



Company registration number: 02325092

Charity number: 800630

The Design Museum

Annual report and consolidated accounts

31 March 2016

**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:

Luqman Arnold – Chairman	Nicholas Bull FCA
Sebastian Conran	Sir Terence Conran
David Constantine	Hugh Devlin
Sir Christopher Frayling	Sir John Hegarty
Anya Hindmarch MBE	Johannes Huth
Alistair Johnston CMG FCA	Charles Rifkind
Lady Ritblat	Rolf Sachs
Julian Vogel	Zdenek Bakala
Asif Khan (appointed 10 June 2015)	Saba Nazar (appointed 23 Feb 2016)
Wendy Becker (appointed 23 Feb 2016)	Ambra Medda (appointed 12 May 2016)

Sub committees of the main board as at 31 March 2016

Curatorial Committee	Development and Communications Committee	Enterprise Committee
Deyan Sudjic OBE – Chairman Luqman Arnold Sir Terence Conran Johannes Huth Asif Khan Rolf Sachs Daniel Charny (co-opted) Davina Mallinckrodt (co-opted) Damien Whitmore (co-opted)	Julian Vogel – Chairman Sebastian Conran Sir John Hegarty 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)	Hugh Devlin – Chairman Wendy Becker Sebastian Conran Anya Hindmarch Peter Prescott (co-opted)
Finance Committee	Learning Committee	Nominations Committee
Alistair Johnston – Chairman Nicholas Bull Tom Massey (co-opted)	Sir Christopher Frayling – Chairman Sebastian Conran Emily Campbell (co-opted) John Holden (co-opted) Jeremy Myerson (co-opted)	Luqman Arnold – Chairman Zdenek Bakala Sir Terence Conran Sir John Hegarty Rolf Sachs
Project Delivery Committee	Key Management Personnel	Company Secretary
Johannes Huth - Chairman Nicholas Bull Charles Rifkind	Deyan Sudjic OBE (director) Alice Black (deputy director) Sabeena Bagol ACA Dr Helen Charman Sally Muckley (left 31 Mar 2016) Justin McGuirk	Philip John Watkins Katten Muchin Rosenman LLP 125 Old Broad Street London EC2N 1AR

Registered Office	Bankers	Auditor
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

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

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

Year ended 31 March 2016

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 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 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 have delegated responsibility from the board for specific aspects of the plans to expand the museum. It is intended that all activities fall under the aegis of one of the committees.

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 director of the museum, Deyan Sudjic OBE, who reports 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 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.

RELATED PARTY RELATIONSHIPS

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

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Other related parties are the Conran Foundation and Conran Octopus, 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 has plans to realise a significant expansion of its activities and resources. This will be achieved by transforming the former Commonwealth Institute, a Grade II* listed building in Holland Park, Kensington, into a new home for the Design Museum which is expected to attract over 650,000 visitors a year and is scheduled to open on 24th November 2016.

The main objectives for the year were delivering the final year programme in the Shad Thames location, delivery of the new Design Museum's refurbishment, planning for the opening and ongoing operations 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 PROJECT

The project to refurbish the former Commonwealth Institute building in Kensington as the new home of the Design Museum has continued to make significant progress during the year remaining on schedule and within budget. In June 2015 the work on the base build of the new museum was completed by Chelsfield Developments (Kensington) Limited. On 3 June 2015 the company entered into a 175 year lease of the building at a peppercorn rent, with an option to extend the lease to 350 years if certain conditions are met. The fit out contractors Willmott Dixon started on site in June 2015 and are due to complete their work in September 2016. The museum exhibitions and other areas will be installed between September and November 2016, ready for opening to the public on 24th 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 2016, £45.4m was

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raised against this capital target in total pledges. At the date of signing the accounts, the amount pledged had increased to £47.3m. The project budget continues to be strictly controlled, with expenditure expected to remain within the £48.1m budget, and delivery on schedule. This has been managed by a design team lead by the main architects and contract administrators John Pawson Associates.

The new museum will provide nearly 10,000m² of space and is planned to attract over 650,000 visitors annually. There will be free admission for the first time to an exhibition of the museum's permanent collection, two ticketed temporary exhibition galleries, an expanded retail, catering and venue hire offering as well as significantly larger learning facilities.

During the year, planning to deliver all areas of the new museum's operations has advanced significantly. The delivery of the three opening exhibitions is underway, with sponsorship for those exhibitions on track. Planning for retail, venue hire, catering and publishing is on schedule, and the museum's first stand-alone shop on Kensington High Street opened on 15th July 2016. The museum is working with the local community to forge strong relationships with local social organisations, businesses, schools and neighbours. The announcement of the museum's opening date made on 18th March 2016 generated significant press coverage.

