

NATIONAL ARMY MUSEUM
STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31ST MARCH 2005

	Notes	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2004/05	Total Funds 2003/04
		£	£	£	£	£
Incoming Resources						
Grant in Aid (Operating)		-	-	5,052,932	5,052,932	4,330,246
Grant in Aid (Purchases)		-	-	115,000	115,000	115,000
Other Grants and Donations		10,628	32,032	60,000	102,660	444,559
Trading Income	4	250,074	-	-	250,074	214,782
Sundry Income	2	65,370	32,453	14,296	112,119	120,619
Total Incoming Resources		326,072	64,485	5,242,228	5,632,785	5,225,206
Resources Expended						
Collections	3	4,071	140,717	1,514,803	1,659,591	1,288,514
Service users	3	43,966	53,566	1,854,777	1,952,309	2,005,241
Communications	3	-	75,930	1,358,094	1,434,024	1,586,060
Trading Expenditure	3 & 4	160,391	2,618	56,190	219,199	180,013
Notional Charges	5	-	-	42,239	42,239	37,660
Total Resources Expended	6	208,428	272,831	4,826,103	5,307,362	5,097,488
Net Incoming/(Outgoing) Resources Before Transfers		117,644	(208,346)	416,125	325,423	127,718
Reversal of Notional Charges	5	-	-	42,239	42,239	37,660
Net Incoming/(Outgoing) Resources for the Year		117,644	(208,346)	458,364	367,662	165,378
Other recognised gains and losses						
Unrealised gains/(losses)						
Investments		-	17,097	-	17,097	26,061
Revaluation of assets		(230)	647,479	(3,488)	643,761	1,134,756
Net movement in Funds		117,414	456,230	454,876	1,028,520	1,326,195
Balances brought forward at 1 April 2004		993,967	16,971,887	1,361,665	19,327,519	18,001,324
Balances carried forward at 31 March 2005		1,111,381	17,428,117	1,816,541	20,356,039	19,327,519

None of the Museum's activities were acquired or discontinued during the year. All of the Museum's recognised gains and losses for the year are included above.

The notes on pages 24 to 35 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM

BALANCE SHEET

AS AT 31ST MARCH 2005

	Notes	2005	2004
		£	£
Fixed Assets			
Tangible Assets	7	17,096,238	16,714,315
Inalienable and historic assets	8	1,262,521	1,172,408
Investments	9	<u>191,412</u>	<u>174,315</u>
		18,550,171	18,061,038
Current Assets			
Stock of finished goods		39,513	45,874
Debtors	10	159,309	68,694
Cash	11	<u>1,899,336</u>	<u>1,215,793</u>
		2,098,158	1,330,361
Creditors:			
Amounts falling due within one year	12	<u>292,290</u>	<u>63,880</u>
NET CURRENT ASSETS		<u>1,805,868</u>	<u>1,266,481</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>20,356,039</u>	<u>19,327,519</u>
RESERVES			
Unrestricted Funds		1,111,381	993,967
Restricted Funds	13	17,428,117	16,971,887
Restricted Grant-in-Aid Funds	14	<u>1,816,541</u>	<u>1,361,665</u>
		<u>20,356,039</u>	<u>19,327,519</u>

The financial statements were approved by the Council on

2005 and signed on its behalf by:

DR ALAN J GUY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN

The notes on pages 24 to 35 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM

CASH FLOW STATEMENT

YEAR ENDED 31ST MARCH 2005

	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2004/05	Total Funds 2003/04
	£	£	£	£	£
Net cash inflow from operating activities (see below)	110,724	49,166	758,061	917,951	881,601
Return on investments and servicing of finance					
Interest received	23,375	6,170	11,740	41,285	24,097
Investment income	-	6,283	-	6,283	6,142
	23,375	12,453	11,740	47,568	30,239
Capital Expenditure					
Payments to acquire:					
Tangible fixed assets	-	(9,330)	(182,533)	(191,863)	(227,050)
Inalienable fixed assets	-	(20,903)	(69,210)	(90,113)	(587,743)
	-	(30,233)	(251,743)	(281,976)	(814,793)
Increase in cash	134,099	31,386	518,058	683,543	97,047

