

NATIONAL ARMY MUSEUM
REGISTERED CHARITY NUMBER 237902
FINANCIAL STATEMENTS
31ST MARCH 2005

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

CONTENTS	PAGE
Foreword and Report of Council	1
Statement of Council's and Director's Responsibilities	16
Statement on Internal Control	17
The Certificate and Report of the Comptroller and Auditor General to the Secretary of State for Defence	19
Statement of Financial Activities	21
Balance Sheet	22
Cash Flow Statement	23
Notes to the Financial Statements	24
Accounts Direction given by the Secretary of State For Defence with the approval of the Treasury	36

NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31ST MARCH 2005

Introduction

The accounts for the National Army Museum are presented for the financial year ended 31st March 2005. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

The National Army Museum is a charity registered with the Charity Commission (reference no. 237902).

Background Information

The National Army Museum (NAM) was established by Royal Charter in 1960 to collect, preserve, and exhibit objects and records relating to the Regular and Auxiliary forces of the British Army and of the Commonwealth, and to encourage research into their History and Traditions. Devolved status was accorded to the Museum under the terms of the National Heritage Act 1983. The annual Grant-in-Aid, made by the Ministry of Defence (MOD), is administered by the Director of the Museum on behalf of the governing body, the National Army Museum.

No other Museum duplicates the role and scope of the National Army Museum. Its Collections document the history of the Standing Army from *circa* 1415 and of the Militia, Yeomanry, Volunteers, and Territorial Army, both in war and peace. Its story also includes the history of the Indian Army from the granting of the East India Company's Charter at the beginning of the seventeenth century until the Independence of India and Pakistan in 1947, and of the Land Forces of the Crown in all the Continents where there was a British Imperial or Commonwealth presence. In addition to the extensive collections of artefacts owned by the NAM, the Museum also possesses a major national archive of manuscripts, prints, drawings, watercolours and photographs, thereby fulfilling an essential role as a study centre for the Army's history. The Museum forms a major national archive of manuscripts, prints, drawings, watercolours and photographs, fulfilling an essential role as a study centre for the Army's history, while also providing a much-exploited and popular resource for Lifelong Learning.

Address and principal office of Museum

National Army Museum, Royal Hospital Road, Chelsea, London SW3 4HT

Members of Council

Admiral Sir Jeremy Black GBE KCB DSO

Mr Richard Marriott TD

The Hon. David McAlpine

Sir Nigel Mobbs

The Right Reverend Peter J Nott

Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI

The Lady Vaizey

General Sir John Waters GCB CBE JP DL (Chairman)

NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31ST MARCH 2005

Appointment of Members of Council

At a Privy Council Meeting on 22 May 2002, Her Majesty The Queen approved amendments to the Royal Charter of the National Army Museum. In line with para 7(2) of the amended Royal Charter the Members of Council at the date on which the Article came into effect, who had been nominated by the Army Board continued to be Members of the Council and the *ex officio* Members ceased to be Members from that date. In line with para 7(3) of the amended Royal Charter, vacancies in the Membership occurring after the coming into effect of the amended Royal Charter are filled by persons nominated by the Council and approved by the Army Board. Para 8(1) of the amended Royal Charter states that the Chairman of the Council of the National Army Museum shall be nominated by the Council from among its Members and shall hold office (unless he or she shall earlier resign) for the residue of the period for which he or she has been appointed a Member. General Sir John Waters was elected Chairman of Council at the 109th Meeting on 18 June 2002.

At the 125th Meeting of Council on 7 September 2005, General Sir John Waters stepped down as Chairman of Council and at the same time ceased to be a Member of Council. General Sir Jack Deverell, having been appointed a Member of Council on 15 June 2005, was duly elected as the next Chairman. General Deverell will assume the Chairmanship at the 126th Meeting on 26 October 2005.

A Register of Interests is maintained for members of Council. This may be inspected on request at the Museum by prior appointment with the Director of the Museum.

Professional Advisers

Bankers

Lloyds TSB Bank Plc
4th Floor
Hays Lane House
1 Hays Lane
London SE1 2HA

Solicitors

Charles Russell	Penningtons
8-10 New Fetter Lane	Bucklersbury House
London	83 Cannon Street
EC4A 1RS	London
	EC4N 8PE

Auditors

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London
SW1W 9SP

Internal Auditors

Daly, Hoggett & Co
5-11 Mortimer Street
London
W1T 3HS

Investment Advisers

Richard Nunneley
Cazenove Fund Management Limited
12 Moorgate
London
EC2R 6DA

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

Organisation Structure and Decision Making Process

The overall direction and operation of the NAM is vested in the Council of the NAM. The day-to-day operations are controlled by the Director of the NAM with the assistance of a Management Team, which included in the current year two Assistant Directors - Collections and Museum Services. The future of the (vacant) post of Assistant Director (Administration) has been under review.

Frequent, minuted, meetings of this Team take place, together with meetings involving Heads of Department, subject specialists, and the Museum Secretariat to ensure the smooth running of the NAM, with reference to the Museum Mission Statement and the Museum's Risk Management Policy and Matrix of Risks.

The Council of the National Army Museum consists of up to nine members who serve for a period of three years from the date of their nomination. New Members of Council are sought through national advertisement with subsequent applicants being interviewed by members of Council assisted by external assessors. Recommendations are then made for approval by the Army Board.

The Mission Statement

The NAM's Mission Statement is:

"To Collect, Preserve and Exhibit Objects and Records relating to the History of the British Army from c1415 until the Present Day, so that the Achievements, History and Traditions of the British Army should be better made known."

The NAM has an important role on behalf of the Nation as a repository of the History and Heritage of the British Army, as well as supporting Defence Objectives through its contribution to the Army's image in society; to the remembrance of those who have served, and to the education of Servicemen and Servicewomen. In addition, the NAM sees its wider educational role in the community as important in contributing to the delivery of The National Curriculum and Life-Long Learning. Visitors are currently admitted to the NAM Chelsea, and all the Exhibitions there, free of charge.