SHAD THAMES OPERATIONS

Digital

The Design Museum is proud to rank 1st in the world amongst museums and galleries in terms of the scale of its presence on the social media site 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 a decrease in website visitors and increase in social media followers.

Digital presence	2015/16	2014/15
Twitter followers	2,668,000	1,268,000
Website	1,243,500 visits by 920,000 visitors	1,438,000 visits by 1,071,000 visitors
Facebook fans	368,000	350,000
Online shop	209,000 visits by 185,500 visitors	206,000 visits by 173,000 visitors
Collection app downloads to date	410,000	374,000

Operational fundraising

Fundraising has progressed in the year, with the main sources of donations and sponsorship being the following:

- **Sponsorship for exhibitions** – the museum received sponsorship from Camper, as described in the exhibitions section below.

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- **Grants for learning** – Deutsche Bank have continued to sponsor the Design Ventura learning programme, as detailed in the learning section below.
- **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 continued to receive the generous support of the Conran Foundation for its activities in Shad Thames.
- **Government grants** – a grant from the Arts Council of England supported the Designers in Residence and learning programmes.

The Design Museum has considered the guidance set out by the charity commission and follows the Institute of Fundraising's code of fundraising practice. The museum does not use external parties to fundraise and does not fundraise from vulnerable people.

Exhibitions

The Design Museum stages between six and eight temporary exhibitions a year, covering a range of areas from architecture and graphic design to fashion and product design. The main 2015/16 exhibitions were:

- **Women Fashion Power** (29 Oct 14 – 26 Apr 15) – Women Fashion Power was a survey of fashion from the point of view of the wearer, rather than the designer. It featured a wealth of historical material.
- **Designs of the Year** (25 Mar 15 – 3 Apr 16) – The Design Museum's annual Design Awards showcase the most innovative and progressive designs from around the world, spanning seven categories: Architecture, Digital, Fashion, Furniture, Graphics, Product and Transport.
- **Life on Foot** (13 May 15 – 1 Nov 15) – Life on Foot was the first exhibition on the Spanish footwear brand Camper and showcased how traditional shoemaking has been shaped by contemporary design and new technologies.
- **Designers in Residence** (9 Sep 15 – 3 Apr 16) – The Design Museum's annual Designers in Residence programme provides a platform to celebrate new and emerging designers at an early stage in their career. The project was generously supported by the Arts Council.
- **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 15% to 114,905 (2015: 142,181), generating admissions income of £1,064k (2015: £1,198k). This was expected as part of a reduction in investment in the museum at Shad Thames as operations prepared to move to Kensington.

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 profile and generating income for the museum. During 2015/16 the following exhibitions were touring:

- **ModeMuseum, Hasselt, Belgium** (30 Jan 15 – 16 Aug 15) – Hello My Name is Paul Smith

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- **Sewerby Hall and Gardens, Sewerby, Yorkshire** (28 Mar 15 – 28 Jun 15) – A Century of Chairs
- **The Wilson, Cheltenham** (11 Jul 15 – 20 Sept 15) – In The Making
- **The Lighthouse, Glasgow** (21 Jan 16 – 20 Mar 16) – Hello My Name is Paul Smith

Collection

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.

Learning

The Design Museum provides a well-respected and inventive programme of learning activities for schools and students in Further and Higher Education. The 2015/16 achievements from our learning programme included:

- **Design Factory** – an annual project for BA design students, spanning product, fashion/textiles, graphics/illustration and architecture/spatial design.
- **Design Ventura** – a design and enterprise project for students in years 9, 10 and 11, generously supported by Deutsche Bank, enabled pupils to experience the design process and learn enterprise skills by working to a real-world brief to create a product to be manufactured and sold in the Design Museum Shop. In 2015/16 the programme attracted a record 10,792 students.
- **Master of Arts (MA) in Curating Contemporary Design, Kingston University** - a programme offering students the opportunity to curate live projects and build their own professional profiles.

Public Programmes on Design

The museum raises awareness of design and architecture through a busy public programme of talks, debates, short courses and events that support and extend the exhibition programme and connect with adult and family learners and design communities. In 15/16 the museum welcomed 2,552 visitors to 46 Public Programmes events, exceeding our self-evaluation target of 70% good or above rating.

Retail, Café and Venue Hire

Following the expected decrease in visitor numbers as the museum prepared for its move to Kensington, the museum trading revenue decreased in 2015/16 compared to the prior year.

- **Retail** – The Design Museum shop aims to sell the most beautiful, innovative and intelligently designed products and publications from around the world. Shop sales in the year were £709k (2015: £808k), with a net profit of £164k (2015: £176k).
- **Café** – The Design Museum café income in the year was £180k (2015: £213k), with a net profit of £2k (2015: £28k).

