



Company registration number: 02325092

Charity number: 800630

**the Design Museum**

**Annual report and consolidated accounts**

**31 March 2017**

**the Design Museum**  
**Annual report and consolidated accounts**

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# the Design Museum

## Trustees, Officers and Professional Advisers

### Trustees

During the year and to date the trustees were as follows:

Lord Mandelson – Chair (appointed 15 March 2017)	Luqman Arnold – Chair (resigned 28 February 2017)
Zdenek Bakala	Wendy Becker
Nicholas Bull FCA	Sebastian Conran
Sir Terence Conran	David Constantine (resigned 26 January 2017)
Hugh Devlin	Sir Christopher Frayling
Sir John Hegarty	Anya Hindmarch MBE
Johannes Huth	Alistair Johnston CMG FCA (resigned 28 February 2017)
Asif Khan	Davina Mallinckrodt (appointed 14 June 2017)
Ambra Medda	Saba Nazar
Mike Peck FCA AMCT (appointed 14 June 2017)	Charles Rifkind
Lady Ritblat	Rolf Sachs
Julian Treger (appointed 15 March 2017)	Julian Vogel

### Sub committees of the main board

<b>Curatorial Committee</b>	<b>Development Committee</b>	<b>Enterprise Committee</b>
Deyan Sudjic OBE – Chair Sir Terence Conran Asif Khan Lord Mandelson Davina Mallinckrodt Ambra Medda Rolf Sachs Daniel Charny (co-opted) Damien Whitmore (co-opted)	Julian Treger – Chair Hugh Devlin Saba Nazar Lady Ritblat Rolf Sachs Harriet Anstruther (co-opted) Lily Atherton Hanbury (co-opted) Patsy Baker (co-opted) Katherine Francey Stables (co-opted) Isabelle Hotimsky (co-opted) Beatrix Ong (co-opted)	Wendy Becker – Chair Anya Hindmarch Charles Rifkind
<b>Finance and Operations Committee</b>	<b>Learning Committee</b>	<b>Nominations and Governance Committee</b>
Mike Peck – Chair Nicholas Bull Tom Massey (co-opted)	Sir Christopher Frayling – Chair Sebastian Conran Emily Campbell (co-opted) John Holden (co-opted) Catherine Large (co-opted) Paula Ledieu (co-opted) Jeremy Myerson (co-opted)	Lord Mandelson – Chair Zdenek Bakala Sir Terence Conran Sir John Hegarty Anya Hindmarch MBE Johannes Huth
<b>Project Delivery Committee</b>	<b>Key Management Personnel</b>	<b>Company Secretary</b>
Johannes Huth - Chair Nicholas Bull Charles Rifkind	Deyan Sudjic OBE (co-director) Alice Black (co-director) Celeste Bright Dr Helen Charman Justin McGuirk Philip Walsh FCA	Philip John Watkins Katten Muchin Rosenman LLP 125 Old Broad Street London EC2N 1AR

<b>Registered Office</b>	<b>Bankers</b>	<b>Auditor</b>
224-238 Kensington High Street London W8 6AG	Barclays Bank Plc 1 Churchill Place London E14 5HP	Crowe Clark Whitehill LLP St Bride's House, 10 Salisbury Square London EC4Y 8EH

<b>Solicitors</b>	<b>Solicitors</b>	
Katten Muchin Rosenman LLP 125 Old Broad Street London EC2N 1AR	Charles Russell Speechlys LLP 6 New Street Square London EC4A 3LX	

## **the Design Museum**

### **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

#### **STRUCTURE, GOVERNANCE AND MANAGEMENT**

The Design Museum is a private company limited by guarantee, not having a share capital, that has been granted permission by section 30 of the Companies Act 2006 to omit the word 'Limited' from its name. The Design Museum is a registered charity and the governing documents of the Charity are its Memorandum of Association dated 24 November 1988 and Articles of Association updated 1 February 2016. The Design Museum's company registration number is 02325092 and charity registration number is 800630. The museum also carries out trading activities in support of the museum through its subsidiary, Design Museum Enterprises Limited, which undertakes retail, publishing, catering, venue hire and sponsorship activities.

The Design Museum is governed by a board of trustees (who are company directors for the purpose of the Companies Act 2006). The trustees provide the mix of skills, competencies and profiles appropriate to the needs of the museum. A skills audit is used by the Nominations and Governance Committee to assess this and evaluate recruitment priorities when vacancies arise and new appointments are made. Trustees are elected by the members and are appointed for an initial period of four years, following which, they are eligible for re-election for a further four years. New trustees are briefed on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committees and decision-making processes, the business plan and financial performance of the museum. Following their induction, trustees' ongoing training needs are met as and when required.

In addition to the Nominations and Governance Committee, there were six sub-committees of the board, comprising trustees and co-opted advisers, who oversaw key areas of focus of the museum. These were the Curatorial, Development and Communications, Enterprise, Learning, Project Delivery and Finance Committees. The Project Delivery and Finance Committees were delegated responsibility from the board for specific aspects of the plans to open the Design Museum in Kensington. It is intended that all activities fall under the aegis of one of the committees. After the year end, following the successful completion of the capital project and the move to the new museum, the Project Delivery Committee has been disbanded. The Finance Committee has been replaced by a Finance and Operations Committee, overseeing finance, facilities management, IT and HR matters.

The members of The Design Museum are The Conran Foundation and the currently serving trustees. The Conran Foundation has voting rights at board meetings as well as the power to appoint and remove up to 2 trustees. The Bakala Foundation is not a member, but has the power to appoint and remove 1 trustee.

Day-to-day management of the Charity is delegated to the directors of the museum, Deyan Sudjic OBE and Alice Black, who report to the board of trustees. The trustees have also established appropriate controls and reporting mechanisms to ensure that the leadership team operates within the scope of the powers delegated to it. The controls are formally reviewed and approved annually by the Finance and Operations Committee.

The pay and remuneration for key management personnel at the museum is set taking into consideration the level of responsibility and function of the role. Roles are also externally benchmarked on a regular basis using independent salary surveys, market data and specific sector salary information. A comparison with market rates is conducted for each role by location, industry and size of organisation.

# **the Design Museum**

## **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

### **RELATED PARTY RELATIONSHIPS**

The Charity has a trading subsidiary, Design Museum Enterprises which undertakes retail, publishing, a catering concession, venue hire and sponsorship activities. All profits from Design Museum Enterprises are donated in full to the Design Museum.

Other related parties are the Conran Foundation, 238 Kensington High Street Limited and Benchmark Furniture Limited, as described in note 24.

### **OBJECTIVES AND ACTIVITIES**

The objectives of the Design Museum as set out in the Memorandum and Articles of Association are to advance the education of the public in the study of all forms of design and architecture in the historical, social, artistic, industrial and commercial contexts by the establishment and maintenance of a museum of design and architecture.

The museum's mission is to create the most inspiring, forward-looking, exciting and engaging design museum in the world, which will uphold its values of being welcoming, collaborative, enterprising and provocative.

In pursuit of this mission, the Design Museum opened in significantly expanded premises in the former Commonwealth Institute, a Grade II\* listed building in Holland Park, Kensington, on 24<sup>th</sup> November 2016.

The main objectives for the year were delivering the final three months programme in the Shad Thames location, completion of the new Design Museum's refurbishment, relocating to, opening and delivering an opening programme in Kensington and maintaining the financial security of the organisation throughout this period.

### **STRATEGIC REPORT**

#### **ACHIEVEMENTS AND PERFORMANCE**

The trustees have reviewed the public benefit guidance published by the Charity Commission. The activities undertaken by the Design Museum further its charitable purposes for the public benefit in several areas, in particular exhibitions, learning and public programmes as described below.

#### **Design Museum Kensington Capital Project**

The project to refurbish the former Commonwealth Institute building in Kensington as the new home of the Design Museum was completed in the year, with the relocation made between June and November 2016. The fit out contractors Willmott Dixon completed their work in November 2016, with the museum exhibitions and other areas also being installed from September, ready for opening to the public on 24<sup>th</sup> November 2016.

