

Charity Registration No. 504481

Company Registration No. 1226321
(England & Wales)



Black Country Living Museum Trust

Annual Report & Accounts

for the year ended 31 December 2012

Black Country Living Museum Trust

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Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012

The Directors & Trustees present their Annual Report & Accounts for the year ended 31 December 2012.

The Accounts have been prepared in accordance with the accounting policies set out in Note 1 of the Accounts and comply with the Charity's governing document, applicable law and the Statement of Recommended Practice, 'Accounting and Reporting by Charities', March 2005.

Reference & Administrative Information

Patron: HRH The Duke of Gloucester KG GCVO

Directors & Trustees:
A David Owen OBE
A Graham Dean
Anthony F George MBE TD DL
Anthony Harris¹
Elias Mattu²
Jane A Lodge
John H Hughes (Chairman)
Linda Horton³
Melvyn Mottram⁴
Michael S Williams
Timothy Wright⁴

Chief Executive (Museum Director): Andrew Lovett

Hon. Company Secretary: John Polychronakis LLB

Charity Registration Number: 504481

Company Registration Number: 1226321

Principal Address & Registered Office:
Black Country Living Museum
Tipton Road
Dudley
DY1 4SQ
West Midlands

Statutory Auditors:
CK Audit
No 4 Castle Court 2
Castlegate Way
Dudley
DY1 4RH

Principal Bankers:
Barclays Bank plc
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Dudley
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¹nominated by Walsall Borough Council; ²nominated by Wolverhampton City Council; ³nominated by Sandwell Borough Council; ⁴nominated by Dudley Borough Council

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Trustees' Report for the year ended 31 December 2012 (continued)

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Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Chairman's Foreword

The Museum has achieved a great deal this year, although 2012 proved to be a year of two distinct themes. On the one hand considerable progress was made on many fronts, whilst on the other it was a challenge dealing with the impact of reduced visitor attendance; due to the combined effects of the adverse economic conditions, changes in peoples' leisure activity and the appalling weather.

High amongst the Museum's achievements was the award by Arts Council of England (ACE) of the prestigious accolade of Designation for the Museum's entire collection, the funding and successful completion of the £100,000 restoration of the Newcomen Steam Engine to celebrate the 300th anniversary of the first such engine, as well as securing significant funds from ACE (within a few months of it taking-on its enlarged portfolio from the Museums, Libraries & Archives Council) to help support the Museum's development. We were very honoured to welcome the Olympic Torch to the Museum and to take part in the Queen's Diamond Jubilee Thames Pageant, on 3 June. We broadened our reach by showing that we want to play an active and positive role in the museums sector and by developing new partnerships and launching a new individual membership scheme. Importantly we have connected and re-connected with funders, businesses and supporters, as well as launching a new website and publishing a fabulous new guide book. We dipped our toe into providing courses for adult-learners, consolidated the Workers' Institute as a profitable café and greatly improved the Museum Shop by selling things that reflect the very best of our collection. We have also played our part in influencing the direction of development of the nearby Castle Hill. While there is still much to do, the Museum has also strengthened and improved its management processes in areas such as Health & Safety, ICT, Collections Care, Human Resources, Financial Management and is pursuing a very effective fundraising strategy – the results of which are set out for all to see in this Annual Report.

Some visitor destinations have concluded that the impact of the London Olympics and Paralympics was to reduce their visitor attendance – saying it had the effect of reducing day visits, with people staying at home to watch television; especially when Team GB started to collect so much gold. It may take some time to understand the true impact of the Games on the UK's visitor economy and indeed the Museum, but we all have cause to celebrate what was undoubtedly a spectacular success for the country. As mentioned above, I was delighted that the Museum was able to play its part in the London Olympics of 2012, when 1,800 people welcomed, with enormous pride, the Olympic Torch on day 43, of the national relay, on 30 June. Seeing the torch arrive on board our unique 100 year old steam powered narrow boat, President (having arrived back from the Thames Jubilee Pageant), carried through the Museum village and then atop Tram 49, was a once in a lifetime occasion. Behind what seemed like a faultless occasion, was a vast amount of detailed planning over several months, so that on the day we were all able to give the Olympic Torch an extra special Black Country welcome. It was worth the effort.

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Trustees' Report for the year ended 31 December 2012 (continued)

Trading conditions were difficult in 2012. The markedly reduced visitor attendance and lower levels of spend onsite meant that, in common with many chargeable outdoor attractions, the Museum sustained a trading loss of £285,202. After reflecting depreciation charges, restricted donations and investments, restructuring costs and the pension adjustment recognised in the FRS17 disclosure at note 24 there was a net adverse movement in funds before the actuarial loss on the pension fund, of £599,745. Visitor attendance for the year was 249,574; a short-fall on our budget of 14% and 16% lower than the level seen in 2011. Unfortunately the positive impact of 'staycation' started to ebb away after mid 2011, with visitor attendance and levels of secondary spending continuing to decline during 2012.

Inevitably, these results, combined with the continued uncertainty affecting consumer confidence and the sad loss of local authority funding, has meant that we have needed to adopt a cautious approach to 2013; not least because the Museum is an entirely self-funded Charity. It is self evident that we have quite a mountain to climb if we are to return to surplus and reach, let alone surpass the Museum's high point in 2009 when annual attendance was just over 311,000 – some 20% greater than we achieved in 2012. When looking back at 2012, it would be perverse to lose sight of the real, albeit difficult to quantify, impact of the appalling weather, especially during the critical summer holiday when we expect to welcome 25% of the Museum's annual attendance during an all-too-short six week period.

The disappointing levels of visitor attendance necessarily referred to in the first part of my foreword and how this inevitably impacted on our outlook for 2013, meant that during 2012 the Museum was forced to adapt its management, operations, cost and cash controls, in the face of difficult trading conditions to withstand an assumption that attendance would remain static during 2013, while retaining the structures necessary to achieve the long-term ambitions of our strategy. At the end of this period of change, unfortunately 26 staff left the Museum, through redundancy – some of them well-known faces over a long period of time. The only comfort being that all except four did so on a voluntary basis. Other staff made sacrifices by taking reductions in their working hours, or were assimilated into alternative jobs. It was, and to a certain extent still is, an unsettling and challenging time for many of the Museum's staff as they adapt to new ways of working and new perspectives on what can be achieved. However, whilst it was undoubtedly a difficult time for many staff, I want to pay tribute, in particular, to the Museum's Human Resources Manager and the elected Staff Representatives and the role they each played in the management of the changes. Despite the impact on some staff, I have no doubt that the changes we have introduced were absolutely necessary, both because of the financial imperative, as well as our duty to do the very best we can for our visitors, especially pupils and students.

After a deliberate and necessary pause, the Museum is beginning once again, to turn its attention to major site developments and it will be a highlight of 2013 that we agree a strategic and sensible programme for the next 3-5 years. Of course, circumstances have changed considerably since the early days when the choice of buildings was driven by the need to establish the open-air museum and also to rescue representatives of buildings which, in a period of rapid change across much of the Black Country, were in danger of being lost for all time. It is important that future site developments support the key strategic objectives outlined in our plan, *Forging Stronger Links* – in particular – developing the Museum as a visitor destination of the highest quality and as a centre of excellence for formal and informal learning.

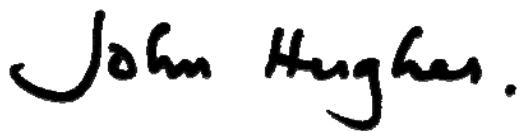
Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

It is also important that any new development meets another key strategic objective – to maintain and strengthen the Museum's sustainability – so any new features must also be capable of attracting support from potential funders and prove their long term sustainability. Fundamentally there needs to be a good 'business case' for any new development. Our buildings and other features, form part of the Museum's Designated collections and new additions to the site need to be considered against several criteria which are outlined in the Museum's Acquisitions & Disposals Policy. This emphasises the need for buildings and features to represent a distinctive aspect of the Black Country and to reinforce the strong 'sense of place' which is one of the Museum's greatest strengths. The Museum's site, however, is more than a collection of buildings and other things: it is a convincing reconstruction of a slice of classic Black Country industrial landscape. Moreover, many of the buildings carry stories of the enterprise and success – and also of the poverty and conflict - that once characterised life in the Black Country. So new developments need to enrich and add to the story we are telling – of the contribution of the Black Country to Britain's industrial history - but they also need to enhance the Museum's own landscape. The setting and visual impact of any new features is paramount. It will be an exciting time to be involved with the Museum.

As ever, I am indebted to my fellow Trustees and those who serve on the Museum's Development Trust, as well as the directors of our trading company and the Museum Director and his team, for their continued support, commitment, encouragement and foresight to deliver ambitious improvements.

Finally, I would like to acknowledge the support of all our donors and funders and to express my very grateful thanks for their commitment to the Museum. Without them, the Museum could not reach as many people as it does or achieve all the things that it wants to achieve for its visitors.

A handwritten signature in black ink that reads "John H Hughes". The signature is fluid and cursive, with "John" on the first line and "H Hughes" on the second line.

John H Hughes Chairman

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Chief Executive's (Museum Director) Foreword

This Annual Report – my fourth, since joining the organisation in August 2009 – continues to demonstrate that the Museum is now firmly embedded in its next phase of development; post its formative phase of construction, reconstruction and the landscaping of the 26 acre open-air site. This new and inevitable next phase is characterised by using what we have, rather than worrying about what we don't. It is making real the Museum's mission, *"to engage hearts and minds through the best use of our collections to inspire the widest possible audience about the story of the Black Country – the world's first industrial landscape."* It is a mission that we take seriously, as a museum, visitor attraction and as a charity. It explains, for example, why we strengthened our Collections Team, developed a library, created a Learning Team and greatly value our teams of costumed staff who bring such life and enjoyment to visitors' experiences of the Museum. It is the serious, 'grown-up' purpose around which all our efforts are focused and that makes the Museum valuable to the lives of people.

That said, like the Chairman, I too am very excited about the potential of future site developments and look forward to seeing the results of our consultations to help us shape the landscape of the Museum over the next few years. It is one of the delights of running an open-air museum. However, we mustn't lose sight of the continuing need to make the most of – for the benefit of visitors – what we already have, nor neglect the need to properly look after the site. My own preference is that future site developments should favour the unique and bring activity, over static displays, and help achieve the right balance between telling the story of social, versus industrial history. Developments must also do more than simply fill gaps on the site.