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- **Venue Hire** – The museum has event spaces which are used for product launches, conferences, creativity sessions, receptions, dinners and weddings. Income during the year from hire of these event spaces totalled £69k (2015: £133k), with a net profit of £41k (2015: £53k).

Trading subsidiary financial performance

The Design Museum's trading subsidiary, Design Museum Enterprises Limited, had turnover during the year of £1,728k (2015: £1,981k) and profit before gift aid and taxation of £618k (£751k), which has been donated in full to the Design Museum at the year end, less £6k due to prior year restatements for untaken annual leave. The principle activities of Design Museum Enterprises Limited are the operation of a shop within the Design Museum, catering, sponsorship and venue hire.

Staff and Volunteers

The museum has continued to invest in staff as part of planning 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 expanded from 46 to 80, with a further increase expected in the new museum.

- 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. In 2014/15 the target was a range of three to six months of budgeted future operating costs.

The unrestricted free reserves target at 31 March 2016 was £3.0m (2015: £1.5m - £3.0m) and will increase to £6m by November 2016 due to the increasing 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 2016 were £628k (2015: £554k restated). The museum is aiming to reach its target level of unrestricted free reserves by 2018, as part of the Design Museum Kensington capital campaign.

In addition to unrestricted reserves, at 31 March 2016 the museum held £32.3m (2015: £25.4m) of restricted reserves primarily to fund the Design Museum Kensington capital project. This is expected to be fully utilised before November 2016, the date of opening the new museum to the public. Total funds held at 31 March 2016 were £33.0m (2015: £26.0m). 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, in line with the museum's cash flow forecasts.

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Income and Expenditure

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

	2015/16			2014/15 restated		
	Ongoing	Design		Ongoing	Design	
	operations	Museum		operations	Museum	
	£'000	Kensington	Total	£'000	Kensington	Total
		project	£'000		project	£'000
Income						
Restricted	421	9,653	10,074	183	3,104	3,287
Unrestricted	3,773	-	3,773	4,729	-	4,729
Total	4,194	9,653	13,847	4,912	3,104	8,016
Expenditure	(4,154)	(2,722)	(6,876)	(4,912)	(1,792)	(6,704)
Surplus / (Deficit)	40	6,931	6,971	(0)	1,312	1,312

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 £19,873k (2015: £875k) of expenditure was capitalised.

Ongoing operations: The increase in the museum's surplus compared to the prior year has been a result of improved cost control in the year.

Design Museum Kensington Project: The increase in income compared to the prior year reflects the progress of the capital campaign, whilst the increase in expenditure reflects the development of Design Museum Kensington design, build and planning activity.

PLANS FOR FUTURE PERIODS

The museum continued to operate in Shad Thames until 30 June 2016, following which there is a period from July to November of relocating to the new museum in Kensington. Activities during this time are focussed on getting the museum ready for opening including moving staff and equipment between the two sites, installing exhibitions, training new and existing staff, ensuring that systems and processes are robust and marketing to make the museum's target audience aware of the new museum.

The museum will reopen in Kensington on 24 November 2016, with the months following this devoted to delivering the planned activities and delivering operations as necessary to ensure there is a high quality of visitor experience and financial stability.

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 Committee, Project Delivery Committee and the Board at least once a year. The major risks would have reputational and

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Year ended 31 March 2016

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:

- Delayed opening of the Design Museum Kensington. This is being managed by an external project team and senior management, with oversight from the Project Delivery Committee. The planned opening date of 24th November 2016 is currently on track;
- 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 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 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.

At 31 March 2016, the Design Museum had raised 94% of its capital fundraising target. The trustees expect to raise the remaining 6%, which represents £2.7m (note 18), in addition to the £6.9m reserves fund, in accordance with fundraising forecasts.

A loan facility is in place with The Conran Foundation, for £3.0m 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. A further £1.5m loan facility from The Conran Foundation has been agreed to fund working capital requirements in the new museum. £1.5m was drawn down from each facility in July 2016 (£3.0m in total). These loans are repayable as the museum continues to progress towards achieving its capital fundraising target. A third facility for £1.5m is also approved in principle, 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

The independent auditor's report

Year ended 31 March 2016

We have audited the financial statements of The Design Museum for the year ended 31 March 2016 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 25.

The financial reporting framework that has been applied in their preparation is applicable law and FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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 company and the charitable 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 Trustees' Responsibilities Statement, the trustees (who are also the directors of the charitable company for the purposes 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 group's and parent charity'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 parent charity's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;

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The independent auditor's report
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- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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.