The NAM Council's aspirations for future development of the Museum have been set out in the Museum's Five-Year Corporate Plan (1999-2004) and Corporate Plan Update (2000-2005), copies of which are available on application. A full Strategic Review was put in hand by the Director following instructions from the Council at the 121st Meeting on 14 July 2004, the 122nd Meeting on 20 October 2004 and updated at the 123rd Meeting on 16 March 2005.

Results for the Year ended 31 March 2005

Total incoming resources for the Museum in 2004-05 amounted to £5,632,785 (2003-04 £5,225,206). Total resources expended amounted to £5,307,362 (2003-04 £5,097,488). After adjustment for notional charges and other recognised gains and losses, the net movement in funds for the year was an increase of £1,028,520 (2003-04 £1,326,195).

The Museum's net assets as at 31 March 2005 amounted to £20,356,039 (31 March 2004 £19,327,519).

Changes in Fixed Assets

Movements in fixed assets are shown in note 7 to the accounts.

NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31ST MARCH 2005

Review of Activities

Introduction

The Financial Year 2004-05 was an intensive period of review and exploration for the Museum. Under the leadership of a newly appointed Director, but with long experience of the Museum and its work, the staff have been encouraged to address issues that are fundamental to the future development of the NAM, especially in the fields of collections management, service delivery and Access and Diversity. This work is an acknowledgement not only of the fact that a new Strategic Plan is needed in 2006, but also of the need to position the Museum in a way which facilitates and encourages the most productive use of its collections in today's society.

A number of the key elements of the Museum's current Corporate Plan remain central to the implementation of the new Strategic Plan 2006-2011, even though much has already been achieved in developing and promoting strategies that address the requirements laid down by Council. This is especially true of the requirement set out in the Corporate Plan to find a collections management solution, albeit a temporary one, for the NAM's core collection of Heritage Military Vehicles which had previously been on loan to the Trustees of the now dissolved Museum of Army Transport in Beverley, East Yorkshire.

Strategic Planning for 2006-2011

The preparatory work for the creation of a new Strategic Plan occupied much of the last half of the year, with special emphasis being placed upon the organization and nature of service delivery, the NAM's relationship with its sponsor, the MOD, and the quality of Access provided by the Museum. Five essential strands of review and development were initiated to feed information to the Director and Management Team:

- An external Management consultancy
- A Branding consultancy
- A Web content management consultancy
- An internal Heads of Department committee
- An internal Access Group

The recommendations arising from this process will be presented to the NAM Council for review and adoption during the next financial year.

Other issues which are sure to feature prominently in the next Strategic Plan will flow from problems arising from the NAM's accommodation at the Royal Military Academy, Sandhurst, the future arrangements for the display, storage and public Access to the Heritage Military Vehicle and Sealed Pattern collections, and the question of an appropriate balance in collections management between acquisition and disposal.

NAM Chelsea

The National Army Museum, Chelsea was built entirely by public subscription and private donation. It stands on a site leased from the Royal Hospital (961 years remaining). The Museum was built and is owned by the Council of the National Army Museum, but it has yet to be completed in full. It is the intention of the NAM Council to concentrate upon the works necessary to develop NAM Chelsea to its fullest potential.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

Special Exhibitions and Permanent Galleries

The Museum's exhibition programme continued two successful Special Exhibitions from 2003-04 and produced two new Special Exhibitions, together with two significant re-displays of sections of the Permanent Galleries.

The first Special Exhibition of the year, entitled *The King's German Legion*, looked at the history of this small army of expatriate Germans, determined enemies of France, raised during the Napoleonic Wars. At its centre was a magnificent silver centerpiece, The Major North Ludlow Beamish Trophy. The centerpiece was presented to Major Beamish by the former officers of the Legion in 1839 as a token of esteem for his excellent and scholarly two-volume unit history (published in 1832 and 1837). It had been generously purchased for the Museum by the Society of Friends of the National Army Museum.

The second Special Exhibition launched during the year, *Operation TELIC*, displays a collection of evocative photographs taken during the current operations in Iraq which reflects the daily routine of conflict for British troops. The photographs were taken over a period of eighteen months by members of the Army's Professional Photographic Trade, and show the war from the initial invasion of Iraq by Coalition Forces in March 2003, to the deployment of the Black Watch Battle Group to assist American forces engaged in counter-insurgency in and around the city of Falluja in October 2004. The images shown in the Exhibition mark a deliberate move by the Chief Photographer, Land Media Operations, away from the traditional style and subject matter of official Army photography. This decision was made in the light of blanket media coverage, embedded civilian reporters and the almost instant delivery of digital images from Iraq. It was felt that the production of purely public relations pictures was no longer tenable, and that the Army was better represented by the provision of images that illustrate the ordinary and extraordinary life of the British soldier in an honest yet visually striking way. What is significant about this Special Exhibition is not just its ability to draw the viewer into the war zone, but its personification of the British military effort. In one powerful photograph, we see oil wells burning violently in the distance, secondary to the emotions and expressions on individual soldiers' faces.

The critically acclaimed Special Exhibition *A Most Desperate Undertaking, The British Army in the Crimea, 1854-56*, which opened in Chelsea in October 2003 to mark the 150th anniversary of the Crimean War, will continue until October 2005. The National Army Museum houses an unrivalled collection on the British Army in the Crimea and visitors to the exhibition can see a lamp used by Florence Nightingale, the order directing the Charge of the Light Brigade, Lord Raglan's telescope, Captain Walker's VC and diary, Roger Fenton's photographs, Captain Louis Edward Nolan's journal and numerous drawings, letters and personal artefacts relating to the ordinary soldiers who were there. The Exhibition, and the National Army Museum publication which accompanies it, edited by Dr. Alastair Massie, Head of the Department of Archives, Photographs, Film and Sound, analyse the role of the Army command and the impact that civilians such as William Howard Russell, Alexis Soyer and Florence Nightingale made on the course of the War. It tells the story of the Crimean War mostly from the perspective of the soldiers who were there - the men whose fortitude won the respect of a nation and inspired the striking of the first democratic medal for gallantry, the Victoria Cross.