Fundraising for the capital target of £55m has progressed towards achieving the funding of project expenditure of £48.1m and a further £6.9m in reserves to ensure the sustainability of the museum for its future expanded operations in Kensington. At 31 March 2017, £47.9m was raised against this capital target in total pledges. The project budget was strictly controlled,

## the Design Museum

### Trustees' report (including strategic report and Directors' report)

#### Year ended 31 March 2017

with expenditure remaining within the £48.1m budget, and delivery on schedule. This was managed by a design team led by the main architects and contract administrators John Pawson Associates.

The new museum provides nearly 10,000m<sup>2</sup> of space and is expected to attract over 800,000 visitors in its first year. There is free admission for the first time to an exhibition of the museum's permanent collection, two ticketed temporary exhibition galleries, expanded retail, catering and venue hire offerings as well as significantly larger learning facilities.

#### Exhibitions

The Design Museum usually stages between six and eight temporary exhibitions a year, covering a range of areas from architecture and graphic design to fashion and product design. In 2016/17 there were fewer exhibitions due to the relocation. The main exhibitions during the year were:

- **Fear and Love: Reactions to a Complex World** (24 Nov 16 – 23 Apr 17) – presenting eleven new installations by some of the most innovative and thought-provoking designers and architects working today. The newly commissioned works explored a spectrum of issues that define our time, including: networked sexuality, sentient robots, slow fashion and settled nomads.
- **Beazley Designs of the Year** (24 Nov 16 – 19 Feb 17) – The Design Museum's annual Design Awards showcase the most innovative and progressive designs from around the world, spanning five categories: Architecture, Fashion, Graphics, Product and Transport.
- **Imagine Moscow** (15 Mar 17 – 4 Jun 17) – Marking the centenary of the Russian Revolution, this exhibition explored Moscow as it was imagined by a bold new generation of architects and designers in the 1920s and early 1930s. Drawing on rarely seen material, Imagine Moscow presents an idealistic vision of the Soviet capital that was never realised.
- **NEW OLD** (12 Jan 17 – 19 Feb 17) – Exploring the potential for design and designers to enhance the experience of our later lives. The exhibition looked at how design can help people lead fuller, healthier and more rewarding lives into old age, asking the question: how can designers meet the challenge of a rapidly ageing society? From robotic clothing to driverless cars, the exhibition rethought how design approached ageing.
- **Cycle Revolution** (18 Nov 15 – 30 Jun 16) – Celebrating the diversity of contemporary cycling in Britain from every day commuting to Olympic level competition, Cycle Revolution looked at where design and innovation may take the riders of the future.

During the year, museum paying visitors decreased by 22% to 90,017 (2016: 114,905), generating admissions income of £804k (2016: £1,198k). This was expected as the museum was closed for almost five months between July and November 2016.

The new Design Museum includes the first free exhibition in the museum's history, **Designer Maker User**, which features almost 1,000 items of twentieth and twenty-first century design viewed through the angles of these three interconnected roles. Since opening an estimated 353,122 visitors have seen the exhibition.

#### Touring

The Design Museum continued its programme of touring exhibitions, giving greater access to the museum's content to audiences nationally and internationally, increasing the museum's

## the Design Museum

### Trustees' report (including strategic report and Directors' report)

#### Year ended 31 March 2017

profile and generating income for the museum. During the year the museum welcomed 189,822 visitors (2016: 47,883) to see the touring exhibition Hello My Name is Paul Smith at the following locations:

- **National Museum of Modern Art, Kyoto, Japan** (4 Jun 16 – 18 Jul 16)
- **Ueno Royal Museum, Tokyo, Japan** (27 Jul 16 – 23 Aug 16)
- **Matsuzakaya Museum, Nagoya, Japan** (11 Sep 16 – 16 Oct 16)

#### Digital

The Design Museum is proud to rank 2<sup>nd</sup> in the world amongst museums and galleries in terms of the scale of its presence on Twitter, which is testament to its following among a young and technology literate generation.

There has been a continuing trend in accessing digital content, with increases in website visitors and social media followers.

Digital presence	2016/17	2015/16
Twitter followers	3,930,000	2,668,000
Website	1,633,000 visits by 1,272,000 visitors	1,243,500 visits by 920,000 visitors
Facebook fans	398,000	368,000
Online shop	236,726 visits by 220,761 visitors	209,000 visits by 185,500 visitors
Collection app downloads to date	419,000	410,000

#### Operational fundraising

The main sources of donations and sponsorship during the year have been the following:

- **Sponsorship for exhibitions** – a multi-year partnership with Beazley for sponsorship of the museum's annual Designs of the Year exhibition. A multi-year partnership with Jaguar Land Rover for Sponsorship of the free Designer Maker User exhibition.
- **Grants for learning** – Deutsche Bank have continued to support the Design Ventura learning programme, as detailed in the learning section below. A multiyear partnership with the Helen Hamlyn Trust, to support the schools learning programme.
- **Individual and Corporate Giving** – the museum is grateful to its individual and corporate members and other donors for their continued support.
- **Conran Foundation grant** – the museum received generous support from Conran Foundation for its activities.
- **Government grants** – a grant from Arts Council England supported the Designers in Residence and learning programmes, as well as programmes focussed on diversity and financial resilience.

The operational fundraising targets for 16/17 were achieved, primarily due to the multi-year corporate partnerships agreed during the year. The Design Museum has considered the guidance set out by the charity commission and follows the Institute of Fundraising's code of fundraising practice.



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### Trustees' report (including strategic report and Directors' report)

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#### Collections, Library, Archive

The Design Museum holds a collection of industrial design, furniture, graphics and household appliances, which provides a unique record of Britain's achievements in this field, as well as documenting the social and technological history of modern Britain. The museum's collection policy defines its purpose, scope and future development. A selection of items is available to view via the museum's Collection app, which is free for digital download.

The major event of the year for collections saw the opening of the Design Museum's permanent collection exhibition, Designer Maker User. Over 200 objects from the collection were cleaned and prepared for display.

On 24 November 2016, the new Sackler Library & Archive opened to the public. Established with a gift from the Dr Mortimer and Theresa Sackler Foundation, the library is the Design Museum's new reference resource for the study of contemporary architecture and design. The Sackler Library & Archive is operated by sixteen volunteers, who have started a project to catalogue the library books. Planning is underway to organise the library's extensive collection of periodicals and the creation of a rare books & special collection section.

#### Learning

The museum is a critical force for design education, a hub connecting formal and informal learning with the real world of design through programmes that model the way designers think and work, exploring the impact and value of design in today's complex world. The museum's core commitment to design education in Kensington is to establish a campus-style learning environment onsite with world class, dedicated provision in the Swarovski Foundation Centre for Learning, scaling up spaces from 90m<sup>2</sup> at Shad Thames to 490m<sup>2</sup> in Kensington, comprising a Creative Workshop, Common Room, 2 Seminar Rooms and a Design Studio. These spaces are underpinned by an expanded operational functionality through the new CRM and booking systems, and increased investment in marketing. The museum launched with 'Weekend Open', an intensively programmed learning festival catering for all visitors and the springboard for the public programme for families, young people and adults. Programmes for Schools, Colleges and Universities rolled out from January 2017.

Across the opening period 11,165 learners visited the museum with 10,335 registered on Design Ventura, making a total 21,165 learners in Kensington to 31 March 17. Highlights include:

- **Hands on Design workshops** for schools underpinned by refreshed design thinking pedagogy
- **Design Ventura**, exceeding its target of 10,000 young people and culminating in a free display showcasing school students' work to all visitors
- **Curating Contemporary Design MA with Kingston University**, celebrating 15 years of the partnership
- **Designit, Makeit, Useit**, a new regional outreach project for Early Years and Foundation Stage and Key Stage 1 (3 – 5 year olds) in Hull, City of Culture and Manchester
- **Young Creatives**, a project based community engagement programme for 14-19 year olds in RBKC and surrounding boroughs

## **the Design Museum**

### **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

#### **Research**

June saw the inaugural summit for the 'Design School: The Future of the Project', a research initiative between Imagination, Lancaster University and Charles Stuart University funded by the Arts and Humanities Research Council (AHRC). The project comprises three research summits focusing on the educational, industry and cultural turns of the design school project. The first summit was entitled Design School and the Education Turn, and featured an international range of speakers.