Although this Annual Report testifies to the undeniable achievements of the past year, it has been a challenging year (with a second year of financial losses – as the financial review makes plain), especially for some of the Museum's staff, as we adapted our operations to cost less and sought to get closer to delivering excellence for the very high number of schools we welcome each year. The Museum's elected Staff Representatives, in particular, had a central job in helping to see through the changes and they should be enormously proud of what they did and how they did it. And I offer them my thanks. The management of change – however vital and clearly reasoned – always throws up challenges (sometimes referred to as 'the discomfort of change') and I thank the management and staff for their co-operation in bringing about the necessary changes we've seen during the year.

Despite a period of continuing change, the Museum continues to score highly in our annual visitor survey (results for 2011), with 80.9% of visitors rating their overall experience very good or good (2010: 79.1%), and 82.5% rating our customer service very good or good (2010: 77.2%).

Being awarded Designation, by Arts Council of England's Expert Panel was an undisputed highlight of the early part of 2012. We were thrilled to receive the news and delighted that our regional paper, Express & Star, thought likewise and published a special supplement to celebrate and bear witness to the foresight of the Museum's founders, in recognising the quality and national significance of our collections. Like anything worth attaining, the effort was great, but it has already raised our profile and reputation, helped us secure significant funds and made me feel guilty for convincing myself that we wouldn't get it! Our application for Designation was led by the Museum's David Eveleigh and the Collections Team, and I am very pleased to have this opportunity to recognise and thank them for achieving a milestone in the history of this Museum.

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Trustees' Report for the year ended 31 December 2012 (continued)

And as if that wasn't enough, the same team were also responsible for writing the Museum's fabulous new guide book – which at last reflects the quality of what we have and makes a real difference to visitors' enjoyment.

Raising money is terribly difficult. However, we are making good progress with the approach we are now adopting across a range of projects, including for those all-too-elusive funds to support our revenue costs, and we are proud of what we've achieved this year. I am especially pleased that we've successfully launched an individual membership scheme, and got learning programmes set up that you can get excited about and that are more than good enough to attract funding. We have a long way to go, but the approach is working. We've yet to get our teeth into a really big capital project (since the completion of the last in July 2010), although the team secured an impressive amount of external funds this year to complete the £100,000 refurbishment of the Museum's Newcomen Steam Engine, but eye-catching projects are now starting to emerge.

Despite the Government's most recent Taking Part survey showing that museum or gallery attendance is at record highs (chargeable, outdoor sites aside), across the UK it has been a difficult time for the museums sector, with the Department for Communities & Local Government showing that local authority funding for museums fell by 11% in 2011-12 and research by the Museums Association revealing the UK's national museums have made over 400 redundancies since 2010. As we know, more cuts are planned for 2013/14 and beyond and the sector will spend a great deal of time in 2013 continuing to adapt its operations and outlook as a consequence. Against this background, it is especially significant and pleasing, as this review goes to press, that the Museum's bid for funds from Arts Council England, worth £157,000, to spearhead a programme of leadership and organisational resilience has been successful. This funding gives the Museum a fabulous opportunity to support Arts Council England with meeting one of its most important objectives – that of creating a more resilient museums sector. We are delighted to be stepping up to the challenge to lead this programme in support of large and small museums from across the West Midlands. Personally, I am particularly excited about supporting and energising the next generation of museum leaders.

As the Museum moves forward, in a digital age, I want us to embrace the opportunities that new technologies offer; especially how we interpret the stories we have to tell. It goes without saying that fewer and fewer people can be nostalgic about the glory days of the Black Country and if we are to reach out to new audiences – audiences from further afield with little or no knowledge of the region, we need to always be welcoming, turn nostalgia into curiosity and to be ambitious beyond the outlook of a local museum. Digital technologies will help us achieve this ambition.

It is a pleasure, as I conclude my foreword to this review, to thank the staff teams across the Museum and to express my gratitude for their hard work, as well as to the Trustees, directors of the trading company and all volunteers, for what they have achieved and contributed. I reserve a special note of thanks for the staff who left the Museum during the year; some after many years of devoted service. I also want to add my own thanks, to those of John Hughes, our Chairman, to the many individuals as well as organisations, trusts and foundations who have contributed to our funding this year. It provides a tremendous boost to what we can achieve for people and is a source of encouragement and validation for everyone at the Museum. Thank you.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

As we turn our minds, creativity and energies to 2013, we keep our focus on creating experiences for our visitors that matter and that are valued – for the inspiration and different perspectives they bring to modern life, and for the enjoyment they offer. Black Country folk changed the world through their hard work, ingenuity and influence. We are honoured to be able to tell the story at the Museum of how 'they' became 'us'¹.

A handwritten signature in black ink that reads "Andrew Lovett". The signature is fluid and cursive, with "Andrew" on the top line and "Lovett" on the bottom line.

Andrew Lovett Chief Executive (Museum Director)

¹ Michael Wood's Story of England, BBC TV (2012).

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Structure, Governance, Management and Public Benefit

Governing Document

Black Country Living Museum Trust is a company limited by guarantee, without share capital and governed by its Memorandum and Articles of Association dated 15 September 1975 as amended by special resolutions dated 15 December 1983, 21 July 2005 and 24 September 2009. The company registered a change of name on 10 December 2009. The company was registered as a charity with the Charity Commission on 10 October 1975. The Museum is fully Accredited (ref. no. 761) by Arts Council England, as well as being Designated for the quality and national significance of its collections. Throughout this Annual Report the charitable company is referred to as "the Museum".

Directors & Trustees

The directors of the Museum for the purposes of company law are also its trustees for the purposes of charity law and throughout this report are collectively referred to as "the Trustees". The Trustees are also the sole members of the charitable company. Those Trustees who served during the period of this review were:

A David Owen OBE
A Graham Dean
Anthony F George MBE TD DL
Anthony Harris
Elias Mattu
Jane A Lodge
John H Hughes
Linda Horton
Melvyn Mottram
Michael S Williams
Timothy Wright

Recruitment and Appointment of Trustees

The governing document allows for two classes of trustees: ordinary and nominated. Ordinary trustees are appointed on the basis of their experience, skills and empathy with the Museum's vision, including an appreciation for social and industrial history. When required, the appointment of ordinary trustees is undertaken following an open, public recruitment process, to give best chance to attracting a broad range of skills, as well as signalling that appointments to the Board are transparent and open to all eligible applicants. Prospective trustees are invited to apply, explaining how they fulfil the requirements of the role, and are interviewed by a panel of existing Trustees who make recommendations to the Board. The Board recognises and accepts the need to refresh and develop the Board on a regular basis as an integral part of good governance, including succession planning.

Nominated trustees are appointed by, but not representatives of, the metropolitan borough councils of the Black Country: Dudley, Walsall, Sandwell and Wolverhampton City Council. Apart from Dudley Council, which may nominate two trustees, each of the councils may nominate one trustee. A nominated trustee does not necessarily have to be an elected councillor and could as easily be someone that one of the four councils believes would make a valuable contribution to the governance of the Museum.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Trustee Induction and Training

Any new trustees are provided with a wide range of information, including the Charity Commission's publication, *The Essential Trustee* and have an induction meeting with the Museum's Director and other senior staff. No new trustees have been appointed this year. They are also provided with a copy of the Museum's *Becoming a Trustee of the Museum*, which sets out the duties and responsibilities of being a trustee and the contribution they are expected to make during their term of office. The Museum also has in place a Trustee Development Programme which addresses a wide range of general topics relevant to being a trustee, eg. governance and charity law, as well as topics covering more specialist subjects such as the Museum's Code of Ethics, and collections management. All Trustees are given membership of the Museums Association to keep them informed about developments and important issues affecting the museums sector. The Board has agreed a framework to assess and address, on an annual basis, its effectiveness as the Museum's governing body. An annual self-assessment programme is also being developed, to inform an individual review of each Trustee by the Chair of the Board. The attendance of Trustees at Board and Committee meetings will be reported in future Annual Reports.

Organisational Structure

The Museum is governed by a board (with a maximum of 16 members and a minimum of 5) which has powers to conduct all the affairs of the charity. The Board met six times (on a bi-monthly timetable) during the year to consider and monitor the progress and performance of the Museum, to authorise and control expenditure plans and consider policy and significant developments. The Board has put in place committee structures to effectively govern and regulate the affairs of the Museum, including an Audit Committee, Project & Capital Expenditure Approval Committee and a Remuneration Committee.

The Museum Director, who is also its Chief Executive, manages and develops the Museum with his senior staff and is accountable and reports to the Board and its Chair.

The Museum's Director & Chief Executive is supported by a senior management team comprising the posts of: Director of Collections, Learning & Research; Director of Development; Director of Communications & Marketing; Head of Finance, Human Resources Manager; General Manager (Food&Drink); and Retail & Admissions Manager. The Director & Chief Executive is also supported by an Executive Assistant.

The Museum is owned and operated by the charitable company (including the Locksmith's House, a small satellite museum (Accreditation ref. no. 829) at Willenhall, seven miles from the main site) including the employment of all staff. Non-charitable activities, including retailing and catering for visitors, are undertaken on behalf of the Museum by Black Country Living Museum Enterprises Limited (Company Registration No. 03026731). The Enterprise Company is a wholly-owned subsidiary of the Black Country Living Museum Trust – its immediate and ultimate parent undertaking and controlling party. The Trust therefore, is the sole member of the Enterprise Company. The Enterprise Company was incorporated on 27 February 1995 in order to protect the charitable status of the Museum Trust and to have in place the most tax-efficient company arrangements, whilst allowing the Museum to benefit from the proceeds of commercial enterprise through an annual donation of profits from the Enterprise Company to the Museum. The directors of the Enterprise Company, who met seven times during the year, are drawn from the Museum Trust and from outside the Museum. There are currently three directors of the Board of the Enterprise Company, including two independent directors. The Museum Trust, as the sole member of the Company, is represented at General Meetings by Museum Trustee, Mike S Williams. The Museum Director is also the Chief Executive of the Enterprise Company.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

The Black Country (Living) Museum Development Trust (Charity No. 1109345) was established in 1975 as an unincorporated trust – at the same time, but as a separate body to the Museum Trust, and successfully led the fundraising in support of the first phases of the building programme. However, as the Museum has grown in size and complexity and fundraising necessarily became integrated into the governance and management of the Museum, the role of the Development Trust has gradually diminished over time and now supports it in an informal way, rather than leading the Museum's fundraising. The Development Trust currently has five Trustees, four of whom are also Trustees of the Museum. The Development Trust is chaired by Museum Trustee, Anthony F George, met twice during 2012 and files its own accounts with the Charity Commission.

Partnerships and Stakeholders

The Museum works with a number of partners and stakeholders to achieve its objectives, including volunteer groups; the principal volunteer groups being: Friends of the Museum, Transport Group, Motor Vehicle Volunteers, The Friends of President (steam narrow boat and part of the National Historic Fleet), Mine and Steam Teams, Friends of Willenhall Locksmith's House, and the "Green Team", who do much to keep our gardens and open spaces in good order and free of litter. The Museum also works closely with Dudley Canal Trust (Trips) Ltd and Marston Wolverhampton Heritage Trust.

