valuation by Gerald Eve (Chartered Surveyors) as at 31 March 2005. The Valuation amounts are:

Property	Title	Basis of Valuation	2005 £'000	2004 £'000
Museum of Performance, WC2	Leasehold	Existing Use Value	950	950
160 Brompton Road, SW3	Leasehold	Existing Use Value	–	–
88 Kirtling Street, SW8	Leasehold	Existing Use Value	315	320
34 Henrietta Street, WC2	Leasehold	Existing Use Value	–	–

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

	2005 £	2004 £
Market value at 1 April	4,944,822	4,100,586
Add: Acquisitions at cost	809,845	642,973
Less: Disposal proceeds	(861,964)	(675,409)
Net gain on revaluation	495,701	876,672
Market value at 31 March	5,388,404	4,944,822
Historical cost at 31 March	4,989,252	5,011,997
Unrealised investment gain/(loss) at 31 March	399,152	(67,175)
Investment gain/(loss) based on historic costs	29,191	(142,066)

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

	2005 £	2004 £
Investment assets in the UK	4,399,454	1,376,559
Investment assets outside the UK	988,950	3,568,263
	5,388,404	4,944,822

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

The Role of Financial Instruments

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

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

Liquidity Risk

- The majority of income (ie 54%) is received by way of Grant in Aid. 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

8 Investments (cont'd)*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 financial liabilities. The interest risk on its financial assets are as follows:

	Total £'000	Floating Rate Financial Assets £'000	Fixed Rate Financial Assets £'000	Non-interest Bearing Financial Assets £'000	Assets Earning Equity Return £'000	Weighted Average Fixed interest rate %	Weighted Period Average for which rate is fixed Yrs
At 31 March 2005							
Sterling	19,414	14,583	713	260	3,859	6.60%	8.18
Other	920	68	80	35	736	3.50%	3.53
Total	<u>20,334</u>	<u>14,651</u>	<u>793</u>	<u>295</u>	<u>4,595</u>	<u>6.29%</u>	<u>11.71</u>
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	<u>16,888</u>	<u>11,543</u>	<u>799</u>	<u>387</u>	<u>4,159</u>	<u>6.29%</u>	<u>8.71</u>
Reconciliation to Accounts						2005	2004
						£'000	£'000
Cash						14,946	11,930
Investments (Fixed Assets)						5,388	4,945
Debtors (Accrued interest portion only)						-	13
						<u>20,334</u>	<u>16,888</u>

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:

	2005	2004
	£	£
<u>Profit and loss account</u>		
Turnover	8,450,420	10,933,235
Cost of sales	(3,262,168)	(4,335,842)
Gross Profit	5,188,252	6,597,393
Administrative expenses	(4,298,577)	(4,785,411)
Other Operating Income – Management Fee	–	–
Trading profit	889,675	1,811,982
Interest receivable and similar income	22,219	30,424
Payment under gift aid to Museum	(872,218)	(1,772,852)
Profit on Ordinary Activities before Taxation	39,676	69,554
Taxation	(39,676)	(40,302)
Retained in subsidiary	–	29,252
 <u>Balance sheet</u>		
Tangible fixed assets	596,311	270,777
Current assets	2,835,008	3,232,934
Creditors	(3,228,791)	(3,301,183)
Net assets	202,528	202,528
Share capital and reserves	202,528	202,528

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

	2005	2004
	£	£
Turnover	8,450,420	10,933,235
Other Operating Income – Management Fee	–	–
<i>Intercompany transactions</i>	–	–
Trading income per SOFA	8,450,420	10,933,235
Cost of sales	3,262,168	4,335,842
Administrative expenses	4,298,577	4,785,411
Taxation	39,676	40,302
<i>Intercompany transactions</i>	(33,082)	(63,595)
Trading costs per SOFA	7,567,339	9,097,960
Interest receivable and similar income	22,219	30,424
<i>Intercompany transactions</i>	–	–
Included in Investment Income per SOFA	22,219	30,424