#### **Public Programmes on Design**

Opening with a series of events entitled 'How to Design a Design Museum' featuring the key creative partners involved in creating the new museum, this programme has confidently delivered across a range of formats including a weekend salon, bi-weekly design talks, a late night, and short courses extending exhibition content. Highlights include:

- Design Night London with Autodesk
- New Old talks series
- Fear and Love salon

#### **Retail, Café and Venue Hire**

Following the expected increase in visitor numbers as the museum moved to Kensington in November, the museum trading revenue also increased in 2016/17 compared to the prior year.

- **Retail** – The Design Museum shops aim to sell the most beautiful, innovative and intelligently designed products and publications from around the world. The museum's first stand-alone shop on Kensington High Street opened on 15<sup>th</sup> July 2016, with a shop in the atrium opening on 24<sup>th</sup> November 2016.
- **Catering** – The Design Museum café in Shad Thames closed with the museum on 30<sup>th</sup> June 2016. The new museum has significantly expanded catering facilities with the Parabola Bar, Restaurant and Café offering modern, informal all-day dining including lunch, afternoon tea and dinner, as well as a Coffee and Juice Counter on the ground floor. These are operated on a commission basis by the museum's catering partners Prescott and Conran.
- **Venue Hire** – The museum has spectacular, modern atrium, auditorium and event spaces which are used for product launches, conferences, creativity sessions, receptions, dinners and weddings.

#### **Trading subsidiary financial performance**

The Design Museum's trading subsidiary, Design Museum Enterprises Limited, had turnover during the year of £2,570k (2016: £1,728k) and profit before gift aid and taxation of £739k (2016: £618k), which has been donated in full to the Design Museum at the year end. The principal activities of Design Museum Enterprises Limited are the operation of shops, catering, sponsorship services and venue hire.

# **the Design Museum**

## **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

### **Staff and Volunteers**

The museum has continued to invest in staff to deliver the expanded scale of operations in its new home.

The museum is very grateful to its team of volunteers, who have had an important role in amongst other things, helping to enhance the visitor experience, assisting with the curation of exhibitions, collection care, library and archiving, publishing and communications. During the year the number of volunteers remained consistent at 77 (2016: 80).

### **FINANCIAL REVIEW**

#### **Reserves**

The Design Museum has a policy of target unrestricted free reserves equal to six months' budgeted future operating costs. Unrestricted free reserves are defined as being total unrestricted reserves less the net book value of unrestricted fixed assets.

The unrestricted free reserves target at 31 March 2017 was £6.0m (2016: £3.0m) increasing in the year due to the expanded activities following the opening of the new museum. This target is reviewed annually, based on an assessment of museum risks, the stability of its income streams, and operational cash flow requirements. Actual unrestricted free reserves at 31 March 2017 were £490k (2016: £628k). The museum is aiming to reach its target level of unrestricted free reserves by 2019, as part of the Design Museum Kensington capital and reserves fundraising campaign (see note 19 for further detail).

In addition to unrestricted general reserves, at 31 March 2017 the museum held £34.6m (2016: £nil) of unrestricted designated reserves, being the net book value of fixed assets relating to the Design Museum Kensington. As well as these unrestricted funds, £1.4m (2016: £32.3m) of restricted reserves was held, primarily relating to the Design Museum Kensington capital project. Total funds held at 31 March 2017 were £36.6m (2016: £33.0m). The museum has an investment policy of holding funds in sterling cash deposit accounts, where balances over £3m are spread across at least two major UK clearing banks. These deposits ensure that cash is readily available to fund the costs of the Design Museum Kensington project and operations, in line with the museum's cash flow forecasts.

## the Design Museum

### Trustees' report (including strategic report and Directors' report)

Year ended 31 March 2017

#### Income and Expenditure

The income, expenditure and surplus for the year, analysed between ongoing operations and the Design Museum Kensington project, were as follows:

	2016/17			2015/16		
	Ongoing operations	Design Museum Kensington project	Total	Ongoing operations	Design Museum Kensington project	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Restricted	438	7,560	7,998	421	9,653	10,074
Unrestricted	4,942	-	4,942	3,773	-	3,773
Total	5,380	7,560	12,940	4,194	9,653	13,847
Expenditure	(5,402)	(3,905)	(9,306)	(4,154)	(2,722)	(6,876)
Surplus / (Deficit)	(22)	3,655	3,633	40	6,931	6,971

The surplus/(deficit) from ongoing operations is the unrestricted surplus/(deficit), plus the net movement on restricted funds that aren't part of the Design Museum Kensington project

The expenditure has supported all of the key objectives of the Design Museum to deliver the achievements and performance as described above.

During the year £12.5m (2016: £19.9m) of expenditure was capitalised.

**Ongoing operations:** The museum's operational deficit in the year was as a result of the period in which the museum was closed whilst moving to Kensington.

**Design Museum Kensington Project:** The decrease in income compared to the prior year reflects the progress of the capital campaign, whilst the increase in expenditure reflects the completion of the Design Museum Kensington fit out works and planning activity.

#### PLANS FOR FUTURE PERIODS

The Design Museum's inspiring programme of exhibitions and learning activities is a platform for every kind of design, from architecture to fashion, software to automotive. Our activities aim to support the next generation of emerging creative design talent. We ask our audiences to debate new ideas and think about how to make them happen. Through all of our programme we nurture design skills, encourage critical thinking, innovation and entrepreneurship. This programme, and a high quality visitor experience, are vital to the Museum's financial stability and the challenge is to continuously deliver these activities.

## **the Design Museum**

### **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

#### **RISK MANAGEMENT**

The trustees have given consideration to the risks to which the museum is exposed. A summary of risks is maintained by management, describing their likely impact and any required mitigating actions. This is reviewed by the Finance and Operations Committee and the Board at least once a year. The major risks would have reputational and financial impacts and are all centred on the capital project and operating the new museum in Kensington. The major risks that the museum faces are:

- Insufficient free reserves to cover financial risks. This is being managed by careful and proactive cash flow management and fundraising for the capital campaign with oversight from the Finance and Operations Committee, the Development Committee and the Board. Fundraising for reserves is progressing, with loan financing arranged to cover any timing differences in receiving these funds;
- Admissions, fundraising and/or commercial income targets are not met. This is being managed across the museum, focussing on planning for and achieving business plan targets with oversight from all committees and the Board;
- Quality of visitor experience does not meet the museum's ambitions. The delivery of the museum's exhibition programme is being managed by the museum staff and external professional teams, with oversight from the Curatorial Committee and the Board. The museum has also allocated resources towards ensuring a high quality of Visitor Experience.

#### **GOING CONCERN**

The Design Museum receives operational funding and income from a number of sources including admissions income, grants and donations, sponsorship and trading activities. Most of these sources of funding and income are not committed in advance of the start of each financial year and may be affected by factors outside trustees' control, including government policy and uncertainties in the economic outlook. The trustees receive forecasts and financial projections which take into account variations in the level and timing of future income and funding.

A loan facility was in place with The Conran Foundation at the year end, for £1.5m in bridge funding to ensure that the museum has sufficient cash to pay capital expenses where they fall due in advance of receipts from donors. This was fully repaid in two instalments in June and July 17. An additional £1.5m loan facility from The Conran Foundation has been drawn down to fund working capital requirements in the new museum and is outstanding at the date of signing the accounts. A further £1.5m reserves facility has been agreed to fund the reserves requirement of the new, larger museum until the museum generates its own reserves through capital fundraising or operational surpluses.

After making enquiries the trustees have reasonable expectation that the museum has adequate resources to continue in operational existence for greater than 12 months from the approval of the accounts and accordingly the museum continues to adopt the going concern basis in preparing its consolidated financial statements.