Reconciliation of Changes in Resources to Net Cash Inflow from Operating Activities

Changes in resources before revaluations	117,644	(208,346)	458,364	367,662	165,378
Investment income	(23,375)	(12,453)	(11,740)	(47,568)	(30,239)
Depreciation	1,596	269,416	170,441	441,453	418,112
Loss on disposal of fixed assets	-	549	11,699	12,248	4,685
Increase/(Decrease) in creditors	22,508	-	205,902	228,410	(18,173)
Decrease in stocks	6,361	-	-	6,361	1,634
Decrease/(Increase) in debtors	(14,010)	-	(76,605)	(90,615)	340,204
Net cash inflow from operating activities	110,724	49,166	758,061	917,951	881,601

The notes on pages 24 to 35 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention modified by the revaluation of fixed assets and by the inclusion of notional costs.

Without limiting the information given, the accounts comply with the statement of recommended practice for charities and guidance issued by H.M. Treasury so far as it is appropriate.

(b) Grants Receivable

Revenue grants are credited to incoming resources on the earlier of the date of receipt or when they are receivable, unless they relate to a grant for expenditure in future accounting periods, in which case they are deferred.

Grants for the purchase of fixed assets are credited to a restricted fund within incoming resources when receivable.

(c) Voluntary Income

The Museum derives voluntary income from monies placed in donation boxes in the Museum. This income is recognised in the statement of financial activities when received and is used for the purchase of artefacts.

(d) Tangible Fixed Assets and Depreciation

Fixed assets are stated at their estimated current cost. For land and buildings this estimate is based on independent professional valuations obtained every five years, updated in the intervening years by the application of appropriate indices. For other assets, the estimate is based on historic cost updated thereafter by the application of appropriate indices. Fixed assets with a cost of less than £1,000 are not capitalised.

Depreciation is provided on all tangible fixed assets on a straight-line basis over their estimated useful lives. These are principally:

Leasehold Buildings	50 years
Computer Equipment	5 years
Fixtures and Fittings	10 years

(e) Inalienable and Historic Assets

Prior to 1st April 2001 the National Army Museum's collection items were not valued or capitalised in the Accounts. In accordance with the requirements of FRS 15 and SORP 2000 additions to the collection from 1st April 2001 with a cost greater than £1,000 have been capitalised where reliable cost information is known. These assets are not depreciated.

Prior to 1st April 2001 expenditure on exhibits was written off in the year it was incurred. The Museum's collections at 31st March 2001 have not been valued and capitalised due to the significant costs involved in obtaining a reliable valuation.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

(e) Inalienable and Historic Assets (continued)

Depreciation is not provided on inalienable and historic assets due to their high residual value. The carrying value of individual items is reviewed annually and written down where required.

The Museum's collecting activities are subject to the availability of objects and financial resources for collections management with every effort made to achieve a balanced collection in terms of both geography and chronology. The acquisitions policy also takes into account the needs of other museums.

The Museum maintains full details of its collection on a computerised database, access to which is available to the general public on request.

(f) Investments

Investments are included at their market value as at the year-end. Gains or losses arising from disposals of fixed asset investments, together with unrealised gains and losses are included in the statement of financial activities.

(g) Stocks

Stocks are stated at the lower of cost or net realisable value.

(h) Taxation

As a Registered Charity, the National Army Museums' charitable status has been recognised by the Inland Revenue. Non-recoverable Value Added Tax (VAT) arising from expenditure is charged to the statement of financial activities. All expenditure is stated net of any recoverable VAT.

(i) Restricted and unrestricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is identified to the fund, together with a fair allocation of overhead costs.

Unrestricted funds are donations and other incoming resources received or generated for the Museum's charitable purposes.

(j) Basis of Cost Allocation

Collections costs are those incurred in acquiring and preserving objects and records relating to the British Army for the education, inspiration and enjoyment of the present generation and its successors.

Costs for service users include staff costs, other direct costs and related overheads incurred in exceeding the expectation of the Museum's service users in all that it does.

Communication costs are those incurred in the research, interpretation and presentation of the Museum's collections to its service users and to engage the general public in historic and contemporary issues relating to the British Army.

