

THE
BRITISH
MUSEUM
FRIENDS

The British Museum Friends
Annual Report and Financial Statements
For the year ended 31st March 2005

Registered Charity No. 1086080
Company Registration No. 4133346



The British Museum Friends

Contents	Page
British Museum Friends Objectives	3
British Museum Friends Council and Staff	4 - 5
Report of the Council	6 - 12
Policies and Procedures	13
Independent Auditors Report	14
Statement of Council Members Responsibilities	15
Statement of Financial Activities	16
Balance Sheet	17
Notes to the Accounts	18 - 23

The British Museum Friends' Objectives

The Friends' objective is to support the British Museum in maintaining and expanding its collections and its services to scholars and the general public.

The Friends support the British Museum by:

- Making financial grants
- Helping to recruit volunteers
- Publishing the British Museum Magazine and ReMUS magazine
- Encouraging as many people as possible from all walks of life to become members
- Encouraging members of the Friends to make supplementary donations and legacies

The Friends support members by:

- Providing opportunities for members to get closer to the collections and curators in order to better understand the work and function of the Museum
- Arranging programmes of educational events and activities for adult members and members of the Young Friends
- Publishing the British Museum Magazine for adult Friends and ReMUS for Young Friends
- Providing a members' room service in the West Residence

Success in these activities requires the Friends' Council and staff to be highly professional in all they do.

The Friends work for the benefit of the British Museum. Close working relationships are maintained with appropriate Museum staff in all the work of the Friends - whether this is for the organisation of events and activities or the publishing of the Magazine and ReMUS.

Address: The British Museum Friends
Great Russell Street
London WC1B 3DG

Registered Charity No: 1086080

Bankers: National Westminster
PO Box 158
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London WC1V 7BX

CAF Bank
PO Box 289
West Malling
Kent ME19 4JQ

Auditors Kingston Smith
Devonshire House
60 Goswell Road
London EC1M 7AD

Investment Managers: Deutsche Asset Management Limited
20 Finsbury Circus
London EC2M 1NB

Merrill Lynch Fund Managers Limited
33 King William Street
London EC4R 9AS

The British Museum Friends' Council

Professor Barry Cunliffe	Chairman from November 2004, and BM trustee
The Countess Dalkeith	Chairman to November 2004, and BM trustee
Dudley Buchanan	Deputy Chairman, re-elected 2001
Richard Dalzell	Hon. Treasurer, elected November 2004
Kusuma Barne	Volunteer Co-ordinator, re-elected November 2003
Griselda Bear	Fundraising Consultant, re-elected November 2002
Andrew Burnett	BM Deputy Director, resigned November 2004
Brendan Finucane	Barrister, elected November 2002
JD Hill	BM Curator, resigned February 2005
Geoffrey House	Consultant, re-elected November 2001
David Lindsell	Trustee of BM, appointed March 2004
Henrietta McCall	BM Curator, re-elected November 2001
Hugh Purcell	Film Maker, re-elected November 2004
Eva Ratz	Artist & Charity Worker, elected November 2004
William Rathbone	Retired Charity CEO, elected November 2003
John Robins	Chairman Austin Reed, resigned November 2004
Christopher Steele	Communications Consultant, elected November 2003
Sarah Stowell	Solicitor, re-elected November 2004
Jeremy Taylor	Chairman Townley Group, resigned November 2004
Kate Trevelyan	MD Burlington Magazine, re-elected November 2004
Andrew Thatcher	MD BM Company, resigned February 2005
Patsy Vanags	Educationalist, elected November 2003
Patti White	Chairman Young Friends, re-elected November 2002.
Hilary Williams	BM Art Historian Education Department, re-elected November 2002.

The British Museum Friends is a charity in the form of a company limited by guarantee governed by a Memorandum and Articles of Association. The members of the Council are Directors of the Company. All but two members of the BMF Council are elected at the Annual General Meetings, the remaining two being British Museum Trustees who are appointed by the Trustees of the British Museum and adopted by the members at the AGM.

Membership of BMF Committees at 31 March 2005

(* denotes a BMF Council Member)

Chairman's Group

Professor Barry Cunliffe*(Chairman), Dudley Buchanan*, William Rathbone*, Griselda Bear*, Brendan Finucane*, Christopher Steele*, Patti White*, Patsy Vanags*

Events

Patsy Vanags* (Chairman), Henrietta McCall*, Hugh Purcell*, Hilary Williams*

Finance

William Rathbone* (Chairman), Professor Barry Cunliffe*, Richard Dalzell*, Dudley Buchanan*, David Lindsell*, Sarah Stowell*

Fundraising

Griselda Bear* (Chairman), Patti White*, Henrietta McCall*

Magazine

Brendan Finucane (Chairman) *, Kate Trevelyan*, Hugh Purcell*, Marjorie Caygill

The British Museum Friends

The British Museum Friends' Council (continued)