# **the Design Museum**

## **Trustees' report (including strategic report and Directors' report)**

**Year ended 31 March 2017**

### **STATEMENT OF TRUSTEES' RESPONSIBILITIES**

The trustees (who are also directors of the Design Museum for the purposes of company law) are responsible for preparing the Trustees' Annual Report (incorporating a directors' report and a strategic report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### **INFORMATION PROVIDED TO THE AUDITOR**

In so far as each of the trustees is aware there is no relevant audit information of which the Charity's auditor is unaware and each of the trustees have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

**Trustees' report (including strategic report and Directors' report) signed by order of the board of trustees**

Lord Mandelson, Chairman of the Board

..... 27 July 2017

Mike Peck, Trustee

Mike Peck ..... 25 July 2017

# **the Design Museum**

## **The independent auditor's report**

### **Year ended 31 March 2017**

We have audited the financial statements of The Design Museum for the year ended 31 March 2017 which comprise the Group Statement of Financial Activities, the Group and Company Balance Sheets, the Group Cash Flow Statement and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of trustees and auditor**

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company for the purpose of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic report and the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2017 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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**The independent auditor's report**  
**Year ended 31 March 2017**

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the Strategic Report and the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report and Strategic report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- the parent charitable company has not kept adequate accounting records; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*N. Hashemi*

**Naziar Hashemi**

Senior Statutory Auditor

For and on behalf of

**Crowe Clark Whitehill LLP**

Statutory Auditor

London

.....7 August..... ~~July~~ 2017



**the Design Museum**  
**Consolidated Statement of Financial Activities**  
**(including the income and expenditure accounts)**  
**Year ended 31 March 2017**

	Notes	Unrestricted	Restricted	2017	Unrestricted	Restricted	2016
		£	£	£	£	£	£
<b>INCOME</b>							
<b>Donations and legacies</b>							
Donations, gifts and similar income	3	1,164,923	59,597	<b>1,224,520</b>	642,652	291,248	<b>933,900</b>
Design Museum Kensington project	19	-	7,495,616	<b>7,495,616</b>	-	9,283,673	<b>9,283,673</b>
Grants receivable	4	-	438,147	<b>438,147</b>	-	406,121	<b>406,121</b>
<b>Charitable activities</b>	6	1,204,401	-	<b>1,204,401</b>	1,398,930	-	<b>1,398,930</b>
<b>Other trading activities</b>							
Trading sales	7	2,570,188	-	<b>2,570,188</b>	1,728,277	-	<b>1,728,277</b>
<b>Investments</b>	5	2,258	4,479	<b>6,737</b>	3,819	92,861	<b>96,680</b>
			-			-	
<b>Total income</b>		<b>4,941,770</b>	<b>7,997,839</b>	<b>12,939,609</b>	<b>3,773,678</b>	<b>10,073,903</b>	<b>13,847,581</b>
<b>EXPENDITURE</b>							
<b>Raising funds</b>	8	2,127,113	-	<b>2,127,113</b>	1,360,269	-	<b>1,360,269</b>
<b>Charitable activities</b>	8	2,870,272	404,135	<b>3,274,407</b>	2,367,660	426,160	<b>2,793,820</b>
<b>Design Museum Kensington project</b>	19	-	3,904,950	<b>3,904,950</b>	-	2,722,257	<b>2,722,257</b>
<b>Total expenditure</b>		<b>4,997,385</b>	<b>4,309,085</b>	<b>9,306,470</b>	<b>3,727,929</b>	<b>3,148,417</b>	<b>6,876,346</b>
<b>Net income/(expenditure) for the year</b>		<b>(55,615)</b>	<b>3,688,754</b>	<b>3,633,139</b>	<b>45,749</b>	<b>6,925,486</b>	<b>6,971,235</b>
Transfer to designated funds	19	34,589,788	(34,589,788)	-	-	-	-
<b>Net movement of funds</b>		<b>34,534,173</b>	<b>(30,901,034)</b>	<b>3,633,139</b>	<b>-</b>	<b>-</b>	<b>-</b>
Balances brought forward	20	739,233	32,262,539	<b>33,001,772</b>	693,484	25,337,053	<b>26,030,537</b>
<b>Balances carried forward</b>		<b>35,273,406</b>	<b>1,361,505</b>	<b>36,634,911</b>	<b>739,233</b>	<b>32,262,539</b>	<b>33,001,772</b>

The net income for the financial year dealt with in the financial statements of the parent company was £3,633,139 (2016: £6,965,408).

All income and expenditure in the year arises from continuing activity.

*The notes on pages 18 to 35 form part of the financial statements*

**the Design Museum**  
**Consolidated and Charity Balance Sheets**  
**Year ended 31 March 2017**

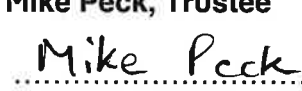
	Notes	The Group		The Charity	
		2017 £	2016 £	2017 £	2016 £
<b>FIXED ASSETS</b>					
Intangible assets	11	202,321	20,730	202,321	20,730
Tangible assets	12	34,473,571	22,606,408	34,473,571	22,605,811
Heritage assets	13	107,274	103,559	107,274	103,559
Investments	14	-	-	2	2
		34,783,166	22,730,697	34,783,168	22,730,102
<b>CURRENT ASSETS</b>					
Stock		280,186	87,496	-	-
Debtors	15	2,537,575	1,849,635	3,192,958	2,222,883
Cash at bank and in hand	16	4,676,253	11,850,778	3,864,584	11,474,753
		7,494,014	13,787,909	7,057,542	13,697,636
<b>CREDITORS: Amounts falling due within one year</b>	17	(4,142,269)	(3,516,834)	(3,705,898)	(3,426,065)
<b>CREDITORS: Amounts falling over one year</b>	18	(1,500,000)	-	(1,500,000)	-
<b>NET CURRENT ASSETS</b>		1,851,745	10,271,075	1,851,644	10,271,571
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		36,634,911	33,001,772	36,634,812	33,001,673
<b>TOTAL NET ASSETS</b>		36,634,911	33,001,772	36,634,812	33,001,673
<b>FUNDS</b>					
<b>Unrestricted funds</b>					
General Funds	20	683,618	739,233	683,519	739,134
Designated Funds	20	34,589,788	-	34,589,788	-
		35,273,406	739,233	35,273,307	739,134
<b>Restricted funds</b>	20	1,361,505	32,262,539	1,361,505	32,262,539
		36,634,911	33,001,772	36,634,812	33,001,673

These financial statements were approved by the trustees on .... July 2017, and are signed on their behalf by:

**Lord Mandelson, Chair of the Board**

.....  27 July 2017

**Mike Peck, Trustee**

.....  25 July 2017

Company Registration number 02325092

*The notes on pages 18 to 35 form part of the financial statements*

**the Design Museum**  
**Consolidated Cash Flow Statement**  
**Year ended 31 March 2017**

	Notes	2017 £	2016 £
<b>Cash flows from operating activities</b>			
Net cash provided by operating activities	(a)	5,318,498	9,863,582
<b>Cash flows from investing activities</b>			
Interest from investments		6,737	96,680
Purchase of property and equipment		(12,499,760)	(19,873,363)
(Decrease)/increase in cash		<u>(7,174,525)</u>	<u>(9,913,101)</u>

**Notes to the cash flow statement**  
**Year ended 31 March 2017**

**(a) Reconciliation of net income to net cash flow from operating activities**

Net income for the year	3,633,139	6,971,235
Interest from investments	(6,737)	(96,680)
Depreciation	447,291	111,044
(Increase)/Decrease in stock	(192,690)	22,977
(Increase)/Decrease in debtors	(687,940)	266,993
Increase in creditors	2,125,435	2,588,013
<b>Net cash inflow from operating activities</b>	<u>5,318,498</u>	<u>9,863,582</u>

	2016 £	Cash flow £	2017 £
<b>(b) Analysis of cash and cash equivalents</b>			
Cash at bank and in hand	6,831,275	(2,155,022)	4,676,253
Notice deposits (less than 3 months)	5,019,503	(5,019,503)	-
Total cash and cash equivalents	<u>11,850,778</u>	<u>(7,174,525)</u>	<u>4,676,253</u>

*The notes on pages 18 to 35 form part of the financial statements*

# **the Design Museum**

## **Notes to the financial statements for the year ended 31 March 2017**

### **1. Charitable Status**

The company is limited by guarantee (company registration number 02325092) and is registered as an educational charity (charity registration number is 800630). The address of the registered office is 224-238 Kensington High Street, London, W8 6AG.

### **2. Accounting policies**

#### **Basis of accounting**

The financial statements have been prepared under the historical cost convention, in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities SORP (FRS102) and the Companies Act 2006. The statements have been prepared on the basis of a going concern (see the Trustees' Report). The principal accounting policies adopted in the preparation of the financial statements are set out below and are consistent with those of the previous year.