Meanwhile, the acclaimed Special Exhibition *730 Days until Demob: National Service and the post-1945 British Army*, has been retained in the NAM's *Modern Army* Gallery.

The re-display of sections of the Permanent Galleries marked the anniversaries of two of the most famous events in the history of the British Army - the Battle of Blenheim in 1704 and D Day in 1944. In June 2004 the NAM opened a new permanent display entitled *D-Day and Beyond* which looks at the service of the Army around the world from 6 June 1944 until the end of the Second World War.

Later in the Summer a major re-display of the *Redcoats* Permanent Gallery was opened to the public. *Redcoats* was launched a decade ago and this re-display commemorates the hard-fought victory won at Blenheim on 13 August 1704. The Battle put an end to forty years of French empire-building that had threatened the liberties of Europe and it marked the coming of age of the British Army. The re-displayed gallery was re-opened on 13 August 2004, exactly 300 years after the Battle was fought.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

The Road to Waterloo Gallery

An ambitious programme of display case refurbishment began in the Gallery during the year and this will continue through the remainder of the Permanent Galleries over the coming months. The refurbishment programme started with the Cavalry (Case 115) and Generals' (Case 118) displays at the beginning of the Gallery. The programme includes the cleaning of objects and glass, re-dressing cases with new panels, re-displaying the existing objects on display and presenting new items not previously shown. All objects will be re-captioned in line with the NAM's up-to-date house-style and information involving a format using a larger and clearer point size, and a position at the front of each case. Items of uniform continue to be introduced on new costume conservation standard torsos as part of the re-display process.

The Siborne Model

A project team was assembled to investigate the possibility of redisplaying Captain William Siborne's near contemporary Model of the Battle of Waterloo in its current location within the *Road to Waterloo* Gallery. The project will be supported in part by the National Army Museum Development Trust, who will generously provide a £60,000 grant towards the cost of the re-display. The work is due to be completed in the next financial year; the 190th Anniversary of the Battle. The project will use new and sustainable technology in order to present a more balanced and detailed account of the battle including the involvement of the Prussian army, which converged on the battlefield during the day to seal the destruction of Napoleon's army. A new viewing gallery will be created on the upper level of the exit from *The Victorian Soldier* Gallery.

The Road to Waterloo Gallery Introductory Audio Visual Installation

During the year much work was completed on a content and presentation review of the now fifteen-year old Waterloo audio-visual display which launches the visitor's experience of the Gallery. New hardware has been ordered and it is due to be installed during the Summer of 2005. Much of the design work has been carried out in-house including the creation of new graphics and a voice-over using *Director* Software.

Other Permanent Displays

Work has continued during the year on improvements and re-display throughout the Permanent Galleries. For example, a display on Close Protection was designed and installed in the *Modern Army* Gallery and the 'Army Today' display at the beginning of the Gallery continues to be kept up-to-date every two weeks incorporating news from the MOD Army Website.

The Department of Design has succeeded in improving the lighting in the Galleries by close co-operation with the Museum's Strategic Facilities Manager. The next major project is to improve the lighting in the Art Gallery with new track and fittings in order to improve the general and display light levels together with the Gallery's ambience.

Five new Gallery Trails were designed and printed in-house during the year largely as a result of a generous, anonymous donation. Four of the five were for use in the *Redcoats* Gallery, and one for use in the *World at War* Gallery. The trails were designed and printed in colour and have proved successful with the Museum's audience, especially so at weekend Special Events. Further Gallery Trails are being produced at the moment, and it is planned that a comprehensive set will be available for all visitors in the near future.

To continue to enliven the main entrance zone of the Museum, a multiple projector system has been installed in the Lower Foyer and an historical image presentation created by the Department of Design with the assistance of the Department of Computer Services. Further presentations are to be designed to accompany and advertise Special Event weekends, significant Army Anniversaries, and for use in support of the Museum's corporate hire portfolio.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

Collections Management

The major elements of collections management work during the year centred on the need to provide the facilities and environment required for the preservation of the Museum's Heritage Military Vehicles, together with the fullest possible access by curatorial staff.

The NAM Heritage Military Vehicle Collection

The heart of the collection consists of vehicles selected over many years by the former Royal Corps of Transport (RCT) to illustrate the development of British military transport from the 1920s to the 1960s. There was (and is) no comparable collection in any military museum in the United Kingdom - or for that matter in the World. It represents a vital and irreplaceable link in the material history of the British Army. Furthermore, the curatorial values of the RCT Collection included mechanical excellence and roadworthiness, and this is a tradition of care which the National Army Museum has tried to maintain where possible.

Individual items were donated to the National Army Museum (NAM) by the RCT from 1994, but much of the collection was transferred to NAM by a Parliamentary Gift approved on 23 December 1997. In parallel to this collection, the NAM had itself been collecting a small number of significant armoured vehicles and artillery pieces to illustrate developments in both of these specialities. After the two collections merged in 1998, the NAM continued to collect actively, by gift and purchase, further items to enhance the Collection. These consisted of rare examples of vehicles important to both British military and automotive history. In 1998 a programme of annual maintenance was instituted to keep all of the NAM vehicles and artillery pieces in good mechanical condition - if not full working order - while important items were restored to full working order in line with museum display standards. This programme was supported by the Society of Friends of the National Army Museum.

The Core Vehicle Collection

An assessment of the Military Heritage Vehicle collection was made in the light of the NAM's revised Acquisitions and Disposal Policy, approved by Council at the 120th Meeting on 30 March 2004. It became clear in the course of this exercise, carried out under the auspices of the newly created Acquisitions & Disposals Committee of Council, that out of the NAM's 156 heritage vehicles, including 17 railway engines, a number of vehicles and equipments formed a core collection of overriding historical significance. Thus, some 70 have been designated as a 'Core Collection', of particularly significant pieces, which are either unique, or whose loss from the Collection would be highly detrimental to its integrity. Many of them date from the years after the First World War - which are not well-represented in the NAM Collections as a whole - and are an important element in the Museum's holdings on the 'khaki', or machine-age, period of the British Army. While it is intended to eventually introduce some of these vehicles into the displays at Chelsea, where space and floor loadings permit, and to arrange for others to be shown elsewhere on loan, it will always be necessary for some (perhaps around 50%) of this 'Core Collection' to be in store (as a Study Collection) at any one time. Of the remainder, which includes 17 railway locomotives and items of rolling stock, strenuous and successful attempts were made to disperse these to other museums, although in order to satisfy the requirements imposed by the Museums, Libraries and Archive's Council's Museum Registration procedures, reflected in the NAM's own Acquisitions and Disposals Policy, this understandably took some months to achieve.