10 Debtors

	2005	2004
	£	£
Trade debtors	2,399,372	1,891,981
Other debtors	1,418,064	1,684,299
Prepayments and accrued income	676,561	681,436
Recoverable taxation	1,110,357	1,053,205
	<u>5,604,354</u>	<u>5,310,921</u>

11 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	3,232,432	3,751,330
Other creditors	143,774	306,089
Accruals	3,197,370	2,446,986
Deferred income	3,243,846	27,543
Taxation and social security costs	705,045	791,302
	<u>10,522,467</u>	<u>7,323,250</u>

12 Provisions for liabilities and charges

	2005	2004
	£	£
As at 1 April	389,117	329,459
Provision in year	162,609	183,496
Paid in year	<u>(155,419)</u>	<u>(123,838)</u>
As at 31 March	<u>396,307</u>	<u>389,117</u>
Provision for future pension costs:		
Amounts payable within one year	116,499	105,333
Amounts payable after one year	<u>279,808</u>	<u>283,784</u>
	<u>396,307</u>	<u>389,117</u>

13 Financial commitments

At 31 March 2005 the museum had annual commitments under non-cancellable leases as follows:

	2005	2005	2004	2004
	Land & Buildings	Other	Land & Buildings	Other
	£	£	£	£
Within one year	328,679	2,253	–	4,861
Between two to five years	–	224,314	584,000	60,012
After five years	<u>575,000</u>	–	<u>575,000</u>	–
	<u>903,679</u>	<u>226,567</u>	<u>1,159,000</u>	<u>64,873</u>

14 Statement of funds

	Restated As at 1 April 2004 £	Incoming Resources £	Resources Expended £	Transfers £	Gains/ losses & Revaluation £	As at 31 March 2005 £
Unrestricted Funds						
<u>General Income funds</u>						
General fund ^{2,5}	1	40,273,592	(42,237,289)	1,785,054	–	(178,642)
Development funds	456,040	28,596	(5,379)	–	116,869	596,126
V&A Enterprises Ltd	–	7,600,421	(7,600,421)	–	–	–
	<u>456,041</u>	<u>47,902,609</u>	<u>(49,843,089)</u>	<u>1,785,054</u>	<u>116,869</u>	<u>417,484</u>
<u>Designated Income funds</u>						
Acquisitions ²	136,371	19,172	(535,600)	456,032	–	75,975
Islamic Museum	10,907	378	(2,986)	–	–	8,299
Designated for other purposes ³	1,102,844	–	–	(1,102,844)	–	(0)
Branch Museum	60,345	43,214	(6,054)	(4,396)	–	93,109
Bequests	4,100,512	122,816	(9,534)	(500,000)	164,458	3,878,252
	<u>5,410,979</u>	<u>185,580</u>	<u>(554,174)</u>	<u>(1,151,208)</u>	<u>164,458</u>	<u>4,055,635</u>
<u>Designated Capital funds</u>						
South Kensington site designated fund ¹	–	1,047,060	(5,055,858)	4,008,798	–	–
Bethnal Green site designated fund ¹	–	–	(361,449)	361,449	–	–
Blythe House site designated fund ¹	–	–	(258,333)	258,333	–	–
Museum assets designated fund ⁴	1,181,527	276,542	(422,869)	–	–	1,035,200
Acquisitions designated fund ¹	–	546,577	–	(546,577)	–	–
Additions eliminated designated fund	–	(1,870,179)	1,870,179	–	–	–
	<u>1,181,527</u>	<u>–</u>	<u>(4,228,330)</u>	<u>4,082,003</u>	<u>–</u>	<u>1,035,200</u>
Total Unrestricted Funds	<u>7,048,547</u>	<u>48,088,189</u>	<u>(54,625,593)</u>	<u>4,715,849</u>	<u>281,327</u>	<u>5,508,319</u>
Restricted Funds						
<u>Restricted Income funds</u>						
Acquisitions for the Collection	177,170	586,439	(638,175)	(6,032)	–	119,402
Collections & Research funds	1,071,295	367,481	(345,504)	–	5,095	1,098,367
Collection Services funds	405,283	173,012	(174,918)	–	–	403,377
Exhibitions funds	523,470	52,931	(276,260)	–	–	300,141
Contemporary Programme funds	–	64,394	(64,394)	–	–	–
Learning & Interpretation funds	12,986	415,054	(306,328)	–	–	121,712
Branch Museum funds	112,118	621,837	(311,454)	–	(0)	422,501
Museum Development funds ²	4,937,673	11,256,017	(8,396,787)	(1,295,919)	–	6,500,984
Permanent endowment funds income	155,228	115,816	(40,546)	–	–	230,498
	<u>7,395,223</u>	<u>13,652,981</u>	<u>(10,554,366)</u>	<u>(1,301,951)</u>	<u>5,095</u>	<u>9,196,982</u>

