

NATIONAL ARMY MUSEUM
REGISTERED CHARITY NUMBER 237902
CONSOLIDATED FINANCIAL STATEMENTS
31ST MARCH 2012

NATIONAL ARMY MUSEUM
CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

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NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
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REFERENCE AND ADMINISTRATIVE INFORMATION

Introduction

The accounts for the National Army Museum are presented for the financial year ended 31 March 2012. 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) and a Non-Departmental Public Body, sponsored by the Ministry of Defence.

Address and principal office of Museum

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

Subsidiary Company

The Museum undertakes trading activities through its wholly owned subsidiary, National Army Museum Trading Limited (Company number 6707366)

Professional Advisers

Bankers

Lloyds TSB Bank Plc
25 Gresham Street
London
EC2V 7HN

Solicitors

Charles Russell
5 Fleet Place
London
EC4M 7RD

Auditors

The Comptroller and Auditor General
157 - 197 Buckingham Palace Road
London
SW1W 9SP

Internal Auditors

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

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STRUCTURE, GOVERNANCE AND MANAGEMENT

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 through the Ministry of Defence (MOD), is administered by the Director of the Museum on behalf of the governing body, the Council of the National Army Museum.

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 Jack Deverell was elected Chairman of Council at the 125th Meeting on 7 September 2005. The Museum's Royal Charter was revised with effect from 8 July 2009. The relevant clause relating to the appointment of Members of Council is as follows: "7(1) The Membership of the Council shall be such number of persons as the Council shall from time to time determine being not more than twelve nor fewer than five."

Council has chosen to subscribe to the Commissioner for Public Appointments Code of Practice for Public Appointments Procedures. In particular, Members of Council have affirmed their commitment to the Principles of Public Life.

Members of Council have due regard to the guidance on the public benefit requirements as issued by the Charity Commission.

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.

Members of Council

General Sir Jack Deverell KCB OBE (Chairman)
Mrs Judith Anthony
Mr Keith Baldwin
Mr Mihir Bose
Mr Patrick Bradley
The Rt Hon Lord Freeman PC MA FCA CRAeS (until July 2011)
Mr Richard Nunneley MBE (until October 2011)
Professor William Philpott (appointed April 2011)
Major General Charles G C Vyvyan CB CBE MA MSc
Mrs Deborah Younger

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Recruitment, Appointment and Training of Trustees

New members of Council are sought through national channels with applicants being interviewed by members of Council assisted by external assessors. Appointments are then approved by the Army Board. All new members receive information as laid down by the Charity Commission. They also visit the Museum for induction training provided by the Museum Director and other members of staff.

Organisation Structure and Decision-Making Process

The overall direction and operation of the NAM is vested in the Council of the Museum. The Council of the National Army Museum consists of up to twelve members who serve for a period of three years from the date of their nomination. The Committees of Council, with their membership during the year, were:

<u>Acquisition & Disposal</u>	Professor William Philpott (Chair) Mr Mihir Bose Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI (nominated member)
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<u>Audit & Remuneration</u>	Mrs Deborah Younger (Chair) The Rt Hon Lord Freeman PC MA FCA CRAeS (Chair until July 2011) Mr Keith Baldwin Mr Patrick Bradley (until July 2011) Mr Jeremy Archer (nominated member)
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<u>Capital Campaign Steering Group</u>	General Sir Jack Deverell KCB OBE (Chair) Mr Patrick Bradley Mr Richard Nunneley MBE (until October 2011) Major General Charles G C Vyvyan CB CBE MA MSC Mr Timothy Cooke (nominated member)
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<u>Nominations</u>	General Sir Jack Deverell KCB OBE (Chair) The Rt Hon Lord Freeman PC MA FCA CRAeS (until July 2011) Mr Richard Nunneley MBE (until October 2011)
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The Nominations Committee was formed for the specific purpose of seeking new Members of Council and appointing a new Director of the Museum. It sits with an independent external assessor.

The day-to-day operations are controlled by the Director of the NAM with the assistance of the Management Team. The following were the members of the Management Team during the year:

Mrs Janice Murray	Director
Dr Peter Boyden	Assistant Director (Collections) until 23 January 2012
Mr David Bownes	Assistant Director (Collections) from 19 March 2012
Mrs Debbie Harris	Assistant Director (Services) until 22 December 2011
Mr Mike O'Connor	Assistant Director (Operations)
Miss Teresa Scott	Assistant Director (Human Resources)

Frequent meetings of the Management Team take place, together with meetings involving heads of department and subject specialists, to ensure the smooth running of the NAM, with reference to the Museum's Mission Statement and Purpose and the Museum's Risk Management Policy & Matrix of Risks. The Matrix of Risks, which is regularly updated, is used as the basis of Internal Audit.

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OBJECTIVES AND ACTIVITIES

The National Army Museum's objectives were set out in its Royal Charter, first granted in 1960. Its preamble states that the National Army Museum was established 'for the purpose of collecting, preserving and exhibiting objects and records relating to the history of Our Army so that the achievements, history and traditions of Our Army should be better made known'.

'Our Army' is defined by Her Majesty The Queen in Council as including 'the Standing Army, Militia, Yeomanry, Volunteers, Territorial Army of the British Islands, Territorial Army and Volunteer Reserve of the United Kingdom, Our Predecessors' Army in India and the Armies of the East India Company and the Land Forces of Our and Our Predecessors' possessions beyond the seas'.

In July 2011 the Museum adopted a new Strategic Plan which adopted the following Vision, Mission and Core Values:

Vision:

'To be the leading authority on the history of the British Army and a first class museum that moves, inspires, challenges, educates and entertains'.

Mission:

'To gather, maintain and make known the story of the British Army and its role and impact in world history. To provide a museum experience that meets the widest range of public need and connects the British public with its Army'.

Core Values:

Relevance, Insight, Quality, Enjoyment, Access, Learning.

The Plan includes 5 Key Strategic Objectives:

- Create memorable, relevant and accessible activities aligned to audience need in order to maximise audiences and generate footfall.
- Establish the NAM, nationally and internationally, as the first choice for the history and life of the British Army.
- Maximise financial resilience, organisational efficiency and sustainability.
- Safeguard and make accessible the collections and associated knowledge.
- Develop a national footprint by establishing a network of partnerships, linkages and working relationships.

The Plan aims to achieve growth of 30% in visitor numbers and 20% in learning audiences while ensuring visitor satisfaction levels do not fall below 96%; an increase in commercial income of 150% and aims to raise £22million in external funding over the Plan period.

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ACHIEVEMENTS AND PERFORMANCE

2011-12: A Year at the National Army Museum

The Museum enjoyed its most successful year to date, welcoming 270,812 visitors through its doors – the highest in its history - with a packed programme of acclaimed exhibitions and innovative events and digital projects. The Museum hosted 64 days of free events and 20 ticketed events and the visitor experience was enhanced with the delivery of new exhibitions and facilities.

Education users increased by 20%, while enquiries from the public rose by 14% and the number of users of the Templer Study Centre by 25%. Attendance at the weekly Thursday lecture continued to grow, and the podcasting of these worldwide was made possible by generous sponsorship from a member of the public.

The Museum had record virtual visitors, many of whom came from outside the UK; the Museum's website and its social networking outlets increased its unique visitor interaction by 37%.

Industry recognition was received through NAM's longlisting for *The Telegraph's* Family Friendly Museums Award and being shortlisted at the prestigious Museums & Heritage awards for *War Horse: Fact & Fiction*.

The Museum continues to receive high ratings from its visitors with almost 99% of visitors stating they would recommend a visit and 87% saying they had learned something new.

Chelsea Development

The long term goal of the redevelopment of the Chelsea site was taken forward with the completion of a Master Plan, Audience Development work and the submission to the Heritage Lottery Fund of a phase 1 bid for a £350,000 development grant. The Museum learnt that it had been successful with its phase 1 bid in April. It is now proceeding with a phase 2 bid on a total project cost of £22,750,458, of which the Museum has already identified £2,014,158 for submission in October 2013.

The redevelopment project will allow the Museum to advance with all five of its strategic objectives over the plan period, through both the development of facilities on-site at Chelsea and the establishment of a national profile through networked loans and exhibition during the re-development of the Chelsea site.

The Museum's new Development Office was set up with support from the National Army Museum Development Trust in order to drive fundraising to support the re-development.

Work has continued to place National Army Museum Trading Limited (NAMTL) on a secure footing with the appointment of the Museum's first Commercial Development Manager. A clear focus on increasing profit has involved the re-organisation of the retail team, renegotiation of costs, implementation of a number of efficiencies and better use of resources, improved financial reporting and the re-allocation of full costs to NAMTL.

Caring for the Collection

This year the move of 90% of the Museum's Study Collection from Sandhurst to state-of-the art new facilities at Stevenage was completed. A huge undertaking, the project involved many staff from across the Museum and volunteers. Bar coding of the collections has improved Audit and Inventory trail and the improved recording and storage will make the Collection more accessible than ever before.

The move has facilitated the review of collections leading to the return of many historic inward loans and the de-accessioning of duplicate items or those items which fall outside of the Acquisition & Disposal Policy, most of which have been successfully re-homed in other museums.

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Building on last year's inventory work, the museum created a trial *On-line Collection* facility with information on over 2,000 items accessible to the public. Public feedback on the facility will help shape its content and future development. Over 44,000 Books are now available, along with over 95,000 other items. The Museum has also joined the Public Catalogue Foundation (PCF) to put its entire collection of oil paintings into the public domain through the PCF website.

People

The Museum's pilot volunteer programme was successfully launched and the scheme has been expanded to include the area of education and commercial services; over the year 36 volunteers contributed 7,715 hours. Volunteers have also been involved in supporting the Museum's varied curatorial work including research, cataloguing, accessioning and packing.

'The volunteering position with NAM has given me a real insight into museums and how they operate'.

'Volunteering at the National Army Museum has provided me with an opportunity to gain essential practical experience of museums work'.

In December 2011, Dr Peter Boyden Assistant Director (Collections) retired after 38 years with the Museum. The Museum appointed as his successor, Mr David Bownes, formerly Head Curator at the London Transport Museum.

National and International links

The Museum supported Regimental Museums through the delivery of the two Regimental Curators' Courses. These was supplemented by a successful trial partnership with the Army Museums Ogilby Trust (AMOT) to deliver specialist training to Regimental Museum staff in photographic identification.

In October, the Museum launched its *Famous Regiments* section of the website providing links from the NAM website to regimental museums websites and shops. Over 80 regiments have been included to date and more will be added going forward.

Although loans were temporarily suspended from April 2011 - April 2012 in order to free-up staff to concentrate on the storage move from Sandhurst, existing committed loans were supported including a tour of some of the works from *Indian Armies: Indian Art* to the exhibition *Princes and Painters in Mughal Delhi, 1707-1857* in New York and the preparation of the Buffs collection for re-display at the Beaney Institute in Canterbury for its Autumn re-opening.

The year saw the Museum launch its bursary programme and now supports two PhD students studying military history topics. In partnership with the National Army Museum Development Trust (NAMDT), the Museum also awarded two grants to University students to encourage use and academic publication of the Museum's collections.

Museum staff wrote articles for the SOFNAM newsletter, Transactions of the London and Middlesex Archaeological Society, Icon News and Who Do You Think You Are? magazine.

The Museum attracted widespread national and international press coverage for its on-line poll to identify *Britain's Greatest Foe*. Throughout history Britain has faced many formidable enemy commanders. Five were shortlisted and the poll culminated in a series of targeted talks by leading authors and journalists. The final selection demonstrated the global nature of the British Army's deployments throughout the centuries. George Washington was voted the Greatest Foe, beating off competition from Michael Collins, Napoleon Bonaparte, Erwin Rommel and Mustafa Kemal Atatürk.

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Access and Audience Development

The Council of the National Army Museum continues to believe that the most important objective for the Museum is to provide the widest possible access to its Collection and to the professional expertise of its staff. This is achieved in a variety of ways. Access is provided through public events, outreach, the loan of important objects to other museums, assisting researchers in the Templer Study Centre, answering enquiries, providing formal learning sessions, the website and through public access to the Museum. Admission to the Museum and to all its exhibitions has always been free and this commitment to free public access is demonstrated in much of the work the Museum does.

The Museum continues to develop and monitor its target audience through focus groups and surveys. A selection of visitor comments (all presented as written) gives a snapshot of the success the Museum has had in reaching a wide range of audiences:

'I thought the Museum was interesting, well presented + informative. Both adults + my children gained from our visit. We appreciated the fact that admission was free. The cafe was excellent, good quality food + friendly staff. Keep up the good work'

'Four family members aged 11 - 58 and all were enthralled'

'What a great place. The children loved it, the parents loved it and the grandparents loved it!'