The Design Museum meets the definition of a public benefit entity under FRS 102.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy notes.

As highlighted in the report of the trustees, having assessed the charity's financial position, its plans for the foreseeable future and the risks to which it is exposed, the trustees are satisfied that it remains appropriate to prepare the financial statements on the going concern basis.

The individual entity accounts of the Design Museum have taken advantage of the disclosure exemption under FRS 102 to separately disclose a company only cash flow statement and categories of financial instruments and items of income, expenses, gains or losses relating to instruments as these have been presented on a group basis in the notes to the accounts.

#### **Consolidation**

The Statement of Financial Activities and the Consolidated Balance Sheet consolidate the results of the Charity and its wholly-owned subsidiary undertaking, Design Museum Enterprises Limited. The results of the subsidiary are consolidated on a line-by-line basis. Intra group transactions and year end balances are eliminated on consolidation. In accordance with section 408 of Companies Act 2006 no separate Statement of Financial Activities has been presented for the Design Museum charity (excluding its trading subsidiary).

#### **Critical accounting judgements and key sources of estimation uncertainty**

In the application of the charity's accounting policies, which are described in note 1, Trustees are required to make judgements, estimates, assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects the current and future periods.

# **the Design Museum**

## **Notes to the financial statements for the year ended 31 March 2017**

In the view of the Trustees, no assumptions concerning the future or estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts in the next financial year.

### **Income recognition**

Donations, gifts, grants and similar income are recognised as incoming resources when the charity has entitlement and the conditions for their receipt have been met.

Membership income is recognised over the period of the membership.

Sponsorship in respect of long-running or future exhibitions is deferred in order to match the income to the period of the exhibition.

Admissions income is recognised as it arises.

Trading sales and fees for service represent amounts invoiced and accrued during the year, exclusive of Value Added Tax. Income is recognised on delivery of goods or provision of the relevant services.

### **Expenditure**

Expenditure is accounted for on an accruals basis and is allocated between costs incurred in order to raise funds for charitable activities, costs incurred directly in the fulfilment of the Charity's objectives (curatorial and learning) and costs incurred on the Design Museum Kensington project.

Direct costs in respect of exhibitions are recognised over the period of the exhibition.

### **Allocation and apportionment of overhead costs**

Wherever possible, expenditure is allocated specifically to the relevant activities for which it is incurred. Where support and overhead costs cannot be directly attributed they have been allocated to activity cost categories based on the proportion of staff numbers in each cost category. All costs relating to the Design Museum Kensington project including directly attributable overheads have been allocated to other direct costs.

### **Gifts in kind and donated services**

Donated services and gifts in kind to the Charity are recognised as incoming resources where the benefit to the Charity is reasonably quantifiable and measurable. They are valued at open market value, i.e. what it would have cost the organisation to acquire the same or similar products or services on the open market. An equivalent amount is also included as either expenditure under the appropriate heading in the Statement of Financial Activities, or capitalised as fixed assets in the Balance Sheet. Amounts that cannot be reasonably quantified and measured are excluded from the Statement of Financial Activities. No amounts are included for services donated by volunteers.

### **Irrecoverable VAT**

Expenditure includes any VAT which cannot be fully recovered.

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

### Tangible fixed assets and depreciation

Fixed assets, with a value of £500 or more, are stated at cost or valuation when acquired. Items costing less than £500 are expensed in the year of purchase. The cost of acquisition includes all costs (including any irrecoverable VAT) that are directly attributable to bringing the assets into working condition for their intended use.

Tangible fixed assets are depreciated over their estimated useful life on a straight-line basis at the following rates:

Computers, office equipment, fixtures and fittings	over 3 – 5 years, from date of use
Costs of bringing Kensington museum building into use	over length of lease, from date of occupation
Designer Maker User exhibition	over 5 years

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### Intangible fixed assets and amortisation

Intangible fixed assets represent expenditure on computer software and are amortised on a straight-line basis over their useful life, estimated at 3 years. The cost of acquisition includes all costs (including any irrecoverable VAT) that are directly attributable to bringing the assets into working condition for their intended use.

The carrying values of intangible fixed assets are reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

### Heritage assets

In 2012 a proportion of heritage assets were recognised in the financial statements for the first time, using valuation as an approximation for cost. Additions to the collection 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. Donated objects are capitalised at their deemed value at the date of donation. This value is determined by the keeper of the relevant collection. It is not the Museum's policy to revalue items once capitalised. Such items are not depreciated as they are deemed to have indefinite lives.

Only items for which we have reliable information on cost or value have been capitalised. The numbers of objects that have been capitalised represent approximately 1% of the volume of the total collection, but would be a higher proportion of the value of the total collection. A valuation of the total collection has not been performed due to the large number of items within the museum's collection and their diverse nature resulting in a full valuation incurring a disproportionate cost to the museum, and given that many items in the collection are not considered to have a significant financial value.

The Museum's management policy in respect of its heritage assets is summarised in note 13.

**Unrestricted / restricted funds**

Unrestricted funds comprise accumulated surpluses on general funds that are available for use in the furtherance of the general charitable objectives of the charity.

Restricted funds are those that can only be used for restricted purposes within the objects of the Charity. Restrictions arise when specified by donors or when funds are raised for particular restricted purposes. Where a restricted fund has expended more resources than it has received, a transfer is made from general unrestricted funds to cover any shortfall. Unspent restricted funds are carried forward for spending in future years. Further explanation on the nature and purpose of each of the restricted funds is included in the notes to the financial statements.

**Pension costs**

The Charity offers employees access to a defined contribution pension scheme and makes contributions to the personal pension arrangements of qualifying employees. Contributions are charged in the accounts as they become payable in accordance with the rules of the scheme.

**Taxation**

The Design Museum is registered as a charity and as such the income arising from and expended on its charitable activities is exempt from corporation tax.

**Operating leases**

Rentals applicable to operating leases are recognised on a straight-line basis over the period of the lease.

**Stocks**

Stocks are valued at the lower of cost and net realisable value.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net surplus for the year.

**Financial instruments**

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Financial assets held at amortised cost comprise cash at bank and in hand, together with trade and other debtors and accrued income. Financial liabilities held at amortised cost comprise, trade

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

and other creditors, grants payable and accruals. Income arising from financial assets, comprising bank interest is recognised within income and expenditure.

### 3. Donations, gifts and other income

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Conran Foundation donation	300,000	-	300,000	300,000
Gifts in Kind	286,345	59,597	345,942	453,974
Other donations	578,578	-	578,578	179,926
	<b>1,164,923</b>	<b>59,597</b>	<b>1,224,520</b>	<b>933,900</b>

Gifts in kind relate to pro bono professional legal advice. The related expenditure is included in governance costs.

### 4. Grants receivable

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Deutsche Bank	-	199,147	199,147	205,121
Arts Council	-	170,000	170,000	170,000
John Lyon's Charity	-	44,000	44,000	31,000
Helen Hamlyn	-	25,000	25,000	-
	<b>-</b>	<b>438,147</b>	<b>438,147</b>	<b>406,121</b>

### 5. Investment income

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Bank interest	2,258	4,479	6,737	96,680

### 6. Incoming resources from charitable activities

	Unrestricted	Restricted	2017	2016
	£	£	£	£
Admissions	804,313	-	804,313	1,063,648
Learning	180,780	-	180,780	150,190
Touring	127,564	-	127,564	177,888
Service charges and other	91,744	-	91,744	67,204
	<b>1,204,401</b>	<b>-</b>	<b>1,204,401</b>	<b>1,398,930</b>

### 7. Trading sales

The Design Museum has one wholly-owned subsidiary Design Museum Enterprises Ltd (registered in England No. 2330977) which has been consolidated. Design Museum Enterprises Limited undertakes trading activities and is incorporated in England. The principal activities of this



# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

company are the operation of a shop within the Museum, sponsorship services, catering services, publishing partnerships and commercial corporate hospitality events. A summary of the financial performance and position is given below:

### Profit and loss account of Design Museum Enterprises Limited for the year ended 31 March 2017

	2017	2016
	£	£
<b>Turnover</b>	2,570,188	1,728,277
Cost of sales and administrative expenditure (including management charge)	(1,814,017)	(1,111,571)
<b>Operating profit</b>	756,171	616,706
Interest received	750	1,176
<b>Profit before gift aid donation and taxation</b>	<b>756,921</b>	<b>617,882</b>
Gift aid donation	(756,921)	(612,048)
<b>Profit after gift aid donation</b>	<b>-</b>	<b>5,834</b>