14 Statement of funds (cont'd)

	Restated As at 1 April 2004 £	Incoming Resources £	Resources Expended £	Transfers £	Gains/ losses & Revaluation £	As at 31 March 2005 £
Restricted Capital funds						
South Kensington site restricted fund ¹	212,664,162	6,441,989	(1,385,021)	(3,340,693)	368,717	214,749,154
South Kensington revaluation fund	60,435,838	–	–	–	14,715,008	75,150,846
	273,100,000	6,441,989	(1,385,021)	(3,340,693)	15,083,725	289,900,000
Bethnal Green site restricted fund ¹	9,300,000	225,618	(64,169)	(361,449)	–	9,100,000
Blythe House site restricted fund ^{1,4}	7,258,333	–	–	(258,333)	–	7,000,000
Museum Assets restricted fund	650,404	744,563	(459,889)	–	–	935,078
Acquisitions restricted fund ¹	20,995,704	4,262,511	–	546,577	–	25,804,792
Additions eliminated restricted fund	–	(8,152,473)	8,152,473	–	–	–
	311,304,441	3,522,208	6,243,394	(3,413,898)	15,083,725	332,739,870
Total Restricted Funds	318,699,664	17,175,189	(4,310,972)	(4,715,849)	15,088,820	341,936,852
Permanent endowment	2,807,056	–	–	–	209,279	3,016,335
Total Permanent Endowment Funds	2,807,056	–	–	–	209,279	3,016,335
Total Funds	328,555,267	65,263,378	(58,936,565)	–	15,579,426	350,461,506

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.

⁴ Adjustment made to opening balance in respect of Blythe House capital additions that became subsumed with the building cost on the introduction of Blythe House into the accounts in 2003-04. Amount transferred from Unrestricted Museum Assets fund to Restricted Blythe House building fund was £1,970,220 and represents the carrying value of capital additions at Blythe House at the date it was introduced to the accounts.

⁵ The deficit of £178K on the general fund is temporary and will be rectified by cost savings in 2005-06.

15 Analysis of group net assets between funds

	Unrestricted Funds £	Restricted Funds £	Permanent Endowment Fund £	2005 Total £	2004 Total £
Fund balances at 31 March 2005 are represented by:					
Tangible fixed assets	1,631,512	332,739,869	–	334,371,381	312,756,744
Investments	1,844,018	1,276,129	2,268,257	5,388,404	4,944,822
Current assets	12,951,563	7,916,657	752,275	21,620,495	18,566,068
Current liabilities	(10,522,467)	–	–	(10,522,467)	(7,323,250)
Provision for liabilities and charges	(396,307)	–	–	(396,307)	(389,117)
Net assets	<u>5,508,319</u>	<u>341,932,655</u>	<u>3,020,532</u>	<u>350,461,506</u>	<u>328,555,267</u>
Unrealised gains included above on fixed asset investments	36,535	211,249	151,369	399,153	(67,175)
Total unrealised gains at 31 March 2005	<u>36,535</u>	<u>211,249</u>	<u>151,369</u>	<u>399,153</u>	<u>(67,175)</u>