A representative from The Black Country Society and the Friends of the Museum are invited to observe meetings of the Board of the Museum; reflecting their long-standing links with the Museum, especially during the campaigning of the late 1960s that helped bring the Museum into existence. The Museum also maintains membership of a number of organisations, the major ones being: International Council of Museums, Museums Association, Association of Independent Museums, Association of European Open Air Museums, Newcomen Society, Inland Waterways Association, Association of Industrial Archaeology and the Midlands Federation of Museums. The Museum is also a member of Heart of England Attractions – a group which represents the interests of fifteen of the region's leading independent visitor destinations, as well as the Chambers of Commerce of the Black Country and Birmingham.

Since 2011, the Museum has been delighted to develop an increasingly important relationship with Arts Council England, through the exchange of ideas and discussion about policy and because of the new funding opportunities it has brought to the Museum. The Museum will continue to invest in and value its relationship with Arts Council England.

The Museum maintains an important and close relationship with Dudley Council. Unfortunately, 2012 will be the final year that the Museum will receive annual grant funding (c£70,000) from the Council, due to a squeeze on its own funding. The Council has provided grant funding since the early days of the Museum and continues to provide support, in different ways, to the Museum. The Council owns the majority of the freehold of the Museum site, leased to the Museum until 2075.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

The Museum is working with the Council to achieve the development of Dudley's new Archive & Local History Centre (due to open in late 2013) on land adjacent to the Museum. The Museum is also a partner, together with the Council, New Heritage Regeneration Ltd (NHRL), Dudley Zoological Gardens and Dudley Canal Trust, in the regeneration of Castle Hill, a 200 hectare, brown-field site adjoining the Museum. Led by NHRL, private sector investment is also being sought to fulfil the development ambitions, which aim to offer new visitor facilities, attract more visitors and support the development of Dudley's tourism offer. During 2012, the *Castle Hill Vision* made significant progress with the commencement of building works on the new archive, access roads into the site from Tipton Road and developed plans for a new car/coach park, Zoo entrance and recreational route, providing a link between the Zoo, Museum and Dudley Canal. The scheme is being supported with funds from the European Regional Development Fund, Dudley Council, Heritage Lottery Fund, Dudley Zoo and the Black Country Local Enterprise Partnership.

Risk Management

Risk is defined as "any action or event that may have an adverse impact on the achievement of business objectives or prevent making the most of opportunities." The Museum acknowledges the risks inherent in its 'business', and is committed to managing risks that pose a significant threat to the achievement of its business objectives and financial health.

Although the Trustees have assessed the major risks to which the Museum is exposed and can confirm that systems are in place to enable regular reports to be produced in order that steps can be taken to reduce, transfer or eliminate risks, a process of review is on-going to ensure that more robust management systems are in place, appropriate to the needs of the Museum, and that a Risk Register is up dated and regularly reviewed and acted upon. The Museum's risk management processes are strengthened by a comprehensive set of Financial Regulations, and a Health&Safety Policy.

Reserves Policy

It is the policy of the Museum that ideally, at least 10% of the average of the last three years' turnover should be maintained as reserves in unrestricted funds. The Trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the Museum's current activities while consideration is given to ways in which additional funds may be raised and planned activities reviewed. This level of reserves has been maintained throughout the period of this review. Going forward, cash balances are currently forecast to fall during 2013, and additional loan resources have been secured against certain Museum freehold property to mitigate this loss in the event that cash balances fall to an unacceptable level.

Investment Policy

The Museum – when able to do so - takes advantage of short term cash flow surpluses by placing funds with regulated financial institutions approved by the Trustees. It is not the policy of the Museum to delegate investment management to an agent of the charity. In making any investment decisions, including those related to permanent endowment, the Treasury Management Committee, acting on behalf of the Board, has due regard to Charity Commission guidance, *Investment of Charitable Funds: Basic Principles*, the Charities Act 2011 and the Trustee Act 2000.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Vision, Mission and Strategic Objectives

Within its legally stated Objects (as a registered educational charity) of preserving material of historical interest and making it accessible to the public in a museum, the Museum expresses its modern-day vision as, *to be nationally recognised and admired as a pre-eminent open-air museum in the United Kingdom.*

To make this vision real the Museum has developed its mission, *to engage hearts and minds through the best use of its collections to inspire the widest possible audience about the story of the Black Country – the world's first industrial landscape.*

The Museum's strategic objectives are to:

- develop the Museum as a visitor destination of the highest quality – of the highest historical authenticity – creating experiences for a large and diverse audience, supported by customer service that always exceeds expectations;
- develop the Museum as an admired centre of excellence for enjoyable formal and informal learning;
- maintain and strengthen the Museum's sustainability and financial independence;
- establish accomplished management practices and develop and reward the best people.

The Museum's vision, mission and strategic objectives reflect the full significance of the Museum and its collections which are rooted in regional identity.

The Museum grew out of community pressure in the late 1960s (with the first land purchased in 1973 by Dudley Council) to ensure that the culture and traditions of the Black Country might be preserved and over forty years on it has accumulated a wide range of material – from entire buildings down to pots and pans – which records and exemplifies the particular contribution of the Black Country to the origins of the Industrial Revolution and also the impact of industrialisation on the regional landscape and society.

The Museum's entire collections are *Designated* by Arts Council England, recognising their quality and national significance. The Museum now holds a resource of considerable value, for authenticating the sense of regional identity and also for placing the full historical and cultural significance of the Black Country in a national context. Buildings, machines and other 'things' hold stories which attest to the national and international significance of the Black Country, chiefly spanning the period 1800-1950.

For people today, living in the age of globalisation, the internet, 'smart' phones with multiple 'apps' and 'twitter', the Museum can be shown to have considerable value as a resource for learning of all kinds. This is of fundamental importance to the Museum as an educational charity.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

It is through the completeness and coherence of the reconstructed site, therefore, that the Museum has established itself as the 'last word' on the Black Country, a reference point for anyone today needing confirmation of – or searching for - Black Country identity. In some histories, the role of the Black Country has been subsumed in the concept of 'Birmingham and the Midlands Hardware District' - a term coined in the mid-nineteenth century. Today, outside the Midlands, there are many who see the entire region as a 'Greater Birmingham' and so, the true significance of the Black Country to national life as a distinct region with its distinctive character, culture and traditions is sometimes eclipsed. Here the Museum has played a prominent role in helping to place it on the map as a place apart from Birmingham and the rest of the West Midlands, and in this context, the Museum is proud of its prominent and effective regional role.

Reporting on the Achievement of Public Benefit

As a charity, the Trustees recognise their legal duty to report on the Museum's public benefit in their Annual Report, as part of a requirement - given fresh emphasis by the Charities Act 2011 - to clearly demonstrate that the objects of the charity are for the public benefit. And in this context, the Trustees accept that being a registered charity is a privilege, not a right. In setting out, in this Annual Report, how the charity currently meets this requirement and is reflected in its future plans, the Trustees assert that the charity is compliant with the requirements of the Charities Act 2011; having due regard for the public benefit guidance published by the Charity Commission, *Charities and Public Benefit January 2008*, and *The Advancement of Education for the Public Benefit, December 2008*.

It is noted that this guidance sets out two principles of public benefit: firstly, that there must be an identifiable benefit or benefits, and secondly, that the benefit(s) must be to the public, or a section of the public.

We acknowledge and accept that there exists a kind of covenant between charities and society: charities bring public benefit and, in their turn, are accorded high levels of trust and confidence, as well as the benefits of charitable status. We continue to welcome the more explicit reporting of public benefit and how it is aligned with the objects of the charity, and believe that this will indeed help maintain and grow public trust in the activities of the charitable sector, not least the charitable activities of the Black Country Living Museum.

The Museum gives expression to the accomplishment of public benefit throughout this Annual Report and especially when reporting below on its major achievements, performance and activities.

In summary, the Museum identifies the benefits to the public that arise from its objects, as:

- providing opportunities for enjoyable and stimulating learning for the general public (currently c250,000 each year and nearly 8m since it opened) about the special significance of the Black Country – its people and its landscape and the major part it played in the development of an industrialised world, in a unique and authentic environment;
- providing learning programmes and resources for 62,038 region-wide school and college-age children and students, supported by 7,287 teachers, from 1,198 separate schools and colleges, including 139 overseas school groups;

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

- caring for and developing its collections, including some 66,000 objects and 150 buildings, features and other structures, of historical interest and significance and making them physically and intellectually accessible, to the greatest feasible extent, to the general public;
- making accessible to researchers and students, its important collections of some 6,000 books, 7,600 photographs and at least 1,500 other important items of archive ephemera, and in so doing, adding to the collective knowledge, understanding and expertise of the Black Country;
- publishing and widely disseminating to the public, information about the Black Country; via the Museum's website (receiving 460,000 visits annually), and by responding to 739 public enquires to our curatorial enquiry service;
- maintaining all-year-round public access to its facilities and services for 312 days each year;
- providing diverse opportunities for volunteering (currently over 160 active volunteers);
- supporting and strengthening the Black Country's identity and sense of place;
- providing a venue for community lectures ,serving over 1,000 people each year;
- providing access to the Locksmith's House and its collections, numbering some 6,000 items, for booked schools, as well as the general public with occasional open-days and special events;
- and in providing these public benefits, the Museum supports the five generic learning outcomes identified by the former Museums, Libraries & Archives Council, which show the positive impact of the public's interaction with museums, on their knowledge and understanding; skills; attitudes and values; enjoyment, inspiration and creativity; and action, behaviour and progression.

In contrast to many museums, this Museum can be applauded for successfully breaking down some of the barriers that so often act as a deterrent to attracting a broad socio-demographic audience to museums; with the Museum's visitors (excluding school groups) fairly evenly split between ABC1 (47%) and C2DE (53%); according to the Market Research Society classifications. Source: in-venue visitor survey February-December 2011, 5,304 respondents.

More needs to be done to attract larger audiences from black and ethnic minorities, which currently account for 7.3% of the Museum's total audience, despite some notably high minority ethnic group densities within close proximity to the Museum.