Townley Group

Christopher Steele* (Chairman)*, Henrietta McCall*, Lord Egremont, Lady Heap, Rodney Little, Geoff Low, Judith Nugée, Henrietta McCall*, Professor Michael Rogers, Jeremy Taylor, Sir Simon Townley, Lady Trend, Jeremy Willoughby

Young Friends

Patti White (Chairman)*, Janna Spark, Delia Pemberton, Dan Henson, Alice Sedgwick, Natalia Pascalidis, Kate Ashton-Young

The British Museum Friends' Staff

Head of BMF & Company Secretary
Finance & Administration Manager
Marketing & Legacy Manager (Job Share)

Events Manager
Membership Database Manager
Administrator & Assistant Editor to November 2004
Administrative Assistant from November 2004 (Job Share)

Finance & Administration Assistant
Events Coordinator, Young Friends
Events Assistant (part time)
Marketing Assistant to February 2005
Membership Assistant to February 2005
Membership Co-ordinator
Membership Assistant from February 2005
Membership Assistant from February 2005
Magazine Editor (part time)

Margaret Fenn
Raj Phillips
Vasilis Gialias
Vikki Thompson
David Dinnage
Victoria Diaz-Vilas
Emily Hopton
Tamara Chase
Catherine Thomas
Edyta Hebouche
Rebecca Murdoch
Natalia Pascalidis
Sharon Daish
Laura Le Cheminant
Yiannis Xenarios
Jonathan Smart
Alice Sedgwick
Mira Hudson

This report complies fully with the Statement of Recommended Practice for Charities 2000, has been prepared, in accordance with the provisions of the Companies Act 1985, and is in accordance with the Friends' Memorandum and Articles of Association.

Report of the Council April 2004 to March 2005

Introduction

It has been a difficult year for the British Museum Friends with their activities having to take a back seat whilst the Museum made its public spaces more effective and worked towards keeping the permanent galleries open during the Museum's late night openings. Achieving this objective was a major focus for the Museum and the temporary curtailment of the Friends' exclusive event calendar, including the late night openings, was a painful but necessary part of supporting the Museum in its period of transformation; it is likely to have to continue until the end of the year.

The temporary reduction in our special event calendar led to the resignation of some members and for this reason membership was down by 7.9% at the end of the financial year. This, in turn, reduced income from subscriptions. I am hopeful that this trend will be reversed, as members come to understand the nuances of the Museum's situation.

By September 2004 a plan had been agreed with the Museum whereby BMF would trial a new type of seasonal event: an exclusive reception for members and their guests during which as many areas of the Museum as possible were opened up to give members an enjoyable and informative behind the scenes insight into the Museum's many activities. 1,227 members attended the evening making it the most popular Friends' event in recent years. More such events are now planned.

Grants to the Museum

Because the British Museum has an annual purchase grant of just £100,000, BMF grants are extremely important: they help the Museum to expand its collections and, through the Townley Group, to extend research and work with other institutions in the UK and abroad.

New grants totalling £291,000 were agreed in the year by Council on behalf of our members. Grants, financial support and donations made to the Museum and other partner institutions come from the Charity's accrued surpluses on all income generation activities. All potential purchases and projects put to BMF for support are first agreed by the Director of the Museum.

Of the total £291,000, £80,000 was applied to Townley projects, £50,000 went to support a curatorial post in the Department of Ethnography and a number of significant objects were purchased to augment the collections. These grants ranged from £40,000 for the Geometric Amphora to £2,200 for the Olbrich Silver Cutlery.

The £20,000 surplus on the 2004 Big Egyptian Bash was donated to the Museum during the year and this paid for one year's conservation on the beautiful Nebamun Wall Paintings. As reported below, the 2005 Big Roman Empire Bash was an even bigger success, raising £25,000.

In addition Council made grants to the established Running Funds to help build museum collections in the areas of Contemporary Prints and Drawings, Board Games, Ethnographical Textiles, nineteenth to twentieth century Design Objects and Contemporary Coins and Medals.

In many cases BMF grants act as seed money to start the process of acquiring an object which allows the Museum to trigger further grants from external sources. They also serve as top-up grants when other sources of funds, internal or external, have been exhausted. Details of all the year's grants are listed on page 11.

Over the past five years BMF has made donations and grants to the Museum of almost £2 million.

Report of the Council
April 2004 to March 2005 (continued)

Legacies

I am glad to report that during the year, the BMF received legacies totalling £211,000 and the Museum, whose legacy campaign is run by the BMF, a further £806,000.

Whilst this exceeded all our expectations (BMF anticipated £75,000 for the year) we miss these members from our ranks. We are pleased to record here the generosity of Margaret Lewin, Andrew Frederick Wiseman, Joanna Elizabeth Kelley, Gordon Bennett and Constance Pricilla Rice. All these members left legacies in the year, whether to the BMF or directly to the Museum; their generosity furthers BMF's core objective - which is to support the work of the Museum.

We are exceedingly grateful to these and all other members who have taken the time to plan their wills so that the Museum benefits: I urge all members to consider offering this type of support to the Museum.