In addition to repeat visitors, the Museum continues to attract large numbers of first-time attendees, who are impressed with NAM's displays and events:

'My husband and I were speechless at how the information was displayed it was great and eye catching we learnt that we have always been a country of honour'

'Great Museum I enjoyed it a lot. I have to return, I just couldn't finish reading everything! Thank you a lot for making my day better. You have a wonderful Museum.'

'This is a fab museum. Great layout, kept boys interested. Will recommend to friends. Staff very friendly and helpful. Thank you'

Special Exhibitions and Permanent Galleries

In April *The Making of Britain* opened on the first corridor. From civil war at home to conflict on the Continent, this special display investigates the Army's role in creating and defending the nation state of Great Britain we know today. It tells the story of the Army from the medieval era through to the early 18th century, a period that witnessed both the forging of the modern nation state and the creation of a distinct British national identity.

The display includes portraits of two of Britain's greatest commanders, Oliver Cromwell and the Duke of Marlborough, as well as life-size figures of a Royalist cavalryman, a Parliamentarian pikeman and a Parliamentarian musketeer.

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In September, *Draw Your Weapons: The Art of Commando Comics* was launched in partnership with leading publisher, DC Thomson. This explosive display, which is due to close in April 2012, showcased key artwork and illustrations drawing on the 50 years of the 'Commando' series. DC Thomson were integral to the development of the display, providing original items from their vast archive and invaluable creative input.

Central to the exhibition is the true-life inspiration behind the comics, the British Army Commandos. There are original artefacts, photographs and filmed interviews with two Second World War British Army Commandos.

In October the Museum was delighted when its new Special Exhibition, *War Horse: Fact & Fiction*, was opened by HRH the Duchess of Cornwall. A much acclaimed, hands-on interactive exhibition for all the family, this compelling story is brought to life using exclusive material through innovative partnerships with Michael Morpurgo, Disney, the Brooke and the acclaimed stage production by the National Theatre. The touching 'real life' stories of the horses and men who depended on them are illustrated through the Museum's rich collection encouraging visitors to think about the millions of War Horses who have supported the British Army across time.

'To staff at the National Army museum I love this exhibition about War Horse and the museum is the greatest army museum in London.'

I only had time to visit the 'War Horse' exhibition. It was superb beyond expectation. I intend to revisit the museum'

Throughout the building the Museum continues to illustrate how ordinary soldiers, and the Army as a whole, have contributed to the history of Britain.

The Kids' Zone, the Museum's Early Years Learning gallery was re-located and upgraded and re-launched with a new booking model in July 2011. Building on its hugely popular predecessor, with forest and arctic-themed climbing frames for children to scale, slide and run through, the new area explores aspects of army life from camping to clothing, include a dedicated soft-play space for babies, plus arts and crafts, dressing-up costumes, books, interactive toys and panels. At the heart of the new Kids' Zone are the six key principles of Early Years Foundation Stages, ensuring that children are learning, moving, communicating and socially interacting, whilst having fun in the Museum. Once again the Museum saw an increase in attendance at half-term holiday events covering topics such as *Soldiers Stories* and *Horse Stories*.

Education that Informs, Entertains and Inspires

The provision of learning opportunities for all is at the heart of the Museum's mission. This year saw a marked increase in attendance, to almost 23,000, the fifth annual rise in succession.

Formal learning

Sessions taught by the Museum's experienced and knowledgeable educators are available to school groups, Army groups and adult learners. Once again, the Museum was pleased to observe an increase in bookings and attendance, with a large rise in Secondary school bookings and increased provision for adult and army units. Staff were delighted to deliver sessions to soldiers from Army Training Centre Pirbright as part of their basic training.

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	2011-12	% change from previous year
Primary	6475	+2
Secondary	10603	+29
Sixth Form	1322	-37
Army	3334	+46
Adult	1174	+198
TOTAL	22908	+18

Special talks were also held by world-renowned experts such as Peter Snow, Max Hastings and Saul David, as well as a series of in-depth discussion events covering a broad range of topics from the British Army's campaign in Malaya to the Anglo-Zulu War. These ticketed events were attended by over 2,000 visitors.

Half-term event	2011-12	2010-11 (comparable events)
'Soldiers' Stories', 1 – 4 June 2011	2381	5573
'Horse Soldiers', 22 – 30 October 2011	12901	9206
'Horse Soldiers', 11 – 19 February 2012	10901	10288
TOTAL	26183	25067

A Dynamic, World-Class Collection

Major acquisitions 2011-12

Over the year the Museum continued to add items to its nationally-important Collection. Through these acquisitions the NAM strengthens its position as the first choice for the history and life of the British Army. Some objects are intended for immediate display in the galleries, while others are added to key parts of the study collection.

The Department of Exhibits have acquired a remarkable blue and red broad striped horse blanket said to have been used by Maj Tyrwhitt Drake, Royal Horse Guards, at the Battle of Waterloo (NAM. 2011-06-27).

Exhibits also acquired a medical kit (NAM. 2011-11-22) which belonged to Maj John Grice, Royal Army Medical Corps, c1944. Grice was one of the first British officers to enter Bergen-Belsen concentration camp in 1945 and the kit was generously donated to commemorate Holocaust Memorial Day.

Other new additions to the Department's holdings include a touching bracelet made in memory of Cpl David Barnsdale, 61 Field Sqn, 33 Engineer Regiment, Explosive Ordnance Disposal, c2010 (NAM. 2012-01-6). Barnsdale was killed by an Improvised Explosive Device (IED) on the 19 October 2010 during Operation Herrick 13 (October 2010 - April 2011). The bracelet is stamped 'David Barnsdale Our Fallen Hero'. His parents produced similar bracelets and gave them to all serving with their son's unit - as of January 2012, all members of his unit still wear their bracelets.

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This is juxtaposed with another bracelet (NAM. 2012-01-7) which was worn by his friend LCpl Jose Carvalho De Matos, during the same operation. 'Sophie' is woven into it, the name of De Matos' girlfriend and he paid an Afghan \$5 to make it for him. He wore it as a lucky charm while he served in Afghanistan and he believed it worked because he walked over the IED that later killed Barnsdale.

The Museum is fortunate to have also acquired a tunic (NAM. 2012-02-1) worn by Lt Campbell Clark, 2nd Bengal European Fusiliers, showing bullet holes from when he was shot in the stomach at Cawnpore, 1857. Clark was returned as mortally wounded but recovered and came home in May 1858. Remarkably the bullet had cut his gold watch chain, and the exit wound did not heal until a link of the chain with a scroll of lead adhering to it came away.

The Department of Archives, Photographs, Film & Sound have acquired an important set of papers and photographs relating to the Londonderry Militia, later the Londonderry Light Infantry, which was converted to artillery in 1882 and ultimately became the Londonderry Royal Garrison Artillery (NAM. 2011-07-3 & -4).

Photographs were also acquired relating to Maj William Edmond Logan Stewart (NAM. 2011-08-14 to -24). He served throughout the Boer War with the 1st Mounted Infantry, most notable in command of Maxim guns. Among other engagements he was present at the Relief of Kimberley, the advances to Johannesburg, Middleburg and Komati Poort. Later he was ADC to Gen Sir E A H Alderson. Maj Stewart was mentioned in despatches three times, and was awarded the Queen's South Africa Medal with 6 clasps and the King's South Africa Medal with 2 clasps.

The Department was fortunate to acquire a collection of papers (NAM. 2011-12-3) belonging to Sgt Reginald Alfred Bailey, 1/4th Bn The Buffs (East Kent Regiment). This compelling collection details his service in India during the First World War and has already been selected for publication in the Museum's forthcoming book *Wives & Sweethearts*.

Other key acquisitions for the Department include further archives (NAM. 2011-11-18) purchased at auction to complement the Museum's Gen Lord Henry Seymour Rawlinson papers (NAM. 1952-01-33). The Museum has also acquired papers (NAM. 2012-03-9) relating to Lt William Francis Brougham Radcliffe Dugmore, written during the Uganda Mutiny, providing a real sidelight on history.

The Department of Fine and Decorative Art acquired a significant collection of First World War material from David Cohen Fine Art (NAM. 2011-06-1 to -22). Among these works is a rare eye-witness sketch of an action in Palestine, dated the day before the Battle of Megiddo, 19-20 September 1918; a collection of humorous drawings made in Salonika in 1916 by a corporal in the Royal Engineers; a preliminary study by the sculptor Gilbert Ledward for a panel of the Guards Division Memorial on Horse Guards Parade, and two unusual African spoons carved with the figures of Askaris in uniform, c1916.

At the annual Armed Forces Art Society's exhibition the Museum acquired two paintings, both portraits of soldiers on active service in Afghanistan although by different artists. These are Toby Ward's Study for Cpl Roberts 52 and Fusilier Thomas 81, a study for a painting commissioned by the Royal Welch Fusiliers (NAM. 2011-08-11), and the other depicting a gunner radio operator, by Templer Prize-winner, Sgt Richard Salter (NAM. 2011-08-12). NAM was also the only museum collection to acquire paintings from MOD-sponsored war artist Jules George's *Into the Valley* exhibition. The two paintings, (NAM. 2011-06-35 and -36), are based on the artist's eye-witness sketches of an intense firefight that took place in Helmand on 20 February 2010, and they fill a gap in the Collection's coverage of this theatre of conflict in depicting troops in action against the Taliban.

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The Department also bought an interesting set of prints after Lt Col Edmund Arthur Ponsonby Hobday, c1900 (NAM. 2011-10-1-1 to -27). Each print illustrates a letter of the alphabet with a humorous military scene relating to artillery.

The Museum also added to its collection of works of art by David Rowlands: the latest acquisition is a print (NAM. 2011-10-2) showing soldiers from the Combat Logistic Patrol mounting two Land Rover WMIK, with fire support vehicles standing guard by the roadside, as Heavy Equipment Transporters (HET) carrying the parts for a Chinese made turbine progress along Highway 611 en route to Kajaki Dam, Helmand Province in August 2008.

Purchase Grant

Purchase Grant of £44,364 was spent during the year. The museum received a Purchase Grant of £117,000 which coupled with unused grant carried forward of £102,503 from prior years leaves £175,139 to be carried forward for purchases in subsequent years. The Purchase Grant was expended upon the following important items:

Accession number	Object	Purchase price in £s	Purchased from
NAM. 2011-04-2-1 to -18	Photograph album compiled by Gen Sir John Alexander Ewart, 93rd (Highlanders) Regiment of Foot, 1838-1888.	2,600.00	Christopher Bryant
NAM. 2011-05-1 & -2	Russian Hussars officer's sword with scabbard, carried by Dep Asst QMG John Alexander Ewart, 93rd Highlanders, during the Crimean War (1854-1856).	1,250.00	
NAM. 2011-06-1	"We saw you going, but we knew you would come back". Entry of the 5th Lancers into Mons, 11th Nov 1918, oil on canvas by Richard Caton Woodville, 1919.	11,965.00	David Cohen Fine Art Ltd
NAM. 2011-06-2	'Medjel Yaba - The First Day of the Turkish rout out of Palestine and Syria', watercolour by Pte Odin Rosenvinge, Army Service Corps, 1918.		
NAM. 2011-06-3	Preliminary study for the panel on the Guards Division Memorial, Horse Guards Parade, c1918, pen and ink drawing by Gilbert Ledward, RA PRBS, c1923.		
NAM. 2011-06-4	Caricature portrait of Capt J A Barrow, 21st Divisional Ammunition Coy Royal Field Artillery, 1918, watercolour by Tpr Con Planck, 1918.		