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

	2005 £	2004 £
Net incoming resources	6,326,813	9,581,349
Investment income	(714,996)	(582,419)
Net incoming resources before transfer and revaluations	5,611,817	8,998,930
Donated assets acquired	(3,522,206)	(8,383,851)
Depreciation	7,309,719	5,483,772
Loss on fixed assets	525,640	38,856
Write down on revaluation	296,187	–
(Increase)/decrease in stocks	254,394	100,108
Decrease/(increase) in debtors	(293,433)	(59,010)
(Decrease)/Increase in creditors	3,199,217	373,012
(Decrease)/Increase in provisions for liabilities and charges	7,190	59,658
Net cash inflow from operating activities	<u>13,388,525</u>	<u>6,611,475</u>

17 Analysis of cash flows

	2005 £	2004 £
<u>Return on investments:</u>		
Investment income	<u>714,996</u>	<u>582,419</u>
<u>Capital expenditure and financial investment:</u>		
Payments to acquire tangible fixed assets	(11,140,252)	(5,417,425)
Purchase of investments	(809,845)	(642,973)
Proceeds from sale of investments	861,964	675,409
	<u>(11,088,133)</u>	<u>(5,384,989)</u>
<u>Management of liquid resources:</u>		
(Decrease)/ increase in short term deposits	<u>–</u>	<u>(395,493)</u>

18 Reconciliation of net cash flow to movement in net funds

	2005	2004
	£	£
Increase in cash in the period	3,015,388	2,204,398
Cashflow from change in liquid resources	–	(395,493)
Movement in net funds in the period	3,015,388	1,808,905
Net funds at 1 April	11,930,361	10,121,456
Net funds at 31 March	14,945,749	11,930,361

19 Analysis of net funds

	At 1 April 2004	Cashflow	At 31 March 2005
	£	£	£
Cash at bank and in hand	11,930,361	3,015,388	14,945,749
Liquid resources	–	–	–
Net funds	<u>11,930,361</u>	<u>3,015,388</u>	<u>14,945,749</u>

20 Capital commitments

	2005	2004
	£	£
Capital expenditure commitments were as follows:		
Contracted for, but not provided in the accounts	4,678,710	3,031,982
Authorised, but not contracted for	3,135,354	1,793,409

21 Related Party Transactions

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

Related Party	Amount Purchases	Amount Sold	Grants Donations/ Received
	£	£	£
British Museum	1,654	306,206	–
Friends of the V&A	72,123	13,649	475,631
Imperial War Museum	31,006	567	–
National Heritage Memorial Fund	–	–	379,071
Natural History Museum	928,001	18,224	–
Royal College of Art	4,344	32,381	–
Science Museum	470	419,512	–
Pearson Business Services	–	10,000	32,784

The museum also held some shares in the Pearson Group. Dame Marjorie Scardino DBE who is a Trustee of the Museum and Chair of the Audit Committee is the Chief Executive of the Pearson Group. These shares are held as part of the Museum's overall investment portfolio which is managed by Chiswell Associates Ltd. All decisions regarding investments are made at the discretion of the investment manager, without influence from the Museum.

Three Trustees donated a total of £220,651 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.

The Director and Deputy Director of the Victoria and Albert Museum serve unremunerated on the Board of V&A Enterprises Limited.

22 Statement of fund commitments as at 31st March 2005

	As at 31 March 2005 £	As at 31 March 2004 £
<u>Funds available for spending at Trustees' Discretion:</u>		
General Grant in Aid fund	(178,645)	1
General Development funds ¹	393,602	253,511
Designated income funds ²	4,055,632	5,410,981
	4,270,589	5,664,493
<u>Funds raised for specific purposes:</u>		
Restricted income funds	9,196,983	7,395,223
Total funds available for spending	13,467,572	13,059,716
<u>Funds not available for Trustees' spending:</u>		
General funds and share capital of V&A Enterprises ¹	202,528	202,528
Permanent endowment funds (Capital element)	3,016,335	2,807,056
Capital funds (Fixed Assets) ³	333,775,071	312,485,967
Total funds not available for spending	336,993,934	315,495,551
Total funds in balance sheet⁴	350,461,506	328,555,267

¹ The total of these funds corresponds to the figure of £596,130 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. The income element of each Permanent Endowment fund represents income that has accumulated on the fund and is therefore available for the museum to spend. The capital element is the original capital donation (subject to capital gains and losses) which must be preserved.