Naziar Hashemi (Senior Statutory Auditor)
for and on behalf of Crowe Clark Whitehill LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom

.....September 2016

The Design Museum
Consolidated Statement of Financial Activities
(including the income and expenditure accounts)
Year ended 31 March 2016

	Notes	Unrestricted	Restricted	2016	Unrestricted (restated)	Restricted (restated)	2015
		£	£	£	£	£	(restated) £
INCOME FROM							
Donations and legacies							
Donations, gifts and similar income	3	642,652	291,248	933,900	879,401	34,103	913,504
Design Museum Kensington project	18	-	9,283,673	9,283,673	-	2,919,935	2,919,935
Grants receivable	4	-	406,121	406,121	156,000	183,192	339,192
Other trading activities							
Trading sales	7	1,728,277	-	1,728,277	1,980,808	-	1,980,808
Investments	5	3,819	92,861	96,680	963	149,678	150,641
Charitable activities	6	1,398,930	-	1,398,930	1,712,042	-	1,712,042
Total income		3,773,678	10,073,903	13,847,581	4,729,214	3,286,908	8,016,122
EXPENDITURE ON							
Raising funds	8	1,360,269	-	1,360,269	1,756,459	-	1,756,459
Charitable activities	8	2,367,660	426,160	2,793,820	2,984,237	171,997	3,156,234
Design Museum Kensington project	18	-	2,722,257	2,722,257	-	1,791,243	1,791,243
Total expenditure		3,727,929	3,148,417	6,876,346	4,740,696	1,963,240	6,703,936
Net income/(expenditure) for the year		45,749	6,925,486	6,971,235	(11,482)	1,323,668	1,312,186
Balances brought forward	19	693,484	25,337,053	26,030,537	704,966	24,013,385	24,718,351
Balances carried forward		739,233	32,262,539	33,001,772	693,484	25,337,053	26,030,537

The total incoming resources for The Design Museum charity (excluding its trading subsidiary) amounted to £12,730,177 (2015 - £6,786,367) and the net surplus for the year was £6,965,401 (2015 surplus restated - £1,312,218).

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

The notes on pages 16 to 33 form part of the financial statements

The Design Museum
Consolidated and Charity Balance Sheets
Year ended 31 March 2016

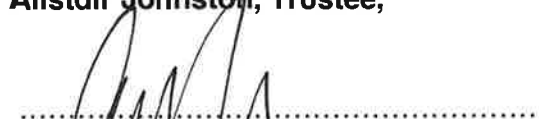
		The Group		The Charity	
	Notes	2016	2015	2016	2015
		£	(restated)	£	(restated)
			£		£
FIXED ASSETS					
Intangible assets	11	20,730	-	20,730	-
Tangible assets	12	22,606,408	2,871,178	22,605,811	2,866,879
Heritage assets	13	103,559	97,200	103,559	97,200
Investments	14	-	-	2	2
		<u>22,730,697</u>	<u>2,968,378</u>	<u>22,730,102</u>	<u>2,964,081</u>
CURRENT ASSETS					
Stock		87,496	110,473	-	-
Debtors	15	1,849,635	2,116,628	2,222,883	2,060,103
Cash at bank and in hand	16	<u>11,850,778</u>	<u>21,763,879</u>	<u>11,474,753</u>	<u>21,691,440</u>
		<u>13,787,909</u>	<u>23,990,980</u>	<u>13,697,636</u>	<u>23,751,543</u>
CREDITORS: Amounts falling due within one year	17	(3,516,834)	(928,821)	(3,426,065)	(679,352)
NET CURRENT ASSETS		<u>10,271,075</u>	<u>23,062,159</u>	<u>10,271,571</u>	<u>23,072,191</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>33,001,772</u>	<u>26,030,537</u>	<u>33,001,673</u>	<u>26,036,272</u>
TOTAL NET ASSETS		<u><u>33,001,772</u></u>	<u><u>26,030,537</u></u>	<u><u>33,001,673</u></u>	<u><u>26,036,272</u></u>
FUNDS					
Unrestricted	19	739,233	693,484	739,134	699,219
Restricted	18,19	<u>32,262,539</u>	<u>25,337,053</u>	<u>32,262,539</u>	<u>25,337,053</u>
		<u><u>33,001,772</u></u>	<u><u>26,030,537</u></u>	<u><u>33,001,673</u></u>	<u><u>26,036,272</u></u>

These financial statements were approved by the trustees onSeptember 2016,
and are signed on their behalf by:

Luqman Arnold, Chairman of the Board

.....September 2016

Alistair Johnston, Trustee,

.....September 2016

Company Registration number 02325092.