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NAM. 2011-06-5 & -6	Two watercolours by 2Lt Noël Bower Jackson, 2nd/ 5th Bn Sherwood Foresters (Nottinghamshire and Derbyshire Regiment), 1914.		
NAM. 2011-06-7 to -17	Collection of 11 watercolours by Cpl William Briggs Twibell, Royal Engineers, 1916.		
NAM. 2011-06-18 & -19	Two coloured lithographs after 'Snaffles' (Charles Johnson Payne), 1916.		
NAM. 2011-06-20	Stationery set with image of FM Lord Kitchener, c1914.		
NAM. 2011-06-21	African wooden spoon carved with the figure of an Askari in uniform, c1916.		
NAM. 2011-06-22	African wooden spoon carved with the figure of an Askari in uniform, c1916.		
NAM. 2011-06-23-1 & -2	Forage cap and tunic, 1914-18, associated with the Machine Gun Corps.	1,000.00	Mark Finneran
NAM. 2011-08-1 to -9	Collection of watercolours, 1815, by Denis Dighton (1792-1827).	7,800.00	Sotheby's
NAM. 2011-08-11	Study for Cpl Roberts 52 and Fusilier Thomas 81, drawing by Toby Ward, 2004.	2,325.00	Armed Forces Art Society
NAM. 2011-08-12	'Operator', oil on canvas by Richard Salter, 2011.		
NAM. 2011-08-35	'Battle', oil on linen by Jules (Julian) George, MOD war artist, 2010.	10,700.00	Jules George
NAM. 2011-08-36	'Between 9 and 12:15, 20th February 2010 (C Squadron Household Cavalry Regiment, Fire Support Group)', oil on linen by Jules (Julian) George, MOD war artist, 2010.		
NAM. 2011-10-1-1 to -27	A collection of 27 prints after Lt Col Edmund Arthur Ponsonby Hobday, published by Charles Abingdon, c1900.	200.00	David Cohen Fine Art
NAM. 2011-11-1 to -16	A collection of recruiting posters, c1955 – c1970.	400.00	Sabre Sales
NAM. 2011-11-18, -20 & -21	A collection of 69 letters, 18 photographs and papers relating to Gen Lord Henry Seymour Rawlinson, 1st Baron Rawlinson and his wife, 1899-1925.	3,658.00	Keys Fine Art Auctioneers

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NAM. 2012-01-2 & -3	Sketchbooks, 1898 and 1915, by Lt (later Lt Col) Reginald Copleston Bond, 2nd Battalion King's Own Yorkshire Light Infantry.	1,990.00	David Cohen Fine Art Ltd
NAM. 2012-01-4	Album of decoupage silhouette portraits of prisoners of war interned at Magdeburg, including British, French, Belgian and Russian soldiers, c1914-18, by unknown artist.		
NAM. 2012-03-25	'North American Indians delivering up English captives to Col Henry Bouquet, commander of the Royal American Regiment', engraving by P C Canot after Benjamin West, 1765.	475.80	Grosvenor Prints
NAM. 2012-03-26	Engraving showing soldiers attacking civilians in a meeting house, possibly a book illustration published in America, c1775 -1780.		

Accessions to the Collection

Accessions and retrospective cataloguing are entered on the Museum's centralised Collections Database and Network Infrastructure (CABAL). Work has also continued on the important retrospective documentation of all areas of the Collection. New accession numbers issued during 2011-12 totalled 202 (2010-11: 1,565), plus 7,751 new accessions to the Printed Books collection. The overall totals for CABAL entries from 1998 to 2012 are therefore 96,974 data records plus 51,095 book records (last year 43,344), and 356,034 part records (last year 337,583).

Loans

As in every year, the Museum is called upon to lend objects to exhibitions around the world: a tribute to the Museum's wide-ranging and diverse Collection. Some exhibitions are international blockbusters, others are smaller affairs but all provide an opportunity for the Museum's artefacts to be seen by a wider public.

In May, the Canadian War Museum borrowed Capt Boldero's letter written during the Crimean War (NAM. 1989-01-133-16). The letter went on display as part of its exhibition *War and Medicine*, which was also shown at the Wellcome Trust in 2008.

In June, the Museum was pleased to lend two key artworks by Eric Kennington (NAM. 2001-11-134 and NAM. 2009-02-84) to the RAF Museum, as part of the exhibition *The Face of Courage*. The exhibition closes in May 2012.

The Asia Society Museum, New York, borrowed four important Ghulam Ali Khan Skinner watercolours (NAM. 1956-02-27-1; 2; 3 & 5) for display in its Special Exhibition, *Princes and Painters in Mughal Delhi, 1707 – 1857*, which runs from February until May 2012. They also featured in NAM's 2010 exhibition *Indian Armies, Indian Art: Soldiers, collectors and artists 1780 to 1880*.

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The Museum has also agreed to loan over 40 items relating to The Buffs (Royal East Kent Regiment) as part of the Beaney Institute's re-display in Canterbury. The exhibition is scheduled to open in September 2012 and the loan agreement will be initially for 10 years.

Disposal

Disposal of items from the Collections is a key part of the Museum's collections management programme. In combination with continued acquisition, focussed disposals will ensure that the Museum's Collections remain fit to tell the Army's stories. All disposals are processed in line with the Museum's Acquisition & Disposal Policy, along with the Museum Association's Code of Ethics.

This year duplicate firearms, sealed patterns, books, prints, badges, buttons and edged weapons were transferred to other museums. This has helped free up valuable space in the stores and fill gaps in regimental museum collections.

After the NAM unsuccessfully offered military badges, buttons and metal letters from the Gaunt collection to the museum community, these items were consigned to auction. They were sold by Dix Noonan Webb in July and September, realising a net total of £68,534.56. A set of railway plates, two model guns, two chairs and various books were also sold after no museum came forward, realising £1,829.82 so far. Other items from the Gaunt Collection which were beyond economic repair were scrapped, having no place in a national collection, realising £400.00. All the money raised will be invested in the long-term development of the Collection. Destruction is only considered as a last resort or when an item poses a Health and Safety risk to staff or the public.

The long-term result of the Museum's disposal programme is a leaner, fitter Collection, more focussed on the needs of our visitors and users and better fitted to fulfil the requirements of the Museum's Royal Charter.

Date of disposal request	ID No	NAM Acc Number	Object	Result of disposal
09/07/2010	623	1963-11-130 & -131	Two model guns	Sale by auction, November 2011
09/07/2010	626	unacc	Two chairs	Sale by auction, November 2011
01/04/2011	850	2000-10-355-1 to -4	Rifle	Transfer
01/04/2011	848	unacc	Bicycle	Transfer
01/04/2011	841	unacc	Pistol	Transfer
01/04/2011	852	unacc	Badges	Transfer
01/04/2011	854	unacc	Home-made weapon (Beyond Economic Repair)	Destruction
01/04/2011	843	unacc	Scabbard	Transfer
01/04/2011	842	unacc	Kukri and sharpening knives	Transfer

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04/04/2011	855	1998-09-98	Diesel engine	Write-off
08/04/2011	851	2002-05-31	Truck	Transfer
12/04/2011	856	unacc	Badges	Sale by auction
12/04/2011	857	unacc	Buttons	Sale by auction
13/04/2011	858	unacc	Badges	Sale by auction
11/05/2011	839	unacc	Two blunderbusses	Transfer
11/05/2011	840	unacc	Mau-Mau weapon	Transfer
11/05/2011	859	unacc	Rifle	Transfer
11/05/2011	860	unacc	Rifle barrel	Transfer
11/05/2011	861	unacc	Two flintlock pistols	Transfer
11/05/2011	862	unacc	Strap with metal rod	Transfer
11/05/2011	863	Part of 1964-10-204-34	Cleaning rod	Transfer
11/05/2011	864	unacc	Kukri with sheath	Transfer
11/05/2011	865	unacc	Two kukris	Transfer
11/05/2011	866	unacc	Oil bottle	Transfer
11/05/2011	867	unacc	French bayonet and scabbard, 1878	Transfer
11/05/2011	868	unacc	Austrian Steyr bayonet	Transfer
11/05/2011	869	unacc	Gras bayonet	Transfer
11/05/2011	870	unacc	USA No 41 M8 scabbard	Transfer
11/05/2011	871	unacc	Bayonet and scabbard	Transfer
11/05/2011	872	unacc	Arisaka rifle scabbard	Transfer
11/05/2011	873	unacc	Steyr Austrian bayonet	Transfer
11/05/2011	874	unacc	Mauser bayonet	Transfer
11/05/2011	875	unacc	Bayonet and scabbard	Transfer
11/05/2011	876	unacc	RAF survival knife	Transfer
11/05/2011	877	unacc	Bayonet and scabbard	Transfer
16/05/2011	878	unacc	Minutes	Transfer
02/06/2011	879	1966-05-12-2	Duplicate print	Transfer
02/06/2011	880	1969-10-364	Duplicate print	Transfer
02/06/2011	881	1965-11-12	Duplicate print	Transfer
02/06/2011	882	1965-01-153	Duplicate print	Transfer
02/06/2011	883	1994-01-1-84	Duplicate print	Transfer
02/06/2011	884	unacc	Duplicate print	Transfer

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02/06/2011	885	1964-01-34	Duplicate print	Transfer
02/06/2011	886	1957-08-8-2	Duplicate print	Transfer
02/06/2011	887	1956-02-722	Duplicate print	Transfer
02/06/2011	888	1962-06-32-1	Duplicate print	Transfer
29/06/2011	890	1972-05-69	Naval pistol fuse	Transfer
29/06/2011	891	1972-06-39	Naval pistol fuse	Transfer
29/06/2011	892	1974-03-131	Naval pistol fuse	Transfer
29/06/2011	889	1991-11-25	AA Gun	Write-off
01/07/2011	895	1963-12-251-31	Civilian Maxim gun	Transfer
05/07/2011	894	1959-11-412-1 & -2	Side drum with cover	Transfer
13/07/2011	896	1986-08-13	ATS lanyard	Transfer
29/07/2011	853	unacc	Two kukris	Transfer
23/09/2011	898	unacc	Boots (Beyond Economic Repair)	Destruction
23/09/2011	899	unacc	Hats (Beyond Economic Repair)	Destruction
23/09/2011	900	unacc	Waist belt clasps and numerals (Beyond Economic Repair)	Destruction
23/09/2011	901	unacc	Buttons and badges (Beyond Economic Repair)	Destruction
23/09/2011	902	unacc	Wax badge/plate moulds (Beyond Economic Repair)	Destruction
23/09/2011	903	unacc	Button moulds (Beyond Economic Repair)	Destruction
23/09/2011	904	unacc	Buttons (Beyond Economic Repair)	Destruction
23/09/2011	905	unacc	Letters, numerals & brooches (Beyond Economic Repair)	Destruction
23/09/2011	906	unacc	Buttons and badges (Beyond Economic Repair)	Destruction
05/10/2011	907	unacc	Badges and buttons	Transfer
29/09/2011	908	unacc	Shirt	Transfer
29/09/2011	909	unacc	Hats	Destruction
03/10/2011	911	1978-12-14	Centrepiece	Write-off
06/10/2011	912	Various	Books	Sale by auction
18/10/2011	913	unacc	Boots (Beyond Economic Repair)	Destruction
18/10/2011	914	unacc	Brooches (Beyond Economic Repair)	Destruction

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19/10/2011	915	unacc	Buttons and badges	Transfer
19/10/2011	916	unacc	Railway plates	Sale by auction
08/11/2011	917	unacc	Khaki wool greatcoat	Transfer
22/11/2011	918	unacc	Badges, buttons, buckles, pennants, pins	Transfer
22/11/2011	919	unacc	Various badges	Transfer
22/11/2011	920	unacc	Various badges	Transfer
29/11/2011	921	Various	Books	Sale by auction
12/12/2011	922	1951-03-14-2	Drum	Write-off
30/12/2011	923	1957-02-30-15	Duplicate print	Write-off
30/12/2011	924	1963-08-49-1	Duplicate print	Write-off
30/12/2011	925	1963-08-49-2	Duplicate print	Write-off
30/12/2011	926	1957-02-30-13	Duplicate print	Write-off
30/12/2011	927	1952-01-67	Duplicate print	Write-off
30/12/2011	928	1969-10-556	Duplicate print	Write-off
30/12/2011	929	1969-10-561	Duplicate print	Write-off
30/12/2011	930	1969-10-30	Duplicate print	Write-off
30/12/2011	931	1968-05-12	Duplicate print	Write-off
30/12/2011	932	1951-04-29	Duplicate print	Write-off
30/12/2011	933	1951-04-28	Duplicate print	Write-off
30/12/2011	934	1968-06-54	Duplicate print	Write-off
30/12/2011	935	1968-06-299	Duplicate print	Write-off
30/12/2011	936	1968-06-52	Duplicate print	Write-off
30/12/2011	937	1968-06-49	Duplicate print	Write-off
30/12/2011	938	1969-10-86	Duplicate print	Write-off
30/12/2011	939	1972-11-59	Duplicate print	Write-off
30/12/2011	940	1951-02-37	Duplicate print	Write-off
30/12/2011	941	1951-06-6	Duplicate print	Write-off
30/12/2011	942	1963-06-43-5	Duplicate print	Write-off
30/12/2011	943	1959-07-195-2	Duplicate print	Write-off
30/12/2011	944	1952-07-26	Duplicate print	Write-off
30/12/2011	945	1969-10-484	Duplicate print	Write-off
30/12/2011	946	1973-11-148	Duplicate print	Write-off
30/12/2011	947	1956-02-316	Duplicate print	Write-off
30/12/2011	948	1952-04-4-2	Duplicate print	Write-off
30/12/2011	949	1974-12-9	Duplicate print	Write-off
30/12/2011	950	1960-02-84	Duplicate print	Write-off
30/12/2011	951	1964-12-139-17	Duplicate print	Write-off
30/12/2011	952	1964-04-4	Duplicate print	Write-off
30/12/2011	953	1963-09-632-4	Duplicate print	Write-off
30/12/2011	954	1960-06-144-6	Duplicate print	Write-off
30/12/2011	955	1961-12-792-6	Duplicate print	Write-off
30/12/2011	956	unacc	Duplicate print	Write-off
30/12/2011	957	1960-06-144-3	Duplicate print	Write-off