### Balance sheet for Design Museum Enterprises Limited as at 31 March 2017

	2017	2016
	£	£
Assets	1,953,817	1,137,961
Liabilities	(1,953,716)	(1,137,860)
<b>Total Funds</b>	<b>101</b>	<b>101</b>

## 8. Total resources expended

	Staff costs	Depreciation	Other direct costs	Support costs	2017	2016
	£	£	£	£	£	£
Raising funds						
Fundraising	104,769	1,705	150,145	56,476	313,096	248,698
Trading	318,677	598	977,511	517,232	1,814,017	1,111,571
	423,446	2,303	1,127,656	573,708	2,127,113	1,360,269
Charitable activities	1,223,413	23,872	929,357	1,097,765	3,274,407	2,793,820
	1,646,859	26,175	2,057,013	1,671,473	5,401,520	4,154,089
Design Museum Kensington Project	1,343,972	388,484	2,112,897	59,597	3,904,950	2,722,257
	<b>2,990,831</b>	<b>414,659</b>	<b>4,169,910</b>	<b>1,731,070</b>	<b>9,306,470</b>	<b>6,876,347</b>

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

Breakdown of support costs by activity (non-staff costs)

	<b>Raising funds</b>	<b>Charitable activities</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Building and Operations	337,192	522,685	859,877
HR and Management	66,465	25,107	91,572
Finance and Information Technology	163,433	150,230	313,663
Professional fees and audit	-	307,095	307,095
Irrecoverable VAT	6,618	92,648	99,266
	<b>573,708</b>	<b>1,097,765</b>	<b>1,671,473</b>

Net income on ordinary activities is stated after charging/(crediting):

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Depreciation and amortisation of tangible fixed assets	447,291	111,044
Operating lease rentals:		
- Land and Buildings	26,688	355,188
- Other	8,157	10,296

The analysis of auditor's remuneration is as follows:

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Fees payable to the company's auditor for the audit of the company's annual accounts	14,500	14,100
<b>Fees payable to the company's auditor for other services to the Group</b>		
The audit of the company's subsidiaries	6,250	6,000
<b>Total audit fees</b>	<b>20,750</b>	<b>20,100</b>
Other fees paid to auditor	-	2,800
<b>Total non-audit fees</b>	<b>-</b>	<b>2,800</b>

### 9. Governance costs

	<b>Unrestricted</b>	<b>Restricted</b>	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Auditor's remuneration	20,750	-	20,750	14,100
Legal and other costs donated as Gifts in Kind	286,345	59,597	345,942	453,974
	<b>307,095</b>	<b>59,597</b>	<b>366,692</b>	<b>468,074</b>

Governance costs are shown under resources expended for charitable activities and Design Museum Kensington on the SoFA.

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

### 10. Staff costs

The aggregate payroll costs were:

	2017	2016
	£	£
Wages and salaries	2,648,260	2,545,483
Social security costs	253,248	229,244
Other pension costs	89,322	128,924
	<b>2,990,831</b>	<b>2,903,651</b>

The average number of number of staff employed during the financial year amounted to 101 (2016 - 114). The average number of full time equivalent staff employed by the Charity during the financial year by activity amounted to:

	Operations No.	Design Museum Kensington capital project and planning No.	2017 No.	Operations No.	Design Museum Kensington capital project and planning No.	2016 No.
Fundraising	2	5	7	3	7	10
Commercial	11	2	13	12	3	15
Exhibitions, Curatorial and Communications	24	9	33	21	9	30
Learning	4	4	8	4	4	8
Support	9	7	16	8	7	15
Project	-	2	2	-	3	3
	<b>50</b>	<b>29</b>	<b>79</b>	<b>48</b>	<b>33</b>	<b>81</b>

The number of employees included in the above whose emoluments, excluding pension contributions, fell within the following ranges, were:

	2017	2016
£60,001 - £70,000	1	1
£70,001 - £80,000	-	1
£80,001 - £90,000	-	1
£90,001 - £100,000	1	-
£140,001 - £150,000	-	1
£160,001 to £170,000	1	-

Contributions of £35,693 (2016 - £58,581) were made into a defined contribution pension scheme for the above 3 higher paid members of staff (2016 - 4).

During the year total remuneration of 5 (2016 - 6) key management personnel amounted to £526,006 (2016 - £589,428).

The contribution of volunteers during the year is detailed in the Trustees' report.

### **Trustees' remuneration and expenses**

No trustees received or waived any remuneration during the financial year. Insurance to protect the trustees, employees and agents of the Charity from loss arising from claims for neglect or default was purchased for an annual premium of £3,624 (2016 - £3,925).

Travel and associated expenses incurred by the trustees attending quarterly trustees' meetings for a total of £268 (1 trustee) were reimbursed during the year (2016 - £724, 1 trustee).

Donations during the year from trustees totalled £557,005 (2016: £4,985,800).

### **Pension commitments**

The company offers employees access to a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year end. The company makes payments into the pension arrangement of qualifying staff members. Contributions paid during the year amounted to £89,322 (2016 - £128,924).

## **11. Intangible assets**

### **THE GROUP & THE CHARITY**

	<b>Computer software</b>	<b>£</b>
<b>COST</b>		
At 1 April 2016		20,730
Additions		214,223
At 31 March 2017		<u>234,953</u>
<b>AMORTISATION</b>		
At 1 April 2016		-
Charge for the year		<u>(32,632)</u>
At 31 March 2017		<u>(32,632)</u>
<b>NET BOOK VALUE</b>		
At 31 March 2017		<u><u>202,321</u></u>
At 31 March 2016		<u>20,730</u>

## 12. Tangible assets

### THE GROUP

	Design, Maker, User exhibition £	Buildings & leasehold £	Computers and office equipment, fixtures and fittings £	Total £
<b>COST</b>				
At 1 April 2016	110,833	22,648,797	1,296,785	<b>24,056,417</b>
Additions	1,664,318	10,133,823	483,681	<b>12,281,822</b>
Disposals	-	(348,493)	(938,159)	<b>(1,286,652)</b>
At 31 March 2017	<u>1,775,151</u>	<u>32,434,127</u>	<u>842,307</u>	<u><b>35,051,585</b></u>
<b>DEPRECIATION</b>				
At 1 April 2016	-	(347,891)	(1,102,118)	<b>(1,450,009)</b>
Depreciation on disposals	-	348,493	938,159	<b>1,286,652</b>
Charge for the year	(147,929)	(77,827)	(188,901)	<b>(414,657)</b>
At 31 March 2017	<u>(147,929)</u>	<u>(77,225)</u>	<u>(352,860)</u>	<u><b>(578,014)</b></u>
<b>NET BOOK VALUE</b>				
At 31 March 2017	<u><b>1,627,222</b></u>	<u><b>32,356,902</b></u>	<u><b>489,447</b></u>	<u><b>34,473,571</b></u>
At 31 March 2016	<u><b>110,833</b></u>	<u><b>22,300,906</b></u>	<u><b>194,668</b></u>	<u><b>22,606,408</b></u>

### THE CHARITY

	Design, Maker, User exhibition £	Buildings & leasehold £	Computers and office equipment, fixtures and fittings £	Total £
<b>COST</b>				
At 1 April 2016	110,833	22,648,797	1,188,102	<b>23,947,734</b>
Additions	1,664,318	10,133,824	483,681	<b>12,281,823</b>
Disposals	-	(348,493)	(829,476)	<b>(1,177,969)</b>
At 31 March 2017	<u>1,775,151</u>	<u>32,434,128</u>	<u>842,307</u>	<u><b>35,051,586</b></u>
<b>DEPRECIATION</b>				
At 1 April 2016	-	(347,891)	(994,032)	<b>(1,341,923)</b>
Depreciation on disposals	-	348,493	829,476	<b>1,177,969</b>
Charge for the year	(147,929)	(77,827)	(188,305)	<b>(414,061)</b>
At 31 March 2017	<u>(147,929)</u>	<u>(77,224)</u>	<u>(352,862)</u>	<u><b>(578,015)</b></u>
<b>NET BOOK VALUE</b>				
At 31 March 2017	<u><b>1,627,222</b></u>	<u><b>32,356,903</b></u>	<u><b>489,446</b></u>	<u><b>34,473,571</b></u>
At 31 March 2016	<u><b>110,833</b></u>	<u><b>22,300,906</b></u>	<u><b>194,070</b></u>	<u><b>22,605,811</b></u>

### 13. Heritage assets

Collection assets held at 31 March 2017 were included at cost and valuation per below:

THE GROUP AND THE CHARITY	2017 £	2016 £	2015 £	2014 £	2013 £
Opening balance	103,559	97,200	97,200	97,200	97,200
Additions	3,715	6,359	-	-	-
Closing balance	<u>107,274</u>	<u>103,559</u>	<u>97,200</u>	<u>97,200</u>	<u>97,200</u>

The brought forward valuation was produced by Phillips, external valuers, on 14 April 2013 by reviewing and researching each object selected to determine its market value. The objects were selected by the museum director as the higher value items within the collection. During the year no items were added to the collection.