Volunteers

Responsibility for the volunteer programme moved during the year to the Museum's Department of Human Resources. The volunteer programme had grown tremendously. Over 300 people are now on the volunteers' register and it was considered more appropriate to settle these people into the heart of the Museum where their time might be better deployed for the benefit of all departments. We remain very grateful indeed to all our members who extend the contribution of BMF to the Museum by generously giving their time in this way.

The Magazine

Work continued to improve the Magazine. Council are delighted to report that the Magazine now runs to 68 pages. The new size Magazine gives readers a greater insight into the work of the Museum, and a better publication for our members.

This increase in pages has helped to build revenue from advertising. Our target for the year was £66,000: by the end of the year we had achieved gross advertising revenue of £101,000.

Council thank Brendan Finucane for all his hard work in leading the production team, and for his commitment to the development of the Magazine.

Membership

Membership fell to 14,204 at the end of the financial year. Of these members 1,169 were Young Friends, 248 were Associate members and 146 were members of the Townley Group.

Compared to the last financial year-end overall membership was down by 7.9%. As a result, subscription income was £61,000 less than we had hoped. Many members who did not renew cited the reduction in the Friends' exclusive event calendar as the main reason.

In addition BMF continue to serve the needs of the 55,500 staff and circa 18,000 retired employees of the John Lewis Partnership who are our corporate members. This programme brings BMF membership into the workplace, helping to communicate the work and role of the British Museum to the Partners who come from all walks of life and all regions of Britain where John Lewis and Waitrose stores operate.

Report of the Council
April 2004 to March 2005 (continued)

Young Friends of the British Museum

Attendance at Young Friends' events remains high. Sleepovers continue to sell out and ReMUS, the Young Friends' magazine published by BMF, remains a popular and valued part of our Young Friends' membership benefit. The Young Friends continue to return a surplus on operations. In addition the March 2005 'Bash' sold out: 2,000 people attended and a £25,000 surplus ensued against our anticipated target of £15,000. Whilst this income appears in this year's accounts, the donation will be made in 2005-6 when the Museum will be re-displaying objects and refreshing the Greek and Roman galleries.

Thanks go to Patti White, Chairman of the Young Friends and her team, and to the generosity of all our Young Friends who make these events so successful and such fun.

Townley Group

Thanks to the generosity of our Townley contributors £80,000 was awarded to specific projects in the year. At the Townley party, to which all Associate members are invited, curators present their specific research projects: this provides an interesting and enjoyable event whereby curators take up 'pitches' to promote their projects to the assembled guests. This is followed during the year by visits to each of the projects so that individual donors get both a report on progress, and a closer understanding of the work of the Museum.

For the second time a group of Townley members visited Cnidus with curator Dr Ian Jenkins to view his project.

I would encourage all members to consider upgrading to Townley membership so that they can enjoy a closer relationship with the Museum and the curators.

Jeremy Taylor, Chairman of the Steering Group until November 2004, and Henrietta McCall, Deputy Chairman, are thanked for the hard work and marvellous commitment that they have brought to the creation, growth and success of this group. Christopher Steele who took over from Jeremy at the AGM, has made a successful start in his new role.

Events

Income from ticket sales to adult events was £61,000 against a target of £70,000.

Due to our desire to support the Museum more effectively by modifying the style and content of the events programme, BMF Council is taking time to research and plan a new style event calendar. We are listening carefully to our members through event feedback forms, letters received in the office and the results of our annual research into membership needs. We have set up a new committee to support and oversee the production and delivery of all future BMF adult events, chaired by Patsy Vanags, who is Head of Education at Christies and was the Deputy Head of Education at the BM for many years. The committee's remit is to work closely with the Museum to co-ordinate all activities and produce a calendar that suits all members' interests. No mean feat but one I am confident we will achieve.

The new annual event calendar will be divided into four seasons of activity. These seasons will follow the Museum exhibition calendar bringing a closer understanding to members of the wide range of subjects to be explored in the Museum.

It is hoped that this approach will cater for all members - from those who wish to take a first step towards exploring a subject new to them, to those members who know as much, if not more, than some of our lecturers.

Report of the Council
April 2004 to March 2005 (continued)

Subscriptions

Income for the year from subscriptions was £546,000 against a target of £607,000. We are grateful to all Friends who signed a Gift Aid form which brought in £83,000 - money that would otherwise have remained with the Inland Revenue. Can I encourage all those who have not yet signed a Gift Aid form to do so? This is a simple procedure and available to all our members who pay UK tax on their income whether that income is from dividends, salaries or pensions. By signing the Gift Aid form enclosed with this mailing, you make your subscription worth 28% more to BMF at no cost to you.

We also thank all members who pay by Direct Debit which helps to cut administration costs. For any members who have yet to sign up to a Direct Debit, I urge you to do so and in the process save £5 on your annual subscription fees.

Finance

The Statement of Financial Activities appears on page 16.

The net movement in funds for 2004/05 was a surplus of £526,000 which compares with a shortfall of £117,000 in the previous year.