Costs shared by more than one function have been apportioned on the basis of relative consumption.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

(k) Pensions Cost

Museum staffs, except shop personnel, are covered by the provisions of the Principal Civil Service Pension Scheme, which provides benefits based on final pensionable pay. The pensions cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Paymaster General at rates determined from time to time by the Government Actuary.

(l) Notional Costs

In accordance with accounting requirements laid down by HM Treasury, the statement of financial activities include notional costs to reflect the full costs of the National Army Museum's activities.

	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2004/05	Total Funds 2003/04
	£	£	£	£	£
2. Sundry Income					
Interest receivable	23,375	6,170	11,740	41,285	24,097
Investment income	-	6,283	-	6,283	6,142
Other income	41,995	20,000	2,556	64,551	90,380
	<u>65,370</u>	<u>32,453</u>	<u>14,296</u>	<u>112,119</u>	<u>120,619</u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

3. Resources Expended

	Collections	Service Users	Communications	Trading	Total
	£	£	£	Expenditure	£
				£	
Staff costs	730,451	1,115,181	863,327	93,694	2,802,653
Premises costs	-	355,470	-	5,310	360,780
Collections maintenance	640,951	-	-	-	640,951
Educational events	-	-	43,505	-	43,505
Publicity	-	-	368,427	-	368,427
Services	10,773	343,240	27,078	1,194	382,285
Travel and subsistence	7,280	4,360	2,352	141	14,133
Purchase of artefacts	13,225	-	-	-	13,225
Other costs	-	24,878	-	112,833	137,711
Depreciation	196,911	109,180	129,335	6,027	441,453
Notional rent	60,000	-	-	-	60,000
	<hr/>				
TOTAL 2004/05	1,659,591	1,952,309	1,434,024	219,199	5,265,123
	<hr/>				
TOTAL 2003/04	1,288,514	2,005,241	1,586,060	180,013	5,059,828
	<hr/>				

Rent relates to the estimated cost for the use of a donated facility at RMA Sandhurst based on the Museum renting similar premises on a commercial basis. The Museum is responsible for meeting some costs of cleaning, maintenance, and electricity relating to the items accommodated there.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

4. Trading Activities

	2004/05		2003/04
	Trading Profit and Loss Account £	Trading Income £	Trading Expenditure (Note 3) £
Museum Shop Sales	176,126	176,126	167,432
Less: Cost of Sales			
Opening Stock	45,874		47,507
Purchases	83,990		90,392
Closing Stock	(39,513)		(45,874)
	90,351		92,025
Shop Gross Profit	85,775		75,407
Other Trading Income	73,948	73,948	47,350
Other Trading Expenditure	(128,848)		(87,988)
Totals		250,074	219,199
			34,769
Trading Profit 2004/05	30,875		
Trading Profit 2003/04			34,769

5. Notional Charges

In accordance with requirements laid down by H.M. Treasury, the surplus for the year is stated after including certain notional costs in reported expenditure.

Notional Charges comprise:

	2004/05 £	2003/04 £
Notional cost of capital on public funds at 3.5%	42,239	37,660
	42,239	37,660

These notional charges are reversed before arriving at the net outgoing resources for the year.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

	Unrestricted Funds £	Restricted Funds £	Restricted Grant In Aid Funds £	Total 2004/05 £	Total 2003/04 £
6. Total Resources Expended					
This includes the following:					
Auditors' remuneration					
- audit services	-	-	7,600	7,600	11,050
- non audit services	-	-	-	-	19,314
Staff costs					
- wages and salaries	43,681	-	2,262,745	2,306,426	2,262,221
- social security costs	3,877	-	169,124	173,001	171,950
- pension costs	-	-	268,790	268,790	245,069
- temporary staff and recruitment costs	-	-	42,210	42,210	43,494
	47,558	-	2,742,869	2,790,427	2,722,734

The following number of employees, excluding the Director, received remuneration excluding pension contributions falling within the following ranges:

	2004/05	2003/04
£40,001 - £50,000	3	2
£50,001 - £60,000	2	1

The average number of senior management and staff was:

Service Users	38	38
Collections	26	27
Communications	20	19
Trading	<u>4</u>	<u>5</u>
	<u>88</u>	<u>89</u>

The employees of the National Army Museum are analogous to Civil Servants and as a result its staff are members of the Principal Civil Service Pension Scheme (PCSPS). Pension benefits are provided through the Civil Service pension arrangements. From 1 October 2002, civil servants may be in one of three statutory based "final salary" defined benefit schemes (classic, premium, and classic plus). New entrants after 1 October 2002 may choose between membership of premium or joining a good quality "money purchase" stakeholder based arrangement with a significant employer contribution (partnership pension account).