For the record; among the more significant items which had been collected by the RCT was a Morris 5cwt. 'Gutty' of 1947 [NAM. 1994-11-3], the only surviving prototype of the vehicle which became the Champ, the British replacement for the US Jeep. Another unique surviving prototype is the Triumph Mk. 2P three-wheeled motorbike [NAM. 1994-11-9] dating from 1926, when the War Office was conducting experiments to improve cross-country performance. From the same period and utilising the same chain tracks for the rear wheels is the Morris 30cwt. CD Truck [NAM. 1994-11-10], while the Willys Jeep [NAM. 1998-09-42] is one of the earliest surviving examples used by the British Army during the Second World War, and which has not been modified for post-War road use. The famous Pink Panther Land Rover 109 is also represented [NAM. 1998-09-51], as are

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

several vehicles used during 'The Troubles' in Northern Ireland. The most interesting of these is the Humber Pig Squirt, of which only 32 of this variant, with its water cannon, were ever made. This example [NAM. 1998-09-64] has been fully restored to Northern Ireland specifications. Vehicles used in the Second World War North African campaign (1940-43) are also well represented; the fully restored Bedford MWD 15cwt Truck with 2Pdr Anti-tank Gun 'en-portee' [mounted on its back] dates from 1940 - it is the only such example [NAM. 1998-09-65].

The campaign in North-West Europe in 1944-45 is illustrated by some unusual and extremely rare vehicles. The amphibious Bushmaster Buffalo LVT3 [NAM. 1998-09-79] is the only working specimen left in any military collection, and in consequence has attracted attention from as far away as the United States. Even more unusual is the Scammell three-wheeled Mechanical Horse and Trailer in Airborne Forces livery [NAM. 1998-09-80 and -82] which was to have been used to provide logistic support during Operation MARKET GARDEN at Arnhem. Had the operation proved more successful these vehicles would have been flown in by glider and used to deliver ammunition to troops on the ground; but in the event they were never deployed. As well as these rare items there are examples of Austin, Thornycroft, Ford, Bedford and GMC lorries, and a wide variety of Land Rovers, and motorcycles.

Among the NAM's Collection of representative artillery pieces and armoured fighting vehicles is a Whitworth 16Pdr RML [Rifled Muzzle Loader] gun of 1872 [NAM. 1991-06-1], the last muzzle-loader issued to the Royal Field Artillery. NAM also acquired 2Pdr, 6Pdr. and 17Pdr. anti-tank guns, as well as a 25Pdr. and a FV 433 Abbot self-propelled gun. The Centurion Mk. 5 Tank in the Collection, which by virtue of its main armament is a unique item, has been fully restored, as have Saladin and Ferret armoured cars. The Society of Friends of the National Army Museum purchased a rare Morris Commercial CS8 15cwt. Command Post Vehicle [mobile headquarters] manufactured in 1938 [NAM. 1992-03-41] which has also been fully restored - most of these types of transport were lost in the campaign in France (1940). The US Army generously donated a M548 Tracked Cargo Carrier [NAM. 1994-01-42] used by the Royal Artillery during the 1990-91 Gulf War, which has been restored to full museum condition. The NAM received from Berlin the Ceremonial Land Rover used by the late Queen Elizabeth the Queen Mother during her visits to the city, together with its VIP Escort Vehicle [NAM. 1994-11-52 and -53]. Included in the NAAFI Collection was the last surviving Ford 10 hp Mobile Canteen Van [NAM. 1999-11-173] manufactured in 1939.

Following the merger of the former RCT collection NAM continued to acquire rare examples of British Army vehicles including a Land Rover with Cuthbertson tracks, the only surviving Morris Commercial CS8 Bowser lorry from 1940, a Morris Commercial CDSW 30cwt. lorry restored to its Dunkirk colour scheme, and a 1938 Norton 500cc. motorcycle [NAM. 2001-07-1160] also in Dunkirk colours. A Daimler Dingo Scout Car of 1942 has recently been completely restored. The NAM has also acquired a Crossley-Kegresse Half Track dating from 1925, and a Morris Commercial CDFW of 1935 for restoration, both of which are the only surviving examples of their type.

The Move to DSDC North, Donnington

The sudden closure of the Museum of Army Transport (MAT) in Beverley, East Yorkshire by its Trustees in August 2003 meant that the NAM collections housed there would have to be moved to new premises which, at that stage, had not been identified. Accordingly, in order to secure and audit its property in Beverley the Museum took a one-year lease on the Flemingate premises and negotiated the purchase of the MAT's own collection with the liquidators appointed following the MAT Trustees' petition for insolvency.

The intensive search for accommodation for these collections continued during the year and it became clear through the good offices of the Ministry of Defence that appropriate, temporary, accommodation was available at DSDC North, Donnington at a commercial rent.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

The move from Beverley in East Yorkshire to Donnington in Shropshire was an enormous undertaking, particularly as it was undertaken by road during winter. The initial lift, 166 road vehicles, artillery pieces and armoured fighting vehicles, was moved from Beverley to Donnington by 3 Tank Transport Squadron of 8 Transport Regiment Royal Logistic Corps during the fortnight commencing 24 January 2005. The move of the collection of Master Sealed Patterns and the Soldiers' Effects Records were undertaken by a firm of commercial removers under contract to the Defence Transport and Movements Agency during the week commencing 21 February 2005. Other items were moved by a variety of contractors under contract to the NAM during the remaining weeks up to the final purging of the site in early April.