There are a number of reasons for this improved result, the principal of which are as follows:

Income - Total Incoming Resources in 2004/05 were £1,160,000 which was an increase of £90,000 (8.4%) after excluding £40,000 from the fundraising in 2003/04. Legacies and advertising revenue were £110,000 and £11,000 higher respectively, whilst subscriptions and rental income were £20,000 and £25,000 lower respectively.

Expenditure (excluding Grants) - Total Resources Expended in 2004/05, excluding grants to the British Museum, totalled £903,000 which reflects an increase of £84,000 (10.2%). The main reasons for the increase were: staff costs which were higher due to salary increases and the need to utilise the services of temporary staff and contractors; the requirement to write off £49,000 of structural costs relating to the previous Members' Room; and £15,000 being the cost of the Extraordinary General Meeting in February 2005. Against this, there was reduced spending of £32,000 on publicity, market research and marketing.

Grants - Grants to the British Museum in 2004/05 were £291,000 which compares with £301,000 in the previous year excluding the grants of £31,000 from fundraising and £119,000 from general reserves for the Burney Relief.

Unrealised Gains on Investments - a surplus of £528,000 relates to the revaluation of the investment property to net realisable value based on the exchange of contracts for sale (see below); a surplus of £32,000 arises from marking the common investment funds to market.

Balance Sheet

Total Funds at 31 March 2005 were £1,753,000, represented by tangible fixed assets (£18,000), the investment property (£1,328,000) and investments in common investment funds (£433,000).

The cash position remains satisfactory.

Report of the Council
April 2004 to March 2005 (continued)

Investment Property

The property, at Ladbroke Grove in London, was bequeathed to the Friends under the will of Miss Eva Lorant who died in 1999. The residential element of the property was sold in 2001 whilst the commercial part was let on a long lease dating from 1986.

As mentioned in last year's Annual Report, following the financial failure of the tenant and the deterioration in the condition of the property, Council decided in June 2004 to offer the property for sale.

An advertising and marketing campaign was instigated as a result of which a number of interested parties emerged. Following negotiations, an exchange of contracts was achieved in February 2005 at a price of £1,380,000 which was satisfactory to, and approved by, Council. The process and price achieved were supported by an independent surveyor as required by the Charities Act. Completion took place on 14 June 2005.

The proceeds from the sale will be retained by the Friends as an expendable endowment and are being invested in common investment funds, one of which is property related.

Governance

The Council aspires to the highest standards of governance to ensure that the BMF is run both economically and effectively and that it achieves its charitable purpose to the full. As part of this process the governing documents are reviewed from time to time to ensure they keep pace with developments in legislation - especially now that trusteeship carries onerous responsibilities.

At 31 March 2005, 18 trustees served on Council and the various BMF committees.

During the past year I have concentrated on re-organising the committee structure so that the abilities of each of the BMF trustees can be used to better effect in developing the work of the Charity. My aim has also been to increase the support and scrutiny of the Charity's operational work through the relevant committees. This exercise is now complete and whilst Council continues to decide on policy, it means that a broader base of trustees bring their experience to bear to support the staff in the running of the Charity.

Staff

The office staff and office-based volunteers, led by Margaret Fenn, continued to work hard throughout the year to provide the best possible level of service to our members. The year was particularly challenging due to the changes in the museum-based event calendar and the relocation of the offices and Members' Room from the East to the West Residence. It is to the office staff's credit that the BMF operations and the services to members have been maintained in an efficient and business-like manner. Council thanks the team for their hard work and commitment. In particular, I would like to record our appreciation of Margaret Fenn who retired in March; not only has she done much to develop the work of BMF and to hold the staff together during a very difficult period, she also agreed to stay on in a consultancy capacity until the end of June whilst we recruited Carolyn Young to take her place.

Council

In November 2004, The Rt. Hon Countess of Dalkeith resigned as a BM trustee and Chairman of BMF due to ill health. She had been a BM trustee for five years and on BMF Council since 1999. We are grateful for her considerable contribution to the Friends.

Report of the Council
April 2004 to March 2005 (continued)

Dudley Buchanan, who has been involved with BMF for over 30 years and most recently as Deputy Chairman and Acting Chairman, has decided to resign from Council at the AGM. This marks the passing of an era. Dudley has worked tirelessly: she will be missed for her wise counsel, her dedication and her sense of fun. I am delighted to say that as she has been a life member since student days, she will continue to participate in BMF activities.

In addition Henrietta McCall, who remained on Council last year to act as Deputy Chairman to support Dudley, is now at the end of her term on Council. Henrietta, who with Jeremy Taylor set up the Townley Group, stamped her own style on the Townley annual party, an event that has grown not only into one of the best parties in the Museum's calendar of activities, but also the most successful in terms of money raised to support research.

Council thank Geoffrey House and Hilary Williams (who will also retire at the AGM having completed six years on Council), Dudley and Henrietta for their collective and individual contribution to the development of BMF.

During the year Andrew Burnett, John Robins, Jeremy Taylor, Andrew Thatcher and JD Hill resigned from Council. Council warmly thank all these trustees for their contribution.