The PCSPS is an unfunded multi-employer defined benefit scheme but the National Army Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2004-05 employers' contributions of £268,790 were payable to the PCSPS (2003-04 £245,069) at rates based on salary bands as follows:

Band one	-	£17,000 and under	12%
Band two	-	£17,001 - £35,000	13.5%
Band three	-	£35,001 - £60,500	16.5%
Band four	-	£60,501 and over	18.5%

Rates will remain the same next year, subject to revalorization of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

Staff costs include remuneration paid to the Director of:

	2004/05	2003/04	2003/04
	£	£	£
	Dr Alan Guy	I G Robertson (to 31/7/03)	Dr Alan Guy (from 1/8/03)
Salary including London Weighting	74,419	23,646	42,503
Real increase in pension at 60	5,235	-	3,654
Total accrued pension at 60 (Classic scheme)	27,409	13,722	21,119
Cash equivalent transfer value of pension at 31 st March 2005	471,063	-	375,816
Cash equivalent transfer value of pension at 31 st March 2004	375,816	-	312,509
Real increase in cash equivalent transfer value	88,902	-	59,991
Age	53	60	52

The Director received no benefits during the year (2003/04 £Nil).

During the year reimbursements were made to three members of the Council totalling £621 (2003/04 £1,530) for travel and subsistence and £1,054 (2003/04 £1,099) for hospitality. No members of the Council received any remuneration during the year (2003/04 £Nil).

7. Tangible Fixed Assets

	Long Leasehold			
	Land and Buildings	Computer Equipment	Fixtures & Fittings	Total
	£	£	£	£
<u>VALUATION</u>				
At commencement of year	16,457,508	292,849	1,786,465	18,536,822
Additions at cost	-	59,095	132,768	191,863
On revaluation	669,281	(32,769)	20,629	657,141
Disposals	-	(7,117)	(69,794)	(76,911)
At end of year	<u>17,126,789</u>	<u>312,058</u>	<u>1,870,068</u>	<u>19,308,915</u>
<u>DEPRECIATION</u>				
At commencement of year	504,134	161,770	1,156,603	1,822,507
Charge for year	261,828	53,000	126,625	441,453
On revaluation	19,503	(13,659)	7,536	13,380
Disposals	-	(5,931)	(58,732)	(64,663)
At end of year	<u>785,465</u>	<u>195,180</u>	<u>1,232,032</u>	<u>2,212,677</u>
<u>NET BOOK VALUE</u>				
At 31 March 2005	<u>16,341,324</u>	<u>116,878</u>	<u>638,036</u>	<u>17,096,238</u>
At 31 March 2004	<u>15,953,374</u>	<u>131,079</u>	<u>629,862</u>	<u>16,714,315</u>

Included in land and buildings is a sum of £4,035,705 (2003/04 £3,854,173) for land, which has not been depreciated.

The land and buildings were externally valued at 31 March 2002 by Gerald Eve, Chartered Surveyors. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual and valued on the Depreciated Replacement Cost basis given the specialist nature of the property.

The Museum is housed in a purpose built property in Chelsea on land owned by the Royal Hospital Chelsea, the lease is for 999 years at a peppercorn rent of one guinea per annum. The lease restricts the use of the building to that of a Museum for the collection, preservation and exhibition of objects and records relating the history of the Military Forces of Her Majesty and her predecessors etc. All material tangible fixed assets are used in Direct Charitable Activities.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

8. Inalienable and Historic Assets

	Museum Collection
COST	£
At commencement of year	1,172,408
Additions	90,113
Disposals	<u>-</u>
At end of year	<u>1,262,521</u>
Net Book Value 31 March 2005	<u>1,262,521</u>
Net Book Value 31 March 2004	<u>1,172,408</u>

During the year the Museum received grants towards the purchase of items for its collection of £138,378. The balance of these grants will be used to fund future acquisitions. These are included in Incoming Resources in the Statement of Financial Activities.