	As at 1 April 2004	Incoming Resources	Resources Expended	Transfers	Net Investment Gains/ (losses)	As at 31 March 2005
	£	£	£	£	£	£
Barber Bequest	-	-	-	-	-	-
Brigadier Clarke Bequest	711,057	24,255	(3,608)	-	44,779	776,483
Bryan Legacy	-	-	-	-	-	-
Dr S L England	62,507	2,577	(1,650)	-	4,758	68,191
Elsbeth A Evans Fund	133,204	5,338	(794)	-	9,855	147,603
Enthoven Bequest	128,475	5,149	(766)	-	9,505	142,363
Farquharson Bequest	8,480	324	(48)	-	599	9,353
Farquharson Prize	2,404	55	(8)	-	99	2,549
Hildburgh Bequest	96,292	3,859	(574)	-	7,124	106,701
Horn Bequest	84,608	3,391	(504)	-	6,260	93,755
Hugh Phillips Bequest	1,325,021	54,502	(22,910)	-	96,426	1,453,039
J R Jones Bequest	3,765	151	(22)	-	279	4,171
James Yorke-Radleigh Bequest	185,915	7,520	(8,392)	-	13,883	198,924
John Webb Trust Fund	27,543	1,104	(164)	-	2,038	30,519
Julie and Robert Breckman Staffordshire and Print Fund	-	-	-	-	-	-
London Archives of the Dance	6,161	189	-	-	-	6,350
Murray Legacy	171,445	6,870	(1,022)	-	12,685	189,976
Stephenson Bequest	7,313	293	(44)	-	541	8,104
Vallentin Bequest	-	-	-	-	-	-
Williams Prize	8,094	243	(36)	-	449	8,749
Trusts	-	-	-	-	-	-
Total Funds	2,962,284	115,818	(40,544)	-	209,279	3,246,833

24 Contingent Liabilities

There are no contingent liabilities as at 31st March 2005.

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

At present, The Museum produces a Consolidated Summary of Income and Expenditure Account (page 34) and a Consolidated Statement of Financial Activities (pages 35 to 36).

The Museum is working with the Department for Culture, Media and Sport, 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 2004-5 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 2005-6 financial year.

The 'Super' SOFA (Statement of Financial Activities)