Elections

Each year new trustees are recruited from the membership. The aim is to recruit trustees who have the special skills needed by Council. All applicants are interviewed and the selected applicants are put forward to be voted in by the members at the AGM.

This ensures that the BMF's trustee body reflects the interests of the members, and that the Council attracts the skills and experience needed to run the Charity in line with Charity Commission strict guidelines and current legislation.

Though not mandatory it is customary for Council members to serve a maximum of 6 years: 3 years on first election, and a further 3 years if re-elected. Each trustee then stands down for at least one year. This voluntary code leads to a dynamic and vigorous Council capable of responding to the changing needs of BMF as we work to support the development of the Museum.

The exceptions to this voluntary code are: the two BM trustees who are appointed by the Museum Trustee Board; the Chairman, who is traditionally one of the BM Trustees and has a ten year BMF term of office in the interests of continuity; the Deputy Chairman and the Treasurer. The Deputy Chairman and the Treasurer are both nominated by and serve at the discretion of the Chairman.

This year, due to Dudley Buchanan's retirement from Council, we elect a new deputy chairman. William Rathbone who has been a member of the Friends for 11 years, a member of Council since 2003 and Chairman of the BMF Finance Committee since November 2004, has agreed to allow his name to be put forward.

Bill is liked and respected by BMF Council and staff. His huge skill and experience in finance, investments, charity governance and management make him an ideal candidate. I recommend him to you for election.

We are seeking three new trustees this year.

I am delighted to say that Ian Plenderleith, who has a long standing association with the Friends and is a valued past member of the BMF Council, has returned from abroad and is available for re-election.

Report of the Council
April 2004 to March 2005 (continued)

In addition Judith Nugée and Anna de Pass who are new to the BMF Council were selected to stand for election.

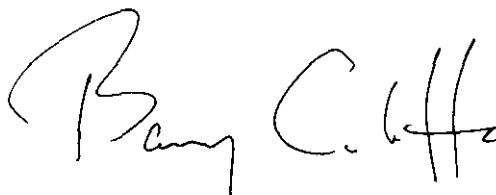
Brendan Finucane, Chairman of the Magazine Committee; Griselda Bear, Chairman of the Fundraising Committee, and Patti White, Chairman of the Young Friends Committee are due for re-election at the AGM. I am delighted to report that they have agreed to stand for re-election.

Conclusion

So a year that has seen a great deal of positive change has come to a close. We now face the future with a strong, experienced BMF Council and a clearer idea of how we can grow alongside and in partnership with the Museum to provide an up to date membership service that not only generates cash for grants but also helps the Museum as it strives to reach new audiences in London, the British Isles and the World.

An exciting time and, I hope you agree, a time for renewal and growth.

Professor Barry Cunliffe
Chairman of the British Museum Friends' Council.

A handwritten signature in black ink, reading "Barry Cunliffe". The signature is written in a cursive, flowing style. The first name "Barry" is written with a large, sweeping 'B' that loops around. The last name "Cunliffe" is written with a series of connected loops and a final flourish.

Policies and Procedures

Grant Making Policy

In accordance with its stated objective, the BMF supports the Museum by making grants to extend its permanent collection and to help fund other Museum projects. The Council applies the BMF's annual surplus to these ends and on special occasions, such as the 250th Anniversary year, makes more substantial grants towards special purchases or projects from its accumulated funds. All applications for grants are first vetted and agreed by the Director of the Museum. The Council periodically authorises fundraising appeals in order to provide additional support for a major Museum project such as the King's Library or particularly important objects such as the Queen of the Night.

Risk Management

The major risks to business, finance and reputation have been reviewed and identified by the Council. The Council have established systems to mitigate those risks. A full risk register has been compiled, is held in the BMF office and is reviewed at least annually.

Reserves

The Friends' reserves are comprised of three elements: the tangible fixed assets (£18,000), the expendable endowment arising from the bequest of Miss Eva Lorant (£1,602,000) and £50,000 held towards any major unexpected request for grants from the Museum.

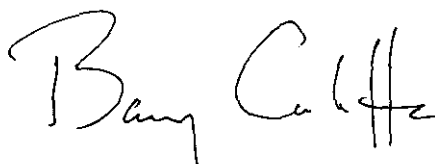
At the balance sheet date, the reserves were held in the form of the property bequeathed as part of the Eva Lorant legacy and units held in certain common investment funds.

Investment

The objective in respect of the invested funds is to achieve an above average total return from dividends, interest and capital growth through a balanced exposure to equities and gilts.

The funds are invested in common investment funds which provide an asset allocation of approximately 50% in equities, 25% in gilts and 25% in property funds.

Performance against appropriate benchmarks is monitored on a quarterly basis by the Finance Committee.