The intricacies and uncertainties that are necessarily present in the physical transfer of large collections, and in any departure from a leased site, meant that a substantial financial contingency had to be created and carried forward to the next Financial Year, the operation being still in progress on 31 March 2005.

Accessions to the Collections

Accessions and retrospective cataloguing are entered on to the Museum's Collections Database and Network Infrastructure (CABAL) which was originally established to provide the National Army Museum with a successor system to the &MAGUS Collections Management System. The CABAL system was introduced in 1998 and it provides the NAM with a centralised, Museum-wide documentation system that can support both accessioning and cataloguing. The Department of Computer Services has continued to plan the future of the CABAL collections database system with an emphasis on integration with a Website Content Management System and the seamless integration of the Department of Photography's conversion to digital photography.

The number of new Accession Numbers issued during 2004-05 totalled 1,375, out of 5,192 accessions entered, divided between the following departments: Weapons, Equipment & Vehicles (WEV): 520; Archives, Photographs, Film & Sound (APFS): 464; Fine & Decorative Art (FDA): 305; Uniform, Badges & Medals (UBM): 85. In addition, 485 new records were created by the Department of Printed Books in this period. For 2003-04 the number of new Accession Numbers totalled 1,541 out of a total of 7,883 accessions entered with a total of 34,928 Part Records (documenting groups of objects under single Accession Numbers) created over the same period. During the year 2004-05 four items were de-accessioned from the collections.

The Documentation Team continued to keep pace with new accessions despite strains due to the absence of the Documentation Manager on maternity leave for almost the entire period, and the loss for four months of two-thirds of the data entry team due to resignations. The entry of records for existing items in the collections progressed during the year with the following totals being entered on CABAL the NAM's Collections Database:

Master Records entered: 5,192
Part Records entered: 21,151
Printed Books entered: 827

This provided overall totals for CABAL entries since 1998, as follows:

NAM new Accessions: 21,987
Total Data Records: 49,765 Total Part Records: 174,768

These records document nearly 300,000 individual artefacts. The Museum's Negative List Database currently holds over 100,000 records and it is now an integral part of CABAL, linking digital images to catalogue records with a total of 29,642 scanned images now loaded onto CABAL of which 11,467 have data records linked to them. All new digital photography is formatted in such a way that new images are incorporated into CABAL as a matter of course. The Department of Computer Services contracted out the digitisation of the Museum's Accession Registers during the year and the Documentation Team has continued to work on terminology and data standards relating to Keywords.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

The Department has continued to enter data on a thematic basis for various projects, including the preparation of material for on-line publication. The vast majority of WEV collection's accession records have now been entered onto CABAL and form the majority of the completed individual collections. The Department of Computer Services has continued to carry out systematic retrospective data entry across the Museum's collections, primarily APFS and UBM material. Archive records dating back to 1983 have been entered along with a substantial amount of photographic material. The data entry of Major W J Sale's photograph collection of 24 albums relating to his service with the 3rd County of London Yeomanry (Sharpshooters) during the Second World War campaigns in North Africa, Sicily, Italy and North-West Europe, for example, has been completed. Computer Services have worked with the Department of Design and Department of Photography to ensure that the regime of case cleaning results in the capture of new captions and images for CABAL.

Acquisitions to the Collections

In September 2004, the Department of Printed Books received from the Ministry of Defence a substantial quantity of early printed books, previously part of the MOD Whitehall Library's 'Special Collection.' That part of the collection transferred to the NAM comprises some 160 volumes, many of them rare, the earliest dating from 1515, although the majority were published in the seventeenth and eighteenth centuries. Most are campaign histories, or works dealing with military drill and fortification. The collection has a truly European flavour, including as it does works in French, German, Italian, Latin, and Spanish, published in places as diverse as Venice, Edinburgh, Munich, and Utrecht.

Another major acquisition of the year, The Major North Ludlow Beamish Trophy, a magnificent silver centrepiece (NAM. 2004-08-1) commemorating the service of the King's German Legion, has already been mentioned. It was presented to Major Beamish by the former officers of the Legion in 1839, as a token of esteem for his excellent and scholarly two-volume unit history (published in 1832 and 1837).

Other acquisitions by the Department of Fine and Decorative Art included The Eric Dawson Collection (NAM. 2004-11-1 to -95) and 'View of the Camp of the third Royal Engineers Division, Bois-de-Boulogne', during the Occupation of Paris, 1815, watercolour over pencil, signed and dated in ink at bottom left, 'G Scharf 1815', by George Scharf, 1815 (NAM. 2005-03-49). The former is an important collection of watercolour paintings, drawings and associated printed material relating to the artist's military service in North Africa and the Middle East during the Second World War, together with his letters home (which had formed the basis of an exhibition at the NAM in 1992, 'Dawson's Army'). The latter provides an eye-witness view of the encampment and surrounding activities, including soldiers and civilians promenading in the Bois-de-Boulogne, during the Allied Occupation of Paris after the Battle of Waterloo.

Information Technology & Communications

The Museum continued to make progress in the field of Information Technology and Communications, especially in relation to data entry, systems development and user facilities.

A number of internal databases has been developed or refined during the year including a Periodicals Database for the Department of Printed Books, an automated Internal Request Form and a Shop Order database. Amendments were also made to the Room Bookings and Personnel Databases and new databases for tracking contractors and AV projects have also been created.

The Museum's Permanent Galleries have benefited during the year from a several new IT installations, including the installation of three new AV consoles for D-Day, National Service and the *Redcoats* Gallery. A number of DDA compliant consoles have been commissioned for navigation installations throughout the Museum for installation in the next financial year.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

A new NAM Website, built around a Content Management System, is under development and consultations with potential suppliers has taken place and the subsequent demonstrations of various systems have been evaluated. No new features have yet been added to the Museum's internet connection or firewall settings. We have successfully blocked the vast majority of spam with our online scanning of emails, and have also blocked 100% of email viruses in and out of the NAM's gateway.