	2005	2004
	£	£
9. Unlisted Investments		
Market value at beginning of year	174,315	148,254
Add: acquisitions at cost	-	-
Less: disposals	-	-
Net unrealised investment gain	<u>17,097</u>	<u>26,061</u>
Market value at end of year	<u>191,412</u>	<u>174,315</u>
Cost at end of year	<u>133,076</u>	<u>133,076</u>
10. Debtors		
Trade Debtors	32,230	14,367
VAT Debtor	80,776	26,738
Prepayments	<u>46,303</u>	<u>27,589</u>
	<u>159,309</u>	<u>68,694</u>
11. Cash		
Unrestricted Funds	752,641	618,542
Restricted Funds	378,319	346,933
Grant-In-Aid operating account	729,333	250,271
Grant-In-Aid exhibits reserve	<u>39,043</u>	<u>47</u>
	<u>1,899,336</u>	<u>1,215,793</u>
12. Creditors: Amounts falling due within one year		
Trade Creditors	6,075	3,947
Other Creditors	13,312	18,448
Accruals	<u>272,903</u>	<u>41,485</u>
	<u>292,290</u>	<u>63,880</u>

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

13. Restricted Funds

	Balance	<u>Movement in Resources</u>		Balance
	1 April	Incoming	Outgoing	31 March
	2004			2005
	£	£	£	£
NAM Land and Buildings	15,953,374	649,778	261,828	16,341,324
Leinster Regiment Museum Fund	4,811	142	-	4,953
Indian Divisions Memorial Fund	14,236	231	-	14,467
Middlesex Regiment Account	101,654	11,304	700	112,258
CCP Lawson Bequest	85,775	11,409	-	97,184
WRAC Association Account	12,529	393	-	12,922
Exhibition - Crete	37,335	1,120	-	38,455
Exhibition - Veterans of No 1 Commando	1,238	37	-	1,275
Exhibition - Korean War	22,739	682	-	23,421
Exhibition - Falklands	339	10	-	349
Exhibition - Teenagers War	1,438	43	-	1,481
Exhibition - 1 st Battalion Malaysia Rangers	627	19	-	646
Exhibition - British Army in Berlin	176	5	-	181
Exhibition - Soldiers of the Raj	3,064	92	-	3,156
Exhibition - British Army in South Africa	6,123	175	615	5,683
NAM Building Appeal Fund	5,936	178	-	6,114
Bufs' Collection Fund	118,085	3,562	900	120,747
War Memorial Fund	8,218	20,247	-	28,465
Restricted Grants and Donations	594,190	31,933	11,087	615,036
	<u>16,971,887</u>	<u>731,360</u>	<u>275,130</u>	<u>17,428,117</u>

The NAM Land and Buildings Fund represents the net book value of land and buildings previously included in restricted Grant in Aid funds. The Museum reviewed this classification during 2001-02 and was of the view that these assets, which were funded entirely by public donations in the period leading up to and after the acquisition of the lease and the building of the Museum in 1967, should be classified as other restricted funds.

The Leinster Regiment Museum Fund was established with the object of the maintenance of the memorial and chattels for the former Prince of Wales's Leinster Regiment (Royal Canadians).

The Indian Division Memorial Fund was gifted to the Museum in 1988 for the purchase and maintenance of military exhibits connected with the pre-partition Indian Army and the Indian Division of World War Two.

The Middlesex Regiment Account is for the upkeep and maintenance of Middlesex Regiment Memorabilia.

The CCP Lawson Bequest is for the upkeep of the articles forming the bequest. Any surplus income to be used for the purchase of exhibits.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

The WRAC Association Account was transferred to the National Army Museum along with the regimental collection in 1993 when the WRAC Museum was closed and is for the general upkeep of this collection.

All Exhibition amounts are held for future displays.

The NAM Building Appeal Fund has been set up to assist with the cost of future building work at the Museum.