Independent Auditors' Report to The Members of The British Museum Friends

We have audited the financial statements of The British Museum Friends for the period ended 31st March 2005 which comprise the Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Council Members and Auditors

The trustees', who are also the directors of The British Museum Friends for the purposes of company law, responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees' Annual Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Opinion

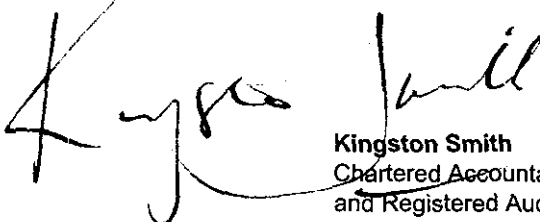
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at 31st March 2005 and of the incoming resources and application of resources, including its income and expenditure for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

Devonshire House
60 Goswell Road
London EC1M 7AD


Kingston Smith
Chartered Accountants
and Registered Auditors

Statement of Council Members' Responsibilities

Law applicable to charities in England and Wales requires the council members as the trustees to prepare financial statements for each financial period which give a true and fair view of the charity's financial activities during the period and of its financial position at the end of the year. In preparing financial statements giving a true and fair view, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The council members are responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable them to ascertain the financial position of the charity and which enable them to ensure that the financial statements comply with applicable law. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The British Museum Friends

Statement of Financial Activities (including Income and Expenditure Account)
For the year ended 31st March 2005

	Note	2005 £	2004 £
Incoming resources			
Donations		29,683	14,353
Legacies		210,698	100,367
Activities in furtherance of the charity's objectives			
Subscriptions	2	545,607	565,609
Townley Group		80,756	77,371
Magazine - advertising income		100,810	90,241
Events		157,617	157,504
Activities for generating funds			
Investment income	3	26,991	35,724
Property income		1,204	26,000
Fundraising campaign		-	39,867
Other Income	5	6,238	2,672
Total incoming resources		1,159,604	1,109,708
Resources expended			
Cost of generating funds			
Property costs		19,485	29,542
Legacy campaign		13,770	8,788
Fundraising campaign		310	8,672
		33,565	47,002
Charitable expenditure			
Grants to the British Museum	4	290,708	451,426
Costs of activities in furtherance of the charity's objectives			
Magazine costs		142,409	148,240
Events costs		128,808	113,663
Publicity		24,391	56,383
Support costs	6	563,996	445,952
Management and administration	7	9,263	7,650
		1,159,575	1,223,314
Total resources expended		1,193,140	1,270,316
Net outgoing resources		(33,536)	(160,608)
Other recognised gains and losses			
Unrealised gains on investments	9	559,806	43,955
Realised loss on disposal of investments		(535)	-
Net movement in funds		525,735	(116,653)
Balances brought forward at 1st April 2004		1,227,170	1,343,823
Balances carried forward at 31st March 2005		1,752,905	1,227,170

All gains and losses arising in the period are included in the Statement of Financial Activities and arise from continuing operations. All funds movements relate to unrestricted funds.

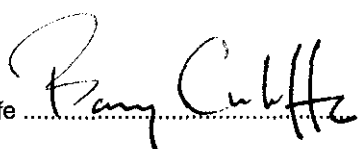
The British Museum Friends

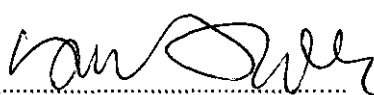
**Balance Sheet
as at 31st March 2005**

	Note	2005 £	2004 £
Fixed assets			
Tangible assets	8	17,664	49,362
Investments	9	1,760,681	1,301,410
		<u>1,778,345</u>	<u>1,350,772</u>
Current assets			
Debtors	10	71,623	189,835
Cash at bank and in hand		253,104	343,272
		<u>324,727</u>	<u>533,107</u>
Current Liabilities			
Creditors: amounts falling due within one year	11	(221,581)	(524,845)
Net current assets		<u>103,146</u>	<u>8,262</u>
Total assets less current liabilities		1,881,491	1,359,034
Creditors: amounts falling due after more than one year	12	(128,586)	(131,864)
		<u>1,752,905</u>	<u>1,227,170</u>
Unrestricted Funds			
Designated funds	14,15	1,620,164	1,124,362
Other unrestricted funds	14,15	132,741	102,808
		<u>1,752,905</u>	<u>1,227,170</u>

The financial statements were approved at a meeting of the Council

and signed on its behalf on: 04/10/2005 by:

Prof. Barry Cunliffe  Chairman

Richard Dalzell  Hon. Treasurer

The British Museum Friends

Notes to the Accounts For the year ended 31st March 2005

1 Accounting Policies

Basis of Accounting

The financial statements have been prepared under the historical cost convention modified by the revaluation of certain investment assets and in accordance with the Statement of Recommended Practice, Accounting & Reporting by Charities (SORP 2000) issued in October 2000, applicable accounting standards and the Companies Act 1985. The principal accounting policies adopted in the preparation of the financial statements are as follows:

Subscriptions

Subscriptions are included on a receipts basis.

Life subscriptions are treated as representing fourteen years income and a proportion is treated as income each year, with the unexpired portion treated as a creditor.

Legacies

Legacies are recognised in the accounts when the amount receivable can be reliably measured.

Fixed Assets

Artefacts of an appreciating nature are included in the financial statements at open market valuation, as determined by professional valuers, and are not depreciated, as their residual values are not materially different from carrying values included in the accounts.