Access

Users

In common with the trend experienced by other national museums in the capital the NAM's total of visitors fell in 2004-05 to 119, 972 (2003-04: 132,848), but visits to the Museum's website climbed steeply to 430,387 (2003-04: 292,000), an increase over the previous year of some 47%. As in previous years, Museum users through postal, telephone and Email enquiries continued at a very high level. The Museum answered enquiries from over 75,000 users during the year, as well as accommodating 1,856 researchers in the Reading Room. That public awareness of the NAM's value continues is demonstrated by a committed Special Events audience, increasing levels of media interest, and continuing involvement by co-operating and supporting stakeholders, including during 2004-05 The BBC, The History Channel, English Heritage, Visit London, the Museums, libraries and Archives Council, the Royal Mail, Historic Scotland, University College London, The London Philharmonic Orchestra, Newcastle University and the Royal Borough of Kensington and Chelsea.

The NAM Website brings the Collections of the Museum and the Army history they represent to a worldwide audience. The infrastructure of the Museum's digitization programme in relation to photography has now been completed, with no discernible loss in the quality of the product.

Visitor programmes during the year included 14 Special Events, most of them lasting entire weekends, 2 Study Days, 3 International Conferences, 41 Lunchtime Lectures and 2 Celebrity Lectures.

The Museum's publishing programme which is dedicated, in accordance with the NAM's Royal Charter, to setting the past achievements of the Army before an ever larger, national and international audience continued to produce new works. The commemoration of the 60th anniversary of D Day saw a new Edition of the NAM's publication *Monty's Men*. This publication looks at Operation OVERLORD from the point of view of the ordinary British soldier and fully illustrates his experiences in Normandy in 1944. Some 80,000 copies of *Monty's Men* were distributed with copies of the *BBC History Magazine* for June 2004. For the second edition fourteen additional pages and many new photographs from the Museum's collections were added to the text of the original (1994) publication.

Following the success of the *National Army Museum Book of the Boer War* (published in 1999, ISBN 0283063335) written by the late Field Marshal Lord Carver, the *National Army Museum Book of the Zulu War* (ISBN 0283073276) by Ian Knight, a widely recognized authority on the Anglo-Zulu War of 1879 and the history of the Zulu Kingdom, was published in February 2003. Lord Carver's second book for the Museum, *The National Army Museum Book of the Turkish Front 1914-1918* (ISBN 0283073470) was published at the beginning of April 2003, and the latest title in this series *The National Army Museum Book of Wellington's Armies* (ISBN 0 283 073489) by Andrew Uffindell was also published during 2003. In recognition of the publications that appeared in 2003 the NAM was awarded the much prized Duke of Westminster Medal for Military Literature in November 2004.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

Two 'What's On' brochures were produced to promote the Museum's Lifelong Learning activities. These received wide distribution (some 500,000 copies being printed), including museums throughout the Country, hotels, libraries and Tourist Information Centres. The database to compile comments and suggestions from visitors to the Museum has continued to be used as an important feedback mechanism for our current operations.

User Services

During the year the Museum's catering contract expired and following a thorough and demanding tender process Thomas Franks was awarded the new contract. The pause between contracts was used to re-furbish the café with modern furniture and equipment. Re-opened as the *Great Escape* the café offers high quality catering with flair. The work of the Museum's Department of Design has been central to the look and design of the café, since that Department has supervised the production of a range of promotional literature to coincide with the launch and ongoing promotions. Work has included table talkers, posters, A-board signs, menus, flyers and postcards, stickers, adverts and logos. Hand-in-hand with the promotion of the services provided by the café has gone the presentation of advertising relating to revenue generating activities provided by the Museum such as corporate hospitality and birthday parties.

The internal signage at the Museum was reviewed during the year. In particular, the comments and suggestions from the members of the public and from staff who have regular contact with the public were taken into account. New signage was produced in-house and included a new map of the building showing the location of the various galleries, displays, exhibitions and services. A leaflet was also produced to accompany the new signage to enable visitors to plan their visits more easily, and especially as an aid for the less mobile in planning visits.

During the year the National Army Museum became a member of Unique Venues of London (UVL). UVL is a select group of unusual venues embodying the essence of the finest entertainment in London. Housing some of Britain's finest military treasures, the Museum offers a number of special features to help event managers exploit the military theme.

From 26 November to 21 December 2004 the Museum hosted the BBC WW2 Peoples' War Roadshow so that the public could come and record their stories of the Second World War for posterity.

For the launch of Museums & Galleries Month, whose theme was transport, in May 2004 the Museum took stories of soldiers' bravery on to the streets of London in an innovative advertising campaign that saw black taxicabs 'dressed' in uniforms worn by British soldiers of the past. Thirty London taxis could be seen for a whole year 'wearing' the uniforms of a Gordon Highlander at Waterloo, a hussar from the Charge of the Light Brigade, and a United Nations peacekeeping soldier operating in the Lebanon in 1983. On the flipseats in each cab London residents and visitors could read the story of the soldier whose uniform was featured on the particular taxi.

Learning Services

Learning for all ages continues to be a major priority in the Museum's work and the capacity of the NAM to expand its Learning services, attracting new audiences and responding to a wide range of opportunities, has been amply demonstrated in recent years. Our vision is to encourage learning by people of all ages, backgrounds and abilities. The Museum's success in this respect has been especially marked in its Primary and Secondary school programmes, in the regular Special Events at Chelsea, and increasingly through its Outreach activities

Over the course of the year 2004 - 2005 the Museum's Department of Education dealt with a total of 35,969 Life-Long Learning visitors to Chelsea as opposed to 24,033 during 2003-04. This total can be broken down into the following sections:

4,685 Primary, 9,831 Secondary, 289 Sixth form, 3,166 Army, 33 Special Needs, 9,856 at Special Events, 734 Further Education, 7,375 Adult.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

Additionally, the Department of Education worked with 82,236 members of the public at Outreach Events such as external school visits and large scale public events which included Westminster at War, the Army Exhibition for Schools Bassingbourne, the Royal International Air Tattoo, English Heritage's History in Action at Stoneleigh Park, Audley End, and Tilbury Fort, and also with Historic Scotland at Edinburgh Castle. During the year the Department of Education carried out the feasibility Study for the Ministry of Defence on the Living Museum commemoration of victory during the Second World War that will take place in St. James's Park in July 2005. The NAM's participation in this event is being grant supported by the Museums, Libraries and Archives Council.