#### Description of the Collection

The Design Museum collects objects that demonstrate the impact of design on people's lives. The collection is made up of approximately 3,500 objects and includes furniture, lighting, domestic appliances and communications technology. Objects in the collection date from 1850 to 2017 and together form an important record of designs that have helped to shape the modern world. Of these approximately 1% of the total number of items have been included in the balance sheet per the table above.

The objects are held either in the core collection of significant and resonant designs which have achieved impact or delivered change, or the specialist collection to illustrate a specific area of expertise. The collection was awarded full Accreditation under the MLA scheme for UK museums in November 2011.

#### Preservation and Management

All objects are recorded and managed by the museum's Collection department via a Collections Management System for the documentation of these objects. The Museum has a Collections Policy, including an Acquisition and Disposal policy, which is approved by the trustees.

To be considered for acquisition, an object must be innovative in one of the following areas: it is design led; it was or is influential; it delivered change; it enabled access. All acquisitions are measured against these criteria and must be approved by the museum director. If a potential acquisition is deemed to have significant financial impact due to long term conservation needs and storage requirements, the acquisition must be approved by the Curatorial Committee. Disposal of an object will only be considered if the object is a duplicate, the condition of the object is such that it cannot be conserved to a displayable standard or the retention of the object is inconsistent with the Museum's Acquisition and Collection Policies. In exceptional cases, the disposal may be motivated principally by financial reasons.

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

### 14. Investments

#### THE CHARITY

	2017	2016
	£	£
Shares in subsidiary undertaking	2	2

The fixed asset investment represents the historical cost of the investment in the ordinary share capital of the wholly owned subsidiary, Design Museum Enterprises Ltd the registered office is the same as The Design Museum.

### 15. Debtors

	The Group		The Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade Debtors	590,513	186,068	365,810	153,002
Amounts owed by Subsidiary	-	-	1,517,345	1,047,090
Taxation and social security	129,455	623,514	-	-
Prepayments	123,267	246,688	123,267	246,202
Accrued Income	1,566,606	768,774	1,058,802	751,998
Prepaid Exhibition Costs	127,734	24,591	127,734	24,591
	<b>2,537,575</b>	<b>1,849,635</b>	<b>3,192,958</b>	<b>2,222,883</b>

### 16. Cash and bank

	The Group		The Charity	
	2017	2016	2017	2016
	£	£	£	£
Design Museum Operations	1,713,266	192,270	1,713,266	192,270
Design Museum Kensington project	2,151,318	11,282,483	2,151,318	11,282,483
Design Museum Enterprises	811,669	376,025	-	-
	<b>4,676,253</b>	<b>11,850,778</b>	<b>3,864,584</b>	<b>11,474,753</b>

### 17. Creditors: Amounts falling due within one year

	The Group		The Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade Creditors	576,671	142,716	481,669	120,293
Taxation and Social Security	70,748	60,368	70,748	60,368
Accruals	985,285	2,998,366	847,436	2,931,420
Deferred income	1,009,565	315,384	806,045	313,984
Conran Foundation Loan	1,500,000	-	1,500,000	-
	<b>4,142,269</b>	<b>3,516,834</b>	<b>3,705,898</b>	<b>3,426,065</b>

Accruals relate to primarily retention amounts payable one year after completion of each stage of the Design Museum Kensington fit out contract.

Deferred income includes annual membership fees received in advance and recognised over the course of the year of £237,706 (2016: £51,118), fees for higher education courses received in advance of £53,460 (2016: £38,533), sponsorship income for a learning programme received in advance £330,000 (2016: £200,000), payment for future touring exhibitions received in advance

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

£111,088 (2016: £21,734), Design, Maker, User sponsorship £93,750 (2016: £Nil); payments for future events received in advance £69,700 (2016: £1,400).

### 18. Creditors: Amounts falling over one year

	The Group		The Charity	
	2017	2016	2017	2016
	£	£	£	£
Conran Foundation Loan	1,500,000	-	1,500,000	-

### 19. Restricted funds

	Balance at 1 April 2016	Incoming resources	Resources expended	Transfer to designated funds	Balance at 31 March 2017
	£	£	£	£	£
Design Museum Kensington project					
Heritage Lottery Fund	-	2,570,842	(2,570,842)	-	-
ACE Renaissance funding	-	995,369	(995,369)	-	-
Conran Foundation (DMU purchases)	-	55,567	(49,965)	-	5,602
Other Funding	32,247,969	3,873,838	(224,698)	(34,589,788)	1,307,321
Design Museum Kensington project before bank interest and gifts in kind	32,247,969	7,495,616	(3,840,874)	(34,589,788)	1,312,923
Interest	-	4,479	(4,479)	-	-
Design Museum Kensington project before gifts in kind	32,247,969	7,500,095	(3,845,353)	(34,589,788)	1,312,923
Gifts in kind	-	59,597	(59,597)	-	-
Total Design Museum Kensington project	32,247,969	7,559,692	(3,904,950)	(34,589,788)	1,312,923
Design Ventura learning programme	4,115	199,147	(189,362)	-	13,900
Designers in Residence exhibition and learning programme	-	170,000	(170,000)	-	-
Youth Panel learning programme	455	44,000	(43,055)	-	1,400
Helen Hamlyn Regional Outreach	-	25,000	(1,718)	-	23,282
Kaplicky Internship	10,000	-	-	-	10,000
	<b>32,262,539</b>	<b>7,997,839</b>	<b>(4,309,085)</b>	<b>(34,589,788)</b>	<b>1,361,505</b>



# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

Comparatives	Balance at 1 April 2015 £	Incoming resources £	Resources expended £	Balance at 31 March 2016 £
Design Museum Kensington project				
Heritage Lottery Fund	-	1,534,589	(1,534,589)	-
ACE Renaissance funding	-	1,899,772	(1,899,772)	-
Swiss Philanthropy Foundation	1,250,000	-	(1,250,000)	-
Shad Thames rent	55,068	-	(55,068)	-
Other Funding	24,012,176	5,849,312	2,386,481	32,247,969
Design Museum Kensington project before bank interest and gifts in kind	25,317,244	9,283,673	(2,352,948)	32,247,969
Interest	-	92,861	(92,861)	-
Design Museum Kensington project before gifts in kind	25,317,244	9,376,534	(2,445,809)	32,247,969
Gifts in kind	-	276,448	(276,448)	-
Total Design Museum Kensington project	25,317,244	9,652,982	(2,722,257)	32,247,969
Design Ventura learning programme	11,195	205,121	(212,201)	4,115
Designers in Residence exhibition and learning programme	8,614	170,000	(178,614)	-
Youth Panel learning programme	-	31,000	(30,545)	455
Kaplicky Internship	-	14,800	(4,800)	10,000
	<b>25,337,053</b>	<b>10,073,903</b>	<b>(3,148,417)</b>	<b>32,262,539</b>

### Purposes of restricted funds

#### Design Museum Kensington Project

The Design Museum received donations from a variety of sources towards funding the project to relocate and expand the museum to a new location in the former Commonwealth Institute building in Kensington.