The notes on pages 16 to 33 form part of the financial statements

The Design Museum

Consolidated Cash Flow Statement

Year ended 31 March 2016

	Notes	2016 £	2015 (restated) £
Cash flows from operating activities			
Net cash provided by operating activities	(a)	9,863,582	2,626,639
Cash flows from investing activities			
Interest from investments		96,680	150,641
Purchase of property and equipment		(19,873,363)	(875,022)
(Decrease)/increase in cash		<u>(9,913,101)</u>	<u>1,902,258</u>

Notes to the cash flow statement

Year ended 31 March 2016

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

Net income for the year	6,971,235	1,312,186
Interest from investments	(96,680)	(150,641)
Depreciation	111,044	96,261
Loss on disposal of fixed assets	-	6,462
Decrease in stock	22,977	13,181
Decrease in debtors	266,993	1,379,080
Increase/(decrease) in creditors	2,588,013	(29,890)
Net cash inflow from operating activities	<u>9,863,582</u>	<u>2,626,639</u>

(b) Analysis of cash and cash equivalents

	2015 £	Cash flow £	2016 £
Cash at bank and in hand	21,763,879	(14,932,604)	6,831,275
Notice deposits (less than 3 months)	-	5,019,503	5,019,503
Total cash and cash equivalents	<u>21,763,879</u>	<u>(9,913,101)</u>	<u>11,850,778</u>

The notes on pages 16 to 33 form part of the financial statements

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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) as it applies from 1 January 2015 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 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.

Reconciliation with previous Generally Accepted Accounting Practice (policy)

The Design Museum has adopted FRS 102 for the first time when preparing these financial statements. The transition date to FRS 102 was 1 April 2014 and the last financial statements prepared under the previous financial reporting framework were prepared for the year ended 31 March 2015. An explanation and reconciliation of how transition to FRS 102 has affected the reported financial position and financial performance is provided in note 17.

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).

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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 on-going 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.

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 represents 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 of trading activities, costs incurred directly in the fulfilment of the Charity's objectives (curatorial and learning), costs incurred on the Design Museum Kensington project, and costs incurred in the governance of the Charity and its assets. Governance costs include legal and audit fees. The proportion of staff costs incurred to support governance activities is not included within governance costs due to the complexity in determining this amount.

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.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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.

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.

All relevant acquisition costs associated with the refurbishment of the Design Museum's new home at the Commonwealth Institute have been capitalised from the 18 October 2011, being the date at which the trustees demonstrated their clear intention to complete the transaction, subject to final amendments to the lease agreement under negotiation, the granting of planning permission and Royal Borough of Kensington and Chelsea approval, which were subsequently obtained.

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

Operational assets

Buildings and leasehold improvements	over 3 – 10 years
Exhibition equipment, Library and Education Centre	over 5 years
Computers, office equipment, fixtures and fittings	over 3 – 5 years

Design Museum Kensington project

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

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.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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 number 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.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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 Design Museum 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 amortised cost using the effective interest method. Financial assets held at amortised cost comprise stock, cash at bank and in hand, together with trade and other debtors. Financial liabilities held at amortised cost comprise, trade, other creditors and accruals.

3. Donations, gifts and other income

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Conran Foundation donation	300,000	-	300,000	500,000
Gifts in Kind	177,526	276,448	453,974	265,239
Other donations	165,126	14,800	179,926	148,265
	<u>642,652</u>	<u>291,248</u>	<u>933,900</u>	<u>913,504</u>

The gifts in kind for 2015/16 relate to pro bono professional legal advice. The related expenditure is included in governance costs respectively.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

4. Grants receivable

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Department of Culture, Media and Sport	-	-	-	156,000
Deutsche Bank	-	205,121	205,121	183,192
Arts Council	-	170,000	170,000	-
John Lyon's Charity	-	31,000	31,000	-
	-	406,121	406,121	339,192

5. Investment income

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Bank interest	3,819	92,861	96,680	150,641

6. Incoming resources from charitable activities

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Admissions	1,063,648	-	1,063,648	1,197,765
Learning	150,190	-	150,190	176,389
Touring	117,888	-	177,888	272,480
Service charges and other	67,204	-	67,204	65,408
	1,398,930	-	1,398,930	1,712,042

7. Trading sales

The Design Museum has one wholly-owned subsidiary which has been consolidated. Design Museum Enterprises Limited undertakes trading activities and is incorporated in England. The principal activities of this 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 2016

	2016	2015 (restated)
	£	£
Turnover	1,728,277	1,980,808
Cost of sales and administrative expenditure (including management charge)	(1,111,571)	(1,229,755)
Prior year adjustment for holiday pay accrual	-	(32)
Operating profit	616,706	751,021
Interest received	1,176	-
Profit before gift aid donation and taxation	617,882	751,021
Gift aid donation	(612,048)	(751,053)
Profit after gift aid donation	5,834	(32)

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

Balance sheet for Design Museum Enterprises Limited as at 31 March 2016

	2016	2015 (restated)
	£	£
Assets	1,137,961	652,036
Liabilities	(1,137,860)	(657,769)
Total Funds	101	(5,733)