Depreciation on other tangible assets is provided at rates calculated to write off the cost of each asset over its expected useful life. The annual rates used are:

Members Room Furniture and Equipment	33 1/3 % straight line
Office Equipment	33 1/3 % straight line

Capital Expenditure

Expenditure on small equipment is charged wholly to the income and expenditure account as other office costs in the year.

Irrecoverable VAT

Irrecoverable VAT is allocated to the relevant expense heading.

2 Subscription Income

	2005 £	2004 £
Subscription income for the year comprises:		
Associate subscriptions	58,249	29,180
Membership subscriptions	465,042	516,540
Life membership	9,679	9,925
Young Friends subscriptions	12,637	9,964
	<u>545,607</u>	<u>565,609</u>

3 Investment Income

	2005 £	2004 £
Income from quoted investments	18,553	21,643
Interest receivable	8,438	14,081
	<u>26,991</u>	<u>35,724</u>

Notes to the Accounts
For the year ended 31st March 2005

4 Grants to the British Museum		2005
	£	£
Pre-History and Early Europe		
French Glass Goblet	9,250	
Modern Collection (Running Fund)	5,000	
Staffordshire Salt Glaze Mug	2,573	
Silver Olbrich Cutlery	2,200	
Nebamun Wall	<u>20,000</u>	39,023
Coins and Medals		
Contemporary Medals (Running Fund)	5,000	
Silver Halfpenny	3,000	
Coin Die	<u>3,500</u>	11,500
Ethnography		
Ethno Curator's Post (second year commitment)	50,000	
Eastern Europe & Central Asia (Running Fund)	<u>3,500</u>	53,500
Greek and Roman		
The Geometric Amphora	40,000	
Cypriote Steatite Figurine	25,000	
Ivory sistrum, Etruscan	<u>19,789</u>	84,789
Asia		
Gandhara Stupa		1,121
Ancient Near East		
Board Games (Running Fund)		2,500
Prints and Drawings		
Contemporary Collections (Running Fund)		15,000
Grants by BMF awarded in the current year		<u>207,433</u>
Grants by Townley Group awarded in the current year	80,461	
<u>Less: Overprovision of grants in 2003/04 written back</u>	<u>(50)</u>	<u>80,411</u>
		287,844
Other grants		
Eva Lorant Lectures	1,979	
Eva Lorant Annual Legacy	385	
Small Office Grants	<u>500</u>	<u>2,864</u>
Total Grants for the year		<u><u>290,708</u></u>

The British Museum Friends

Notes to the Accounts
For the year ended 31st March 2005

5 Other Income	2005	2004
	£	£
Income from sale of magazines	2,510	2,672
Commission received on third party sales	3,728	-
	<u>6,238</u>	<u>2,672</u>

6 Support costs	2005	2004
	£	£
Staff costs	338,075	278,281
Recruitment, training and other staff costs	7,679	18,246
Associate and members' expenses	66,036	50,748
Young Friends' expenses	18,332	17,522
Postage, telephone, printing and stationery	34,771	48,813
Depreciation	1,951	4,290
Loss on write-off of fixed assets	48,990	-
Volunteers' expenses	820	3,686
Other office costs	47,342	24,366
	<u>563,996</u>	<u>445,952</u>

The permanent staff members are employees of the British Museum. The analysis of permanent and temporary staff costs are:

	£	£
Permanent staff costs	247,697	210,083
Temporary & agency staff costs	90,378	68,198
	<u>338,075</u>	<u>278,281</u>

Staff costs consists of:

	£	£
Salaries	320,841	264,075
Employer's NI	17,234	14,206
	<u>338,075</u>	<u>278,281</u>

7 Management and administration	2005	2004
	£	£
Legal and professional fees	2,300	-
Audit fee: Current year	5,000	4,500
Underprovision in prior year	650	2,250
Other fees paid to auditors	-	900
Directors, Officers & Trustees liability insurance	1,313	-
	<u>9,263</u>	<u>7,650</u>

In the opinion of the Council, the permanent staff of the organisation are directly involved in the charitable operations: overall responsibility for the organisation rests with the Council.

Notes to the Accounts For the year ended 31st March 2005

8	Tangible fixed assets	Furniture and Effects of An Appreciating Nature	Furniture and Equipment Members' Room	Office Equipment	Total
		£	£	£	£
	Cost				
	Balance brought forward at 1 April 2004	-	72,266	24,286	96,552
	Additions during year	13,880	2,888	2,494	19,262
	Disposals	-	(72,266)	(23,817)	(96,083)
	At 31 March 2005	<u>13,880</u>	<u>2,888</u>	<u>2,963</u>	<u>19,731</u>
	Depreciation				
	Balance brought forward at 1 April 2004	-	24,933	22,257	47,190
	Charge for the year	-	963	988	1,951
	Disposals	-	(24,934)	(22,140)	(47,074)
	At 31 March 2005	<u>-</u>	<u>962</u>	<u>1,105</u>	<u>2,067</u>
	Net book value				
	At 31 March 2005	<u>13,880</u>	<u>1,926</u>	<u>1,858</u>	<u>17,664</u>
	At 31 March 2004	<u>-</u>	<u>47,333</u>	<u>2,029</u>	<u>49,362</u>

Assets of an appreciating nature are legacy items received in prior years and are valued in accordance with Note 1; a third party professional valuation of these items was carried out in March 2005; the probate value of these items was estimated to be £12,000.

