

MUSEUMS AND GALLERIES ACT 1992

Presented pursuant to Museums and Galleries Act 1992, c.44, para 9(8)

National Maritime Museum Annual Report and Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 24th JULY 2006

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1. MUSEUM BACKGROUND

The National Maritime Museum (NMM) is the largest maritime museum in the world. The Museum is Grant-in-Aid funded by the taxpayer with additional income derived from trading activity and sponsorship. Entry to Museum sites at Greenwich is free but charges are made for special exhibitions. It is open 363 days a year, and in 2005-'06 it welcomed more than 1.5 million visitors from across the world, its website attracted over 8 million users, 13 thousand collections related and subject enquiries were answered, and some 238 thousand learners participated in educational programmes.

History and Collection

The National Maritime Museum (Patron: His Royal Highness the Duke of Edinburgh) was opened to the public by King George VI on 27 April 1937 in its buildings at Greenwich, which until 1933 had housed the Royal Hospital School. The Queen's House was part of the Museum from the outset. The Royal Observatory, Greenwich (ROG) was an addition of 1953. The present Chairman, Lord Sterling of Plaistow, is the eighth since 1934 and the present Director, Roy Clare, appointed in 2000, is the sixth to hold the post since 1934.

The Museum is unique in the architectural significance and setting of its main buildings. The 17th-century Queen's House, designed by Inigo Jones and probably the most important early classical building in England, is the keystone of the historic 'park and place' landscape of maritime Greenwich, which was designated a UNESCO World Heritage Site (WHS) in 1997. Flamsteed House (1675-76), the original part of the Royal Observatory, was designed by Sir Christopher Wren and was the first purpose-built scientific research facility in Britain.

The NMM has a number of storage outstations in south-east London close to its main site. It owns the freehold of two of these, one being the architecturally interesting Brass Foundry at Woolwich Arsenal attributed to Sir John Vanbrugh.

All the Museum buildings have been subsequently upgraded at various times and a full modern redevelopment of the main galleries, centring on what is now the Neptune Court, and funded in the main by the Heritage Lottery Fund, was completed in 1999 and reopened by Her Majesty the Queen. The Queen's House was refurbished in 2001 to become the heart of displays of art from the Museum's collection; the Queen's House was re-opened in this role by His Royal Highness the Prince of Wales. The current major capital project *Time and Space* for the opening up of the entire Royal Observatory site for the benefit of the public is due for completion in Spring 2007.

The Museum has the most important holdings in the world on the history of Britain at sea comprising more than 2 million items, including maritime art (both British and 17th-century Dutch), cartography, manuscripts including official public records, ship models and plans, scientific and navigational instruments, instruments for time-keeping and astronomy (based at the Observatory). Its British portraits collection is exceeded in size only by that of the National Portrait Gallery and its holdings relating to Nelson and Cook, among many other individuals, are unrivalled. It has the world's largest maritime historical reference library (100,000 volumes) including books dating back to the 15th-century. An active loans programme ensures that items from the collection are seen widely in the UK and abroad. Through its displays, exhibitions and outreach programmes the Museum also explores our current relationship with the sea and the future of the sea as an environmental force and resource.

By ever-widening use of its collections and by virtue of its pairing with the Royal Observatory, the Museum enjoys a unique conjunction of subjects (History, Science, Arts), enabling it to trace the movement and accomplishments of people and the origins and consequences of empire. The outcome of the Museum's work is to achieve, for all its users at home and overseas, a greater understanding of British economic, cultural, social and political history and its consequences in the world today.

2. MISSION, RESPONSIBILITIES, OBJECTIVES AND VALUES

An international institution with national responsibilities and a local conscience, the Museum's **Mission** is to: **illustrate for everyone the importance of the sea, ships, time and the stars, and their relationship to people.**

The Museum's **Responsibilities** are to safeguard and enhance the value of its Assets:

- its **collections**
- its **expertise**
- its **buildings.**

The Museum's **Objectives** are to spread the benefits of those assets through:

- maximizing **access** and inspiration for its users
- satisfying its **stakeholders**, locally, nationally and internationally
- an effective **organisation** and sound financial management.

In carrying out its programme, the Museum recognises the vital role played by its staff and volunteers; the institution **Values** in particular:

- good ideas and learning
- excellence in customer service
- teamwork and communication
- quality.

3. REVIEW OF ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE 2005-'06

The National Maritime Museum (NMM) ended 2005-'06 in a sprightly fashion, with audiences responding well and some near-record attendances. The £16 million *Time and Space* project to redevelop the Royal Observatory, Greenwich (ROG) is making encouraging headway, on track to open as planned in early 2007. Meanwhile, a significant project to improve access to the documentary collections and the evolution of the maritime offer is gearing up as a result of the Collections Reform Programme, which is providing the infrastructure to enable this ongoing evolution.

The Arts and Humanities Research Council has recognised the research and scholarship of the NMM, which competed successfully as one of the first museums to be recognised as an 'academic analogue'. Meanwhile, the award of 'England Large Visitor Attraction 2005' is further external affirmation of the span of achievements of this world-class institution. Coming on top of a fundraising record unprecedented since the NMM opened 70 years ago – with the *Time and Space* Appeal meeting its targets in full and concluding successfully one year ahead of schedule – the effect is gratifying and motivating for a professional staff that continues to set the standard for others in the heritage and culture sector.

Looking forward, the NMM faces a critical period, hedged by fiscal, economic and political uncertainties – not least those represented by the Treasury's Comprehensive Spending Review. The tourism landscape remains unsettled, energy and compliance costs are rising and the high street is suffering patchy trading. These factors influence the leisure market and we will need to continue to track their likely impact and anticipate means of alleviating the consequences.

The NMM, with the Queen's House and the ROG, are evidently adding Public Value. We are however alive to the understanding that Public Value is an organic, subjective concept and depends upon flexible, continuous responses to audiences and their needs and perspectives. This task is challenging and invigorating, and one for which the institution is markedly well equipped, supported not least by the teamwork and commitment of everyone in the NMM, where the competitive advantage continues to be derived from the dedication and enthusiasm of the staff.

The following section is a brief review of the activities and achievements of 2005-'06 and necessarily contains only a selection of the Museum's work over the year.

The section is structured in accordance with the Trustees Responsibilities and Objectives but is also mapped to show how the Museum supports each of the four DCMS Strategic Objectives of:

1. *Enhancing access to a fuller cultural and sporting life for **children and young people** and giving them the opportunity to develop their talents to the full.*
2. *Opening up our institutions to the wider **community** to promote lifelong learning and social cohesion.*
3. *Maximising the contribution that the tourism, creative and leisure industries can make to the UK's **economy**.*
4. *Modernising the way we **deliver** our services by ensuring our sponsored bodies are set and meet targets which put consumers first.*

All the *Performance Measures* are taken from the Museum's Management Plan, which expands on the core targets agreed in the 2005-'08 Funding Agreement between the Museum and the Department for Culture, Media and Sport (DCMS).

3.1 Safeguarding and enhancing the value of its **assets: collections, expertise and buildings**

Performance Measures:

- The percentage of collections in acceptable environmental conditions was 78% (70% in 2005) in the summer period and 39% (53% in 2005) in the winter period.
- The number of objects conserved was 2,232 (1,868 in 2005) and the number of objects assessed for conservation was 4,971 (9,205 in 2005).
- 1,378 digitised images were added to the database (2,064 in 2005).
- 378 potential acquisitions were considered, and 47 acquisitions made (some acquisitions consisting of groups of objects).

- 4 major conferences were held (4 in 2005) and proceedings from 1 conference were published.
- 68 research papers (68 in 2005) were delivered by staff.
- There were 2 peer-reviewed, scholarly publications and 12 peer-reviewed articles were published in the Journal for Maritime Research (both new measures).
- The Museum carried out £332,000 of Planned Prioritised Maintenance (PPM) (£520,000 in 2005) to time and budget on its historic buildings and estate, in line with a quadrennial survey and in accordance with its three-year future strategy and budget for PPM across the estate.
- The value of buildings and infrastructure stewardship amounted to £1,008,000 (£1,278,400 in 2005).