	INCOME AND EXPENDITURE FUNDS		CAPITAL FUNDS		COLLECTION AND ACQUISITION			TOTAL FUNDS			FUNDS				
	2005 Unrestricted funds - General £	2005 Designated funds £	2005 Unrestricted funds £	2005 Restricted funds £	2005 Total funds £	2005 Unrestricted funds £	2005 Restricted funds £	2005 Total funds £	2005 Unrestricted fund £	2005 Restricted fund £	2005 Total fund £	2005 Unrestricted funds £	2005 Restricted funds £	2005 Perm Endow funds £	2005 Total funds £
Incoming Resources															
Grant in aid	36,189,000		36,189,000	-	36,189,000	-	-	-	-	-	-	36,189,000	-	-	36,189,000
Donations, legacies & other similar income															
Donations	439,576		439,576	12,084,289	12,523,865	-	-	-	-	-	439,576	12,084,289	-	12,523,865	
Donated objects	-		-	-	-	-	-	-	3,522,206	3,522,206	-	3,522,206	-	3,522,206	
Transfer of Heritage Fixed Assets	-		-	-	-	-	-	-	-	-	-	-	-	-	
Legacies	2,000		2,000	-	2,000	-	-	-	-	-	2,000	-	-	2,000	
Corporate Members	83,000		83,000	-	83,000	-	-	-	-	-	83,000	-	-	83,000	
Patrons scheme	241,875		241,875	-	241,875	-	-	-	-	-	241,875	-	-	241,875	
	766,451	-	766,451	12,084,289	12,850,740	-	-	-	3,522,206	3,522,206	766,451	15,606,495	-	16,372,946	
Activities in furtherance of the charity's objectives															
Admissions & exhibition fees	1,371,942		1,371,942	-	1,371,942	-	-	-	-	-	1,371,942	-	-	1,371,942	
Loans & touring exhibition fees	599,763		599,763	-	599,763	-	-	-	-	-	599,763	-	-	599,763	
Lottery income	-		-	379,071	379,071	-	-	-	-	-	-	379,071	-	379,071	
Other income	513,009		513,009	703,458	1,216,467	-	-	-	-	-	513,009	703,458	-	1,216,467	
	2,484,714	-	2,484,714	1,082,529	3,567,243	-	-	-	-	-	2,484,714	1,082,529	-	3,567,243	
Activities for generating funds															
Trading income	8,450,420		8,450,420	-	8,450,420	-	-	-	-	-	8,450,420	-	-	8,450,420	
Sponsorship	775,126		775,126	32,784	807,910	-	-	-	-	-	775,126	32,784	-	807,910	
	9,225,546	-	9,225,546	32,784	9,258,330	-	-	-	-	-	9,225,546	32,784	-	9,258,330	
Investment Income	138,799	122,816	261,615	453,381	714,996	-	-	-	-	-	261,615	453,381	-	714,996	
Total Incoming resources	48,804,510	122,816	48,927,326	13,652,983	62,580,309	-	-	-	-	3,522,206	3,522,206	48,927,326	17,175,189	-	66,102,515
Resources expended															
Cost of generating funds															
Fundraising	1,260,899		1,260,899	-	1,260,899	19,113	3,079	22,192	-	-	1,280,012	3,079	-	1,283,091	
Publicity	1,453,113		1,453,113	-	1,453,113	17,205	2,799	20,004	-	-	1,470,318	2,799	-	1,473,117	
Investment managers fees	1,024	13,297	14,321	14,583	28,904	-	-	-	-	-	14,321	14,583	-	28,904	
Trading costs	7,567,339		7,567,339	-	7,567,339	-	-	-	-	-	7,567,339	-	-	7,567,339	
	10,282,375	13,297	10,295,672	14,583	10,310,255	36,318	5,878	42,196	-	-	10,331,990	20,461	-	10,352,451	

The 'Super' SOFA (Statement of Financial Activities) (cont'd)