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03/01/2012	958	unacc	Various badges	Transfer
30/12/2011	959	1966-05-12-1	Duplicate print	Write-off
30/12/2011	960	1966-05-12-11	Duplicate print	Write-off
30/12/2011	961	1968-05-8	Duplicate print	Write-off
30/12/2011	962	1959-10-337	Duplicate print	Write-off
02/02/2011	847	unacc	Sealed patterns	Transfer
02/02/2012	849	unacc	Hospital Clothing	Transfer
02/02/2012	964	unacc	Sealed patterns	Transfer
02/02/2012	965	unacc	Sealed pattern	Transfer
02/02/2012	967	unacc	Sealed pattern	Transfer
02/02/2012	969	unacc	Sealed pattern	Transfer
02/02/2012	970	unacc	Sealed patterns	Transfer
03/02/2012	972	unacc	Badges and buttons	Transfer
02/03/2012	975	1967-08-13-1	Martini-Henry artillery .45in carbine	Transfer
02/03/2012	976	unacc	Button mould	Transfer
02/03/2012	977	unacc	Scottish sword pistol	Transfer
05/03/2012	978	2001-04-158	Tin boxes (Beyond Economic Repair)	Destruction
05/03/2012	980	2001-03-03	Camp chair	Transfer
05/03/2012	981	1988-10-63	Folding chair	Transfer
05/03/2012	982	1998-10-275	Wooden mallet (Beyond Economic Repair)	Destruction
09/03/2012	984	unacc	Prison cap	Transfer

Conservation and Collections Care

The Conservation Department, as well as managing routine conservation for loans and Special Exhibitions, played a major part in the decant of the Study Collection from Sandhurst to Stevenage. They also provided expert advice to the public and other institutions around the world.

The move also included the innovation of introducing a new bar-coding system to track temporary and permanent locations of the Museum's objects. The system has already revolutionised the way the Collection is managed and accessed: using iPads, wireless technology and the latest software, this cost-effective solution has meant over 14,000 items have already been given unique barcodes. Crucially this will also assist with the Museum's ongoing Audit and Inventory programme, a key requirement for Accreditation.

As a result of the move of the Study Collection and its future redevelopment plans, the NAM has also carried out a reorganisation and refocus of its curatorial departments. This has primarily lead to the forming of three new departments in the Collections Division: Collections Care, Collections Content and Collections Access and Outreach. A separate post, Head of Academic Access, has also been created to develop NAM's intellectual links with National and International Academic institutions. This reorganisation will better align the Museum with its future plans and redevelopment.

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Building Improvements

As part of the move to Stevenage, the Museum received an additional £250,000 grant from the Sponsor Department towards the cost of air conditioning plant. This grant, in addition to the £700,000 received last year, has allowed the Study Collection to be housed in suitable climate-controlled conditions in line with the Museum's conservation strategy.

Reaching out to People and Museums

Supporting the research of others

As well as encouraging its staff to research the Collection when preparing new exhibitions, writing new educational tools or cataloguing objects, the Museum helps the research of people around the world. One way this is done is by responding to enquiries from the public, from other institutions and commercial enterprises. The programme of Identification and Advice sessions, launched in 2010 and staffed by the Museum's curators, continued to go from strength to strength. Attendance figures were up on last year, with over 70 members of the public seeking expert advice from our staff. (2010-11 figures: over 50)

This year the Museum welcomed two PhD students through its new bursary programme and, in partnership with the NAM Development Trust, launched grants to students to encourage use and academic publication of the Museum's Collections.

During the year 2011-12 the Museum answered 3,240 written enquiries (2010-11: 2,944). Of these replies, 164 were overdue under the Museum's policy of answering all enquiries within 20 working days (2010-11: 73) and 12 were requests under the Freedom of Information Act 2000. Enquiries cover many topics but the bulk of questions were about the Museum's Collection, family history and general military history. The statistics for the main enquiry types are as follows:

	Total	Family History	APFS Collection	Books Collection	Exhibits Collection	FDA Collection
2011-12	3240	24%	17%	8%	6%	2%

Templer Study Centre

Access to the paper-based collection continues to be a source of inspiration to many visitors. The number of visitors to the TSC during the year 2011-12 was 1,734, compared to 1,387 in 2010-11. During the year 426 new tickets were issued, and a further 71 renewed.

Assistance to other institutions and regional support

In the spirit of professional cooperation the Museum provides assistance, where possible, to other institutions. This includes the provision of the twice-yearly week-long Regimental Curators' Course for the curators of Regimental and Corps museums across the country.

This year the Museum's curators also assisted the MOD with an Army Pentathlon display at the Royal Military Academy Sandhurst. Staff also gave expert advice to the V&A Purchase Grant Fund, Soldiers of Oxfordshire Museum, Household Cavalry Museum Archive and the Sherwood Rangers Yeomanry Regimental Association. The Museum's programme of working with fashion colleges and schools continued to go from strength to strength, with students participating from Carmarthenshire College, Wales and the History of Design course run by the Royal College of Art and the V&A.

NATIONAL ARMY MUSEUM
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Building for the Future

Future Plans

Record visitor figures, innovative partnerships and laying the foundations for an exciting new future; 2011-12 marked a step change in the way the NAM operated. NAM is now reaching more audiences in more ways than ever before.

The NAM will also be carrying out a major redevelopment of its Chelsea site in order to meet the expectations and demands of its visitors. As part of the Museum's successful Stage One application to the Heritage Lottery Fund, this ambitious project will also include increasing the Museum's national footprint, online presence and external outreach programme. The project will deliver displays that appeal to a larger and more diverse audience, as well as enhancing opportunities for Learning and Participation. Improved Collection storage will allow greater public access to the Museum's Collection, whilst also ensuring that the Collection is retained and preserved for future generations. This renovation also provides the opportunity to realign resources and implement a new outreach programme both in London and across the country.

In addition, the White Space's successful rolling programme will continue with a Diamond Jubilee Display, opening on the 25 May 2012. Celebrating 60 years of Her Majesty The Queen's reign, this intimate new display explores the evolving relationship between The Queen and her Army. It follows The Queen's changing army role from active service during World War Two to ceremonial roles such as Trooping the Colour and the presentation of honours.

Visitors can examine the historic link between the monarchy and the Armed Services and see how these traditions continue today. As Queen Elizabeth II joins Queen Victoria and becomes only the second British monarch to celebrate a Diamond Jubilee, the Museum reflects on the changes witnessed during their reigns, from Empire to Commonwealth. This display draws on the Museum's collections of archive images and artefacts, including The Queen's ATS uniform.

The Museum will also continue to work hard with its regimental museum partners to illustrate and remember the contribution of the British Army in communities up and down the country. The appointment of a full-time Regimental Museums Liaison Officer and warm support from the Army Museums Ogilby Trust and the MOD have put in place the groundwork for this development over the next five years.

NAM also looks to the future with greater financial security provided by the Fundraising Leadership Group and restructured Commercial Services team. The Museum will be looking to generate a range of exciting new outreach work reaching ever more diverse audiences and move forward with plans for commemorations surrounding the First World War centenary and the 200th anniversary of the Battle of Waterloo.

NATIONAL ARMY MUSEUM
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FINANCIAL REVIEW

Consolidated Results for the Year ended 31 March 2012

Total incoming resources for the Museum in 2011-12 amounted to £6,496,345 (2010-11 £7,252,857). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2011-12 this was £5,753,900 (2010-11 £6,313,103). Total resources expended amounted to £6,821,834 (2010-11 £6,794,578). After adjustment for the revaluation of the Museum's leasehold property and other recognised gains and losses, the net movement in funds for the year showed an increase of £6,585,641 (2010-11 decrease of £2,215,092).

The Museum's net assets as at 31 March 2012 amounted to £88,358,507 (31 March 2011 £81,772,866).

Changes in Tangible Fixed Assets

Movements in tangible fixed assets are shown in note 7 to the accounts. The Museum had its leasehold property independently revalued at 31 March 2012 and details of this revaluation are also shown in note 7.

During the year the Museum spent £374,616 on additions to tangible fixed assets. The principal items purchased being a new air conditioning system at Stevenage at a cost of £254,835.

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 2012, the level of the Museum's reserves stood at £896,580 (31 March 2011 £827,085).

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 and proactive fundraising so that it has sufficient funds available to deal with such matters that arise as are not covered by Grant-in-Aid including funding future plans and to ensure the Museum can sustain any funding reductions.

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.

NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31ST MARCH 2012

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 and 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 16 of the financial statements.

Payment of Creditors

The Museum aims to settle all undisputed invoices within thirty days or in accordance with suppliers' terms of business.

The Museum's actual payment performance during the year was that 98% (2010/11 100%) of bills were paid within the thirty day target.

Equality, Diversity & Access

The National Army Museum (NAM) is an Equal Opportunities Employer.

The NAM is committed to providing a working environment in which members of staff are able to realise their full potential and to contribute to the Museum's success. The NAM will also take all reasonable steps to provide a work environment in which all workers are treated with respect and dignity and that is free of harassment. In order to create conditions, in which this goal can be realised, the NAM is committed to identifying and eliminating barriers, discriminatory practices, procedures, and attitudes throughout the Museum. Members of staff are expected and required to support this commitment, assisting in its realisation in all possible ways.

It is the NAM's policy not to discriminate against its workers on the basis of their gender, sexual orientation, marital or civil partnership status, any gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy or trade union membership or employment status. The NAM will not condone any form of harassment, whether engaged in by workers or by third parties such as clients, customers, contractors and suppliers. Our workers and applicants for employment shall not be disadvantaged by any policies or conditions of service, which cannot be justified as necessary for operational purposes. The NAM shall, at all times, strive to work within legislative requirements as well as promoting best practice, and is committed to the development of a diverse workforce. The Museum has issued an Equal Opportunities Policy Statement, and undertakes equal opportunities monitoring.

Employee Consultation and Involvement

The Director and Senior Management Team consult with the staff through the NAM's Staff/Management Forum, which was set up to encourage increased levels of communication and consultation across the whole of the Museum, and in shifting to a different and more progressive, delivery-focused culture of working, exchanging views and ideas, discussing problems and planning for the future.

Communication and involvement is also maintained through the Floor Teams and various committee groups including the Equality and Access Group, Health & Safety Committee, Departmental and Divisional meetings, one-to-one's, informal meetings and internal memoranda. In addition there is regular access to meetings of the Management Team Human Resources and Finance Committees.

NATIONAL ARMY MUSEUM
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Sickness Absence Data

The National Army Museum employed 63 members of staff (54 full-time and 9 part-time) and monitored sick absence as part of its commitment in promoting the health, safety and welfare of all members of staff. Information collated from the Department of Human Resources is available to the Museum's Management Team who are responsible for identifying potential risks arising from any patterns that may occur and also made available to NAM Council. During 2011-12, there were 581.34 (full time equivalent) days lost to sick absence; the top three causes being (highest first) Cold/Flu, Upset Stomach and Migraine. 344 days were lost to long-term absences associated with Depression and Labryinthis.

During the period, the average number of days' sickness absence per employee was 2.79 (long-term incidents of sickness absence have been excluded to give a more accurate picture of sickness absence at NAM).

A policy on the management of attendance is in place to promote arrangements for dealing with sickness absence in a manner, which is fair and sensitive to staff, as well as minimising the effect of absences on the NAM's operational requirements.