Activities and Achievements include:

Collections

Acquisitions

Slavery-British Squadron on the Coast of Africa, 5 Pamphlets regarding British anti-slavery patrols (1851), Wilson, Reverend J Leighton, Purchase £500.

These pamphlets illustrate the mid-19th-century debate on whether Britain should continue its anti-slavery patrols off the African coast or abandon them in favour of some form of regulated slave trade. The success of Britain's patrols had led to further overcrowding and worsening conditions on board slave ships, which some critics felt unjustifiable. In addition, other critics questioned the efficiency of the patrols and whether the costs were sustainable. This volume of rare material both complements our existing anti-slavery literature and enhances its understanding of this key period in the shaping of Britain's policy towards Africa and the suppression of the slave trade.

Astronomy/Timekeeping – Portrait of Nevil Maskelyne, John Russell, Watercolour drawing, Gift. This drawing not only fills a serious gap in our representation of astronomers but, from a purely artistic perspective, is also a fine addition to our portraiture collection.

Trade & Empire- Indo-Portuguese quilt, Purchase at auction £14,820. Silk quilt of late 17th-century design, produced in Goa, with three decorative panels; the lower and largest panel shows a Mediterranean galleon, several galleys and stylised fish.

Nelson/Trafalgar- Collection of documents relating to George Perceval, Manuscripts, Purchased at auction for £33,600. A remarkable series of letters written by George James Perceval, the son of Lord and Lady Arden. The letters are written at the time of the Battle of Trafalgar when Perceval is just eleven years old. This personal correspondence to his parents includes his eyewitness account of the Battle. They provide such an unusual and personal account of early nineteenth century life at sea for a young midshipman and offer a unique insight into the Battle of Trafalgar itself.

Sailors on Shore Folio. Eight hand-coloured aquatint plates, typographical title page. Published by John Fairburn, 28 March 1825. Purchased £4,500.

A rare set of bound prints, dating from the years immediately after Trafalgar, adds substantially to the iconography of the British sailor, for which little material exists apart from caricature.

Collections Reform

During the past year the Collection Reviews and disposal element of the Collections Reform Programme have continued to make strong forward progress. These disposals are the result of working with colleagues from other UKMCS and cultural heritage institutions, and provide for the free transfer of objects to an organization where they are more relevant and accessible. To date the Collection Reviews have assessed over 14,200 objects across twenty-eight collection areas, identifying 4,031 items for potential disposal. Disposal items are those considered to fall outside the Museum's collection policy, or to be of greater relevance to another public domain organization. Over 31% (1,122) of these items have now been researched, leading to the first group of disposal proposals being initiated, and further proposals planned.

Collections Stewardship

- Review of security fixings for all paintings on public display.
- Queen's House environmental upgrades completed.
- Completed the measurement of the entire ship model collection c. 2,400 models for National Museums @ Chatham project.

Expertise

- The Museum was awarded *Academic Analogue status* from the Arts and Humanities Research Council (one of the first Museums to receive this) to run in the first instance from 2006-11.
- The Museum and Greenwich Maritime Institute, University of Greenwich, secured a £190,000 award for a three year project, *Sustaining the Empire: War, the Navy and the Contractor State*.
- Conferences
 - April 2005 – Naval Dockyard Society Conference
 - July 2005 – *Europe at War* with the Institute of Historical Research and University of Greenwich, 200 delegates.
 - September 2005 – *War at Sea in the Age of Nelson* jointly organized with Christchurch College, Oxford, 160 delegates.
 - February 2006 – *The Dreadnought and the Edwardian Age*, 120 delegates.
- Seminars
 - 6 British Maritime History seminars at the Institute of Historical Research c.150 attendees in total
- Fellowships – the following were in place in 2005-'06
 - The Sackler Research fellowship:*
Dr Willem F J Morzer Bruyns, *A critical catalogue of the octants and sextants in the ROG collection*.
 - Caird Senior Research fellowship:*
Dr Margaret Ann Small, *John Dee and 16th century Arctic exploration*.
 - Caird North American fellowship 2005:*
Dr Sheryllyne Haggerty, *Liverpool and the Atlantic World 1760-1815*.
 - Caird short-term research fellowships:*
Mr Gareth William Atkins, *Sir Charles Middleton and the evangelical network, 1778-1813*.
Mr Charles R Foy, *Slavery and trans-Atlantic identities, 1713-1783*.

The Nelson Letters Project

This has been one of the most influential and opinion forming research projects of the 'Nelson Decade' and its findings have featured prominently in all the new Nelson biographies published in 2004-'05. Total letters processed since the projects inception now number close to 1,500.

Publications from fellowships and conferences have included:

- H.V. Bowen, *The business of Empire: the East India Company and imperial Britain, 1756-18333* (Cambridge university Press) from Short-term and Senior Caird fellowships, 2002-'03.
- Felix Driver and Luciana Martins, *Tropical Views and Visions* (Chicago University Press) proceedings of the 2001 conference.
- Clive Wilkinson, *The Non-Climatic Research Potential of Ships' Logbooks and Journals*, *Climatic Change* No 73 (2005) from the CLIWOC project (Climatological Database for the World's Oceans).

Buildings

- Phase 1 of the NMM Conservation Plan (covering landscape setting and building exteriors) to inform stewardship of the site and buildings as part of the Maritime Greenwich World Heritage Site is now being prepared in final draft format following a meeting with key local and national stakeholders. Phase 2 (interiors) is currently in preparation.
- Planned Prioritised Maintenance and building projects included:
 - The Flamsteed House DDA lift – level access is now across the entire site.
 - External decorations of the North Block and main entrance.
 - The Procurement Group with representatives drawn from across the Museum continues to meet and has made progress following both the internal audit and NAO reports in this area. There has been a great deal of activity amongst DCMS-sponsored NDPBs, whilst the Museum has updated the Activity Centre Manual and refreshed the Finance module on the MDP to include an element for procurement.
 - The Sustainable Development Group will be consulting staff by department and raising awareness to inform a draft sustainable development policy/action plan later this year.
 - We have received English Heritage and Planning Permission consents from Greenwich Council for the installation of photovoltaic roof panels to the South West Wing.

3.2 Maximising **access** and inspiration for its users

Maps to the DCMS objective of: *Enhancing access to a fuller cultural and sporting life for children and young people and giving them the opportunity to develop their talents to the full.*

Performance Measures:

- There were a total of 9,743,391 Museum users; visits, web visits and research enquiries (8,306,664 in 2005) compared to a Funding Agreement target of 8,950,000.
- The Museum received 1,512,191 (1,532,690 in 2005) visits to its sites compared with a Funding Agreement target of 1,450,000. This figure includes 208,002 (193,408 in 2005) over-60s.
- 313,624 children (347,212 in 2005) visited compared with a Funding Agreement target of 300,000.
- The number of visits made to the Museum's websites in the year increased to 8,217,504# (6,749,917 in 2005) compared to a Funding Agreement target of 7,500,000.
- The number of learners participating in on-site and outreach educational programmes was 238,466 (278,321 in 2005) compared with a target of 225,000.
- The number of children in organised educational programmes both on-site and outreach was 104,552 (117,759 in 2005) compared to a Funding Agreement target of 90,000.
- Loans were made to 107 (96 in 2005) venues in the UK of which 100 were to venues in England compared to a Funding Agreement target of 80. Loans were made to 31 (29 in 2005) international venues compared to a Funding Agreement target of 28.
- The Museum remained open for an additional 59 hours over its 2001 baseline (59 hours in 2005).
- A further 5,140 collections records (against a target of 5,000) were made accessible via IT/ICT over the 2001 baseline (6,045 in 2005).

#After deduction of spiders/robots.