The fundraising progress and income recognition of the Design Museum Kensington project is as follows:

	£
Income recognised in the cumulative years to 31 March 2016	40,238,440
Income recognised in the year ended 31 March 2017 (excluding Shad Thames rent, amounts netted off with costs, amounts designated for reserves and gifts in kind)	5,957,678
Estimated further income pledged as at 31 March 2017	647,537
Income yet to be raised as at 31 March 2017	1,251,114
Total Kensington museum project income target	<b>48,094,769</b>

The total cost of the project, excluding donated land and buildings, is expected to be a maximum of £48.1m. The further income pledged will be recognised as income in future financial years in accordance with the relevant income recognition policies, as conditions of the funding are fulfilled. The pledged amount includes an element of the grants from the Heritage Lottery Fund and Arts Council respectively not yet recognised as income. The museum expects to achieve its remaining fundraising target of £1.3m in accordance with its fundraising forecasts. In addition it aims to raise a further £6.9m expendable endowment fund to secure funding for its expanded operations in the Kensington museum.

During the year £34,589,788, being the net book value of the Design Museum Kensington project fixed assets, was transferred from restricted to unrestricted designated funds.

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

### Design Ventura Learning programme

In 2016 the Design Museum renewed its partnership with Deutsche Bank for a further three years from 2017-2019. This education initiative is called Design Ventura, and benefits 14 -16 year olds as well as their teachers. The programme encourages pupils to experience the design process in all its complexity and learn enterprise skills by fulfilling a brief, problem solving and pitching ideas professionally. Aside from the benefits of working to a real-world brief, students will also receive hands-on experience relevant to qualifications such as the Creative Media Diploma and GCSE level Design and Technology. It will also deliver a programme of continuing professional development for teachers by providing a training day to promote the project within the curriculum.

### Designers in Residence exhibition programme

The annual Designers in Residence programme provides a platform to celebrate new and emerging designers at an early stage in their career.

The Arts Council is providing a grant of £170,000 per annum to the Design Museum towards the costs of the Designers in Residence exhibitions and learning programme costs from 2016 to 2018.

### Young Creatives Learning programme

Young Creatives is supported by the John Lyons Charity. The project is pushing the boundaries of informal learning for young people, enabling the museum to test ways of exploring design in a deeper and more sustained way. The project is also supporting the growth of young audiences in the boroughs surrounding the Kensington museum. Following the success of the first year, new opportunities are being planned for the next phase of the project, building on community connections and the local design scene. 2017-18 will see the learning from the first year embedded into the Kensington programme. The opening of the new building will also provide a pivotal moment for the Young Creatives to bring their skills and ideas to a wider audience through volunteering opportunities and a showcase of their ideas.

## 20. Analysis of group net assets between funds

<b>THE GROUP</b>	<b>Fixed assets</b>	<b>Cash and Bank</b>	<b>Other net assets</b>	<b>Total 31 March 2017</b>
	£	£	£	£
Restricted funds - Design Museum Kensington project	-	2,151,318	(838,395)	1,312,923
Restricted funds - Other	-	-	48,582	48,582
Unrestricted designated funds – Design Museum Kensington fixed assets	34,589,788	-	-	34,589,788
Unrestricted general funds	193,378	2,524,935	(2,034,695)	683,618
	<b>34,783,166</b>	<b>4,676,253</b>	<b>(2,824,508)</b>	<b>36,634,911</b>

# the Design Museum

## Notes to the financial statements for the year ended 31 March 2017

### THE CHARITY

	Fixed assets	Cash and Bank	Other net assets	Total 31 March 2017
	£	£	£	£
Restricted funds - Design Museum Kensington project	-	2,151,318	(838,395)	1,312,923
Restricted funds - Other	-	-	48,582	48,582
Unrestricted designated funds – Design Museum Kensington fixed assets	34,589,788	-	-	34,589,788
Unrestricted funds	193,380	1,713,266	(1,223,127)	683,519
	<b>34,783,168</b>	<b>3,864,584</b>	<b>(2,012,940)</b>	<b>36,634,812</b>

### Comparatives

#### THE GROUP

	Fixed assets	Cash and Bank	Other net assets	Total 31 March 2016
	£	£	£	£
Restricted funds - Design Museum Kensington project	22,619,922	11,282,483	(1,654,436)	32,247,969
Restricted funds - Other	-	-	14,570	14,570
Unrestricted funds	110,775	568,295	60,163	739,233
	<b>22,730,697</b>	<b>11,850,778</b>	<b>(1,579,703)</b>	<b>33,001,772</b>

#### THE CHARITY

	Fixed assets	Cash and Bank	Other net assets	Total 31 March 2016
	£	£	£	£
Restricted funds - Design Museum Kensington project	22,619,922	11,282,483	(1,654,436)	32,247,969
Restricted funds - Other	-	-	14,570	14,570
Unrestricted funds	110,180	192,270	436,684	739,134
	<b>22,730,102</b>	<b>11,474,753</b>	<b>(1,203,182)</b>	<b>33,001,673</b>

## 21. Operating leases

At 31 March 2017 the Design Museum had aggregate minimum lease payment commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2017	2016	2017	2016
	£	£	£	£
In respect of leases commitments:				
Less than one year	21,128	118,534	8,049	9,592
Between one and two years	-	21,128	8,049	8,759
Between two and five years	-	-	5,338	13,819

## 22. Capital commitments

At the balance sheet date, the value of capital commitments was £0.3m (2016: £9.0m). This relates to construction services agreements signed for the fit out of the former Commonwealth Institute building in Kensington.

# **the Design Museum**

## **Notes to the financial statements for the year ended 31 March 2017**

### **23. Related party transactions**

#### **The Conran Foundation**

The directors consider that the Conran Foundation, a charity of which Sir Terence Conran, Sebastian Conran, Nicholas Bull and Sir Christopher Frayling are also directors, is a related party.

During the year, the Conran Foundation donated £300,000 as an annual grant (2016: £300,000).

A bridging loan facility for £1.5m, available to December 2019, and to be repaid as the museum achieves its £48.1m capital fundraising target was fully drawn down in July 2016. £1.0m of this was facility repaid in June 2017, with the remaining £0.5m repaid in July 2017. An additional £1.5m loan facility to fund initial operational working capital for the museum in Kensington, available to March 2019, is in place. This facility was fully drawn down in July 2016 and is repayable once the museum starts to receive funds over and above the £48.1m capital target. A further loan of £1.5m, available if required to March 2019 was agreed in the year. This has not yet been drawn down and is intended to fund the museum's reserves requirements, until these can be raised by operational surpluses or capital fundraising.

#### **Conran Octopus Limited**

The directors consider that Conran Octopus Limited, a company in which Sir Terence Conran has an interest, is a related party.

During the year, the Design Museum received £19,652 (2016: £14,367) in publishing royalties from Conran Octopus Limited from the sales of books and other publishing material.

#### **Benchmark Woodworking Limited**

The directors consider that Benchmark Woodworking Limited, a company in which Sir Terence Conran has an interest, is a related party.

During the year, the Design Museum paid £144,069 (2016: £Nil) to Benchmark for restaurant and member's bar furnishing.

#### **238 Kensington High Street Limited**

The directors consider that 238 Kensington High Street Limited, a company in which Sir Terence Conran has an interest, is a related party.

During the year, the Design Museum received £300,000 (2016: £Nil) from 238 Kensington High Street Limited for the provision of catering facilities and paid £147,455.84 (2016: £Nil) for catering services.

At the year end The Design Museum was owed £50,000 (2016 - £Nil) by 238 Kensington High Street Limited.

At the year end 238 Kensington High Street Limited was owed £19,377 (2016 - £Nil) by The Design Museum.

## **the Design Museum**

### **Notes to the financial statements for the year ended 31 March 2017**

#### **Design Museum Enterprises Limited**

The Design Museum charged a management fee of £517,232 (2016 - £122,509) during the year to Design Museum Enterprises Limited. It also received a donation under gift aid of £756,921 (2016 - £612,048). At the year end The Design Museum was owed £1,517,345 (2016 - £1,047,090) by Design Museum Enterprises Limited. This balance was primarily made up of the donated profit for the year, management fee and an amount owing for VAT reclaimed from HMRC.

#### **Capital Campaign**

Donations from Trustees to the capital campaign in the year totalled £557,005 (2016: £4,685,800).