8. Total resources expended

	Staff costs	Depreciation	Other direct costs	Support costs	2016	2015
	£	£	£	£	£	£
Raising funds	427,956	6,503	726,377	199,433	1,360,269	1,756,459
Charitable activities	961,184	23,342	983,233	826,061	2,793,820	3,156,234
	1,389,140	29,845	1,709,610	1,025,494	4,154,089	4,912,693
Design Museum Kensington Project	1,514,511	81,199	843,499	283,048	2,722,257	1,791,243
	2,903,651	111,044	2,553,109	1,308,542	6,876,346	6,703,936

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

	Raising funds	Charitable activities	Total
	£	£	£
Building and Operations	126,981	372,718	499,699
HR and Management	13,982	41,039	55,021
Finance and Information Technology	49,200	150,023	199,223
Professional fees and audit	-	185,026	185,026
Irrecoverable VAT	9,270	77,255	86,525
	199,433	826,061	1,025,494

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

	2016	2015
	£	£
Depreciation of tangible fixed assets	29,845	96,261
Government grants	(170,000)	(156,000)
Operating lease rentals:		
- Land and Buildings	355,188	342,688
- Other	10,296	4,295

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

The analysis of auditor's remuneration is as follows:

	2016	2015
	£	£
Fees payable to the company's auditor for the audit of the company's annual accounts	14,100	13,500
Fees payable to the company's auditor for other services to the Group		
The audit of the company's subsidiaries	6,000	6,000
Total audit fees	20,100	19,500
Review of Design Museum cash flow forecasts	2,800	-
Total non-audit fees	2,800	-

9. Governance costs

	Unrestricted	Restricted	2016	2015
	£	£	£	£
Auditors remuneration	7,500	6,600	14,100	13,500
Legal and other costs donated as Gifts in Kind	177,526	276,448	453,974	183,510
	185,026	283,048	468,074	197,010

10. Staff costs

The aggregate payroll costs were:

	2016	2015
	£	£
Wages and salaries	2,545,483	2,386,966
Social security costs	229,244	222,108
Other pension costs	128,924	119,724
	2,903,651	2,728,798

The average number of number of staff employed during the financial year amounted to 114 (2015 - 108). The average number of full time equivalent staff employed by the Charity during the financial year by activity amounted to:

	Operations No.	DMK No.	2016 No.	Operations No.	DMK No.	2015 No.
Fundraising	3	7	10	7	2	9
Commercial	12	3	15	14	-	14
Exhibitions, Curatorial and Communications	21	9	30	24	4	28
Learning	4	4	8	4	3	7
Support	8	7	15	11	4	15
Project	-	3	3	-	3	3
	48	33	81	60	16	76

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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

	2016	2015
£60,001 - £70,000	1	1
£70,001 - £80,000	1	1
£80,001 - £90,000	1	1
£140,001 - £150,000	1	-
£170,001 to £180,000	-	1

Contributions of £58,581 (2015 - £55,400) were made into a defined contribution pension scheme for the above four higher paid members of staff (2015 - four).

During the year total remuneration of 6 (2015 - 5) key management personnel amounted to £533,071 (2015 - £509,774).

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 £3,925 (2015 - £3,925).

Travel and associated expenses incurred by the trustees attending quarterly trustees' meetings for a total of £724 (1 trustee) were reimbursed during the year (2015 - £119, 1 trustee).

Donations during the year from trustees totalled £4,985,800, being £4,685,800 to the capital campaign and £300,000 of operational funding (2015: £3,051,250).

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 £128,924 (2015 - £119,724).

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

11. Intangible assets

THE GROUP & THE CHARITY	Design Museum Kensington	£
COST		
At 1 April 2015	-	
Additions	20,730	
At 31 March 2016	20,730	
AMORTISATION		
At 1 April 2015	-	
Charge for the year	-	
At 31 March 2016	-	
NET BOOK VALUE		
At 31 March 2016	20,730	
At 31 March 2015	-	

Intangible assets relate to software costs capitalised during the year.