Activities and Achievements include:

Exhibitions and Displays

- The 'Nelson & Napoléon' exhibition opened to the public on 7 July. The exhibition comprised nearly 350 objects from some 50 lenders across the UK and Europe. There was also an interactive Battle of Trafalgar audio-visual presentation in English and French; bilingual gallery text and exhibition booklets; bilingual audioguides (and a specially commissioned audioguide for visually impaired visitors in French and English).

- The opening of this world-class show realised a great many excellent reviews in print and has been attended by much praise from visitors. Unhappily, the moment coincided with the terrorist activities in London and these completely obliterated the planned TV coverage and dampened the audience flow somewhat. Action taken on local marketing initiatives mitigated the difficulties.
- The stained glass from the Baltic Exchange opened to the public on 23 June. This was a complex installation, with no precedents. The bombed glass took more than a decade to restore by specialist glass conservators, Goddard & Gibbs, who worked closely with the NMM installation team.
- The new *Your Ocean* gallery and the revamped *Bridge* galleries were opened on 23 September.
- Four Time galleries opened to the public at ROG on 15 February: *Time for the Navy*; *Time and Longitude*; *Time and Greenwich*; and *Time and Society*. These object-rich displays with broad and in-depth interpretation for a variety of audiences have been a great success, with a noticeable increase in dwell time by our visitors compared to the previous displays.
- The UKMCS travelling exhibition *Life at Sea* opened to the public on 19 January 2006. We augmented the display with material from our own collections and NMM artist-in-residence, Jini Rawlings, created new artworks that will be incorporated into the Life at Sea exhibition space. Jini's focus is on forced emigration to Canada and she has been much inspired by NMM's archive material.
- **New Visions: contemporary art programme**
The 2006 programme included artist Beth Derbyshire and her art project entitled 'Message'. On 13 November 2005, a message of remembrance was sent by semaphore down the Thames from the Royal Observatory to the Cenotaph. The message was decoded and placed with a wreath on the Cenotaph by the Director. Eighteen veterans took part on the day and there was an accompanying display in the Queen's House on 'Message'.
- **Travelling exhibitions** included:
 - *The Last of the Tall Ships: photographs by Alan Villiers 1903-82* at The Customs House in Newcastle.
 - *Skin Deep: a history of Tattooing* was displayed at the Capt Cook Memorial Museum in Whitby and the Aberdeen Maritime Museum as the next venue.
 - *William Hodges 1744-1797: the Art of Exploration* closed at the Auckland Art Gallery on 21 August after a successful run.

Learning and Interpretation

■ Understanding Slavery Initiative

The partnership project with Bristol Empire and Commonwealth Museum, Bristol Museums, Libraries and Archives, National Museums Liverpool and Hull City Museums is ongoing. At year-end, the Understanding Slavery Project is focused on the completion of the web site on schedule. Content for teachers, learning resources, lesson plans and inter-actives will, following its launch in June 2006, make this a unique resource for teachers and community educators.

■ E-learning resources

- Leading lives: leadership lessons from Nelson www.nmm.ac.uk/leadinglives Now live, this site uses objects in an innovative way to examine the leadership career of Nelson in the context of modern business management. The resource is designed to work with the printed resource, DVD and on-site programmes that examine Nelson's leadership career through specific case studies. The resource is aimed at A-Level Business Studies students and lifelong learners who are invited to interact with objects related to Nelson's career digitally and complete a range of activities designed to draw out an analysis of Nelson's, and their own, leadership style.
- Your Ocean website has been developed to support the new Your Ocean and support gallery based learning and programmes on-site and an engaging approach to the subject matter for young people off-site. The resource is aimed at 13-15 year olds and fulfils National Curriculum requirements.

■ Family programme

Life aboard ship has been the theme of the summer to create family friendly activities that link to the *Nelson & Napoléon* exhibition. Scrimshaw, food on board and hat making have been the themes for a range of workshops. This summer the workshops have been designed to support all levels of age and ability and take into account the amount of time people have available, drop-in workshops such as hat making can be completed in half an hour where Scrimshaw is a much longer time commitment. The Scrimshaw workshops were supported by a showcase of real objects from the collection in the e-library.

■ *Freedom: Events to commemorate International Day for the Remembrance of the Slave Trade and its Abolition* included:

- Touching the Trade. A performance tour of the NMM galleries creating accessible content for visitors to increase awareness and understanding of the history, impact and legacy of the Transatlantic Slave Trade.
- Greenwich Slave trail. Historian Steve Martin led a history tour through Greenwich.
- Music and dance workshops that explore the cultural impact of the Transatlantic Slave Trade ran at the Museum by education group Sewa.

■ The Environment

An Environmental Education officer has been recruited to deliver the Marine Environmental Education Initiative, which is part of The Crown Estate and National Maritime Museum Partnership. Over the three-year partnership, the project will create a new cross-curricular strand in our educational provision for both primary secondary audiences, working to engage young people in debate about environmental issues through programming, the Your Ocean gallery, learning resources and targeted outreach.

■ *Nelson & Napoléon*

A series of study days linked to A-Level History, Business Studies and Art was almost all booked out this term for the remainder of the run of this exhibition. Over 600 students have participated in Leading Lives with Nelson, which is undergoing a second stage of evaluation. *Discovering Nelson*, a two-day study programme for Gifted and Talented students from Greenwich, culminated on 2nd November with a very successful prize-giving evening where students were joined by their parents and siblings. The format of these days was deemed such a success that we are now planning further dates for next year, working once more with the Greenwich Gifted and Talented coordinator.

■ Access Events

- Two exhibition tours of Nelson and Napoleon for deaf audiences, led by a deaf facilitator, attracted 48 participants.
- A series of workshops for young deaf people are being run on Saturdays throughout November interpreting the themes of the New Visions performance, Message.
- Workshops for families with children who have special education needs are being run in November. They are based on the symmetry and architecture of the Queen's House.

Virtual Access – WWW

■ Collections online www.nmm.ac.uk/collections

- New collections records include ship models, navigational instruments and charts.
- The chart zoom tool has been added to the digitized early vellum sea charts (e.g. portulans), and functionality has been added to make all of these charts accessible from a single web page.
- The planning of digitisation work for 2006-'07 is complete. This includes the co-ordinating and scheduling of photography, and art and object handling.

■ Nelson online catalogue www.nmm.ac.uk/collections/nelson

This new addition to Collections Online features over 700 items relating to Admiral Lord Nelson.

■ The Your Ocean website was launched to coincide with the opening of the gallery on 22 September 05. This was the Museum's first attempt at a truly integrated on- and off-line gallery – indeed visitors are actively encouraged to log on and continue their learning journey when they leave the Museum.

Publishing included

- An updated version of the NMM Souvenir Guide, featuring revisions and updates and new material on Art for the Nation.
- Final manuscript has been received for *River Class Frigates in the Battle of the Atlantic: A Technological and Social History* by Brian Lavery, to publish September 2006.
- *Sons of Sindbad: The Photographs*, by Alan Villiers with an introduction by William Facey, has been designed and received a very favourable reception during Roy Clare's recent visit to U.A.E. It publishes in October 2006.
- *Nelson and Napoléon* catalogue. Trade sales have been good (500 copies) with Waterstone's taking the book as core stock. A special, tailored edition was produced for BP Shipping, who ordered 1,000 copies.
- *Baron Crocodile*, by Elizabeth Newbery.
- *The Authentic Nelson*, by Rina Prentice.
- *Run Away to Danger* by Sandy Norris.
- *Music of the Sea*, edited by Richard Baker.
- *Pioneers of the Pacific*, by Nigel Rigby, Pieter van der Merwe and Glyn Williams, passed for press was published in November. We have sold this book as a co-edition to two presses, University of Alaska Press and University of Western Australia Press.
- *The Island Nation*, by Brian Lavery, was published in association with Conway Maritime Press. It was a collaboration between the NMM, Visit Britain, and *SeaBritain 2005*.