Providing loans of objects to other museums is an important part of any museum's public benefit. During the period of this review, the Museum was delighted to make the following significant loans from its permanent accessioned collection:

March – December: Twenty seven art works by Harry Eccleston for inclusion in Wolverhampton Art Gallery's retrospective exhibition, 'Man of Note'. The works included part of the Caponfield Suite, Mr Bateman's Pigeons, Coseley Road Station, Bilston Flower Show and a number of studies and sketches.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

August: The PRA racing car was loaned to the 500 Owners Association for display at their annual meeting

The Museum is engaged with widespread promotional activity, although 76% of the Museum's visitors travel no more than two hours. 71% of visitors travel from home, and just 4.6% of visitors are from overseas. The Museum charges for admission and undertakes regular benchmarking to retain its reputation for value, as well as offering a range of discounted rates and concessions in order that these charges do not unreasonably prevent wide public access to the Museum. Discounted rates are provided for people over the age of 60, students, essential carers, families, young people and unwaged visitors. All groups (of 15+) receive significantly discounted rates. Although the Museum has created the conditions of the 19th and 20th Centuries, using original buildings and other features and often reflecting their original streetscape, with changes in level and uneven surfaces, great attention has been paid to ensuring good physical access. To this end, many adjustments have been made to provide level access and adapted transport and freely available wheelchairs are provided to serve visitors with restricted mobility. Other adapted facilities and services are provided at the Museum, and a comprehensive access guide is available via the Museum's website.

Major Achievements, Performance and Activities

The Museum set itself a number of objectives for the period of this review and beyond:

(1) To have identified funding for the development of a new Learning & Resources Centre

Detailed, costed plans have been drawn-up for the development of the Museum's former canal-side café as a new Learning & Resource Centre, and a number of funding sources have been identified, but not yet pursued. It remains a priority for the Museum.

(2) To adopt a new Communications & Marketing strategy

The development of a new Communications & Marketing Strategy remains a priority for the Museum, as does the appointment of a Director to lead the Museum's communications and marketing activity.

(3) To have made appropriate new appointments to the Board of Trustees, and to oversee new appointments to the Board of the Museum's subsidiary trading company

An additional director was appointed to strengthen the Board of the Enterprise Company. Further appointments to the Board of the Museum will be made during 2013 to refresh and strengthen the Board and address succession planning.

(4) To strengthen the Museum's financial position, including by targeting annual visitor attendance of 300,000

Visitor attendance during 2012 achieved 249,574, well below the target, and the Museum's financial position weakened during the year. However, significant steps were taken during the final quarter to secure further funding, reduce costs and boost earned income; helping to establish a forecast balanced budget for 2013, based on an annual attendance of 250,000.

Attaining higher levels of visitor attendance (together with higher levels of secondary spending) is a priority for the Museum.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

- (5) To have in place reliable benchmark data so that the Museum can start to measure and reduce the Museum's impact on the environment**

This remains an aspiration for the Museum, but unlikely to be a priority for the Museum during 2013.

- (6) To adopt and identify funding in support of a new ICT strategy**

Significant work has been accomplished towards developing an ICT strategy. Further work is required during 2013, but is dependent on making an appointment to the vacant ICT Manager post.

- (7) To finalise plans for the future use of the Museum's land and buildings fronting Tipton Road**

This objective now forms part of a wider development plan for the entire Museum site, and is a priority for the Museum during 2013.

- (8) To launch a new web site**

The Museum launched its new website in July 2012, including a new on-line shop.

- (9) To launch a new individual membership scheme and to attract 300 members during 2012**

The Museum's new individual membership scheme was launched in the summer of 2012, attracting 312 members during the year.

- (10) To conclude a new management agreement with Dudley Canal Trust (Trips) Ltd**

A new management agreement between the Museum and Dudley Canal Trust (Trips) Ltd, controlling pedestrian access between the Museum and the canal and the level of commission payable to the Museum was concluded in the third quarter of 2012 and retrospectively came into force in February 2012.

- (11) To continue to improve the Museum's systems of risk management**

The completion and approval by the Board of a new Health&Safety Policy during 2012 made a significant contribution to improving an important area of risk for the Museum. Other improvements to the management of risk remain a priority for the Museum during 2013.

- (12) To have submitted a successful bid to host the Annual Conference of the Association of European Open Air Museums in 2017**

The Museum submitted its bid to host the 2017 Annual Conference. The outcome will be known at the 2013 conference, in Germany, when two Museum staff will attend.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

(13) To have agreed a complementary working relationship with the new Dudley Archives & Local History Centre

Dudley Council is on target to complete its new Archive & Local History Centre by the end of 2013, and initial discussions have been held to establish a collaborative working relationship. Further discussions are due to take place during 2013.

(14) To have in place a new, 'industry' compliant, collections management system

The Museum was delighted to be awarded £90,000 from Art Council England's Designation Development Fund in the third quarter of 2012, and a one-year project commenced on 1 January 2013 to achieve this objective by the end of 2013.

(15) To enhance and develop management and supervisory capability by undertaking a comprehensive training programme

The Museum's Human Resources Manager commenced a programme of in-house courses to support this objective. It remains a priority for the Museum during 2013.

(16) To adopt a Human Resources Strategy to ensure the recruitment, development, reward and retention of the best quality staff

The adoption of a new pay and grading structure represented an important step with this objective. However, the broader objective remains a priority for the Museum during 2013.

(17) To have identified the Museum's next major 'historic' development

The Museum's Director of Collections, Learning & Research is currently leading a public consultation to inform the future development of the Museum's open-air site and will make recommendations to the Board during the second quarter of 2013.

Beyond the continuing successful operation of the Museum and the many amazing things that we do, day-in, day-out, other significant achievements during the period of this review that we are proud of, include:

- the continued success of our major winter events programme, including Victorian Christmas evenings, Bonfire Nights, Night at the Museum, Halloween and the ever-popular Santa Hunts.
- welcoming the Olympic Torch Relay on day 43 of its national tour of the UK, attended by 1,800 people on 30 June 2012.
- enhancing the Museum's reputation and profile as a location for the filming of major costume drama and documentaries, including with Stephen Poliakoff's *Dancing on the Edge*, BBC's *WPC56*, Michael Portillo's *Great British Railway Journeys*, and BBC2's drama, *Peaky Blinders*.
- re-enacting the historic events of near-by Cradley Heath, with performances and events celebrating the women chain makers' strike of 1910, led by the charismatic campaigner, Mary Macarthur.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

- celebrating the 300th anniversary of the Newcomen Steam Engine, with a national conference.
- in collaboration with the Lord Lieutenant of Staffordshire, taking part in the Queen's Diamond Jubilee Thames Pageant with steam narrow boat President, 3 June.
- maintaining our position in the Top 10 charging cultural attractions in the West Midlands.
- awards during the review period included:
 - Engineering Heritage Award, by the Institute of Mechanical Engineers, for restoration of the Newcomen Steam Engine
 - Finalist, Best Attraction for Groups Visits (long stay)
 - TripAdvisor, Certificate of Excellence
 - Retaining the accreditation of Quality Assured Visitor Attraction, from Visit England
- Joining forces with the Flag Institute, to create a flag for the Black Country, designed by competition winner, 11 year old Gracie Shepherd.
- Celebrating the Queen's Diamond Jubilee with a traditional street party for 300 visitors.
- Strengthening our social media engagement with more than 10,000 "likes" on Facebook and almost 3,000 followers on Twitter.
- Promoting heritage skills through the launch of our new programme of heritage courses and talks.
- Encouraging creativity and literacy with the launch of a Black Country poetry competition and festival.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Future Plans and Objectives

For the period ahead, the Museum has identified the following major objectives, in support of the Museum's strategic objectives set out earlier in this report:

- (1) To strengthen the Museum's financial position, including by achieving visitor attendance of at least 250,000 for the twelve months to 31 December 2013.
- (2) To have strengthened the Board of Trustees and planned for succession, with the appointment of three new Trustees.
- (3) To have identified the Museum's next major phase of 'historic' development, including the future use of the Museum's property holdings fronting Tipton Road.
- (4) To have identified funding for the development of the Museum's former canal-side café as a new Learning & Resource Centre.
- (5) To secure significant funding from Arts Council England in support of the Museum's strategic development.
- (6) To have successfully launched a programme addressing organisational and leadership resilience across the West Midlands museums sector, with funds secured from Arts Council England.
- (7) To adopt a new Communications & Marketing strategy.
- (8) To continue to strengthen management and staff competencies.
- (9) To adopt a Human Resources strategy to ensure the recruitment, development, reward and retention of the best quality staff.
- (10) To maximise the benefits of the refurbishment of the Rolfe Street complex – the Museum visitor reception.

Significant Grants and Donations

The Museum wishes to acknowledge and thank all of the organisations which have given generous financial support to the Museum during the period of this review, in particular:

Dudley Metropolitan Borough Council	Arts Council England
Owen Family Trust	Friends of the Black Country Living Museum
Audiences Central	Connie and Albert Taylor Trust
The Patrick Trust	The Royal Academy of Engineering
The Newcomen Society	Staffordshire County Council
The Black Country Society	Douglas Turner Trust
Black Country Living Museum Development Trust	

In addition, the Museum also gratefully acknowledges valuable in-kind donations and assistance from: Lovell, Thomas Crapper & Co. Ltd, Molten Metal Products, Alscot Bathrooms, and The National Spring Company.

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Of the restricted grants and donations received, the following major projects were supported during the period of this review: Refurbishment of the Newcomen Steam Engine; Refurbishment of the Rolfe Street Visitor Centre; Restoration of steam narrow boat President, launch of an individual membership scheme, and the development of a new Collections Management System, and as further set out at Note 3.

Acquisitions

Collections lie at the core of any museum. It is the collection which defines the museum, and underpins its identity and purpose. The Museum develops its collections through purchases, gifts, bequests, or occasionally with time-limited loans, and when doing so takes into account a number of criteria including, an item's provenance, subject matter and date. In broad terms, the Museum develops its collection to reflect the distinctive industrial character of the region, principally during the period 1800-1950. During the period of this review, the Museum has developed its collection by acquiring a number of significant objects, including:

- Professor Carl Chinn's Black Country Archive & Library, comprising correspondence and documents recording Black Country memories and a collection of several hundred local history publications.
- Archive of Josiah Parkes & Sons Ltd, transferred from the Business Archives Council. This completes the Parkes Collection built up by the former Lock Museum and now held by the Black Country Living Museum.
- A collection of trade catalogues, including Hill & Smith of Brierley Hill (1904) and Grainger & Smith of Dudley (1918).
- A well provenanced wedding dress from 1941, along with associated photographs.
- A cast iron fireplace from Owen Street, Tipton, dating to the 1840s.
- A stoneware beer jar manufactured by Carder & Sons of Brierley Hill.
- A cast iron seven pint kettle manufactured by J & J Siddons of West Bromwich.
- A collection of objects relating to Alfred Mortiboy, boat man for Fellows, Morton & Clayton, c.1913-1938.
- A work bench and tools from Scriven's shoe repair shop, which operated in Dudley Wood in the early 1900s.
- A railway lamp and lamp post from Princes End Halt, Tipton
- A pianola from the Royal Cinema, Cradley Heath, with accompanying collection of pianola rolls.
- A Sunbeam Manitou engine, formerly a loan, transferred from the Imperial War Museum.
- A collection of digital images illustrating the works of Efandem of Wolverhampton, manufacturers of electrical goods, in c.1923 or 1924.
- A turf lifting tool manufactured by Edward Elwell of Wednesbury.
- A collection of catalogues, technical drawings and models relating to anchor making at B. Perkins & Son of the Audnam Works, Stourbridge (later owned by Noah Hingley's).