The Buffs' Collection Fund is to be used for the Buffs Museum and Collection (NAM Canterbury).

The War Memorial Fund represents amounts received towards the ongoing upkeep and maintenance of the memorial, which was donated to NAM by the Consignia Heritage Board.

Other restricted grants and donations include amounts received from the National Army Museum Development Trust in connection with the development of the computerised collections management system.

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

14. Analysis of Net Assets Between Funds

	Tangible and Inalienable Fixed Assets £	Investments £	Other Net Assets £	Total 2005 £	Total 2004 £
<u>Restricted Funds</u>					
NAM Land and Buildings	16,341,324	-	-	16,341,324	15,953,374
Leinster Regiment Museum Fund	-	3,029	1,924	4,953	4,811
Indian Divisions Memorial Fund	1,882	4,464	8,121	14,467	14,236
Middlesex Regiment Account	16,544	90,639	5,075	112,258	101,654
CCP Lawson Bequest	-	85,670	11,514	97,184	85,775
WRAC Association Account	-	7,610	5,312	12,922	12,529
Exhibition - Crete	-	-	38,455	38,455	37,335
Exhibition - Veterans of No 1 Commando	-	-	1,275	1,275	1,238
Exhibition - Korean War	-	-	23,421	23,421	22,739
Exhibition - Falklands	-	-	349	349	339
Exhibition - Teenagers War	-	-	1,481	1,481	1,438
Exhibition - 1st Battalion Malaysia Rangers	-	-	646	646	627
Exhibition - British Army in Berlin	-	-	181	181	176
Exhibition - Soldiers of the Raj	-	-	3,156	3,156	3,064
Exhibition - British Army in South Africa	-	-	5,683	5,683	6,123
NAM Building Appeal Fund	-	-	6,114	6,114	5,936
Buffs' Collection Fund	-	-	120,747	120,747	118,085
War Memorial Fund	-	-	28,465	28,465	8,218
Restricted Grants and Donations	491,653	-	123,383	615,036	594,190
	<hr/> 16,851,403	191,412	385,302	17,428,117	16,971,887
Unrestricted Funds	343,065	-	768,316	1,111,381	993,967
Restricted Grant-In-Aid Funds	1,164,291	-	652,250	1,816,541	1,361,665
	<hr/> 18,358,759	191,412	1,805,868	20,356,039	19,327,519

Included in the above figures is the revaluation reserve, the movements on which were as follows:

	2005 £	2004 £
At 1st April 2004	15,818,842	14,676,490
Revaluation in year	689,910	1,159,453
Excess of current cost depreciation over historic cost depreciation	(27,039)	(17,101)
At 31st March 2005	<hr/> 16,481,713	<hr/> 15,818,842

NATIONAL ARMY MUSEUM

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

15. Related Party Transactions

National Army Museum Development Trust

The National Army Museum Development Trust (“the Trust”) is a registered charity, number 278939, connected with the Museum. The principal address of the Trust is care of the National Army Museum Royal Hospital Road, London SW3 4HT.

The funds of the Trust may be applied, at the discretion of the Trust’s trustees, to further the charitable purposes of the Museum or other charitable purposes or institutions. The trustees may not, unless they see special reason, make a payment to the Museum without specifying the particular purpose for which it is to be used, being a purpose for which public funds are not expected to be available. No grants were received from the Trust during the current or previous year.

The balance of funds held by the Trust at 31 December 2004 was £1,696,154 (31 December 2003 £1,562,724). The control and administration of these funds remains, at all times, the full responsibility of the Trust’s trustees.

Friends of the National Army Museum

During the year the National Army Museum received a grant of £23,378 (2003/04 £18,981) from the Friends of the National Army Museum, a registered charity number 234325.

Ministry of Defence

The National Army Museum is classified as an Executive Non-Departmental Public Body, sponsored by the Ministry of Defence (“the MoD”). The MoD is regarded as a related party. Grant-In-Aid funding from the MoD is separately disclosed in the Statement of Financial Activities.