3.3 Satisfying **stakeholders**, locally, nationally and internationally

Maps to the DCMS objective of: *Opening up our institutions to the wider community to promote lifelong learning and social cohesion.*

Performance Measures:

- The number of repeat visits was 636,999 (551,513 in 2005).
- Visitor satisfaction continues to remain high; 98% (98% in 2005) of visitors questioned stated that they would recommend the Museum to others and 95% (98% in 2005) of visitors had an overall impression of the Museum as at least satisfactory.
- There were 88,931 adult UK visits from under represented socio-economic groups (a new measure) compared with a Funding Agreement target of 80,000.
- The number of overseas visits was 801,788 (821,929 in 2005).
- The number of regional and international partnerships or links in place was 263 (253 in 2005), including 21 academic partnerships and 96 *SeaBritain* partnerships.
- There was one Health & Safety incident per 34,090 visitor hours (one incident per 33,579 visitor hours in 2005).
- The percentage of staff experiencing vocational training was 22% compared to a target of 21% (25% in 2005).

Activities and Achievements include:

Partnerships – for all purposes – are a critical part of ensuring the relevance and reach of the NMM. Specific areas include academic reputation, maritime heritage and local (WHS) and international tourism; we are keeping faith with partnerships created for 2005 and learning more about the new ones, especially those related to 2012. We will also be working closely with DCMS colleagues who are establishing the new Advisory Committee on National Historic Ships. Over 100 of our many partners attended a lunch in the Queen's House in January, which among other things punctuated the achievements of *SeaBritain 2005* and Nelson decade, while also reminding those present of the NMM's intention to continue to offer leadership and to work with others to the common good – for example:

The *Leading Lives* leadership programme was shortlisted for an award at the annual Arts and Business Awards 2006. A&B celebrate sustainable long-term partnerships between the corporate sector and the arts and heritage world. Morgan Stanley has sponsored Leading Lives for three years since the first session focussing on Elizabeth I was conceived. This nomination recognises the success of the partnership and value it brings to the students, teachers, NMM staff and Morgan Stanley employees.

SeaBritain 2005

The SeaBritain 2005 Evaluation Report was circulated in February to over 150 key partners (<http://www.nmm.ac.uk/upload/pdf/SeaBritain-EvaluationReport.pdf>). It effectively represented the end of the two and half year-long project, by summarising the main outcomes of the campaign and offering partners and supporters the opportunity to comment on the value or otherwise of the various activities throughout 2005. The Report also offered the SB05 'business model' as an example other organisations might choose to use in future.

As the Report concludes, "The legacy value is not only in demonstrating the museum's ability to innovate in pursuit of its core mission, but in extending its reach and effectiveness by establishing rich working partnerships with a range of organizations outside the museum sector, who have a real interest in the maritime agenda, and who can add value to the museum's work in the years ahead."

National Museums@ Chatham

This key development project, of which the NMM is a primary partner to give access to the ship model collections of the National Maritime Museum, Imperial War Museum and Science Museum in the No.1 Smithery building at Chatham Historic Dockyard applied for an HLF Stage 1 grant in February 2006.

The project will deliver public galleries; a touring exhibition gallery; education facilities; and storage and research facilities for the ship model collections. It is anticipated that the galleries will open in April 2009 and the research centre in April 2010.

National Museums at Chatham will deliver a significant regeneration project in the heart of the Thames Gateway, bring national museum brand value to Medway, widen access to currently under-utilized collections and preserve a significant ancient monument by giving it a sustainable long-term use.

Maritime Heritage

The Executive Council of the International Council of Maritime Museums met at the NMM in February to discuss its future programme, including the selection of the venue for the next ICMM Biennial Congress in October 2007. Heritage Malta, a long-standing partner of the NMM, (and with whom the NMM conducted two secondments) has now been announced as the successful venue for 2007. The NMM continues to take an active role in promoting the work of ICMM among maritime museums and maritime heritage organisations world-wide.

NMM is working with the Mary Rose Trust to develop its proposals for a new museum building in Portsmouth Historic Dockyard to house the hull of the ship and the artefacts recovered from the wreck, which are currently on two separate Dockyard sites. The Trust submitted a Heritage Lottery Fund bid in December 2005: the total cost of the new scheme is estimated at £23 million.

The Local Community

■ **Black History Month Launch**

Over 300 people attended the annual launch of BHM for the borough of Greenwich at the NMM on 7 October. An evening of music and dance, with a talk by Floella Benjamin was the start of a series of events and workshops that ran through out the month. Activities for families included the creation of a giant map in the Mess Deck, families were encouraged to record global references in the collections and displays on postcards and place their recordings on the collaborative map, building knowledge of geography and celebrating global maritime links.

■ **Greenwich Chinese Arts Festival**

On the 26 February the museum hosted the 6th festival for the Greenwich Chinese Community School. The event was designed to encourage visitors from the Chinese community to visit to the museum and for all visitors to the museum to celebrate Chinese culture. The day was attended by over 200 pupils from the community school, with parents and young children attending in the afternoon. Around 1,000 visitors enjoyed a day of performances.

■ **Astronomy programmes for Muslim audiences**

The Museum's first-class collection of Islamic scientific instruments is being interpreted to explore the major periods of Islamic history. This grows the capacity to develop the cultural context as well as scientific significance of these objects. Moreover the COPUS funded Astronomy project was completed with the presentation of a programme drawing members of the local Muslim community keen to explore the astronomical basis of the Muslim calendar.

The Friends of the National Maritime Museum

The new brand and marketing materials were in place on site for the opening of the Nelson exhibition and volunteer teams are assisting in the exhibition itself as well as recruiting members by walking the galleries and entrance. The direct-debit scheme has been launched and is enjoying a good take-up from existing members. Most new members are signing up to this payment method. Membership remains stable. The new magazine **f@nmm** was published on 20 June and has met with an excellent reception.

The review panel, gathered to look afresh at the Friends' scheme and its possible integration within NMM as an individual supporters' level in an integrated members scheme, has begun its work. It is hoped to have some recommendations for discussion in the autumn of 2006.

National Maritime Museum Cornwall

The NMM continues to give significant support in personnel whilst the new museum in Falmouth continues planning for the long-term sustainability of its vital visitor base.

Staff

The Museum's pioneering NVQ accredited peer group training scheme continues to bear fruit with Jim Bloomfield, one of the Gallery Assistants instrumental in developing the Road Train, winning the VisitLondon award for Outstanding Customer Service. The flexibility, support and input of the entire staff are represented in Jim's success.

The Museum has continued to prioritise training to the extent of some 2.5% of the paybill with staff attending some 1,337 training courses.

The Home Computing Initiative (HCI) was launched in April with 26 members of staff taking up the benefit and, following several months of research, Sodexo Pass have been selected as our provider for Child Care Vouchers (CCV) provision. The scheme is due to start in June 2006.

Salary sacrifice to enable greater and more flexible contributions to pensions was also made available more widely for the first time this April.

3.4 Effective **organisation** and sound financial management

Maps to the DCMS objectives of: *Modernising the way we deliver our services by ensuring our sponsored bodies are set and meet targets that put consumers first* **and** *Maximising the contribution that the tourism, creative and leisure industries can make to the UK's economy.*

Performance Measures:

- The revenue Grant-in-Aid per user (site visits, web visits and enquiries) reduced to £1.45 (£1.67 in 2005).
- The revenue Grant-in-Aid per visit was £9.39 (£9.15 in 2005).
- £4.22 per visit was generated from sponsorship and donations (£3.58 in 2005). All other non-grant income per visit was £2.46 (£1.45 in 2005).
- Retail sales were £1.354 million (£1.116 million in 2005).
- The Museum's trading company, including corporate hire, achieved an income of £1,116,961 (£1,123,855 in 2005).
- Commercial and Private lettings / events achieved a gross income of £230,545 (£253,465 in 2005).
- Catering commission income from both day visitors' outlets and events was £118,989 (£163,326 in 2005).

- Income from the wide range of Collections Services offered to the public was £677,904 (£476,725 in 2005).
- The Museum's Corporate Membership scheme and loans to members achieved an income of £146,945 (£92,330 in 2005).
- The average number of days lost per employee through short-term sickness was 5.9 compared to a target of 5.5 (5.4 in 2005).
- £1,607,000 cash and non-cash efficiency savings were achieved.