Black Country Living Museum Trust

Trustees' Report for the year ended 31 December 2012 (continued)

Financial Review

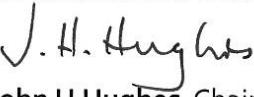
The financial activities of the Museum for the year under review and the financial position at the Balance Sheet date are set out in the Accounts. At its meeting on 26 May 2011, the Board of the Museum resolved to change the Museum's Accounting Reference Date (ARD), from 31 March to 31 December, with effect from 31 December 2011. The effect of this change was to shorten the previous accounting reference period to nine months, between 1 April 2011 and 31 December 2011. In the Accounts contained at pages 27 to 52 of this report, the results for the full-year to 31 December 2012 are compared with the results for the nine month period to 31 December 2011.

As with most charities, the Museum looks to manage within at least a balanced budget - as has been set for 2013 at the trading surplus level - whilst delivering its charitable objectives, and also to build and sustain an appropriate level of reserves. Unfortunately this was not achieved in 2012. The Museum does not have a conventional profit motive, but looks to make surpluses to reinvest in its charitable activities to further its public benefit, to service any commercial loans and underwrite ongoing sustainability.

In common with other UK outdoor attractions the Museum had a difficult year in 2012 – the combined effect of the fragile economic climate and poor weather conditions has had a major impact on visitor attendance and, consequently, on results. The financial statements show that turnover (excluding trading sales of £1,314,725) in the period was reduced to £2,294,503 (January to December 2011 £2,453,197). Despite this, donated profits from the Museum's trading subsidiary increased to £178,078 (January to December 2011: £144,697) following changes made principally to the food&drink provision which have reduced costs, improved service and profitability. Despite rigorous efforts made to reduce expenditure during the year, the Museum sustained a trading loss of £285,202 (January to December 2011: trading loss £492,344). After reflecting depreciation charges, restricted donations and investments, restructuring costs and the pension adjustment recognised in the FRS17 disclosure at note 24 there was a net adverse movement in funds before actuarial loss on the pension fund of £599,745. Further plans to enhance the Museum's educational programme and create a robust infrastructure have been put into place. Following an extensive consultation process a second staffing reorganisation was carried out in the last quarter of the year and is expected to provide a firm foundation for the future. Overall there were Net Outgoing Resources of £834,745 (December 2011: £606,207) after depreciation charges of £361,048, actuarial losses of £235,000 (December 2011: £298,000) and one-off costs associated with the staffing restructure, of £96,840. Cash at bank and in-hand reduced by £341,781 to £447,623.

The Group Net Worth at 31 December 2012 stands at £7,905,662 (December 2011: £8,740,407). These figures reflect the effect of a prior year adjustment relating to the Newcomen Steam engine, the details of which are shown in note 9 to these accounts. Restricted Funds stand at £7,230,017 (December 2011: £7,231,161) and Unrestricted Funds at £675,645 (December 2011: £1,509,246) comprised of Designated Funds of £2,085,342 (December 2011: £2,353,935), General Funds of £99,303 (December 2011: £446,311) and Pension Reserve (deficit) of (£1,509,000), (December 2011: deficit of £1,291,000). The Museum receives considerable support from many volunteers, whose time and value cannot be included in the Statement of Financial Activities as it cannot be accurately quantified.

On behalf of the Trustees


John H Hughes Chairman

Dated: 30 May 2013

Black Country Living Museum Trust

Statement of Trustees' Responsibilities in Respect of the Accounts for the year ended 31 December 2012

The Trustees, who are also the directors of Black Country Living Museum Trust for the purpose of company law, are responsible for preparing the Annual Report & Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles set out in the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities';
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable it to ensure that these accounts comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

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.:

On behalf of the Trustees

John H Hughes Chairman

J.H. Hughes

Dated: 30 May 2013

Black Country Living Museum Trust

Independent Auditors' Report to the Members of Black Country Living Museum Trust for the year ended 31 December 2012

We have audited the accounts of Black Country Living Museum Trust for the period ended 31 December 2012 which comprises the Statement of Financial Activities, the Balance Sheets, the Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Sections 495 and 496 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 auditors' 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Trustees and Auditors

As described on page 24, the Trustees, who are also the directors of Black Country Living Museum Trust for the purpose of company law, are responsible for preparing the Annual Report & Accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for satisfying themselves that the Museum's Accounts give a true and fair view.

Our responsibility is to audit and express an opinion on the accounts 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 (APB's) Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the 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 accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion:

- the accounts give a true and fair view of the state of the affairs of the Museum and the Group as at 31 December 2012 and the incoming resources and application of resources of the Group for the period then ended;
- the accounts have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;

Black Country Living Museum Trust

Independent Auditors' Report to the Members of Black Country Living Museum Trust for the year ended 31 December 2012 (continued)

- the accounts have been prepared in accordance with the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Trustees' Annual Report for the financial period 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:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

CK Audit

Wendy Davies (Senior Statutory Auditor)

For and on behalf of CK Audit

Chartered Accountants & Statutory Auditor

No 4 Castle Court 2

Castlegate Way

Dudley

DT1 4RH

West Midlands

Dated: *30th May 2013*

Black Country Living Museum Trust

Statement of Financial Activities including Income and Expenditure Account for the year ended 31 December 2012

	Notes	Unrestricted Funds	Restricted Funds	December 2012	Restated 9 months to December 2011
<u>Incoming Resources</u>					
Incoming resources from voluntary income:					
Donated Admissions	2	1,109,580	-	1,109,580	1,056,360
Grants receivable	3	69,600	-	69,600	69,600
Charitable Donations	3	16,059	277,104	293,163	63,744
Incoming resources from generated funds:					
Income from subsidiary trading company	4	1,314,725	-	1,314,725	1,308,936
Parking, concessions and filming rights	5	130,589	-	130,589	101,348
Investment income	6	1	-	1	10,960
Incoming resources from charitable activities:					
Admission to the Museum	2	1,184,923	-	1,184,923	1,120,004
Other incoming resources	7	47,338	-	47,338	122,585
Total Incoming Resources		3,872,815	277,104	4,149,919	3,853,537
<u>Resources Expended</u>					
Costs of generating voluntary income:					
Fundraising and publicity costs	8	290,024	-	290,024	392,459
Costs of generating funds:					
Trading costs	8	1,033,405	-	1,033,405	1,066,309
Total cost of generating funds		1,323,429	-	1,323,429	1,458,768
Net Incoming Resources		2,549,386	277,104	2,826,490	2,394,769
Charitable expenditure:					
Charitable activities	8	2,946,877	278,248	3,225,125	2,538,677
Governance costs	8	201,110	-	201,110	164,299
Total charitable expenditure		3,147,987	278,248	3,426,235	2,702,976
Total Resources Expended		4,471,416	278,248	4,749,664	4,161,744
Net movement in funds (excluding other recognised gains and losses)		(598,601)	(1,144)	(599,745)	(308,207)
Other recognised gains and losses:					
Actuarial gain (loss) on defined benefit pension	24	(235,000)	-	(235,000)	(298,000)
Net Movement in Funds		(833,601)	(1,144)	(834,745)	(606,207)
Fund Balances at 1 January 2012					
As previously reported		1,509,246	7,210,014	8,719,260	9,346,614
Prior year adjustment	9	-	21,147	21,147	-
As restated		1,509,246	7,231,161	8,740,407	8,740,407
Fund Balances at 31 December 2012		675,645	7,230,017	7,905,662	8,740,407

The Statement of Financial Activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

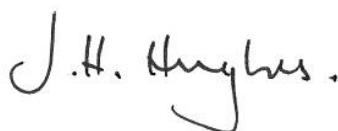
Black Country Living Museum Trust

Group (Consolidated) Balance Sheet as at 31 December 2012

	Notes	December 2012	As restated December 2011
		£	£
Fixed Assets			
Tangible assets	12	4,858,059	5,132,454
Heritage assets	13	4,725,481	4,738,884
		<u>9,583,540</u>	<u>9,871,338</u>
Current Assets			
Stocks of goods for resale		100,502	64,929
Debtors	15	143,393	171,262
Cash at bank and in hand		447,623	789,404
		<u>691,518</u>	<u>1,025,595</u>
Creditors: amounts falling due within one year	16	<u>(456,186)</u>	<u>(460,898)</u>
Net current assets		<u>235,332</u>	<u>564,697</u>
Total assets less current liabilities		9,818,872	10,436,035
Creditors: amounts falling due after more than one year	17	(404,210)	(404,628)
Net Assets (excluding pension liability)		<u>9,414,662</u>	<u>10,031,407</u>
Defined benefit pension liability	24	(1,509,000)	(1,291,000)
Net Assets	20	<u>7,905,662</u>	<u>8,740,407</u>
Represented By:			
Restricted funds	18	7,230,017	7,231,161
Unrestricted funds:			
Designated funds	19	2,085,342	2,353,935
General funds		99,303	446,311
Pension reserve	24	<u>(1,509,000)</u>	<u>(1,291,000)</u>
		<u>675,645</u>	<u>1,509,246</u>
		<u>7,905,662</u>	<u>8,740,407</u>

The accounts were approved by the Board of Trustees of the Museum on 30 May 2013.

John H Hughes Chairman



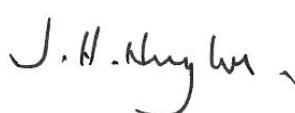
Black Country Living Museum Trust

Parent (Museum) Balance Sheet as at 31 December 2012

	Notes	December 2012	As restated December 2011
		£	£
Fixed Assets			
Tangible assets	12	4,832,815	5,101,327
Heritage assets	13	4,725,481	4,738,884
Investments	14	1,000	1,000
		9,559,296	9,841,211
Current Assets			
Debtors	15	270,737	248,756
Cash at bank and in hand		349,875	706,612
		620,612	955,368
Creditors: amounts falling due within one year	16	(361,741)	(361,249)
Net current assets		258,871	594,119
Total assets less current liabilities		9,818,167	10,435,330
Creditors: amounts falling due after more than one year	17	(404,210)	(404,628)
Defined benefit pension liability	24	(1,509,000)	(1,291,000)
Net Assets		7,904,957	8,739,702
Represented By:			
Restricted funds	18	7,230,017	7,231,161
Unrestricted funds:			
Designated funds	19	2,085,342	2,353,935
General funds		98,598	445,606
Pension reserve	24	(1,509,000)	(1,291,000)
		674,940	1,508,541
		7,904,957	8,739,702

The accounts were approved by the Board of Trustees of the Museum on 30 May 2013.