	INCOME AND EXPENDITURE FUNDS						CAPITAL FUNDS			COLLECTION AND ACQUISITION FUNDS			TOTAL FUNDS		
	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005	2005
	Unrestricted funds - General	Designated funds	Unrestricted funds	Restricted funds	Total funds	Unrestricted funds	Restricted funds	Total funds	Unrestricted fund	Restricted fund	Total fund	Unrestricted funds	Restricted funds	Perm Endow funds	Total funds
£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	
Cost of activities in furtherance of the charity's objectives															
Collections & research	5,945,899	516,428	6,462,327	982,376	7,444,703	4,257,132	713,509	4,970,641	(546,577)	(740,305)	(1,286,882)	10,172,882	955,580	-	11,128,462
Collection services	4,082,352	2,609	4,084,961	174,918	4,259,879	309,741	(30,542)	279,199	-	-	-	4,394,702	144,376	-	4,539,078
Exhibitions	2,730,213	-	2,730,213	276,260	3,006,473	177,362	29,017	206,379	-	-	-	2,907,575	305,277	-	3,212,852
Contemporary programme	797,076	-	797,076	64,394	861,470	10,635	933	11,568	-	-	-	807,711	65,327	-	873,038
Learning & interpretation	1,910,622	-	1,910,622	306,328	2,216,950	26,433	4,292	30,725	-	-	-	1,937,055	310,620	-	2,247,675
Visitor services & facilities	7,545,522	-	7,545,522	-	7,545,522	(67,511)	840	(66,671)	-	-	-	7,478,011	840	-	7,478,851
Branch Museums	3,409,601	(37,158)	3,372,443	310,438	3,682,881	753,185	(21,879)	731,306	-	-	-	4,125,628	288,559	-	4,414,187
Museum Developments	1,729,584	-	1,729,584	8,396,788	10,126,372	(1,044,242)	(7,127,669)	(8,171,911)	-	-	-	685,342	1,269,119	-	1,954,461
	28,150,870	481,878	28,632,748	10,511,502	39,144,250	4,422,735	(6,431,499)	(2,008,764)	(546,577)	(740,305)	(1,286,882)	32,508,906	3,339,698	-	35,848,604
Support costs															
Information services & support	1,467,039	-	1,467,039	-	1,467,039	29,091	3,732	32,823	-	-	-	1,496,130	3,732	-	1,499,862
Projects & estates	7,592,157	-	7,592,157	-	7,592,157	48,852	207,823	256,675	-	-	-	7,641,009	207,823	-	7,848,832
Management and administration	3,248,786	-	3,248,786	28,280	3,277,066	237,910	35,362	273,272	-	-	-	3,486,696	63,642	-	3,550,338
	12,307,982	-	12,307,982	28,280	12,336,262	315,853	246,917	562,770	-	-	-	12,623,835	275,197	-	12,899,032
Total resources expended	50,741,227	495,175	51,236,402	10,554,365	61,790,767	4,774,906	(6,178,704)	(1,403,798)	(546,577)	(740,305)	(1,286,882)	55,464,731	3,635,356	-	59,100,087
Net resources before extraordinary items	(1,936,717)	(372,359)	(2,309,076)	3,098,618	789,542	(4,774,906)	6,178,704	1,403,798	546,577	4,262,511	4,809,088	(6,537,405)	13,539,833	-	7,002,428
Exceptional item	-	-	-	-	-	-	(675,614)	(675,614)	-	-	-	-	(675,614)	-	(675,614)
Net resources before notional costs	(1,936,717)	(372,359)	(2,309,076)	3,098,618	789,542	(4,774,906)	5,503,090	728,184	546,577	4,262,511	4,809,088	(6,537,405)	12,864,219	-	6,326,814
Cost of capital	58,000	-	58,000	(142,586)	(84,586)	(167,610)	(8,980,375)	(9,147,985)	-	-	-	(109,610)	(9,122,961)	-	(9,232,571)
Net resources after notional costs	(1,878,717)	(372,359)	(2,251,076)	2,956,032	704,956	(4,942,516)	(3,477,285)	(8,419,801)	546,577	4,262,511	4,809,088	(6,647,015)	3,741,258	-	(2,905,757)
Reversal of notional costs	(58,000)	-	(58,000)	142,586	84,586	167,610	8,980,375	9,147,985	-	-	-	109,610	9,122,961	-	9,232,571
Net resources before transfers	(1,936,717)	(372,359)	(2,309,076)	3,098,618	789,542	(4,774,906)	5,503,090	728,184	546,577	4,262,511	4,809,088	(6,537,405)	12,864,219	-	6,326,814
Gross transfers between funds	1,785,054	(1,151,208)	633,846	(533,846)	100,000	4,628,580	(4,728,580)	(100,000)	(546,577)	546,577	-	4,715,849	(4,715,849)	(0)	(0)
Net after transfers	(151,662)	(1,523,567)	(1,675,230)	2,564,772	889,542	(146,326)	774,510	628,184	0	4,809,088	4,809,088	(1,821,556)	8,148,370	(0)	6,326,814

Operational result for the year

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