Activities and Achievements include:

Retail

Product development in the first quarter has been mainly focused on finalising ranges for the Exhibition Shop with three individual themes created (Nelson, Emma and Napoleon) into bespoke gifts. Sales within the Exhibition Shop are on target with evening events in particular generating high levels of spend.

Other bespoke product that has arrived during the period includes Celestial and Terrestrial ranges using images of celestial and terrestrial maps on prints, mouse mats, coasters and mugs. Bespoke product sales have increased across the board in particular driven by Nelson product and The Prime Meridian range at the ROG. Bespoke product sales for the first quarter have grown by 12.4 per cent over the same period last year. We reached year end with a sales total of £1,354k, this was 3% behind plan but demonstrated growth in all critical areas – average spend, conversion percentage of visitors to customers and spend per visitor (a significant increase of 23%).

Off Site Sales

Book sales, and in particular the Exhibition Catalogue, have been driving strong off-site sales. This was the first time an Exhibition Catalogue has been put onto the on-line shop for advanced orders and it produced an excellent result for both Internet and Mail order sales.

Commercial Forum

The Commercial Forum was established to discuss and implement the findings of The Commercial Review looking at all areas of the Museum's commercial activity which will then be passed to Management Forum and the Executive Board for discussion. We will also be joining in a benchmarking exercise with Tate, V&A, National Portrait Gallery, British Museum and the National Gallery.

Development

The past year has seen an extraordinary spectrum of success, including: unprecedented levels of fundraising, hitting a huge £15 million target a year early for *Time and Space* (the first announcement of the generous donations was made at the Nelson Birthday Gala dinner on the 29th September); welcoming three new Corporate Members and sponsoring a major exhibition – *Nelson & Napoléon* – widely acclaimed by the critics and enjoyed by the public in a difficult year.

Commercial Events

This has been a full year with many events including the major celebration of BP Shipping's 90th Gala Birthday Dinner Party. The wedding market was particularly buoyant with 14 ceremonies being held in the Queen's House over the year.

Collections Services

- The Picture Library exceeded its income target for reproduction fees by 30% and has sent out a larger percentage of our orders via email or for FTP download, meeting more and more clients' tight deadlines.
- Licensed the use of NMM images for use in a number of corporate annual reports – a market usually dominated by royalty-free images or those offered by independent commercial picture libraries.
- Set up a number of price agreements with clients, to encourage repeat business and customer loyalty.

- Licensing end of year income stood at £44,994 against a target of £25,000, an 80% increase on target income in this demanding but growing area.
- Documentary productions from Italy, China and the UK filmed at NMM sites during the year. The ROG will appear in a forthcoming Antiques Roadshow special, featuring a Mudge timepiece, currently on loan to the Museum.
- The Museum has signed up to Film London's London Filming Partnership initiative. The Partnership encourages filmmakers to use London in their productions, and also provides guidance and support to locations such as ours.
- The NMM and the University of Sheffield have been awarded a Collaborative Doctoral Award by the Arts and Humanities Research Council. The award will fund research into the Museum's Film Archive collection by a PhD student. The project is provisionally titled 'The Culture of Cruising: Post-War Images of Oceanic Cruises in the NMM Film Archive'.
- Over the period the Ships Plans section answered 4,371 enquiries from members of the public and processed 361 orders for reproductions of ships plans.

ICT Infrastructure and Services

- The Storage Area Network (SAN) project was completed in February. Administration of the new infrastructure is now entirely managed by NMM staff resulting in the saving of 1 x full time contractor post. Network administration is hugely more efficient, allowing us to be proactive rather than reactive.
- Focus in 2006-'07 year will be on efficiency measures and improvements to our service to staff e.g:
 - Installing an application server to simplify software rollouts.
 - Implementing a power saving automated switch off of PCs after 7pm.
 - Re-deploying print queues and implemented double sided printing to save paper.
- The security of the NMM network and the data held on it is always a prime concern. New hacking technologies and techniques appear almost daily and we attract our share of hacking attempts, mainly via automated programs searching the web for security weakness. To date our security measures have held well. However, network security is a complex area, so to assist us in closing any potential security holes, an external penetration test coupled with web application vulnerability testing has been commissioned from an industry approved and certified provider. Results of the testing will inform further security improvements.

Efficiency

The National Maritime Museum is operated efficiently and effectively, within its risk envelope. Reforms over the last 8 years have seen it increase its outputs at a steady rate whilst its financial and workforce inputs have remained largely constant. Audiences have grown spectacularly, both on site and on the website as the Museum follows a trajectory of continuous improvement as demonstrated in the table below:

| Key Measure | 2001-'02 | 2002-'03 | 2003-'04 | 2004-'05 | 2005-'06 |
|------------------------------|----------|----------|----------|----------|---------------------|
| GiA – revenue and capital | £12.6m | £13.7m | £14.0m | £15.7m | £15.2m |
| All other incoming resources | £5.3m | £5.2m | £4.5m | £6.4m | £9.6m |
| FTE employees | 410 | 417 | 417 | 408 | 420 |
| Visits | 1.005m | 1.208m | 1.365m | 1.533m | 1.512m |
| Website visits | 2.071m | 2.628m | 4.089m | 6.750m | 8.218m [#] |
| Total Users* | 3.107m | 3.865m | 5.479m | 8.307m | 9.743m |
| Total Users per FTE | 7,578 | 9,269 | 13,139 | 19,920 | 23,198 |
| GiA £ per User | 4.06 | 3.54 | 2.55 | 1.89 | 1.56 |

* includes collections and subject related enquiries

[#] After deduction of spiders/robots.

- We began this path earlier than most in this sector and many gains have already been scored. The last four years, though, have seen steady improvements and we are careful to maintain and, where possible, increase activity rates.
- The Museum has a strong culture of seeking value for money across all its workflows and the effectiveness of procurement and other systems are regularly reviewed as part of its internal audit plan.
- Efficiency is a major driver in the forefront of the Museum's Collections Reform project and its work with partners.
- The Museum intends to have a sustainable development policy in place and operating to inform all its activities by the end of 2006.
- The Museum has received the Institute of Energy's "Energy Efficiency Accreditation Award" certificate for 2001-'04 and 2004-'07. The electricity consumed between 2001-'02 and 2004-'05 has reduced the total kWh by 10.13% that has reduced CO2 emissions by approx 253 tonnes. The gas consumed between 2001-'02 and 2004-'05 has reduced the total kWh by 3.7% that in turn has reduced CO2 emissions by approx 37 tonnes.
- The Museum plays an important role in raising awareness of wider environmental and energy consumption issues through its *Planet Ocean* initiative and the *Your Ocean* gallery. The gallery's displays and themes have been chosen to show how each of us is connected to the sea by our lifestyles, actions and choices, emphasising that we all have a role to play in marine conservation. The gallery explores current thinking on such issues as climate change, over-fishing, pollution, conservation and the use of renewable energies, and debates these subjects in the context of local, national and international situations.
- The Museum also drilled and operates a borehole that provides 'grey' water for lavatories across the site.
- The Museum places a high priority on building the capacity of its staff through training and development. It also operates a modest scheme that recognises, rewards and incentives staff to identify, plan and implement further efficiencies.

Major capital projects

Progress on the Museum's major projects makes significant contributions to the **delivery** and **reform** of services – objectives shared by the Museum and the DCMS. See the section below on Future Priorities and Projects for more information.

4. FUTURE PRIORITIES AND PROJECTS

The Museum's Strategic Plan assesses and analyses risk, the management of which:

- i generates the infrastructure improvements of Strategic Priorities I. and II and;
- ii recognises the imperative for success through partnerships with stakeholders of many kinds in Strategic Priorities III and IV, in order to deliver;
- iii the strategic ambition of Strategic Priority V.