John H Hughes Chairman



Black Country Living Museum Trust

Consolidated Cash Flow Statement for the year ended 31 December 2012

	Notes	Year ended December 2012	9 months to December 2011
		£	£
Net cash (outflow) / inflow from operating activities	21	(259,114)	(417,070)
Investment income	1	10,960	
Net cash inflow from returns on investments and servicing of finance		1	10,960
Capital expenditure			
Payments to acquire tangible fixed assets		(73,250)	(43,129)
Net cash (outflow) / inflow from capital expenditure		(73,250)	(43,129)
Net cash outflow before financing		(332,363)	(449,239)
Financing			
Long term bank loan		(9,418)	(19,796)
Net cash (outflow) from financing		(9,418)	(19,796)
Decrease in cash	22	(341,781)	(469,035)

The notes on pages 31 to 52 form part of these accounts.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012

1 Accounting Policies

1.1 Basis of Preparation

The accounts have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 and the Companies Act 2006.

The Statement of Financial Activities (SOFA) and Balance Sheet consolidate the financial statements of the Museum and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

The Museum has availed itself of paragraph 4(1) of Schedule 1 of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008 and adapted the Companies Act formats to reflect the special nature of the Museum's activities. No separate SOFA has been presented for the Museum alone as permitted by Section 408 of the Companies Act 2006 and paragraph 397 of the Statement of Recommended Practice (SORP).

1.2 Incoming Resources

All grants and voluntary income are accounted for gross when receivable if they are capable of financial measurement. This includes gifts in kind, included at estimated valuation.

Grants in respect of capital expenditure are credited to restricted funds and released to the funds in the Statement of Financial Activities over the expected useful lives of their relevant assets.

Grants of a revenue nature receivable by the Museum are accounted for in the period to which they relate.

Income from commercial trading activities is recognised as earned. Trading income represents income from a variety of retail activities on the Museum site, exclusive of VAT.

Investment income is recognised on a receivable basis.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

1.3 Resources Expended

Direct charitable expenditure includes the direct costs and depreciation related to activities undertaken by the Museum.

Support costs comprise service costs incurred centrally in support of projects undertaken.

Governance costs are all costs incurred in the governance of the Museum and include audit fees and costs related to the strategic management of the Museum.

All costs are allocated between the expenditure categories of the Statement of Financial Activities on a basis designed to reflect the use of resources. Costs relating to a particular activity comprise both costs that can be allocated directly to such activities and support costs; being those costs of an indirect nature necessary to support them.

Fund-raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the charity and include project management carried out centrally. Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

1.4 Tangible Fixed Assets and Depreciation

(a) Operational

Tangible fixed assets other than freehold land are stated at cost less depreciation.

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold land	- not depreciated
Freehold buildings	- over 50 years
Expenditure on long leasehold property	- over 40 to 60 years
Fixtures, fittings, plant and equipment	- over 4 to 10 years
Motor vehicles	- over 6 years

(b) Site Development

Site development activities and restoration of exhibits do not have a useful life extending beyond the period in which they are undertaken and the costs are therefore, written off as incurred. Any grants relating to these activities are shown within incoming resources.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

(c) Heritage Assets (Financial Reporting Standard 30)

Expenditure on assets of historical, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of the Museum is capitalised as incurred. Where such assets have a finite economic life, depreciation will be provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected economic life. Expenditure on Heritage Assets is written off over much of the remaining period of the lease of the Museum site. The classification of Heritage Assets was first defined and set out in June 2009 in FRS 30 and consequently, only relates to a small number of the Museum's 150 historic buildings and features brought together on site since 1975, as further reported at Note 18.

1.5 Stock and Work in Progress

Work in progress is valued at the lower of cost and net realisable value.

1.6 Pensions

The Museum is an admitted body as part of the West Midlands Pension Fund (WMPF). The WMPF was set up under the Superannuation Act 1972 for UK-wide local government employees. The permanent staff of the Museum (although not local government employees) became eligible for membership, under the auspices of Dudley Metropolitan Borough Council (who act as guarantor), when the Museum was first established in September 1975. The WMPF provides a pension scheme for certain employees of the Museum, based on final pensionable pay. It is constituted as a trust fund whose assets are held and managed separately from those of the Museum. Contributions are determined by a qualified actuary and are charged to the Statement of Financial Activities so as to spread the cost of the pensions provided over the average service lives of the employees.

The regular cost is attributed to the individual years using the projected unit credit method. Variations in cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining service lives of employees in proportion to expected payroll costs.

The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of defined benefit obligation) and is based on actuarial advice. Past service costs are recognised in the Statement of Financial Activities on a straight-line basis over the vesting period or immediately if the benefits have vested. When a settlement (eliminating all obligations for benefits already accrued) or a curtailment (reducing future obligations as a result of a material reduction in the scheme membership or a reduction in future entitlement) occurs the obligation and related plan assets are re-measured using current actuarial assumptions and the resultant gain or loss is recognised in the statement of financial activities during the period in which the settlement or curtailment occurs.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and it is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the period.

The expected return on pension plan assets is based on an assessment made at the beginning of the period of long-term market returns on scheme assets, adjusted for the effect on the fair value of plan assets of contributions received and benefits paid during the period. The difference between the expected return on plan assets and the interest cost is recognised in the Statement of Financial Activities as other finance income or expense.

Actuarial gains and losses are recognised in full in the Statement of Financial Activities in the period in which they occur. The defined benefit pension liability in the Balance Sheet comprises the total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of plan assets of which the obligations are to be settled directly. Fair value is based on market price information and in the case of quoted securities is the published mid-market value. The value of a net pension benefit is restricted to the sum of any unrecognised past service costs and the present value of any amount the Museum expected to recover by way of refunds from the plan or reductions in future contributions.

In line with the requirements of Financial Reporting Standard 17 'Retirement Benefits' the Museum's defined benefit pension scheme liability and related costs are included in these financial statements. Further information is contained in Note 24.

After 31 March 2011, the Museum closed the defined benefit pension scheme to new entrants and instead has now made available a separate defined contribution pension scheme provided by Friends Provident for existing staff who do not have other pension provision, as well as for new employees.

1.7 Funds and Reserves Accounting

The Museum maintains four types of funds and reserves as follows.

- (i) Restricted funds include grants from local authorities and similar bodies in connection with the cost of the Museum's original operational fixed assets, which have been credited to this reserve. The depreciation of the related assets is recovered from this reserve.
- (ii) Unrestricted funds represent funds that are expendable at the discretion of the Trustees in the furtherance of the objects of the Museum. Such funds may be held in order to finance both working capital and capital investment.
- (iii) Designated funds represent funds that have been set aside by the Trustees for particular purposes. The aim and use of such funds is set out in the notes to the financial statements.
- (iv) Pension reserve, associated with the obligations associated with the Museum's defined benefit pension scheme (ref. Note 24).

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

1.8 Recognition of Liabilities

Liabilities are recognised when an obligation arises to transfer economic benefits as a result of past transactions or events.

1.9 Related Party Transactions

Black Country Living Museum Trust is the 'parent company' within a group that prepares consolidated financial statements. The Museum has taken advantage of the exemption from disclosing transactions with group entities under the terms of Financial Reporting Standard 8 'Related Party Disclosures'.

1.10 Change to Accounting Reference Date

At its meeting on 26 May 2011, the Board of the Museum resolved to change the Museum's Accounting Reference Date (ARD), from 31 March to 31 December, with effect from 31 December 2011. The effect of this change was to shorten the previous accounting reference period to nine months, between 1 April 2011 and 31 December 2011. Changing the ARD to be conterminous with the calendar year makes prior year comparisons easier and removes the distorting effects of a variable Easter holiday. The change of Accounting Reference Date was notified to the Register of Companies in accordance with section 392 of the Companies Act 2006.

2 Admissions

Admissions (excluding trading sales) are stated net of value added tax and discounts.

	December 2012	December 2011
	£	£
Admission fees donated to the Museum	887,690	844,444
Gift Aid from donated admission fees ¹	221,890	211,916
	<hr/> 1,109,580	<hr/> 1,056,360
Admission to the Museum	1,184,923	1,120,004
	<hr/> 2,294,503	<hr/> 2,176,364
Visitor attendance (number) ²	<hr/> 249,574	<hr/> 262,936

¹ Gift Aid is a well established scheme run by the Government that allows charities like the Museum to benefit from the tax already paid by visitors. The Museum receives 25p from the Government for every pound donated in support of the Museum.

² For comparison purposes, visitor attendance for the full twelve months of 2011 was 298,965.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

3 Grants Receivable and Charitable Donations

	December 2012	December 2011
	£	£
Grants Receivable (from Dudley Council):	69,600	69,600
Restricted Funds:		
Arts Council England	122,790	-
The Patrick Trust	29,452	-
Staffordshire County Council	27,000	-
Black Country Living Museum Development Trust	17,000	-
Connie and Albert Taylor Charitable Trust	15,000	-
Royal Academy of Engineering	10,560	-
Audiences Central	6,650	-
Friends of the Black Country Living Museum	6,489	2,000
Douglas Turner Trust	5,000	-
The Newcomen Society	5,000	-
Mr and Mrs J H Hughes	4,000	-
Mr A F George MBE TD DL	3,250	-
Aurelius Charitable Trust	3,000	-
Clive Richards Charity	2,500	-
North One Television	2,000	-
Grimmitt Trust	2,000	-
Royal Society of Chemistry	1,800	-
Michael Marsh Charitable Trust	1,424	-
Grantham Yorke Trust	1,000	-
John Feeney Charitable Trust	1,000	-
Bernard Piggott Trust	1,000	-
Mr M F Hessey	750	-
Birmingham Common Good Trust	500	1,500
Mr and Mrs D Higgs	500	-
Veolia Environmental Trust	-	28,545
Cory Environmental Trust in Britain	-	13,111
Owen Family Trust	-	5,000
29 th May 1961 Charitable Trust	-	5,000
Edward Cadbury Charitable Trust	-	2,500
The Idlewild Trust	-	2,000
The Chatwin Trust	-	500
The P & C Hickinbotham Charitable Trust	-	500
The C B & H H Taylor 1984 Trust	-	500
Salamander Charitable Trust	-	500
The Black Country Society	-	500
Other restricted donations	7,439	537
	277,104	62,693