Enviromental Policy

The NAM carries out all its activities with the environment in mind. All companies that carry out "works" on the NAM estate are required to submit copies of their environmental policies prior to any contract being awarded. The NAM recycles all paper, card, batteries, metal and lamps. Recent developments at the NAM have included the installation of energy efficient gas fired boilers which have replaced 45 year old oil fired ones. Additional energy saving measures include TRVs, computer based monitoring on AC and light sensitive electric light fittings. The NAM has recently established a new committee which looks at Health & Safety and Environmental Matters. It had its first meeting on 18 June 2012. This group is charged with looking at all these areas and developing policies to reflect the increased importance of these matters. In addition the NAM as part of its HLF application will be employing a BREEAM Consultant to look at existing and proposed energy efficient and sustainable functions at NAM.

Personal Data Loss

The Museum has identified one personal data related incident during 2011-12. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Social and Community Issues

The NAM consults regularly with it stakeholders and local users. It is part of its HLF submission and it is actively working with groups both locally and nationally to maximise inclusivity. It has established an Access and Outreach Department which is engaging with all areas of the NAM audience as well as looking at ways to extend that audience.

Post Balance Sheet Events

In April 2012 The NAM learnt that it had been successful in its phase 1 bid for a £350,000 development grant from the Heritage Lottery Fund. Further details on the redevelopment of the Chelsea site are detailed on page 5.

Apart from the above 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.

**NATIONAL ARMY MUSEUM
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The cost of the audit of the Museum and its trading company for 2011-12 is £13,000 (2010-11: £13,000).

So far as the Accounting Officer is aware, there is no relevant audit information of which the Museum's auditors are unaware. Furthermore, the Accounting Officer has taken all the steps that she ought to have taken to make herself aware of any relevant information and to establish that the Museum's auditors are aware of that information.

MRS JANICE MURRAY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

.....2012

**NATIONAL ARMY MUSEUM
REMUNERATION REPORT
YEAR ENDED 31ST MARCH 2012**

REMUNERATION POLICY

The Director of the National Army Museum is employed by the Council of the Museum on terms and conditions that are similar to MOD civil servants. She holds an open ended appointment and her salary is set on an annual basis by the Audit and Remuneration Committee of Council.

Other members of the Management Team are also employed on terms and conditions similar to MOD civil servants. Their salary levels are set by the Museum's Human Resources Committee and approved by the Director. The Museum follows MOD guidelines on pay and bonuses.

SALARY AND PENSION ENTITLEMENTS

The salary and pension entitlements of the Management Team of the Museum were as follows (with comparative salary disclosures for 2010/11).

	Mrs J Murray £'000	Dr P Boyden £'000 (to 23/01/2012)	Mr M O'Connor £'000	Miss T Scott £'000	Mrs D Harris £'000 (to 22/12/2011)	Mr D Bownes £'000(from 19/03/2012)
Salary 2011/12	90-95	50-55	60-65	60-65	40-45	0-5
Performance pay 2011/12	0-5	N/A	N/A	0-5	0-5	N/A
Salary 2010/11	60-65	60-65	60-65	60-65	60-65	N/A
Performance pay 2010/11	N/A	5-10	5-10	5-10	5-10	N/A
Real increase/(decrease) in pension and related lump sum at 60	(0-2.5) plus N/A lump sum	0-2.5 plus (0-2.5) lump sum	0-2.5 plus N/A lump sum	0-2.5 plus 0-2.5 lump sum	0-2.5 plus 0-2.5 lump sum	0-2.5 plus N/A lump sum
Total accrued pension at 60 as at 31 March 2012 and related lump sum	45-50 plus N/A lump sum	30-35 Plus 65-70 lump sum	10-15 N/A lump sum	10-15 plus 35-40 lump sum	10-15 plus 35-40 lump sum	0-5 plus N/A lump sum
Cash equivalent transfer value as at 31 st March 2012	730	728	182	144	150	N/A
Cash equivalent transfer value as at 31 st March 2011	684	662	158	130	138	N/A
Real increase/(decrease) in cash equivalent transfer value as funded by employer	(14)	(6)	8	3	2	N/A

The annual equivalent figures for members of Management Team who joined or left during the year:

Salary 2011/12	60-65	60-65	60-65
Real increase in pension	0-2.5	0-2.5	0-2.5

Mrs J Murray joined the Management Team during 2010/11 and her annual equivalent figures in £'000 are:

Salary 2011/12	90-95
Real increase in pension	60-65

The table above has been subject to audit.

NATIONAL ARMY MUSEUM

REMUNERATION REPORT

YEAR ENDED 31ST MARCH 2012

Dr P Boyden and Mrs D Harris received no additional remuneration on them ceasing to hold office during the year.

	2011-12	2010-11
Band of highest paid director's total remuneration (£'000)	95-100	90-95
Median total remuneration	33,128	33,128
Remuneration ratio	2.9	2.8

The table above has been subject to audit.

The opening cash equivalent transfer value (CETV) figures as at 31 March 2011 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

None of the above received any benefits in kind during the year (2010/11 £Nil).

No members of the Council received any remuneration during the year (2010/11 £Nil). During the year reimbursements were made to three members of the Council totalling £1,131 (2010/11 £1,081) for travel and subsistence and £1,775 (2010/11 1,387) for hospitality.

For 2011-12 employers' pension contributions for the Museum as a whole of £430,918 were payable to the PCSPS (2010-11 £370,979) at rates based on salary bands as follows:

Band one	-	£21,000 and under	16.7%
Band two	-	£21,001 - £43,500	18.8%
Band three	-	£43,501 - £74,500	21.8%
Band four	-	£74,501 and over	24.3%

Rates will remain the same next year, subject to revalorisation 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.

Salary

"Salary" includes gross salary, performance pay or bonuses, overtime, reserved rights to London weighting or London allowances, recruitment and retention allowances, private office allowances and any other allowance to the extent that it is subject to UK taxation.

Benefits in Kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the HM Revenue and Customs as a taxable emolument.

Pension Benefits

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPPS). This scheme is an unfunded multi-employer defined benefits 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 as at 31 March 2007. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

Principal Civil Service Pension Scheme (PCSPPS)

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). From 30 July 2007 this also includes Nuvos. The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the classic, premium and classic plus are increased annually in line with the changes in the Pensions Increase

NATIONAL ARMY MUSEUM
REMUNERATION REPORT
YEAR ENDED 31ST MARCH 2012

Legislation. New entrants after 30 July 2007 may choose between membership of Nuvos or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for classic and 3.5% for premium, classic plus and Nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum (but members may give up or commute some of their pension to provide a lump sum). Classic plus is essentially a variation of premium, but with benefits in respect of service before 1 October 2002 calculated broadly as classic. For Nuvos pension builds up each scheme year, at the rate of 2.3% of pensionable earnings, there is no automatic lump sum (but members have an option to take a tax free lump sum in exchange for part of their pension).

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee. The employee does not have to contribute but where they do make contributions, these will be matched by the employer up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about Civil Service pension arrangements can be found at the website www.civilservice.gov.uk/pensions

The real increase in CETV is effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-04 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries, and do take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

MRS JANICE MURRAY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

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NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
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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 the 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 Director, the senior full time Museum official, as the Accounting Officer for the National Army Museum. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of Parliamentary funded (Grant in Aid) finances for which she 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 'Managing Public Money'.

MRS JANICE MURRAY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

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**NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012**

GOVERNANCE STATEMENT

This Governance Statement sets out the arrangements for the governance of the National Army Museum (NAM), including the Council and Committee structure for the Members. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the NAM Council and Accounting Officer previously contained in the Statement on Internal Control.

The Governance Framework

The National Army Museum is a charity registered with the Charity Commission (registration number 237902) governed in accordance with its Royal Charter.

The Museum is an accredited national museum and Non-Departmental Public Body obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. There is a Financial Framework document in place which defines the arrangements between the Museum and its Sponsor Department, the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This Framework was revised in 2010.

The NAM Council and the Committee Structure

The National Army Museum is governed by the NAM Council under the chairmanship of General Sir Jack Deverell KCB OBE. The Charities Act 2011 requires the Council Members to exercise proper stewardship over the Museum and to take care of its collections.

The Director of the Museum is the Accounting Officer responsible to Parliament for the day-to-day management of the Museum as set out in Chapter 3 of Managing Public Money.

Council Members are appointed by the NAM Council and approved by the Army Board. They are appointed for a term of three years and can be appointed for further terms of equivalent length. The NAM Council may appoint co-opted members to serve on specific sub committees to supplement the experience of Main Council Members.

The NAM Council Members receive induction training under the direction of the Director and are encouraged to familiarise themselves with the Museum's operations through work in sub-committees where they are supported by the Museum's two divisional Directors.

The following individuals served as Council Members during 2011-2012.

Chairman	General Sir Jack Deverell KCB OBE (Appt'd June 2004)	Chairman, Capital Campaign Steering Group (Attended four meetings of Council)
Members	Mrs Judith Anthony (Appt'd May 2010)	Director, National Army Museum Trading Ltd (Attended four meetings of Council and three of NAMTL Board)
	Mr Keith Baldwin (Appt'd November 2010)	Member, Audit & Remuneration (A&R) Committee (Attended three meetings of Council and one of A&R Committee)
	Mr Patrick Bradley (Appt'd May 2010)	Member and Interim Chairman of the A&R Committee, Member, Capital Campaign Steering Group, Chairman, National Army Museum Trading Ltd (Attended three meetings of Council, two of A&R Committee and three of NAMTL Board)
	Mr Mihir Bose (Appt'd December 2007)	Member, Acquisition & Disposal (A&D) Committee (Attended three meetings of Council)
	The Rt Hon Lord Freeman PC MA FCA CRAeS (Appt'd June 2005; Retired July 2011)	Chairman of A&R Committee (until July 2011) (Attended two meetings of Council and one of A&R Committee)

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Mr Richard Nunneley MBE (Appt'd September 2006; Retired October 2011)	(Attended two meetings of Council)
Professor William Philpott (Appt'd April 2011)	Chairman, A&D Committee (Attended four meetings of Council and two of A&D Committee)
Major General Charles G C Vyvyan CB CBE MA MSc (Appt'd June 2005)	Member, Capital Campaign Steering Group (Attended four meetings of Council)
Mrs Deborah Younger (Appt'd November 2010)	Chair, Audit & Remuneration Committee (from March 2012) (Attended three meetings of Council and two of A&R Committee)

Register of Interests

A register of Members' relevant interests is maintained and is the first item on the Agenda at all meetings of the Council. Members are required to declare if they have an interest, pecuniary or otherwise, in any matter being considered by the Council. In this period no such interests were declared.

NAM Council Sub-Committees

NAM Council Members have established a number of sub-committees for specific purposes and to ensure the effective conduct of business. These are Audit & Remuneration, Acquisition & Disposal and the Capital Campaign Steering Group.

The terms of reference of each of these sub-committees have been approved by the Full Council and, where it is practical, Members do not sit on more than two sub-committees. During 2011/12 the Audit & Remuneration (A&R) Committee met three times, the Acquisition & Disposal Committee twice and the recently formed Capital Campaign Steering Group has met informally on several occasions to consider raising funds to progress the HLF bid to support the major development of the Chelsea site. Its first formal meeting since confirmation of the successful Round One HLF Application will be held on 26 June 2012. There were no separate meetings of the Audit & Remuneration Committee to deal with salaries during this period as the Museum was subject to the Government Pay Freeze; however the Committee did recommend to NAM Council performance awards in line with MoD negotiations at its 27th Meeting on 12 October 2011.

Full minutes of all NAM Council and sub-committee meetings are maintained and the attendance of Council Members are recorded therein. Copies of NAM Council meetings are published on the NAM website.

The NAM Council has established a subsidiary company (National Army Museum Trading Ltd), the Board of which includes five Directors. Decisions taken by this company remain the responsibility of the Directors.

NAM Council Members' Performance

The principal achievements of the Museum during the year are highlighted elsewhere in the Financial Statements, NAM Council Minutes and Business Plans and the Director attends meetings of the Army Heritage Committee where she reports on the plans of the NAM. Additionally, meetings are held with the Command Secretary (LF), Adjutant General and Heritage Branch. These meetings are reported to the full NAM Council.

Sub-committee minutes are circulated to all Council Members with routine papers for all Council meetings where sub-committee chairs highlight any matters of particular concern for the attention of the Full Council.