As part of its commitment to tell the Soldier's Story, the National Army Museum in Chelsea runs a free public programme of weekend events and lunchtime talks throughout the year. The events look at battles, campaigns and elements of Army life, medieval to modern. Combining talks by historians and authors, live interpretation and hands-on art activities, they are a great day out for families and military enthusiasts alike. The NAM's Special Events, which are mounted by the Department of Education, were attended by some 10,000 additional visitors to Chelsea during the course of the year. The historical topics featured at these events ranged from a Court of Enquiry into the conduct of Lord Chelmsford during the Zulu War of 1879, to 'Sutler, Suffragette and Soldier: women's fight for the right to serve.' At the former, visitors were able to meet historical interpreters in the role of soldiers back from Africa, Benjamin Disraeli and the Zulu King Cetshwayo.

The NAM's Outreach Events aim to take the story of the British soldier over the centuries to people and communities who cannot necessarily visit London. It would be impossible to take accessioned objects from Museum displays across the country, but through living history, visitors can engage with the past in a very different way – by literally coming face-to-face with it. At the Museum enclosure during events they can talk to characters from the past about their lives and experiences, see and handle original and replica kit and equipment, and try on replica uniforms. It brings history to life, and therefore has a cross-generational appeal.

Assistance to other Museums

The Museum's support of Regimental and Corps Museums through its pastoral care service continued at a level of intensity which attests both to the service's reputation and to the spirit of development that is to be found amongst the country's military museums. The projects undertaken or continuing during the year included planning and feasibility studies and re-display schemes for the following museums: the Royal Irish Fusiliers Regimental Museum, Armagh, the Military Intelligence Museum, The Royal Regiment of Fusiliers (Royal Warwickshire) Regimental Museum, The Royal Inniskilling Fusiliers Regimental Museum, Enniskillen, The Bedfordshire and Hertfordshire Regiment Museum, Luton, The Worcestershire Soldier Museum, 1st The Queen's Own Dragoon Guards Regimental Museum, Cardiff, The Royal Military Police Museum, Chichester, and The Kent and Sharpshooters Yeomanry Regimental Museum. Additionally, the NAM acted as Curatorial Adviser to a number of museums under the MLA Registration scheme and ran two week-long Training Courses in Chelsea which were attended by 20 regimental curators.

During the year, the National Army Museum continued to provide support to the Heritage Lottery Fund, the Museums, Libraries and Archives Council, the National Art Collections Fund, the Victoria and Albert Museum Purchase Grant Fund, the Army Dress Committee, the Adjutant General's Corps Dress Committee, British Military Attachés in various parts of the world.

Trading Activities

In the financial year 2004-05 the Museum produced a trading profit of £30,875 compared to a reported profit for 2003-04 of £34,679. In compiling the results for the year, the Museum has revisited the income and expenses allocated as trading activities. If a similar allocation had been applied for 2003-04 then the trading profit for that year would have been £13,382.

NATIONAL ARMY MUSEUM

FOREWORD AND REPORT OF COUNCIL

YEAR ENDED 31ST MARCH 2005

The Way Forward, 2004-05

As has been mentioned already, major issues of Collections Management, Access, branding and funding face the National Army Museum in the immediate future, and these will require the application of adequate resources, in human and financial terms, if they are to be resolved to the satisfaction of the Museum's current and potential users. Above all, we must be able to make the public want to seek out the answer to the question:

“So what was it like then, being a soldier?”

Answering this question is central to the mission of the National Army Museum because it is a Museum about people - the men and women who have served in the British Army over the last 500 years. By preserving their history we help to preserve the memory of their energy and commitment given in the service of their country, so that questions like this can then be answered for generations to come.

Policy on reserves

The NAM's reserves, are defined for the purposes of this policy, as the amounts shown as 'Investments' and 'Net Current Assets' which are attributed to unrestricted funds. As at 31 March 2005, the level of the Museum's reserves stood at £768,316 (31 March 2004 £649,076).

The NAM aims to build up its restricted funds so that they can be used as needed in accordance with restrictions imposed by the donors.

Grant-in-Aid funds are used to support the day to day operations of the NAM.

The NAM aims to grow its unrestricted funds by means of prudent investment so that it has sufficient funds available to deal with such matters that arise as are not covered by Grant-in-Aid.

Investment Policy

The NAM invests surplus funds other than Grant-in-Aid in prudent investments with the aim of maximising funds towards the future development of the Museum. As a result these funds will be invested in British Government Fund Gilts, Cash Investments and Equity Bond Funds. Professionally managed equity based funds which have long-term growth as their key objective are also acceptable.

The NAM is not permitted to invest Grant-in-Aid funds.

Relationship with related parties

Details of related parties and transactions with these parties are shown in note 15 of the financial statements.

NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31ST MARCH 2005

Payment of Creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within thirty days or in accordance with suppliers' terms of business.

The Museum's actual payment performance during the year was that 100% (2003/04 100%) of bills were paid within the thirty day target.

Equal Opportunities & Disabled Persons

The Museum is committed to managing staff solely on the basis of actual performance in the job and to considering new applicants solely on the basis of ability to do the job, and is seeking ways to encourage applications from people with disabilities. The Museum has issued an Equal Opportunities Policy, and monitors staff and applicants' disability status, as well as their age, ethnic background and marital status.

Employee Involvement

Senior Management maintain communication with NAM employees through Health and Safety Committee Meetings with staff and trade union representatives as well as through departmental meetings, informal meetings, and by internal memoranda. In addition, there is regular access to Human Resources and Finance Committee Meetings, which report formally to the Director.

Post Balance Sheet Events

There have been no post balance sheet events up to and including the date of signature of these accounts, which might affect the reader's understanding of the financial statements.

Auditors

These accounts are audited by the Comptroller and Auditor General in accordance with the Museum's Royal Charter. No non-audit services are provided to the Museum by the auditor.