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

	December 2012	December 2011
Unrestricted Funds (Other Donations):		
Owen Family Trust	5,000	-
Mr M F Hessey	1,916	-
The Black Country Society	1,000	-
Salamander Charitable Trust	500	-
Other Unrestricted Donations	<u>7,643</u>	<u>1,051</u>
	<u>16,059</u>	<u>1,051</u>
	<u>293,163</u>	<u>63,744</u>

During the period of this review Restricted Funds were provided for the following projects:

Newcomen Refurbishment:	Black Country Museum Living Development Trust Connie and Albert Taylor Charitable Trust Douglas Turner Trust The Newcomen Society Mr and Mrs J H Hughes Mr A F George MBE TD DL Aurelius Charitable Trust Clive Richards Charity North One Television Bernard Piggott Trust Mr and Mrs D Higgs
Museum Visitor Centre and Collections Management System:	Arts Council England
President Refurbishment:	Staffordshire County Council
Improving Accessibility:	The Patrick Trust
Winston Churchill Locomotive:	Friends of the Black Country Living Museum
Membership Scheme:	Audiences Central
Newcomen Festival and Conference:	Royal Academy of Engineering
Black Country Poetry Festival:	Grimmitt Trust Grantham Yorke Trust John Feeney Charitable Trust
Reminiscence Project:	Michael Marsh Charitable Trust
Chemistry at Work:	Royal Society of Chemistry
Birchills Restoration:	Mr M F Hessey
Keith Gale Archive:	Birmingham Common Good Trust

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

4 Net Income from the Museum's Subsidiary Trading Company

The Museum (Parent) controls a trading subsidiary which is incorporated in the UK. The subsidiary undertaking, Black Country Living Museum Enterprises Limited (Company Registration No. 3026731) operates the ancillary commercial activities connected to the activities of the Black Country Living Museum. The trading company donates its taxable profit to the Museum. A summary of the results is set out below. Separate audited accounts have been filed with the Registrar of Companies.

	December 2012	December 2011
£	£	£
Profit and Loss Account		
Turnover	1,314,725	1,308,936
Cost of sales	(1,014,185)	(1,049,182)
 Gross profit	 300,540	 259,754
Administrative expenses excluding recharges from Parent	(21,090)	(18,667)
 Operating profit	 279,450	 241,087
Investment income	-	-
 Other operating income	 18,662	 19,846
 Profit before Group charge and donation to Parent	 298,112	 260,933
Recharge from Parent (rent and services)	(120,034)	(90,000)
Donation of profit to Parent	(178,078)	(170,933)
 Profit for year before and after taxation	 -	 -

5 Parking Charges, Filming Rights and Licensed Concessions

	December 2012	December 2011
£	£	£
Parking charges	66,734	65,385
Licensed concessions	37,470	32,323
Filming rights	26,385	3,640
 130,589	 101,348	

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

6 Investment Income

	December 2012 £	December 2011 £
Interest received	1	10,960
	1	10,960

7 Other Incoming Resources

	December 2012 £	December 2011 £
Settlement of insurance claim	-	15,000
Commercial rent	43,466	30,000
Rebate from South Staffordshire Water plc	-	77,265
Other	3,872	320
	47,338	122,585

8 Total Resources Expended

	Staff costs £	Depreciation and Impairment £	Other costs £	Total December 2012 £	Total December 2011 £
Cost of generating funds					
Trading costs	462,389	7,783	563,233	1,033,405	1,066,309
Fundraising and publicity	126,399	-	163,625	290,024	392,459
 Total cost of generating funds	 588,788	 7,783	 726,858	 1,323,429	 1,458,768
 Charitable expenditure					
Charitable activities	1,929,670	353,265	942,190	3,225,125	2,538,677
Governance costs ¹	137,631	-	63,479	201,110	164,299
 Total charitable expenditure	 2,067,301	 353,265	 1,005,669	 3,426,235	 2,702,976
 Total resources expended	 2,656,089	 361,048	 1,732,527	 4,749,664	 4,161,744

¹ Governance costs include payments to the auditors of £7,000 (December 2011: £5,600) for audit fees. CK Chartered Accountants received payments of £6,491 (December 2011: £7,858) for other services, including payroll processing charges.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

9 Prior Year Adjustment

Expenditure on the Newcomen Steam Engine totalling £21,147 was written off in the period to 31 December 2011. This amount has now been capitalised as a Heritage Asset along with expenditure of £71,350 incurred during 2012, giving a total cost of the project of £92,497.

10 Trustees

None of the Trustees (or any persons connected with them) received any remuneration or benefits from the Museum during the period of this review. Expenses totalling £nil were paid to the Trustees (December 2011: £nil).

11 Employees

The average monthly number of full-time equivalent employees during the period was:

	December 2012 (number)	December 2011 (number)
Direct (front-line) charitable activities	102	115
Leadership, Management and Specialists	33	34
	135	149

Employment costs	December 2012 £	December 2011 £
Wages and salaries	2,376,671	1,961,342
National Insurance costs	130,418	113,275
Pension costs	149,000	102,742
	2,656,089	2,177,359

The number of employees with annual emoluments of £70,000 or more (being the Chief Executive) were:

	December 2012 (number)	December 2011 (number)
£70,001 – £80,000	1	1
	1	1

Details of the Museum's defined benefit pension scheme are provided at Note 24.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

12 Tangible Fixed Assets

(a) Operational Assets - Group

	Land and buildings Freehold	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
Cost					
At 1 January 2012	937,597	5,066,023	1,006,571	67,839	7,078,030
Additions	-	-	1,900	-	1,900
At 31 December 2012	937,597	5,066,023	1,008,471	67,839	7,079,930
Depreciation					
At 1 January 2012	42,153	1,098,511	752,680	52,232	1,945,576
Charge for the period	16,087	84,576	166,680	8,952	276,295
At 31 December 2012	58,240	1,183,087	919,360	61,184	2,221,871
Net book value					
At 31 December 2012	879,357	3,882,936	89,111	6,655	4,858,059
At 31 December 2011	895,444	3,967,512	253,891	15,607	5,132,454

Fixed Assets include fixtures and fittings and motor vehicles with a cost of £65,228 (December 2011: £63,328) and a net book value of £25,244 (December 2011: £31,128) owned by the subsidiary undertaking, Black Country Living Museum Enterprises Limited.

Freehold land and buildings include land (being the Museum's overflow car park fronting Tipton Road and the footprint of the Locksmith's House, Willenhall) with a combined net book value of £133,258 that are not depreciated.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

(b) Operational Assets - Parent

	Land and buildings Freehold	Land and buildings Leasehold	Fixtures, fittings & equipment	Motor vehicles	Total
	£	£	£	£	£
Cost					
At 1 January 2012	937,597	5,066,023	948,539	62,544	7,014,703
Additions	-	-	-	-	-
At 31 December 2012	937,597	5,066,023	948,539	62,544	7,014,703
<hr/>					
Depreciation					
At 1 January 2012	42,153	1,098,511	725,010	47,702	1,913,376
Charge for the period	16,087	84,576	159,088	8,761	268,512
At 31 December 2012	58,240	1,183,087	884,098	56,463	2,181,888
<hr/>					
Net book value					
At 31 December 2012	879,357	3,882,936	64,441	6,081	4,832,815
At 31 December 2011	895,444	3,967,512	223,529	14,842	5,101,327

Freehold land and buildings include land (being the Museum's overflow car park fronting Tipton Road and the footprint of the Locksmith's House, Willenhall) with a combined net book value of £133,258 that are not depreciated.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

(c) Site Development

Cost	£	£
At 1 January 2012	5,407,855	
Additions	-	
At 31 December 2012	5,407,855	
 Grant contributions towards cost		
At 1 January 2012	(4,598,022)	
Received in the period	-	
At 31 December 2012	(4,598,022)	
 Balance funded from Museum resources		
At 1 January 2012	(809,833)	
Funded in the period	-	
At 31 December 2012	(809,833)	
 Net book value		
		<hr/>

13 Heritage Assets

Cost	£
At 1 January 2012 as restated	5,039,277
Additions at cost	71,350
At 31 December 2012	5,110,627
 Depreciation	
At 1 January 2012	300,393
Charge for the period	84,753
At 31 December 2012	385,146
 Net book value	
At 31 December 2012	4,725,481
 At 31 December 2011	<u>4,738,884</u>

Heritage assets include items of historical, artistic or scientific importance that are held to advance preservation, conservation and educational objectives of the Museum, as further reported at Note 18.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

14 Fixed Asset Investments

	£
Market value at 1 January 2012 and at 31 December 2012	1,000
Historical cost at 31 December 2011 and at 31 December 2012	<u>1,000</u>

The Companies Act 2006 requires the Museum to disclose any holdings which amount to more than 20% of a company's issued shares. The Museum holds 100% of the issued Ordinary Shares of Black Country Living Museum Enterprises Limited. This wholly-owned subsidiary undertakes on-site trading to support the charitable activities of the Museum, as further described in this Annual Report.

15 Debtors

	Group		Parent	
	December	December	December	December
	2012	2011	2012	2011
	£	£	£	£
Owed by Group undertakings	-	-	150,697	80,734
Other debtors	105,251	117,508	84,953	115,530
Prepayments and accrued income	38,142	53,754	35,087	52,492
	143,393	171,262	270,737	248,756

16 Creditors: amounts falling due within one year

	Group		Parent	
	December	December	December	December
	2012	2011	2012	2011
	£	£	£	£
Bank loan	18,000	27,000	18,000	27,000
Trade creditors	193,469	193,518	145,820	125,712
Owed to Group undertakings	-	-	-	-
Taxes and social security costs	73,176	62,706	47,584	44,301
Other creditors and accruals	171,537	177,674	150,337	164,236
	456,182	460,898	361,741	361,249

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

17 Creditors: amounts falling due after more than one year

	December 2012 £	December 2011 £
Bank Loan ¹	<u>395,210</u>	<u>404,628</u>

Analysis of loan

Not wholly repayable within 5 years	422,210	431,628
Included in the current liabilities	(18,000)	(27,000)
	<u>404,210</u>	<u>404,628</u>

Loan maturity analysis

Debt due in one year or less	18,000	27,000
In more than one year, but not more than 2 years	31,000	28,000
In more than 2 years, but not more than 5 years	98,000	90,000
In more than 5 years	275,210	286,628
	<u>422,210</u>	<u>431,628</u>

¹ The bank loan is secured by a legal charge over the Museum's freehold land at Tipton Road, Dudley (Title No: WM414023) and an unlimited guarantee from the Museum's subsidiary trading company, Black Country Living Museum Enterprises Limited.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