SP I to improve facilities and services for physical, intellectual and virtual access, for all ages and backgrounds, to the collections and subjects of timekeeping, navigation, and contemporary astronomy through major investment at the ROG, and to the art collections via the Queen's House.

The strategic risk analysis revealed that the principal short-term risk to the reputation of the Museum was the underdevelopment of the Royal Observatory site in the face of growing current visitor numbers and the threat that overcrowding poses to their satisfaction with the Museum's services and quality of offering. This risk is being managed through the *Time and Space* project – a £15million capital development that will release the educational potential of the site and dramatically improve the public's access to the fields of timekeeping and contemporary astronomy. The project will open to the public in Spring 2007.

In parallel, the Queen's House was re-configured in 2001 to ensure greater access to the art collections. Significant new exhibitions exposing the Museum's art collections, *Art for the Nation* due for 2007 and *The Golden Age: The Sea in Dutch and Flemish art of the Stuart age* in 2008, along with the *New Visions* ongoing programme of contemporary art are planned for the Queen's House galleries.

SP II to reform the Museum's stewardship of the paper-based and object collections and manage the associated storage risks.

The Museum's collections and its conservation services are split over a number of sites, and housed in far from ideal conditions. Current levels of stewardship and accessibility do not comprehensively provide the quality expected of a national and international institution. This risk is being managed through the *Collections Reform* Project. The collection storage aspects of the project are on track. These deal with both the paper-based and object collections. A disposal programme is now also underway in parallel with discussions within the United Kingdom Maritime Collection Strategy (UKMCS), which includes work on Collections Interface reviews.

SP III to develop partnerships with government and the wider regional, national and international cultural sector, enhancing the Museum's leadership of British maritime heritage.

The Museum has proven through *SeaBritain 2005* that partnerships are an effective multiplier of effort. Future plans will embrace new and different partners to increase the asset base and deliver the outcomes of the sector. Through local, regional, national and international partnerships, the Museum will provide leadership, maintain standards and grow expertise in its own specific area of maritime heritage and culture.

The Museum also anticipates cross-Whitehall input and support and will contribute to measures that can deliver joined-up thinking and action.

SP IV to sustain progress as a sector leader on workforce development and reward.

These strategic priorities, and the ambitious and exciting programmes they generate, require delivery by a skilled, knowledgeable, creative and motivated workforce. The Museum aims to work alongside partners, including DCMS, NMDC and the MLA, to bring about a shift in culture within the sector, while ensuring that its own workforce is fairly rewarded for its endeavours, with a particular emphasis on the lower paid.

The above four Strategic Priorities provide both the context and the enabling infrastructure and partnerships to pursue the further evolution and growth of the Museum through:

SP V to continue the evolution of the Museum by illustrating more effectively the cultural, economic, political and social importance of the sea, in order to involve a growing and more diverse national and international audience with these themes.

The Museum aims to deliver an imaginative series of inter-linked developments, (including the NMMs partnership in the *National Museums @ Chatham* project) which will respond to the needs of and focus on delivery to customers, users, visitors and stakeholders generally. This work sets the agenda for the Museum's ongoing evolution. It will:

- focus on meeting the changing technological trajectory of the digital future.
- integrate physical and virtual interactions with collections while bridging on- and off-site learning.
- physically and intellectually reconfigure the existing displays and galleries.
- invest in a significantly improved access interface, via a new library, reading room and educational spaces, to our paper-based (rare books, charts, manuscripts, prints and drawings) research collection.
- activate outreach programmes that will broaden our audience by extending local participation, work with the regions, and assist in increasing our international reach. In particular, programmes will be developed that will reach, through focussed marketing, and involve, through re-investment in displays and interpretation, currently under-represented UK groups. An increase in users from these groups will increase audience diversity and achieve growth in the overall UK audience.
- work with others towards a 'foreign policy' for the Museum and the cultural sector, both within Europe and in the new markets overseas.

The outcomes of this work will be to:

- i improve understanding of how Britain's relationship with the sea has fundamentally shaped histories, cultures and identities.
- ii push the boundaries of our subjects further while transforming our capacity to seek out, engage and develop a more diverse audience.
- ii enhance the Museum's international standing while acting as a force for local regeneration.
- iv update physical infrastructure, ploughing back resources released from the storage reform project, including proceeds from the eventual sale of one of the existing storage sites.

5. STATUTORY BACKGROUND, STRUCTURE, GOVERNANCE AND MANAGEMENT

The founding legislation is the National Maritime Museum Act 1934 which established the National Maritime Museum and a Board of trustees, who are a body corporate by the name of the Trustees of the National Maritime Museum. The 1934 Act was amended by the National Maritime Museum Act of 1989 and the Museums and Galleries Act of 1992. The 1989 Act gave the Trustees the power to acquire and dispose of land and property. Titles to the main Museum properties and the collection stores have been transferred to the Trustees (see note 10 to the accounts). The Museum occupies and operates the Royal Observatory under a Royal Warrant dated 23 March 2004.

Monies are provided by Parliament to enable the Board of Trustees to carry out the objectives set out in the original and amended acts. The Management Statement and Financial Memorandum, issued by the Department for Culture, Media and Sport (DCMS) in September 2002, set out the conditions for the payment by the department of the Grant-in-Aid to the Trustees.

Structure

Under the National Maritime Museum Act 1934, the National Maritime Museum is an exempt charity.

Trading Company

The National Maritime Museum established a trading company called National Maritime Museum Enterprises Limited (NMME) on 2 April 1985. The principal activity of the company is the running of the retail and corporate events operation. At the start and end of the year, the NMME Board comprised two executive and three non-executive directors.

Trust Funds

The Caird Fund was created under a trust deed dated 23 March 1942. The original capital was provided by Sir James Caird as a permanent endowment.

The Development Fund and the No 3 Trust Fund were set up for the development and benefit of the National Maritime Museum. Management of the Trust Funds is by their Trustees who are members of the Finance Committee itself responsible to the Trustees.

Governance and Management

The Board of Trustees agree the Museum's Strategic Plan, Funding Agreement and the Management Plan that are prepared and led by the Director and the Executive Board. These documents set out the policy and resources framework within which the Museum discharges its duties and its key strategic and management objectives and targets. The Funding Agreement between the Museum and the Department for Culture, Media and Sport (DCMS) provides explicit and challenging statements of the underlying outputs and levels of performance that the Museum is required to deliver to achieve Ministerial objectives.

The Board of Trustees, the Board of Directors of National Maritime Museum Enterprises Ltd, and the Director as Accounting Officer are responsible for establishing and maintaining systems of internal control. They are committed to public service values, which include integrity, openness, accountability, and securing value for money. The Museum continues to review and update the existing systems (see the Statement on Internal Control on page 32), which the Boards and Accounting Officer believe to be appropriate for a public body. The systems of internal control are designed to meet the particular needs of the Museum and the risks to which it is exposed. By their nature, internal control systems can provide reasonable but not absolute assurance of effectiveness.

The Board of Trustees have corporate responsibility for ensuring the Museum fulfils the aims and objectives set out in legislation and governing documents and are accountable to Parliament.

The Director as Accounting Officer is accountable to Parliament and is personally responsible for safeguarding the public funds for which he has charge, for propriety and regularity in the handling of those public funds and for the day-to-day operations and management of the Museum. He acts in accordance with the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety* and through the DCMS Accounting Officer.

The Museum is led and managed by the Director and the Executive Board and is structured to ensure delivery of the targets laid down in the Funding Agreement, the Management Plan and the respective performance agreements of directors and managers.

These targets cover outputs relating to the public's access to the collections, the themes the Museum explores and the quality of services it provides. The targets also cover financial performance and the efficiency and effectiveness of its operations. The Executive Board reviews performance against these targets monthly using the performance management system developed for the purpose. In turn, the Trustee Board receives reports quarterly. The Executive Board approves and monitors the performance of all major projects through the Museum's Project Method.

Accountability, limits of authority and lines of reporting are clearly defined throughout the Museum's management. Annual performance targets are set for each member of staff. Well-developed information and reporting systems monitor progress against financial and non-financial targets. The Financial Information System provides networked access to the details of actual and committed expenditure for activity centre managers and summarised results for divisional directors.