12. Tangible assets

THE GROUP	Design Museum Kensington project assets	Buildings & leasehold Incl. Exhibitions & Education	Computers and office equipment, fixtures and fittings	Total
	£	£	£	£
COST				
At 1 April 2015	2,902,957	348,493	958,692	4,210,142
Additions	19,845,526	-	748	19,846,274
At 31 March 2016	22,748,483	348,493	959,440	24,056,416
DEPRECIATION				
At 1 April 2015	(74,451)	(345,522)	(918,991)	(1,338,964)
Charge for the year	(81,199)	(2,368)	(27,477)	(111,044)
Depreciation on disposals	-	-	-	-
At 31 March 2016	(155,650)	(347,890)	(946,468)	(1,450,008)
NET BOOK VALUE				
At 31 March 2016	22,592,833	603	12,972	22,606,408
At 31 March 2015	2,828,506	2,971	39,701	2,871,178

During the year, the museum was granted a 175 year lease of the former Commonwealth Institute building at a peppercorn rent.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

THE CHARITY	Design Museum Kensington project assets	Buildings & leasehold Incl. Exhibitions & Education	Computers and office equipment, fixtures and fittings	Total
	£	£	£	£
COST				
At 1 April 2015	2,902,957	348,493	850,009	4,101,459
Additions	19,845,526	-	748	19,846,274
At 31 March 2016	22,748,483	348,493	850,757	23,947,733
DEPRECIATION				
At 1 April 2015	(74,451)	(345,522)	(814,607)	(1,234,580)
Charge for the year	(81,199)	(2,368)	(23,775)	(107,342)
At 31 March 2016	(155,650)	(347,890)	(838,382)	(1,341,922)
NET BOOK VALUE				
At 31 March 2016	22,592,833	603	12,375	22,605,811
At 31 March 2015	2,828,506	2,971	35,402	2,866,879

13. Heritage assets

Collection assets held at 31 March 2016 were included at cost and valuation per below:

THE GROUP AND THE CHARITY	2016	2015	2014	2013	2012
	£	£	£	£	£
Opening balance	97,200	97,200	97,200	97,200	85,200
Additions	6,359	-	-	-	12,000
Closing balance	103,559	97,200	97,200	97,200	97,200

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 3 items were added to the collection at a cost of £6,359.

It is not practicable to provide information for periods earlier than 1 April 2011.

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 2016 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.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

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.

14. Investments

THE CHARITY

	2016	2015
	£	£
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.

15. Debtors

	The Group		The Charity	
	2016	2015	2016	2015
	£	£	£	£
Trade Debtors	186,068	408,655	153,002	52,689
Amounts owed by Subsidiary	-	-	1,047,090	353,572
Taxation and social security	623,514	1,312	-	56,041
Prepayments	240,016	237,208	239,530	133,251
Accrued Income	768,774	1,304,411	751,998	1,299,508
Prepaid Exhibition Costs	24,591	158,370	24,591	158,370
Deposits on rental properties	6,672	6,672	6,672	6,672
	1,849,635	2,116,628	2,222,883	2,060,103

Amounts due after more than one year are £6,672 (2015 - £6,672) within deposits on rental properties and £nil (2015 - £595,000) within accrued income.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

16. Cash and bank

	The Group		The Charity	
	2016	2015	2016	2015
	£	£	£	£
Design Museum - Shad Thames	192,270	400,011	192,270	400,011
Design Museum Kensington project	11,282,483	21,291,429	11,282,483	21,291,429
Design Museum Enterprises	376,025	72,439	-	-
	11,850,778	21,763,879	11,474,753	21,691,440

17. Creditors: Amounts falling due within one year

	The Group		The Charity	
	2016	2015	2016	2015
	£	(restated) £	£	(restated) £
Trade Creditors	142,716	351,937	120,293	242,465
Taxation and Social Security	60,368	62,611	60,368	62,611
Accruals	2,998,366	259,071	2,931,420	223,434
Deferred income	315,384	255,202	313,984	150,842
	3,516,834	928,821	3,426,065	679,352

Accruals mostly relate to amounts payable for the fit out of the Design Museum Kensington.

Deferred income includes annual membership fees received in advance and recognised over the course of the year of £51,118 (2015: £70,513), fees for higher education courses received in advance of £38,533 (2015: £42,717), sponsorship income for a learning programme received in advance £200,000 (2015: £31,000), exhibition sponsorship income received in advance and recognised over the course of the exhibition of £nil (2015: £104,360) and other income of £25,733 (2015: £6,612).

The 2015 comparative figures have been restated as a result of the SORP 2015 requirement to accrue for untaken holiday by employees at the year end. An increase in accruals of £46,315 has been included, with a decrease in profit of £4,858 for the year ended 31 March 2015 and decrease in reserves of £41,457 at 01 April 2014.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

18. Restricted funds

	Balance at 31 March 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)	-
Transfer to fixed and heritage assets	2,828,506	-	19,791,416	22,619,922
Other Funding	21,183,670	5,849,312	(17,404,935)	9,628,047
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
	25,337,053	10,073,903	(3,148,417)	32,262,539

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 2015	30,861,906
Income recognised in the year ended 31 March 2016 (excluding Shad Thames rent and gifts in kind)	9,376,534
Estimated further income pledged as at 31 March 2016	5,145,247
Income yet to be raised as at 31 March 2016	2,711,082
Total Kensington museum project income target	<u>48,094,769</u>

The total cost of the project, excluding donated land and buildings, is expected to be £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 the element of the £2.8m and £1.1m 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 £2.7m in accordance with its fundraising forecasts. In addition it aims to raise a further £6.9m expendable endowment fund to secure funding for its future expanded operations in the Kensington museum.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

Design Ventura Learning programme

In 2016 the Design Museum renewed its partnership with Deutsche Bank for a further three years from 2016-2019. 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 2015 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. 2016-17 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.