There is a wide range of information and data (financial and otherwise) routinely available to Council Members, including management accounts. The Director works closely with the Assistant Director (Operations) and the Head of Finance to refine the financial information supplied to Council and is now satisfied that the information is available both on time and in a format which enables the Members to exercise proper oversight of the Museum.

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

Review of Effectiveness of Internal Control

To meet the responsibilities above, the NAM has in place a system of internal control. A framework contained within the Financial Procedures Manual (FPM), which all members of the MT, Heads of Departments and all staff employed at the NAM/NAMTL must sign up to, supports this system of control. In addition all staff have been trained in the Bribery Act and a copy of the policy can be found on the NAM Intranet. Additionally, the MT on a monthly basis reviews budgets and cost centres to ensure that the spend profile is maintained and any anomalies are accounted for. To support the system, additional input is received from independent internal audit, external audit and at irregular intervals by Defence Internal Audit (DIA) on behalf of the Sponsor Department

Internal Auditors

The Museum's internal auditors are Daly, Hoggett & Co who work to the Government Internal Audit Standards and provide an independent opinion on the matters subjected to review through the internal audit programme.

The Museum has a Risk Matrix to support its management of risk and this is used to identify the work to be undertaken by the internal auditors. Council's A&R Committee signs off the work programme and the same sub-committee receives the report of the internal auditors.

In 2011/12 the programme covered a review of cash handling and a review of IT security; the findings contained in the two respective reports are presently being addressed. There was one recorded instance of data loss during the year.

The risks contained in the Risk Register have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The future internal audit programme will look at the remaining risks which include the insufficiency of funding in the form of Grant-in-Aid. This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. The Assistant Director (Operations) retains overall responsibility for the key control systems of the Museum and he supports directly the work of the A&R Committee.

The internal auditors also provide an annual statement of assurance to the Accounting Officer and the NAM Council on the work performed in the year.

Additionally, the NAM is subject to audit by Defence Internal Audit (DIA) on behalf of the Sponsor Department.

External Auditors

The external auditor of the Museum and its trading subsidiary (NAMTL), is the National Audit Office (NAO). The accounts are consolidated. Traditionally, the NAO has been invited to attend the June Meeting of the A&R Committee in order to present and discuss the Audit Completion Report. However, it has been drawn to NAM's attention that, according to guidance from the Treasury, the NAO should be invited to attend all A&R Committee Meetings. The Committee noted this guidance and will now seek approval from the full NAM Council before agreeing to this point.

Risk Management

A Risk Management Statement has been drawn up with reference to the HM Treasury publication *Management of Risk - A Strategic Overview* (January 2001), the Adjutant-General's 'Corporate Governance & Risk Management Policy Statement' (13 July 2001), and the Cabinet Office & HM Treasury publication, *Your Delivery Strategy* (September 2001).

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

The NAM Council affirms that in all situations where MOD Grant-in-Aid is concerned, the appetite for risk is conservative. The need to pay the staff, fund the provision of utilities, ensure compliance with Health & Safety at Work and other legislation/mandatory requirements, attend to the well-attested structural and engineering defects at NAM Chelsea, curate the Collections and open the Museum daily to the public leaves no room for the assumption of more extreme risks. In all other instances, Council's risk assessment is made on a case-by-case basis, and is reviewed by Council at its periodic meetings, having regard to the NAM's Strategic Plan, Business Plan and investment and other professional advice taken by Council and the Director of the Museum, who reports to Council.

As mentioned previously, regular reviews are carried out on the Risk Matrix and risks that are identified are addressed but in all cases, the A&R Committee acting on behalf of the NAM Council, reviews the matrix annually at its autumn meeting.

The identification and evaluation of risk is an integral part of the NAM's performance management. Input into the Risk Matrix is museum-wide and all departments are required to provide input via their Heads of Division. The NAM assesses its risks under the following categories:

- a. Governance;
- b. Finance;
- c. Building;
- d. Security;
- e. Employment;
- f. Collections.

The Museum's Risk Matrix is maintained under the guidance of the A&R Committee and focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, which are being revised in line with the successful HLF funding application. The A&R Committee annually request sight of the Risk Matrix at its October meeting.

The Risk Matrix currently identifies the following as the principal risks posed to the Museum.

Risk	Grading	Likelihood	Mitigation Action	Notes
Failure to raise sufficient funds to meet the requirements of the HLF Round Two Application	Acute	High	Employment of sufficient staff to raise funds. Capital Campaign Steering Group established to target potential donor/grant making bodies.	Regular meetings of CCSG and reviews of monies raised and targets. Additional resourcing allocated to fundraising
Level of MOD Grant in Aid insufficient to meet Museum's requirements	Acute	High	Budgets have been realigned to take account of GiA and HLF funding requirements	Assurance received from Sponsor Department for continued support

**NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
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Delay in confirmation of Grant in Aid	Very High	Very High	Regular contact with Sponsor Department to ensure any issues are dealt with immediately	Draft budgets are built into Business Plan and amended as soon as GiA is confirmed
Structural defects appear at NAM Chelsea	Very High	Very High	Regular inspection are carried out of the NAM Estate	Business Plans and Budget take into account planned works to building
Plant defects occur at NAM Chelsea	Very High	Very High	Appointment of new M&E contractor with vigorous inspection regime of inspection and maintenance of plant.	Regular meetings to identify issues early and put in place a replacement/repair regime
Loss of Data from Museum's IT Systems	Low	Medium	Appointment of SIRO and AIO now in place. Additionally the appointment of Records Officer to reduce incidents of data loss. HoD Computer and Technical Services revising IT policy documents.	Staff given briefings on Data retention and handling.

The Board's Statement of Assurance

We have responsibility, on behalf of the full NAM Council, for the overall effectiveness of the Museum's governance arrangements and their compliance with Corporate Governance in Central Government Departments Code of Practice 2011 so far as this may be seen to apply to an 'Arms-Length Body' (as defined in Managing Public Money).

MRS JANICE MURRAY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum
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NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

INDEPENDENT AUDITOR'S REPORT TO THE SECRETARY OF STATE FOR DEFENCE

I have audited the consolidated financial statements of the National Army Museum for the year ended 31 March 2012 under the Museum's Royal Charter of 1960 as amended in 1988. These comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, the Director and auditor

As explained more fully in the Statement of Council's and Director's Responsibilities, the Council and Director as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

My responsibility is to audit and express an opinion on the financial statements in accordance with the Museum's Royal Charter of 1960 as amended in 1988. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material² misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Army Museum's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Council; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword and Report of Council, Financial Review, Remuneration Report and the Governance Statement to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Regularity

In my opinion, in all material respects, the incoming and outgoing resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view, of the state of the National Army Museum's and the group's affairs as at 31 March 2012 and of the incoming resources and application of resources, including the income and expenditure, of the group for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011.

**NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012**

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Charities Act 2011; and
- the information given in the Foreword and Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

**Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP**

Date

NATIONAL ARMY MUSEUM
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31ST MARCH 2012

	NOTE	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2011/12	Total Funds 2010/11 (restated)
		£	£	£	£	£
INCOMING RESOURCES						
Incoming resources from generated funds:						
Voluntary income:						
Grants and donations		62,984	112,694	60,000	235,678	560,935
Activities for generating funds:						
Commercial trading operation:	5	397,710	-	-	397,710	365,391
Investment income	2	880	5,791	91	6,762	8,067
		<u>461,574</u>	<u>118,485</u>	<u>60,091</u>	<u>640,150</u>	<u>934,393</u>
Other incoming Resources						
Grant-in-aid (operating)		-	-	5,636,900	5,636,900	6,198,103
Grant-in-aid (purchases)		-	-	117,000	117,000	115,000
Sundry income		99,987	-	2,308	102,295	5,361
TOTAL INCOMING RESOURCES		<u>561,561</u>	<u>118,485</u>	<u>5,816,299</u>	<u>6,496,345</u>	<u>7,252,857</u>
RESOURCES EXPENDED						
Cost of generating funds:						
Fundraising costs of grants and donations	4	-	-	25,269	25,269	11,676
Commercial trading operations	4 & 5	254,941	4,757	70,942	330,640	316,157
		<u>254,941</u>	<u>4,757</u>	<u>96,211</u>	<u>355,909</u>	<u>327,833</u>
Cost of charitable activities:						
Collections and exhibitions	4	158,059	275,043	4,219,127	4,652,229	4,506,245
Curatorial	4	16,732	118,914	806,278	941,924	1,028,157
Education	4	10,039	71,349	189,804	271,192	321,609
Publicity	4	3,346	23,783	482,888	510,017	528,655
		<u>188,176</u>	<u>489,089</u>	<u>5,698,097</u>	<u>6,375,362</u>	<u>6,384,666</u>
Governance Costs	4	-	-	90,563	90,563	82,079
TOTAL RESOURCES EXPENDED	6	<u>443,117</u>	<u>493,846</u>	<u>5,884,871</u>	<u>6,821,834</u>	<u>6,794,578</u>
Net incoming /(outgoing) Resources for the year		<u>118,444</u>	<u>(375,361)</u>	<u>(68,572)</u>	<u>(325,489)</u>	<u>458,279</u>
Unrealised gains/(losses)						
Investments		-	(522)	-	(522)	5,756
Revaluation of tangible fixed assets		6,235	6,877,815	27,602	6,911,652	(2,679,127)
NET MOVEMENT IN FUNDS		<u>124,679</u>	<u>6,501,932</u>	<u>(40,970)</u>	<u>6,585,641</u>	<u>(2,215,092)</u>
Balances brought forward at 1 April 2011		64,352,560	14,654,672	2,765,634	81,772,866	83,987,958
Balances carried forward at 31 March 2012		<u>64,477,239</u>	<u>21,156,604</u>	<u>2,724,664</u>	<u>88,358,507</u>	<u>81,772,866</u>

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 39 to 55 form a fundamental part of the these financial statements

NATIONAL ARMY MUSEUM
CONSOLIDATED & CHARITY BALANCE SHEET
YEAR ENDED 31ST MARCH 2012

		2012				2011			
		GROUP		CHARITY		GROUP		CHARITY	
		£	£	£	£	£	£	£	£
FIXED ASSETS									
Tangible assets	7	20,648,187		20,646,490		14,137,964		14,136,055	
Heritage Assets	8	65,537,920		65,537,920		65,477,263		65,477,263	
Investments	9	<u>188,215</u>		<u>188,216</u>		<u>188,737</u>		<u>188,738</u>	
			86,374,322		86,372,626		79,803,964		79,802,056
CURRENT ASSETS									
Stock of finished goods		59,625		-		57,406		-	
Debtors	10	389,205		520,579		413,343		625,742	
Cash	11	<u>1,760,051</u>		<u>1,654,971</u>		<u>1,599,366</u>		<u>1,428,950</u>	
		2,208,881		2,175,550		2,070,115		2,054,692	
CURRENT LIABILITIES									
CREDITORS:									
Amounts falling due within one year	12	<u>224,696</u>		<u>191,365</u>		<u>101,213</u>		<u>85,790</u>	
NET CURRENT ASSETS									
			<u>1,984,185</u>		<u>1,984,185</u>		<u>1,968,902</u>		<u>1,968,902</u>
TOTAL ASSETS LESS CURRENT LIABILITIES									
			<u>88,358,507</u>		<u>88,356,811</u>		<u>81,772,866</u>		<u>81,770,958</u>
RESERVES									
Unrestricted funds		64,477,239		64,475,543		64,352,560		64,350,652	
Restricted funds	13	21,156,604		21,156,604		14,654,672		14,654,672	
Restricted Grant-in-Aid Funds		<u>2,724,664</u>		<u>2,724,664</u>		<u>2,765,634</u>		<u>2,765,634</u>	
	14	<u>88,358,507</u>		<u>88,356,811</u>		<u>81,772,866</u>		<u>81,770,958</u>	

The financial statements were approved by the Council on

2012 and signed on its behalf by:

MRS JANICE MURRAY
DIRECTOR

GENERAL SIR JACK DEVERELL
CHAIRMAN

The notes on pages 39 to 55 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31ST MARCH 2012

	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2011/12	Total Funds 2010/11 (restated)
	£	£	£	£	£
Net cash inflow from operating activities (see below)	29,015	30,506	442,540	502,061	1,092,943
Return on investments and servicing of finance					
Interest received	880	367	91	1,338	1,643
Investment income	-	5,424	-	5,424	6,424
	880	5,791	91	6,762	8,067
Capital Expenditure					
Payments to acquire:					
Tangible fixed assets	(52,208)	-	(322,408)	(374,616)	(556,384)
Heritage assets	-	-	(44,282)	(44,282)	(14,728)
Proceeds from sale:					
Heritage assets	70,760	-	-	70,760	44,381
	18,552	-	(366,690)	(348,138)	(526,731)
Increase in cash	48,447	36,297	75,941	160,685	574,279

Reconciliation of Changes in Resources to Net Cash Inflow/(Outflow) from Operating Activities

Changes in resources before revaluations	118,444	(375,361)	(68,572)	(325,489)	458,279
Investment income	(880)	(5,791)	(91)	(6,762)	(8,067)
Depreciation	59,917	411,658	258,690	730,265	787,730
Loss on disposal of tangible fixed assets	-	-	45,778	45,778	13,247
Profit/(Loss) on disposal of heritage assets	(37,518)	-	-	(37,518)	87,601
Donated heritage assets	(49,615)	-	-	(49,615)	(49,270)
Increase/(Decrease) in creditors	17,911	-	105,572	123,483	(35,895)
Increase in stocks	(2,219)	-	-	(2,219)	(12,481)
Decrease/(Increase) in debtors	(77,025)	-	101,163	24,138	(148,201)
Net cash inflow from operating activities	29,015	30,506	442,540	502,061	1,092,943

The notes on pages 39 to 55 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

1. ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice: Accounting and reporting by Charities issued in 2005 and guidance issued by H.M. Treasury.