The Board of Trustees

The Board has four plenary meetings a year, and one or more extended strategic sessions. There are five committees of the Board and two of these, the Audit Committee and the Finance Committee, meet quarterly.

Beyond the demands of governance, Trustees' expertise and experience is drawn upon, to the benefit and assistance of the Museum, via the Informal Sub Committee (ISC) structure. Trustees serving on ISCs provide advice and guidance to the Executive and the ISCs report informally, through the Director, to the Board of Trustees. Currently these encompass the Academic, Astronomy and Collections informal Sub Committees.

A register of Trustees' relevant interests is maintained and is available for the public to inspect on request to the Museum Secretary.

Trustees are not remunerated.

Methods used to recruit Trustees

All recruitment, and the appointment process itself, is carried out in accordance with the Office of the Commissioner of Public Appointments' (OCPA) Code of Practice for Ministerial Appointments to Public Bodies and operates in accordance with the Delegated Appointment Procedure the Museum piloted with DCMS.

The Board delegates the recruitment of Trustees to the Nominations Committee. In consultation with the Director, the Committee identifies role specifications to provide the skills and expertise required by the strategic needs of the Museum. The Committee also takes succession planning into account and aims to ensure sufficient expertise is available, both to ensure overall continuity and coherence and to sustain a group with appropriate credentials.

Advertisements are placed in media deemed appropriate for each case, ranging from national newspapers to the Museum's and the DCMS websites. A panel of Trustees, with an Independent Assessor representing OCPA, interviews shortlisted candidates and a recommendation is made to Ministers accordingly.

The Prime Minister makes the appointment to the Board and appointments or re-appointments are normally for four years.

Procedures for induction and briefing of Trustees

The Chairman ensures that all members of the board, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities. All Trustees have a copy of all relevant governance material and receive an induction course on appointment. New Trustees may also receive mentoring from members with experience.

Trustees are normally appointed to provide the Board with their specific areas of expertise, knowledge and skills but training is always offered and available and committees such as the Audit Committee benefit from an annual sector-wide conference. In addition from time to time the Board receives specific briefings on matters such as Health and Safety and compliance procedures and individual Trustees are encouraged to take up departmental visits.

Audit Committee

The purpose of the Audit Committee, a committee of the Board, is to give independent advice and guidance to the Board of Trustees and to the Accounting Officer on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the Museum. The remit of the Committee reflects Government Internal Audit Standards and the code of practice on Audit Committees issued by the DCMS.

The Chairman of the Audit Committee makes an annual summary report to the Board of Trustees and signs the Statement of Internal Control as the representative of the Board.

Internal Audit

The Museum engages a professional accountancy firm to provide an internal audit service reporting to the Audit Committee and Accounting Officer. Internal controls and systems are reviewed in accordance with the annual internal audit plan. The Audit Committee agrees the plan, and the results of the reviews are reported quarterly in detail to the Executive Board, the Audit Committee and in summary to the Board of Trustees.

Risk Management

At the corporate level, strategic and major risks are identified and evaluated in the Museum's Strategic Plan, and these are re-assessed and validated quarterly by the executive and trustees. The Museum's Strategic Priorities are planned to manage these identified strategic risks.

Risks at operational level are identified and evaluated in a structured way following the procedures given in the Museum's *Code of Practice on Risk Management*. These risks are tabulated in the Management Plan and responsibilities for their management defined. As part of the Museum's project method procedures, the Executive requires project managers to identify and manage risks on all projects.

Employment policies

The National Maritime Museum upholds equal opportunities and has maintained employment policies to ensure that staff or applicants for posts are not discriminated against on the grounds of gender, marital status, sexual orientation, race, colour, nationality, ethnic or national origin, religion, belief, disability or age.

Workforce development is a priority with training and capacity-building a significant part of the reward quadrant [working environment; personal development; job satisfaction; pay and benefits] at the Museum. This was recognised when the Museum achieved the Investors in People (IiP) standard in November 2001, receiving re-accreditation in 2003 and now with IiP re-accreditation again on the horizon. The Museum holds the Employment Service's Disability Symbol and in 2005-'06 there were 17 disabled people employed by the Museum. There were no disabled leavers during this period.

A number of sheltered placement and other work experience initiatives are under way. The Museum has an active volunteer programme and undertakes secondments and exchanges both internally and externally at home and overseas.

The Museum is a sector leader in its human resources approaches, not least in dispensing with any formal retirement age in 2002. At the sector level, the Director of Human Resources chairs the National Museum Directors' Conference's (NMDC) HR Forum and is involved in a number of seminars examining best practice in our sector. Director Roy Clare is chairman of the NMDC Leadership Working Group and membership of the Board of Creative and Cultural Skills (SSC). In both cases we are seeking to encourage benchmarking and generate opportunities for building the capacity of people in the sector. The Museum continues to lead.

The Museum has a Staff Council comprising elected staff representatives for the purposes of information, consultation and negotiation. Information is provided to this body sufficient to meet the requirements of the Workplace Information and Consultation of Employees Regulations 2004. In addition, discussions to explore a future partnership agreement involving trade unions continue.

All staff are inducted formally and issued with contracts of employment and staff handbooks, which contain information on benefits, health, safety and welfare and are regularly updated.

Health and Safety

It is Museum policy to assign great importance to the safety of employees and others, considering this as a management responsibility equal to that of any other management function.

In the design, construction, operation and maintenance of all plant, equipment and facilities, everything that is reasonably practicable is done to prevent personal injuries and ill health to employees, customers, visitors, contractors and members of the public. To this end the Board of Trustees and Executive Board of Directors provide, so far as is reasonably practical, such training and equipment as is necessary to enable employees to work safely.

The importance of employee involvement in health and safety matters and the importance of the positive role played by safety representatives, safety committees and representatives of employee safety is acknowledged.

All employees are required to co-operate fully in implementing this policy to comply in all respects with the Health and Safety at Work Act 1974, the Management of Health and Safety at Work Regulations 1999 and the accompanying arrangements contained within the Museum's Health and Safety Manual.

Everyone throughout the organisation is expected to exercise all reasonable care for their own health and safety and that of others who may be affected by their acts or omissions.

The overall responsibility for the health, safety and welfare of the organisation and employees is vested in the Board of Trustees and Executive Board of Directors of the National Maritime Museum. The Executive Board receive a monthly report on Health and Safety matters and analysis of incidents which then goes forward to the Trustee Board for quarterly review.

Disability Discrimination Act 1995 and 2005 (DDA)

An Access Audit of the main Museum has been undertaken to complete the set of audits previously undertaken in the Queen's House and at the Royal Observatory Greenwich. Work is now underway to complete the Museum's Disability Equality Scheme for publication by December 2006.

Work was completed in 2005 to install an external lift to level access to Flamsteed House, a complicated design requiring English Heritage approval. The Road Train, in service from 2004, provides physical access for all from the Maritime Galleries via the steep rise to the Royal Observatory.

Payment of Creditors

The National Maritime Museum follows the Better Payment Practice Code, which adheres to the Government wide standard of settling all valid bills within 30 days or within the terms of the contract. It has maintained a rate in excess of 90% for the settlement of valid supplier accounts within 30 days or in accordance with contract (90% in 2005).

Audit

Under statute, the Comptroller & Auditor General is the principal auditor of the Museum's consolidated accounts for the year 2005-'06. The audit fee in respect of this work was £32,000.

Going Concern

The Boards believe that it is appropriate to continue to adopt the going concern basis in preparing accounts as the Museum has adequate resources to continue in operation.

Presentation

The Accounts have been prepared in a form directed by the Secretary of State for Culture, Media and Sport with the consent of the Treasury in accordance with sections 9(4) and 9(5) of the Museums and Galleries Act 1992.