18 Restricted Funds (Movement in Funds)

	Balance at 1 January 2012			Balance at 31 December 2012
	As restated	Incoming Funds	Resources Expended	£
	£	£	£	£
Operational Fixed Assets	348,681	-	-	348,681
Exhibition (Hall Two)	98,727	-	(76,348)	22,379
Rolfe Street Development	2,738,145	60,000	(69,401)	2,728,744
The Locksmith's House	148,341	-	(2,000)	146,341
Moving the Black Country ¹	757,377	-	(15,329)	742,048
	<u>4,091,271</u>	<u>60,000</u>	<u>(163,078)</u>	<u>3,988,193</u>
Heritage Assets²				
The Workers' Institute	1,770,138	-	(31,478)	1,738,660
The Conway Garage	52,134	-	(927)	51,207
Folkes Park	238,322	-	(5,241)	233,081
Old Birmingham Road	445,711	-	(10,367)	435,344
Hobbs Fish & Chip Shop	479,512	-	(8,529)	470,983
Newcomen Steam Engine	31,037	61,126	(883)	91,280
	<u>3,016,854</u>	<u>61,126</u>	<u>(57,425)</u>	<u>3,020,555</u>
Other Items				
Purchase of Freehold Property	123,036	-	(2,551)	120,485
Improving Accessibility	-	29,452	(6,519)	22,933
Collections Management	-	62,790	(1,877)	60,913
President (narrow boat)	-	27,000	(23,557)	3,443
Learning Projects	-	18,037	(10,203)	7,834
Birchills (boat) Restoration	-	2,726	(300)	2,426
Locomotive, Winston Churchill	-	5,000	(4,500)	500
Collections Projects	-	4,323	(1,588)	2,735
Set up of Membership Scheme	-	6,650	(6,650)	-
	<u>123,036</u>	<u>155,978</u>	<u>(57,745)</u>	<u>221,269</u>
	<u>7,231,161</u>	<u>277,104</u>	<u>(278,248)</u>	<u>7,230,017</u>

¹ The project name given to a series of transport-related developments at the Museum, the last of which was completed in 2010.

² The classification of Heritage Assets was first defined and set out in Financial Reporting Standard 30 (June 2009) and consequently only relates to a small number of the Museum's 150 historic buildings and features brought together on site since 1975.

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Notes to the Accounts for the year ended 31 December 2012 (continued)

19 Designated Funds (Movement in Funds)

	Balance at 1 January 2012	New Funds	Utilised Funds	Balance at 31 December 2012
	£	£	£	£
Refurbishment Programme	23,670	100,000	(89,132)	34,538
Future Developments ¹	500,000		(250,000)	250,000
Heritage Assets	1,830,265	-	(29,461)	1,800,804
	2,353,935	100,000	(368,593)	2,085,342

¹ Designated Funds allocated to future developments have been utilised this year by a transfer of £100,000 to the Refurbishment programme and £150,000 into the General Fund.

20 Analysis of Net Assets between Funds

	Unrestricted funds	Restricted funds	Total
	£	£	£
Fund balances at 31 December 2012 are represented by:			
Tangible fixed assets	2,732,115	6,851,425	9,583,540
Current assets	309,926	381,592	691,518
Creditors: amounts falling due within one year	(453,186)	(3,000)	(456,186)
Creditors: amounts falling due after more than one year	(404,210)	-	(404,210)
Defined benefit pension liability	(1,509,000)	-	(1,509,000)
	675,645	7,230,017	7,905,662

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

21 Net Cash Inflow from Operating Activities

	December 2012 £	December 2011 £
Reconciliation to changes in resources:		
Changes in resources before revaluations	(599,745)	(308,207)
Investment income	(1)	(10,960)
Depreciation of tangible fixed assets	361,048	275,940
Decrease/(increase) in stocks	(35,573)	7,213
Decrease/(increase) in debtors	27,869	(67,418)
(Decrease)/increase in creditors	4,288	(291,638)
Pension scheme non cash movements	(17,000)	(22,000)
	<u>(259,114)</u>	<u>(417,070)</u>

22 Reconciliation of Net Cash Flow to Movement in Net Funds

	December 2012 £	December 2011 £
Decrease in cash	(341,781)	(469,035)
Long term bank loan	9,418	19,796
Movement in net funds	<u>(332,363)</u>	<u>(449,239)</u>
Net funds at 1 January 2012	357,776	807,015
Net funds at 31 December 2012	<u>25,413</u>	<u>357,776</u>

23 Analysis of Net Cash less Debt

	At 1 January 2012 £	Cash flow £	Non-cash changes £	At 31 December 2012 £
Cash at bank and in hand	789,404	(341,781)	-	447,623
Debt due within one year	(27,000)	9,000	-	(18,000)
Debt due after one year	(404,628)	418	-	(404,210)
	<u>357,776</u>	<u>(332,363)</u>	<u>-</u>	<u>25,413</u>

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Notes to the Accounts for the year ended 31 December 2012 (continued)

24 Pension Scheme and Other Post-Retirement Benefit Commitments

Defined Contribution Pension Scheme

	December 2012	December
	£	2011
Contributions payable by the Museum for the period	5,548	2,742

This pension scheme is provided by Friends Provident and was made available from 1 April 2011 to existing staff who do not have other pension provision, as well as for new employees.

Employee Benefit Obligations (Defined Benefit Pension)

The Museum is one of 180 organisations (with 242,000 members) that participate in the West Midlands Pension Fund (WMPF) providing benefits based on final pensionable pay to certain members of Museum staff. The permanent staff of the Museum (although not local government employees) became eligible for membership, under the auspices of Dudley Metropolitan Borough Council (who act as guarantor), when the Museum was first established in September 1975 and was replaced with a separate defined contribution scheme for new entrants with effect from 31 March 2011. This statutory scheme is administered by Wolverhampton City Council, on behalf of the participating organisations, in accordance with the Local Government Pension Scheme Regulations 1997. The assets of the fund are held and managed separately from those of the Museum.

An actuarial valuation of the WMPF was carried out in accordance with the Regulations as at 31 March 2010. For information, the next valuation of the WMPF is due to take place as at 31 March 2013, with the results published during the first quarter of 2014.

The key Financial Reporting Standard 17 assumptions used for the WMPF are set out below, along with the fair value of assets, the present value of the FRS17 liabilities and the deficit of assets below the FRS17 liabilities (which equals the gross pension liability). The liability at the period end was £1,509,000 (December 2011: £1,291,000). It is important to note that the liability represented by this value (being based on actuarial assumptions) will alter in response to changes to the future funding and structure of the pension scheme (as well as to economic and investment market conditions) and does not crystallize in the short or medium term.

The tables in this note to the accounts set out the key Financial Reporting Standard 17 assumptions used for the defined benefit pension scheme.

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

The amounts recognised in the Balance Sheet are as follows:

	December 2012 £	December 2011 £
Present value of funded obligations	4,915,000	4,392,000
Fair value of plan assets	(3,406,000)	(3,101,000)
Defined Benefit Pension Liability	1,509,000	1,291,000

The total pension costs recognised in the Statement of Financial Activities are as follows:

	December 2012 £	December 2011 £
Included in staff costs within total resources expended		
Current service cost	115,000	88,000
Past service cost	-	-
	115,000	88,000

Net pension finance costs included within total resources expended

Interest on obligation	209,000	165,000
Expected return on pension scheme assets	(181,000)	(153,000)
	28,000	12,000

Total Pension Costs

Actual return on plan assets

Included with other recognised gains and losses:

	December 2012 £	December 2011 £
Actual return less expected return on pension scheme assets	84,000	(116,000)
Experience gains and losses arising on scheme liabilities	(319,000)	(182,000)
	(235,000)	(298,000)

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

Changes in the present value of the defined benefit obligation are as follows:

	December 2012	December 2011
	£	£
Opening defined benefit obligation	4,392,000	4,010,000
Current service cost	115,000	88,000
Interest cost	209,000	165,000
Contributions by scheme participants	36,000	29,000
Past service cost	-	-
Actuarial losses (gains)	319,000	182,000
Benefits paid	(156,000)	(82,000)
	<hr/> 4,915,000	<hr/> 4,392,000

Changes in fair value of plan assets are as follows:

	December 2012	December 2011
	£	£
Opening fair value of plan assets	3,101,000	2,995,000
Expected return	181,000	153,000
Actuarial gains	84,000	(116,000)
Contributions by employer	160,000	122,000
Contributions from scheme participants	36,000	29,000
Benefits paid	(156,000)	(82,000)
	<hr/> 3,406,000	<hr/> 3,101,000

Principal actuarial assumptions at the Balance Sheet date (expressed as weighted averages):

	December 2012	December 2011
Discount rate at 31 December 2012	4.30%	4.75%
Future salary increases	4.15%	4.25%
Future pension increases	2.40%	2.50%

Black Country Living Museum Trust

Notes to the Accounts for the year ended 31 December 2012 (continued)

Amounts for the current and previous period are as follows:

	December 2012	December 2011
	£	£
Defined benefit obligation	(4,915,000)	(4,392,000)
Plan assets	<u>3,406,000</u>	<u>3,101,000</u>
Surplus/(deficit)	<u>(1,509,000)</u>	<u>(1,291,000)</u>
Experience adjustments on plan liabilities	(319,000)	(182,000)
Experience adjustments on plan assets	84,000	(116,000)

25 Related Party Disclosures (Financial Reporting Standard 8)

Museum Trustee, A David Owen, is also a Trustee of The Owen Family Trust, which provided an unrestricted donation of £5,000 (December 2012: restricted donation £5,000) during the period of this review. A David Owen is also a Trustee of the Grimmitt Trust which provided a restricted donation of £2,000 in support of the Black Country Poetry Festival. Trustees Timothy Wright and Melvyn Mottram are also elected councillors of Dudley Council which provided the Museum with an unrestricted grant of £69,600 (December 2011: £69,600) during the period of this review. Museum Trustee J H Hughes provided a restricted donation of £4,000 to support the refurbishment of the Newcomen Steam Engine, as did Museum Trustee A F George, who provided a donation of £3,250. The Museum Director has a loan from the Museum with an outstanding balance of £7,998, as at 31 December 2012. The Museum purchased catering equipment, at a cost of £1,900 from Mark Reeves (General Manager – Food&Drink).

26 Capital Commitments

	December 2012	December 2011
	£	£
At 31 December 2012 the Museum had no capital commitments.		
Restoration of the Newcomen Steam Engine ¹	-	15,000

¹ During 2012 the Museum secured external funding to meet this capital commitment in full.

This is the final page of the Museum's Annual Report & Accounts, 31 December 2012.



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