16. Contingent Liabilities

The Museum has a contingent liability in the event of the uninsured loss of exhibit assets loaned to it by third parties. As at 31 March 2005 the aggregate replacement value of inward loans was estimated to be approximately £270,000 (2003/04 £270,000). The Museum’s policy is to reduce this contingent liability by the agreed conversion of loans to gifts or the return of the assets as appropriate and where possible.

NATIONAL ARMY MUSEUM

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE WITH THE APPROVAL OF THE TREASURY

1. The National Army Museum (the Museum) shall prepare accounts for the financial year ended 31st March 1998 and subsequent financial years comprising:
 - a a foreword
 - b a statement of financial activities (SOFA)
 - c a balance sheet
 - d a cash flow statement; and
 - e notes to the accounts, including any such notes as may be necessary for the purposes referred to in the following paragraphs.
- 2 If the Museum has subsidiary undertakings, the statements referred to in paragraph 1 shall be prepared on a consolidated basis. In addition, there shall be a balance sheet in respect of the Museum alone, with relevant notes. When preparing the consolidated accounts, the Council shall observe all relevant guidance issued by the Treasury and the Ministry of Defence.
- 3 The accounts shall give a true and fair view of the incoming resources and application of resources during the financial year, and the state of the Museum's affairs at the end of the financial year.
- 4 Subject to the requirement, the accounts shall be prepared in accordance with:
 - a. the Charities Act 1993. The Charities (Accounts and Reports) Regulations 1995, and the Statement of Recommended Practice (SORP) 'Accounting by Charities' (the Charities SORP):
 - b. generally accepted accounting practice in the United Kingdom (UK GAAP);
 - c. the disclosure and accounting requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for appropriate segmental information for services or forms of service provided) and in other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view:
 - d. the accounting and disclosure requirements given in 'Government Accounting' and in 'Executive NDPBs: Annual reports and Accounts Guidance', as amended or augmented from time to time:

in so far as these are appropriate to the Museum and in force for the financial year for which the accounts are to be prepared.
5. Clarification of the application of the accounting and disclosure requirements of the Charities Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.

NATIONAL ARMY MUSEUM

**ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR DEFENCE
WITH THE APPROVAL OF THE TREASURY**

- 6 The SOFA and the balance sheet(s) shall be prepared under the historical cost convention modified as follows:
- a. by the inclusion of.
 - (1) Fixed assets at their value to the business by reference to current costs: and
 - (2) stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value;
 - b. articles forming part of the Museum's Collections, whether held as exhibits or part of the Study Collection shall not be capitalised, but held at nil/nominal value and the costs of all new articles for the Collections shall be charged to the expenditure in the year of acquisition.
7. The direction shall be reproduced as an appendix to the accounts.

Signed by Authority of the Secretary of State for Defence

Elizabeth McLoughlin

11th November 1998

NATIONAL ARMY MUSEUM

APPLICATION OF THE ACCOUNTING AND DISCLOSURE REQUIREMENTS OF THE CHARITIES ACT AND ACCOUNTING STANDARDS

Charities Act

1. When preparing its Statement of Financial Activities the Museum shall include under “Resources Expended” a heading relating to the inclusion of notional charges for insurance (if applicable) and cost of capital, and shall include an additional heading “Adjustment for the notional costs of capital” after “Net Incoming Resources before Transfers”
2. When preparing its balance sheet the Museum shall have regard to the balance sheet format prescribed in the Charities SORP, save that the balance sheet totals shall be struck at “Total assets less current liabilities”
3. The foreword shall be signed by the Accounting Officer of the Museum and the balance sheet shall be signed by the Deputy Chairman of the Museum Council on behalf of the Council and the Accounting Officer of the Museum and dated. The Accounting Officer shall initial all the other pages of the financial statements.

Accounting Standards

4. The Museum is not required to include a note showing historical profits and losses as described in FRS 3.
5. The Financial Reporting Standard for Smaller Entities (FRSSE) should not be adopted unless specifically approved by the Treasury.

Schedule 2

ADDITIONAL DISCLOSURE REQUIREMENTS

1. The foreword shall inter alia:
 - a. state that the accounts have been prepared in accordance with the direction given by the Secretary of State for Defence with the approval of H M Treasury; and
 - b. include a brief history of the Museum and its statutory background.