All assets are employed in the direct charitable activities.

9	Investments	2005 £	2004 £
	Investment property	1,327,500	800,000
	Quoted investments	433,181	501,410
		<u>1,760,681</u>	<u>1,301,410</u>
	(a) Investment property:		
	At 1 April 2004	800,000	800,000
	Surplus on revaluation	527,500	-
	Value at 31 March 2005	<u>1,327,500</u>	<u>800,000</u>
	Historical cost at 31 March 2005	<u>500,000</u>	<u>500,000</u>

The investment property was re-valued at 31 March 2005 on the basis of net realisable value following an exchange of contracts for sale on 9 February 2005. The sale was completed on 14 June 2005.

(b) Quoted investments (UK):

Market value at 1 April 2004	501,410	457,455
Disposals at cost	(100,535)	-
Net gains on revaluation at 31 March 2005	32,306	43,955
Market value at 31 March 2005	<u>433,181</u>	<u>501,410</u>
Historical cost at 31 March 2005	<u>399,855</u>	<u>500,490</u>

Notes to the Accounts
For the year ended 31st March 2005

The quoted investments portfolio consists of the following investments that constitute greater than 5% of the market value:

	2005	2004
	£	£
Charinco Common Investment Fund	122,634	241,637
Charishare Common Investment Fund	140,500	150,353
CAF UK Equity Growth Fund	170,047	109,421
	<u>433,181</u>	<u>501,410</u>

10 Debtors

	2005	2004
	£	£
Trade debtors	39,417	21,645
Inland revenue - gift aid receivable	29,178	131,583
Prepayments and accrued income	3,028	36,607
	<u>71,623</u>	<u>189,835</u>

11 Creditors: Amounts falling due within one year

	2005	2004
	£	£
Trade creditors	64,772	49,012
Due to the British Museum:		
- Great Court Appeal	-	69,510
- Other	87,789	310,424
British Museum Development Trust	4,000	17,500
Taxation and social security	13,514	9,733
Accruals and deferred income	51,506	68,666
	<u>221,581</u>	<u>524,845</u>

12 Creditors: Amounts falling due after more than one year

	2005	2004
	£	£
Life subscriptions received in advance	<u>128,586</u>	<u>131,864</u>

13 Council Members

No council member received any remuneration for services in either year. One council member (2004: One council member) received re-imbursement of expenses of £686 (2004: £1,762) in her role as the volunteer co-ordinator. Another council member is an equity partner in Bircham Dyson Bell, solicitors, who have advised in relation to the investment property; fees of £9,400 have been accrued in this year's accounts (2004: £7,050); the council member concerned received no direct or indirect benefit as a result of these fees.

During the year a Charities Professional Liability insurance package was purchased for the first time, including Directors, Officers & Trustees Executive Liability; Professional Liability and Fidelity Guarantee; the first year premium was £1,313.

Notes to the Accounts
For the year ended 31st March 2005

14 Unrestricted funds

	Balances brought forward	Incoming resources	Resources expended	Revaluation of property	Additions to Investment fixed assets gains	Balances carried forward
	£	£	£	£	£	£
Designated funds						
Legacy	(1) 1,075,000	-	-	527,500	-	1,602,500
Tangible assets	(2) 49,362	-	(50,960)	-	19,262	17,664
	1,124,362	-	(50,960)	527,500	19,262	1,620,164
Other unrestricted funds	102,808	1,159,624	(1,142,200)	-	(19,262)	132,741
	<u>1,227,170</u>	<u>1,159,624</u>	<u>(1,193,160)</u>	<u>527,500</u>	<u>31,771</u>	<u>1,752,905</u>

(1) The Legacy fund was set up to hold funds received under a major legacy. It is the intention of the trustees that, although the legacy was not subject to restrictions by the donor, it should be treated as an expendable endowment.

(2) The tangible fixed assets fund has been created in line with the current recommendation of the Charity Commission that reserves represented by fixed assets should be separately identified.

15 Analysis of net assets between funds

	Designated funds	Other unrestricted funds	2005
	£	£	£
Tangible assets	17,664	-	17,664
Investments	1,602,500	158,181	1,760,681
Current assets	-	324,727	324,727
Creditors	-	(350,167)	(350,167)
	<u>1,620,164</u>	<u>132,741</u>	<u>1,752,905</u>

16 Future Commitments

At the balance sheet date, the only British Museum Friends' future financial commitment is a £50,000 annual grant for a further three years to The British Museum, to finance the curatorial post in the department of Ethnography.

17 Members liability

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding-up is limited to £1.