The accounts have been prepared under the historical cost convention modified by the revaluation of tangible fixed assets, heritage assets and investments.

(b) Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiary, National Army Museum Trading Limited.

The Consolidated Statement of Financial Activities includes the result of National Army Museum Trading Limited on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented as the charity has taken advantage of the exemptions afforded by paragraph 304 of SORP 2005.

The Consolidated Balance Sheet includes the net assets of National Army Museum Trading Limited on a line by line basis.

The financial statements of National Army Museum Trading Limited used in consolidation are those for the period ended 31st March 2012.

(c) Grants Receivable

Grant in Aid is recorded on a received basis. Other 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.

(d) 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.

(e) Basis of Cost Allocation

Collections and exhibitions 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, together with the presentation of the Museum's collections to its users.

Curatorial costs are those incurred in the research and interpretation of the Museum's collections to its users, including dealing with enquiries from the general public.

Education costs are those incurred in engaging and educating the general public, including children, in historic and contemporary issues relating to the British Army.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

(f) Pensions Cost

Museum staff, except NAMTL 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.

(g) Taxation

As a Registered Charity, the National Army Museums' charitable status has been recognised by HM Revenue & Customs. 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.

All of the income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. All the taxable profits of the trading subsidiary are distributed to the Charity under Gift Aid. The Corporation Tax liability of the trading subsidiary for the period ending 31st March 2012 was £Nil.

(h) 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	62 years
Fit-out of Buildings	14 years
Plant and Machinery	16 years
Computer Equipment	5 years
Fixtures and Fittings	10 years

The museum continuously reviews its fixed assets to ensure they do not fall below recoverable amounts in line with the provisions of FRS11 (the impairment of fixed assets and goodwill). Any asset that falls below its recoverable amount is adjusted to reflect the fall in value or is disposed of.

(i) Heritage Assets

(i) Valuation and Management

The National Army Museum's permanent Collection is reported in the Balance Sheet at valuation.

The Museum's heritage assets are managed by four curatorial departments: Exhibits, Fine & Decorative Art, Printed Books and Archives, Photographs, Film and Sound. These assets comprise the approximately one million items in the accessioned Collection.

The Collection was valued at estimated market value at 31st March 2010 as part of the implementation of FRS30. During this reporting period, the total figure for Heritage Assets has been adjusted according to acquisitions and disposals at market value.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

For valuation purposes the Collection was divided into two categories. The first category comprised Victoria Crosses, George Crosses, field marshal's batons, oil paintings and other high-value items of fine and decorative art, coatees, rare books, oral history interviews, sound discs and film records. These were valued by expert members of staff, some of them with the assistance of former colleagues. The valuations of the historic military vehicles part of the collection is supported by a third party valuation of the historic military vehicles made in 2008-9 by Julian Shoolheifer Limited (Fine Art Valuers) PO Box 186, Saffron Walden, CB10 9AY.

The remainder of the Collection was valued by expert members of staff on the basis of auction realisations, knowledge of their specialist areas and inflation-adjusted prices paid for exhibits purchased by the Museum and by multiplying the number of examples of an exhibit type by an estimated mean price.

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

(ii) Depreciation

Depreciation is not provided on historic heritage assets due to the fact that they have an infinite life. The carrying value of individual items is reviewed annually as part of the valuation process and written down where required.

(iii) Preservation Costs and Management

Expenditure which, in the Council's view, is required to preserve or clearly prevent further deterioration of individual collection items is written off and recognised in the Statement of Financial Activities when it is incurred.

The Museum preserves and manages its Collection in accordance with its Royal Charter and the protocols of a Fully Accredited Museum. Regular condition surveys are conducted on discrete parts of the Collection. The staff of the Collections Division is managed by the Assistant Director (Collections). The Museum welcomes enquiries about its Collection and more information is available on the website about the Museum's Enquiries Policy. The paper-based collection is viewable in the Templer Study Centre and all other items by appointment with the relevant curatorial department.

(iv) Acquisitions and Disposals

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

By definition, the Museum has a long-term purpose and maintains a permanent Collection in relation to its stated objectives. The Council accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items from the Museum's Collection.

Final approval for the disposal of a heritage asset rests with the Director and this authority is devolved from the Museum's Trustees, the Council of the NAM. A curator recommends the object for disposal and relevant paperwork is counter-signed by the head of department concerned and the Assistant Director (Collections).

A copy of the Museum's Full Acquisition & Disposal Policy is available on its website.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

(j) 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.

(k) Stocks

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

(l) Accruals

Where expenditure has been incurred but not invoiced an estimate is made of the amount to be accrued. Accruals are listed in note 12.

(m) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

(n) Financial Instruments

The Museum's financial assets and liabilities consist of cash and cash equivalents, trade debtors, trade creditors, and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the Museum is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

(o) 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.

2. Investment Income

	Unrestricted Funds	Restricted Funds	Restricted Grant in Aid Funds	Total Funds 2011/12	Total Funds 2010/11
	£	£	£	£	£
Interest receivable	880	367	91	1,338	1,643
Other investment income	-	5,424	-	5,424	6,424
	880	5,791	91	6,762	8,067

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

3. Allocation of support costs

The Museum allocates its support costs as shown in the table below and then further apportions those costs between the charitable activities undertaken. Support costs are allocated on a basis consistent with the use of resources.

Support Costs	Allocated to Charitable Activities £	Allocated to Costs of generating funds £	Governance £	Total £
General administration	121,019	1,630	-	122,649
Information technology	85,857	-	-	85,857
External Audit	-	-	13,000	13,000
Internal Audit	-	-	4,710	4,710
Legal and other Professional Fees	210,853	-	15,029	225,882
Trustees expenses	-	-	2,906	2,906
	<hr/>			
TOTAL 2011/12	417,729	1,630	35,645	455,004
	<hr/>			
TOTAL 2010/11	298,051	1,723	19,313	319,087
	<hr/>			

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

4. Resources expended

	<u>Cost of generating funds:</u>		<u>Cost of charitable activities:</u>				<u>Governance</u> <u>Costs</u> £	<u>Total</u> <u>2011-12</u> £	<u>Total</u> <u>2010-11</u> £
	<u>Fundraising</u> <u>Costs</u> £	<u>Trading</u> <u>Operations</u> £	<u>Collections and</u> <u>Exhibitions</u> £	<u>Curatorial</u> £	<u>Education</u> £	<u>Publicity</u> £			
Staff costs	25,269	116,819	2,094,282	801,389	181,699	164,935	54,918	3,439,311	3,538,117
Premises costs	-	-	745,226	-	-	-	-	745,226	722,182
Collections maintenance	-	-	707,100	-	-	-	-	707,100	662,694
Educational events	-	-	-	-	6,475	-	-	6,475	9,895
Advertising and promotion	-	-	-	-	-	307,304	-	307,304	328,204
Other costs	-	206,553	118,820	-	-	-	-	325,373	279,068
Depreciation	-	5,638	526,240	135,646	81,388	27,129	-	776,041	875,331
Notional rent	-	-	60,000	-	-	-	-	60,000	60,000
Support costs (note 3)	-	1,630	400,561	4,889	1,630	10,649	35,645	455,004	319,087
TOTAL 2011/12	25,269	330,640	4,652,229	941,924	271,192	510,017	90,563	6,821,834	6,794,578
TOTAL 2010/11	11,676	316,157	4,506,245	1,028,157	321,609	528,655	82,079	6,794,578	

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.

Other trading operations costs include £142,834 in respect of the purchase of goods for resale.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

5. Commercial Trading Operations

	Trading Profit and Loss Account	2011/12 Trading Income	Trading Expenditure (Note 4)	2010/11 (restated)
	£	£	£	£
Museum Shop Sales	268,234	268,234		256,708
Less: Cost of Sales				
Opening Stock	57,406			44,925
Purchases	142,834			160,389
Closing Stock	(59,625)			(57,406)
	140,615		140,615	147,908
Shop Gross Profit	127,619			108,800
Other Trading Income	129,476	129,476		108,683
Other Trading Expenditure	190,025		190,025	168,249
Totals		397,710	330,640	49,234
Trading Profit 2011/12	67,070			
Trading Profit 2010/11	49,234			

Comparative amounts for 2010/11 have been restated to eliminate £19,230 which had been double counted within other trading income and expenditure.

This restatement has no affect on the trading profit previously reported.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

	Unrestricted Funds £	Restricted Funds £	Restricted Grant In Aid Funds £	Total 2011/12 £	Total 2010/11 £
6. Total Resources Expended					
Total resources expended is stated after charging the following items:					
Auditors' remuneration					
- audit services	4,000	-	9,000	13,000	13,000
- non audit services	-	-	-	-	-
Staff costs					
- wages and salaries	37,348	-	2,136,551	2,173,899	2,369,281
- social security costs	2,448	-	189,531	191,979	252,873
- pension costs	-	-	430,918	430,918	370,979
- temporary staff and recruitment costs	9,510	-	669,376	678,886	589,403
	<u>49,306</u>	-	<u>3,426,376</u>	<u>3,475,682</u>	<u>3,582,536</u>
Operating lease costs					
- land and buildings	163,856	-	-	163,856	163,856
- other	11,716	-	-	11,716	12,456
	<u>175,572</u>	-	-	<u>175,572</u>	<u>176,312</u>

Excluding the Director and members of the management team, no employees received remuneration for 2011-12 excluding pension contributions, greater than £60,000 (2010-11 no employees). Details of the remuneration of the Director and the management team are shown in the Remuneration Report.

The average number of senior management and staff was:

	2011/12	2010/11
Collections and exhibitions	34	39
Curatorial	17	21
Education	5	6
Publicity	4	3
Trading	3	5
Fundraising	-	-
	<u>63</u>	<u>74</u>

Of the above staff 6 are employed on short term contracts with all other staff employed on a full time contract. The above includes 9 part time staff members.