DR ALAN J GUY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum
.....2005

NATIONAL ARMY MUSEUM

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

STATEMENT OF COUNCIL'S AND DIRECTOR'S RESPONSIBILITIES

Under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales, the Council is required to prepare financial statements for each financial year which give a true and fair view of the National Army Museum's financial activities and of its financial position at the end of the year.

In preparing financial statements, giving a true and fair view, the Council is required to:

- observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

Under law applicable to charities in England and Wales, the Council is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Council to ensure that the financial statements comply with applicable law. The Council is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Secretary of State has appointed the senior full time official, the Director, as the Accounting Officer for the National Army Museum. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of Parliamentary funded (Grant in Aid) finances for which he is answerable and for the keeping of proper records, are set out in the Non-Departmental Bodies' Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting'.

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2005

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer and members of Council we have joint responsibility for maintaining a sound system of internal control that supports the achievement of the policies, aims and objectives set by the Council of the National Army Museum in the Museum's Corporate Plan, while safeguarding the public funds and the Museum's assets for which the Accounting Officer is personally responsible in accordance with the responsibilities assigned in *Government Accounting*.

2. The purpose of the system of internal control

The system of internal control is designed to manage to a reasonable level, rather than eliminate all risk of failure to achieve the Council's policies, aims and objectives for the Museum; it can therefore only provide reasonable, and not absolute, assurance of effectiveness.

The system of internal control is based on an ongoing process of assessment and scrutiny, overseen by the Audit & Remuneration Committee of the National Army Museum Council, designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the National Army Museum for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts. The Museum believes its system of internal control accords with Treasury guidance.

3. Capacity to handle risk

We have responsibility for reviewing the effectiveness of the system of internal control. The Museum has established the following process to achieve this:

- Management seeks to identify and evaluate any risks to the Museum's business in the context of their potential impact on the achievement of the objectives set by the Council of the National Army Museum.
- The identification, and evaluation, of risk is an integral part of the Museum's performance management, with the provision of appropriate risk awareness and risk management training.
- The Museum has in place a statement of Risk Appetite and Strategy supported by a Risk Register and Matrix.
- The Museum structures already in place, or which will be introduced progressively, to manage risk, in line with the provisions of the Museum's *Corporate Plan*, *Government Accounting*, the NAM Financial Memorandum, Treasury guidance and other statements of best practice.
- Meetings of the Museum Director and Senior Management Team, including sub-committees of the Management Team covering Finance, Human Resources, Health & Safety at Work, Security and Governance.

NATIONAL ARMY MUSEUM

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

4. The risk and control framework

The Council approved at its 120th Meeting on 30th March 2004 the Museum's Statement of Risk Appetite and Strategy and Risk Matrix. This identifies and controls risks across the whole range of its activities, including museological concerns, as well as building, security, finance, employment and governance issues. The risk matrix records and grades the key risks that the Museum faces, lists the controls that are in place to mitigate the risk, details any action required, assigns control of the risk to an individual and gives a review date and who they must report to. The Audit & Remuneration Committee of Council reviews the risk matrix annually and reports its findings to the full Council.

The National Army Museum has an externally provided Internal Audit facility, which operates to standards defined in the Government Internal Audit Manual. The work of the Internal Audit facility is informed by an analysis of the risk to which the Museum is exposed, and annual Internal Audit plans are based on this analysis. The analysis of risk and the Internal Audit plans are endorsed by the Audit & Remuneration Committee and approved by me. At least annually, the Head of Internal Audit (HIA) provides me with a report on Internal Audit activity in the Museum. The report includes the HIA's independent opinion on the adequacy and effectiveness of the Museum's system of internal control.

5. Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, the Audit & Remuneration Committee of Council, which oversees the work of the Internal Auditor, the Senior Management Team within the Museum, which has responsibility for the development and maintenance of the control framework, and comments made by the External Auditors, the National Audit Office (NAO), in their management letters and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit & Remuneration Committee of the Council and a plan to address weaknesses and ensure continuous improvement of the system is in place. Weaknesses identified from these reviews are fully considered, and agreed recommendations for improvements implemented at the first opportunity.

DR ALAN J GUY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

.....2005

NATIONAL ARMY MUSEUM

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE SECRETARY OF STATE FOR DEFENCE

I have audited the financial statements on pages 21 to 35 under the Museum's Royal Charter of 1960 as amended in 1988. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 24 to 26.

Respective responsibilities of the Council, the Director and the Auditor

As described on page 16, the Council and the Director, as Accounting Officer, are responsible for the preparation of financial statements and for ensuring the regularity of transactions funded by Parliamentary grant ('Grant in Aid'). The Council and the Director are also responsible for the preparation of the Foreword. In discharging my responsibilities, as independent auditor, I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession. I have been appointed as auditor under the Museum's Royal Charter dated 26 October 1988, and report in accordance with regulations made under Section 44 of the Charities Act 1993.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and the directions made by the Secretary of State for Defence, and whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Museum has not kept proper accounting records or if I have not received all the information and explanations I require for my audit.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 17 and 18 reflects the Museum's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

Basis of Audit Opinion

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

NATIONAL ARMY MUSEUM

FINANCIAL STATEMENTS

YEAR ENDED 31ST MARCH 2005

**THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO
THE SECRETARY OF STATE FOR DEFENCE (continued)**

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, by fraud or other irregularity and that, in all material respects, the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the National Army Museum as at 31st March 2005 and of the incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Charities Act 1993 and the directions made by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

John Bourn
Comptroller and Auditor General

2005

National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP

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 Expenditure £	Total £
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
TOTAL 2004/05	1,659,591	1,952,309	1,434,024	219,199	5,265,123
TOTAL 2003/04	1,288,514	2,005,241	1,586,060	180,013	5,059,828

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
	30,875		
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	Computer	Fixtures &	Total
	Buildings	Equipment	Fittings	£
	£	£	£	
<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
	16,971,887	731,360	275,130	17,428,117

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 £
Restricted Funds					
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
Bufs' 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
	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
	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	16,481,713	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.