19. Transition to FRS102 prior year adjustment

Reconciliation of Funds

	1 April 2014			31 March 2015		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	£	£	£	£	£	£
Funds previously stated	737,615	24,022,193	24,759,808	726,303	25,350,549	26,076,852
Holiday pay accrual	(32,649)	(8,808)	(41,457)	(32,819)	(13,496)	(46,315)
	704,966	24,013,385	24,718,351	693,484	25,337,053	26,030,537

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

Reconciliation of 2014/15 surplus for the year

	Unrestricted	Restricted	Total
	£	£	£
2014/15 (deficit) surplus as previously reported	(11,312)	1,328,356	1,317,044
Holiday pay accrual	(170)	(4,688)	(4,858)
	(11,482)	1,323,668	1,312,186

20. Analysis of group net assets between funds

THE GROUP

	Fixed assets	Cash and Bank	Other net assets	Total
	£	£	£	£
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
	22,730,697	11,850,778	(1,579,703)	33,001,772

THE CHARITY

	Fixed assets	Cash and Bank	Other net assets	Total
	£	£	£	£
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
	22,730,102	11,474,753	(1,203,182)	33,001,673

21. Operating leases

At 31 March 2016 the Design Museum had aggregate minimum lease payment commitments under non-cancellable operating leases as follows:

	Land and Buildings		Other	
	2016	2015	2016	2015
	£	£	£	£
In respect of leases commitments:				
Less than one year	118,534	77,753	9,592	9,592
Between one and two years	21,128	-	8,759	9,592
Between two and five years	-	-	13,819	22,578

22. Capital commitments

At the balance sheet date, the value of capital commitments was £9.0m (2015: £1.7m). 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 2016

23. Post balance sheet events

Design Museum Kensington Project

On 30 June 2016 the Design Museum in Shad Thames closed after 27 years of operating in that location in preparation for the public opening in the former Commonwealth Institute building in Kensington on 24th November 2016.

Fit out work for the Museum's free Designer Maker User exhibition build commenced in July 2016 and is expected to be completed in October 2016.

The main fit out work of the Design Museum Kensington building is due to be completed in September 2016, allowing the Museum to commence activities in preparation for the public opening date.

Design Museum Kensington Project fundraising

In April 2016 a benefit auction for the Design Museum was held at Phillips auction house. This raised a total of £1.1m towards the museum's capital fundraising target. Further donations from trusts and individuals of £0.6m were received in June 2016 towards the capital campaign which, along with further amounts pledged, reduced the amount remaining to raise to reach the £48.1m project income target to £800k.

24. 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 (2015: £500,000).

A bridging loan facility for £3.0m, available from June 2016 to December 2019, and to be repaid as the museum achieves its £48.1m capital fundraising target, was agreed with the Conran Foundation during the year, with £1.5m drawn down from this facility after the year end. In addition to this, a £1.5m loan facility to fund initial operational working capital for the museum in Kensington, available from July 2016 to March 2019, was also agreed. This facility was fully drawn down after the year end and is repayable once the museum starts to receive funds over and above the £48.1m capital target.

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 £14,367 (2015: £10,293) in publishing royalties from Conran Octopus Limited from the sales of books and other publishing material.

The Design Museum

Notes to the financial statements for the year ended 31 March 2016

Design Museum Enterprises Limited

The Design Museum charged a management fee of £122,509 (2015 - £142,111) during the year to Design Museum Enterprises Limited. It also received a donation under gift aid of £612,048 (2015 - £715,053). At the year end The Design Museum was owed £1,047,090 (2015 - £353,572) by Design Museum Enterprises Limited. This balance was made up of the donated profit for the year, and an amount owing for VAT reclaimed from HMRC.

Capital Campaign

All trustees have donated or have committed to donate to the capital campaign.

Donations from Trustees to the capital campaign in the year totalled £4,685,800 (2015: £3,051,250).

25. Financial Instruments

At the balance sheet date the consolidated group held financial assets at amortised cost comprising stock, cash and short term deposits, trade debtors, other debtors and accrued income of £12,899,788 (2015: £22,526,887) and financial liabilities at amortised cost, comprising trade creditors and accruals of £3,141,082 (2015: £611,008). Total interest income received in respect of financial assets held at amortised cost totalled £96,680 (2015: £150,641).