One member of staff was made redundant during the year and received an exit package of between £25,000 and £50,000.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

7a. Group Tangible Fixed Assets

	Long Leasehold Land and Buildings £	Short Leasehold Improvements £	Computer Equipment £	Fixtures & Fittings £	Total £
<u>VALUATION</u>					
At commencement of year	15,659,094	-	410,127	2,459,608	18,528,829
Additions at cost	24,100	282,047	18,811	49,658	374,616
On revaluation	4,006,806	1,692	30,575	10,720	4,049,793
Disposals	-	-	(14,593)	(297,068)	(311,661)
At end of year	<u>19,690,000</u>	<u>283,739</u>	<u>444,920</u>	<u>2,222,918</u>	<u>22,641,577</u>
<u>DEPRECIATION</u>					
At commencement of year	2,327,489	-	289,896	1,773,480	4,390,865
Charge for year	550,997	6,939	50,522	121,807	730,265
On revaluation	(2,878,486)	-	11,525	5,102	(2,861,859)
Disposals	-	-	(14,591)	(251,290)	(265,881)
At end of year	<u>-</u>	<u>6,939</u>	<u>337,352</u>	<u>1,649,099</u>	<u>1,993,390</u>
<u>NET BOOK VALUE</u>					
At 31 March 2012	<u>19,690,000</u>	<u>276,800</u>	<u>107,568</u>	<u>573,819</u>	<u>20,648,187</u>
At 31 March 2011	<u>13,331,605</u>	<u>-</u>	<u>120,231</u>	<u>686,128</u>	<u>14,137,964</u>

7b. Charity Tangible Fixed Assets

	Long Leasehold Land and Buildings £	Short Leasehold Improvements £	Computer Equipment £	Fixtures & Fittings £	Total £
<u>VALUATION</u>					
At commencement of year	15,659,094	-	410,127	2,457,487	18,526,708
Additions at cost	24,100	282,047	18,811	49,658	374,616
On revaluation	4,006,806	1,692	30,575	10,720	4,049,793
Disposals	-	-	(14,593)	(297,068)	(311,661)
At end of year	<u>19,690,000</u>	<u>283,739</u>	<u>444,920</u>	<u>2,220,797</u>	<u>22,639,456</u>
<u>DEPRECIATION</u>					
At commencement of year	2,327,489	-	289,896	1,773,268	4,390,653
Charge for year	550,997	6,939	50,522	121,595	730,053
On revaluation	(2,878,486)	-	11,525	5,102	(2,861,859)
Disposals	-	-	(14,591)	(251,290)	(265,881)
At end of year	<u>-</u>	<u>6,939</u>	<u>337,352</u>	<u>1,648,675</u>	<u>1,992,966</u>
<u>NET BOOK VALUE</u>					
At 31 March 2012	<u>19,690,000</u>	<u>276,800</u>	<u>107,568</u>	<u>572,122</u>	<u>20,646,490</u>
At 31 March 2011	<u>13,331,605</u>	<u>-</u>	<u>120,231</u>	<u>684,219</u>	<u>14,136,055</u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

Included in long leasehold land and buildings is a sum of £5,060,000 (2010/11 £2,193,745) for land, which has not been depreciated.

The long leasehold land and buildings were externally valued at 31 March 2012 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 valuation apportioned the total land and buildings as follows:

	£
Land	5,060,000
Structure of buildings	9,670,000
Fit-out of buildings	2,090,000
Plant and machinery	<u>2,870,000</u>
	<u>19,690,000</u>

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.

8. Heritage Assets

(a) Valuation

	Museum Collection £
At commencement of year	65,477,263
Additions	93,899
Disposals	<u>(33,242)</u>
At end of year	<u>65,537,920</u>
Net Book Value at 31 March 2012	<u>65,537,920</u>
Net Book Value at 31 March 2011	<u>65,477,263</u>

The valuation at 31 March 2012 comprises:

Exhibits	34,666,507
Fine and decorative arts	19,220,626
Archives, photographs, film and sound	10,497,875
Printed books	<u>1,152,912</u>
	<u>65,537,920</u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

(b) Five year financial summary of heritage asset transactions

	2012	2011	2010	2009	2008
	£	£	£	£	£
<u>Additions</u>					
Purchases	44,284	14,728	241,772	491,231	44,320
Donations	49,615	49,270	46,267	NRA	NRA
Total Additions	<u>93,899</u>	<u>63,998</u>	<u>288,039</u>	NRA	NRA
<u>Disposals</u>					
Carrying Value	33,242	131,982	104,214	NRA	NRA
Sale Proceeds	70,760	44,381	22,249	25,984	37,612

NRA: The above amounts are not readily available and the cost of obtaining this information is considered by the Museum out of proportion to the benefit to users of the financial statements.

(c) Grant Received

During the year the Museum received grants towards the purchase of items for its collection of £117,000 (2011 - £115,000). These grants were used to fund the purchase of heritage assets noted above with any unspent grants being carried forward to fund future acquisitions. The total of grants carried forward at 31st March 2012 is £175,139 (2011 - £102,503).

9. Unlisted Investments	Group	Charity	Group	Charity
	2012	2012	2011	2011
	£	£	£	£
Investment in subsidiary undertaking (note 9a)	-	1	-	1
<u>Other investments</u>				
Market value at beginning of year	188,737	188,737	182,981	182,981
Add: acquisitions at cost	-	-	-	-
Less: disposals	-	-	-	-
Net unrealised investment (loss)/gains	<u>(522)</u>	<u>(522)</u>	<u>5,756</u>	<u>5,756</u>
Market value at end of year	<u>188,215</u>	<u>188,215</u>	<u>188,737</u>	<u>188,737</u>
Total unlisted investments	<u>188,215</u>	<u>188,216</u>	<u>188,737</u>	<u>188,738</u>

The historic cost of these other investments was £111,114 (2011- £111,114).

9a. Investment in Subsidiary Undertaking

Investment in subsidiary undertakings represents the charity's interest in 100% of the issued share capital of National Army Museum Trading Limited which is incorporated in England and Wales and operates a souvenir shop and other trading activities for the Museum. The company's aggregate capital and reserves were as follows:

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

The assets and liabilities of the subsidiary were:	2012	2011
	£	£
Fixed assets	1,696	1,908
Current assets	172,966	232,549
Creditors: amounts falling due within one year	(172,965)	(232,548)
	<u>1,697</u>	<u>1,909</u>
	2012	2011
	£	£
Share capital	1	1
Profit retained in subsidiary	1,696	1,908
	<u>1,697</u>	<u>1,909</u>

A summary of the Company's trading results is shown in note 9b. Audited accounts will be filed with the Registrar of Companies

9b. Income from Trading Company

The Consolidated Statement of Financial Activities includes the result of the trading subsidiary as follows:

National Army Museum Trading Limited

	2012	2011
	£	£
Turnover	400,170	362,251
Cost of sales and administrative expenses	(372,720)	(335,686)
Interest receivable	71	71
Charitable contribution under Gift Aid	(27,733)	(24,728)
Net (loss)/profit	<u>(212)</u>	<u>1,908</u>

10. Debtors

	Group 2012 £	Charity 2012 £	Group 2011 £	Charity 2011 £
Trade Debtors	7,117	609	3,501	16
VAT Debtor	128,096	134,784	216,102	224,742
Prepayments	253,482	251,740	193,740	192,498
Amounts Due From Subsidiary Undertaking	-	105,211	-	183,758
Covenanted Payment Due from Subsidiary Undertaking	-	27,733	-	24,728
Other Debtors	510	502	-	-
	<u>389,205</u>	<u>520,579</u>	<u>413,343</u>	<u>625,742</u>
Debtors Comprise:				
Other Central Government Bodies	128,104	134,784	216,102	224,742
Local Authorities	122,776	122,776	116,747	116,747
Bodies External to Government	138,325	263,019	80,494	284,253
	<u>389,205</u>	<u>520,579</u>	<u>413,343</u>	<u>625,742</u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

11. Cash	Group 2012 £	Charity 2012 £	Group 2011 £	Charity 2011 £
Unrestricted Funds	984,422	879,342	935,975	765,559
Restricted Funds	516,390	516,390	480,093	480,093
Grant-In-Aid operating account	83,758	83,758	80,544	80,544
Grant-In-Aid exhibits reserve	175,481	175,481	102,754	102,754
	<u>1,760,051</u>	<u>1,654,971</u>	<u>1,599,366</u>	<u>1,428,950</u>

Cash consists of balances with UK commercial banks and small amounts of cash in hand.

12. Creditors: Amounts falling due within one year	Group 2012 £	Charity 2012 £	Group 2011 £	Charity 2011 £
Trade Creditors	24,825	13,480	12,481	8,843
Other Creditors	864	864	354	354
Accruals	199,007	177,021	88,378	76,593
	<u>224,696</u>	<u>191,365</u>	<u>101,213</u>	<u>85,790</u>

Creditors Comprise:

Bodies External to Government	<u>224,696</u>	<u>191,365</u>	<u>101,213</u>	<u>85,790</u>
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13. Restricted Funds

	Balance 1 April 2011 £	<u>Movement in Resources</u>			Balance 31 March 2012 £
		Incoming £	Outgoing £	Transfer £	
NAM Land and Buildings	12,122,581	6,878,582	(486,118)	-	18,515,045
Leinster Regiment Museum Fund	5,732	14	-	-	5,746
Indian Divisions Memorial Fund	15,585	120	(31)	-	15,674
Middlesex Regiment Account	145,775	3,349	(1,013)	-	148,111
CCP Lawson Bequest	110,268	2,464	-	-	112,732
WRAC Association Account	14,828	210	(54)	-	14,984
NAM Building Appeal Fund	8,010	-	-	-	8,010
Bufs' Collection Fund	108,146	192	(265)	-	108,073
War Memorial Fund	29,223	18	-	-	29,241
Other Restricted Grants and Donations	1,616,514	85,512	(10,442)	-	1,691,584
NAM Strategic Plan Fund	478,010	29,394	-	-	507,404
	<u>14,654,672</u>	<u>6,999,855</u>	<u>(497,923)</u>	<u>-</u>	<u>21,156,604</u>

The NAM Land and Buildings Fund represents the net book value of land and buildings. These assets 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.

NATIONAL ARMY MUSEUM
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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.

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.

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 represent amounts received from the National Army Museum Development Trust and other parties in connection with grants for capital expenditure such as the development of the computerised collections management system and buildings refurbishment expenditure together with monies received that are specifically earmarked for the NAM Strategic Plan.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

14. Analysis of Net Assets Between Funds

Group	Tangible and Heritage Fixed Assets £	Investments £	Other Net Assets £	Total 2012 £	Total 2011 £
<u>Restricted Funds</u>					
NAM Land and Buildings	18,515,045	-	-	18,515,045	12,122,581
Leinster Regiment Museum Fund	-	-	5,746	5,746	5,732
Indian Divisions Memorial Fund	1,882	4,308	9,484	15,674	15,585
Middlesex Regiment Account	16,544	86,909	44,658	148,111	145,775
CCP Lawson Bequest	-	89,655	23,077	112,732	110,268
WRAC Association Account	-	7,343	7,641	14,984	14,828
NAM Building Appeal Fund	-	-	8,010	8,010	8,010
Bufs' Collection Fund	16,186	-	91,887	108,073	108,146
War Memorial Fund	-	-	29,241	29,241	29,223
Other Restricted Grants and Donations	1,610,881	-	80,703	1,691,584	1,616,514
NAM Strategic Planning Fund	-	-	507,404	507,404	478,010
	<u>20,160,538</u>	<u>188,215</u>	<u>807,851</u>	<u>21,156,604</u>	<u>14,654,672</u>
Unrestricted Funds	63,580,659	-	896,580	64,477,239	64,352,560
Restricted Grant-In-Aid Funds	2,444,910	-	279,754	2,724,664	2,765,634
	<u>86,186,107</u>	<u>188,215</u>	<u>1,984,185</u>	<u>88,358,507</u>	<u>81,772,866</u>

Charity

For the Charity the analysis of restricted funds is as for the group above.

Unrestricted funds comprises:

	£
Tangible and heritage fixed assets	63,578,962
Investments	1
Other net assets	<u>896,580</u>
	<u>64,475,543</u>

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2012

15. Operating Lease Commitments

At 31st March 2012, the Museum had annual commitments under non-cancellable operating leases as follows:

	2012	2011
	£	£
Operating leases expiring:		
Land and buildings:		
over five years	192,391	163,856
Other:		
within one year	-	2,797
within one to five years	11,940	6,407

16. Related Party Transactions

National Army Museum Trading Limited

The relationship of the Museum to the Company is disclosed in note 9a, and the balances due from the company at the year end are disclosed in note 10. Mrs Anthony, Mrs Murray and Mr Bradley are directors of National Army Museum Trading Limited and also Members of Council or the Management Team of the Museum.

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. The National Army Museum received a grant from the Trust during 2011/12 of £83,300 (2010/11 £11,985).

The balance of funds held by the Trust at 31 December 2011 was £1,137,489 (31 December 2010 £1,249,394). 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 £Nil (2010/11 £Nil) from the Friends of the National Army Museum, a registered charity number 234325.

NATIONAL ARMY MUSEUM
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Ministry of Defence

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

17. Contingent Liabilities

The Museum has previously disclosed a contingent liability of £265,000 in the event of the uninsured loss of exhibit assets loaned to it by third parties. A review of the Museum’s current insurance arrangements has confirmed that such items are fully insured and no contingent liability exists in this regard for either the current or prior year.

18. Capital Commitments

	2012	2011
	£	£
Authorised at 31 st March 2012 but not contracted for	-	-

19. Post Balance Sheet Events

The annual report and financial statements were authorised for issue by the accounting officer on the date that the audit certificate was signed by the Comptroller and Auditor General.