The Annual Report and Accounts are presented in accordance with the reporting requirements of the Statement of Recommended Practice (SORP 2005), Accounting and Reporting by Charities. As required by the SORP, the Statement of Financial Activities shows total incoming resources for the year, including income received for capital and future projects.

Consolidated Accounts

The National Maritime Museum account comprises the Grant-in-Aid Account, the Caird Fund, the Development Fund, the No 3 Trust Fund and the American Fund of the National Maritime Museum and the Royal Observatory Greenwich. These accounts are consolidated with National Maritime Museum Enterprises Ltd (NMME) to form a Group account. The consolidated balance sheet shows both the Charity and the Group.

6. REMUNERATION REPORT

Performance reviews and reward arrangements are tightly linked to the Museum's overall Management and Strategic plans and success and the Museum is considered leading edge among Government bodies in this respect.

Salaries form a significant cost at 75% of the Grant-in-Aid (70% in 2005).

The development of performance management in the Museum has included the articulation of a business model and balanced scorecard developed from the NMM's mission, objectives and values, which include clear objectives, targets and measures of performance. There are increasingly tighter linkages between the business plan and directors' and staff individual performance agreements. Amongst directors and senior managers these performance agreements are divided into objectives and targets relating to overall, corporate and individual components with attachment of bonus potential according to these divisions. In the recent past there has been a wider use of a balanced scorecard approach and the adoption of risk management.

Each year a sub-group and Trustee Remuneration Committee consider key inputs in coming to pay and bonus decisions. The Committee is chaired by a Trustee and comprises two other Trustees, a retained independent reward consultant and an independent volunteer reward consultant, the Director, and Director Operations & Human Resources as Secretary. The Committee considers the Museum's overall performance, any changes in roles or responsibilities, remuneration history and overall reward strategy and market trends and assessments of base pay, bonus levels and total remuneration. Judgements are informed by the Director's performance assessments. The chairman of the Remuneration Committee consults with the Chairman of Trustees on the Director's performance assessment.

The contributions on behalf of the Director are to a Defined Contribution Scheme. There is therefore no Cash Equivalent Transfer Value.

There were no termination awards for any directors.

See Note 9 to the Accounts for further information.

Lord Sterling
Chairman of the Board of Trustees

Roy Clare
Director and Accounting Officer

17 July 2006

7. REFERENCE AND ADMINISTRATIVE DETAILS

| | |
|-----------------------------------|---|
| Patron | HRH The Duke of Edinburgh KG KT |
| Chairman of the Board of Trustees | The Rt Hon The Lord Sterling of Plaistow GCVO CBE |
| Director & Accounting Officer | Roy Clare |
| Principal address | National Maritime Museum Romney Road Greenwich London SE10 9NF |
| Website | www.nmm.ac.uk |

The Board of Trustees

During 2005-'06 members of the Board of Trustees were:

Sir David Hardy, Chairman to 19 November 2005 (appointment ended on 19 November 2005)

The Rt Hon The Lord Sterling of Plaistow GCVO, CBE, Chairman from 19 November 2005

His Royal Highness The Duke of York KG KCVO ADC

Victor Benjamin

Ray Miles

Joseph Abrams OBE

Patricia Rothman

Professor Jocelyn Bell Burnell CBE

Dr M C Faulkes (appointment ended on 5 December 2005)

Professor William Ritchie OBE (appointment ended on 5 December 2005)

Professor Martin Daunton

Penny Haire (on sabbatical from November 2004)

Councillor Jagir Sekhon OBE

Nigel Macdonald

Jan Kopernicki

Alan Titchmarsh MBE VMH DL

Mrs Gilly Drummond DL

Sir John Guinness CB

Admiral the Lord Boyce GCB OBE DL

David Moorhouse (appointed 28 October 2005)

Dr David Quarmby CBE (appointed 28 October 2005)

Brief biographies of the Trustees are available from www.nmm.ac.uk in the 'about us' section.

A Register of Interests is maintained and is available via the Museum Secretary.

The Executive Board

At the end of 2005-'06 members of the Executive Board were:

| | |
|-----------------------|--|
| Roy Clare | Director and Accounting Officer |
| Andy Bodle | Director, Operations and Human Resources |
| Dr Margarett Lincoln | Director, Research and Collections |
| Norman Reed | Director of Finance and Enterprises |
| Stephen Riley | Director, Maritime Heritage and <i>SeaBritain</i> 2005 |
| Sir John Tiltman KCVO | Project Director, Time and Space |
| Dr Colin White | Director, Trafalgar 200 (seconded from Royal Naval Museum) |

Other relevant organisations

| | |
|---------------------|---|
| Auditors | Comptroller & Auditor General National Audit Office 157-197 Buckingham Palace Road London SW1W 9SP |
| Bankers | Royal Bank of Scotland 49 Charing Cross Admiralty Arch London SW1A 2ZD |
| Legal advisers | C.M.S. Cameron McKenna Mitre House 160 Aldersgate London EC1A 4DD |
| Investment Managers | Jupiter Asset Management Ltd 1 Grosvenor Place London SW1X 7JJ |

8. SUPPORTERS OF THE NATIONAL MARITIME MUSEUM 2005-'06

The Museum gratefully acknowledges the assistance of those listed below:

The Department for Culture Media and Sport

The Heritage Lottery Fund

The Department for Education and Skills

Major Donors

Lloyd's Register Educational Trust; Particle Physics and Astronomy Research Council; ReDiscover; Swiss Re; The DCMS/Wolfson Foundation Gallery Refurbishment Fund; The Millennium Commission; The Peter Harrison Foundation; The Weller Settlement Fund; The Weston Foundation; The Wolfson Foundation; The Zvi and Ofra Meitar Family Fund; Trinity House.

Donors

Awards for All; Charles Frodsham & Co; David Gestetner; Greenwich Inc; John Manser CBE; Morgan Stanley International Foundation; National Art Collections Fund; Pusser's Rum; Clive Richards OBE; Bruno Schroder; The Arts Council; The Asprey Family Foundation; The Big Lottery Fund; The Cowley Charitable Foundation; The Donald Forrester Trust; The Edinburgh Number 2 Charity Trust; The Elephant Trust; The William Falconer Charitable Trust; The Friends of the National Maritime Museum; The Haberdashers' Benevolent Foundation; The Headley Trust; The Lord Iliffe; The Inchcape Foundation; The Inverforth Charitable Trust; The Joseph Strong Fraser Trust; The Leathersellers' Company Charitable Fund; The Leverhulme Foundation; The Linbury Trust; The MacRobert Trust; The Mercers' Company; The Met Office; The Risby Charitable Trust; The Royal Society/COPUS; The Sackler Foundation; The Basil Samuel Charitable Trust; The Sir John Fisher Foundation; The Tanlaw Foundation; The Veneziana Fund; The Warbeck Fund; Walpole's of Greenwich; Warwick Leadlay Gallery.

Bequests

Mr P J Murray Testamentary Trust

And all those other donors who have given so generously but who wish to remain anonymous.

Donors to 'A Universal Appeal' to redevelop the Royal Observatory Greenwich

Mr Brown; Michael Brown; Caytrust Finance Company Ltd; James Gaggero; Maxi Gainza; Julia Harrison-Lee; Lady Hardy; Sir David Hardy; Lady Harris; Lee MacCormack Edwards PhD; Dr Robert Massey; John W. Oelsner; Captain CHH Owen RN; David Ross; Patricia Rothman; John Sharman; N. Squibb & Dr L. Mansfield; The Quarby Fund; The Reeves Charitable Trust; The Shauna Gosling Trust; The Society for Popular Astronomy; David Wells.

And all those other individuals, too numerous to mention, who attended the Nelson Gala Dinner on 29 September 2005 and those who have so generously supported the campaign.

Supporters of the American Fund of the National Maritime Museum and the Royal Observatory Greenwich (EIN 30-0190984)

John C Bogle; C Richard Carlson; Lee MacCormack Edwards PhD; John W Oelsner; The Carlson Family Trust; The Dmitro Foundation; The Gladys Kreible Delmas Foundation; The Hubbard Broadcasting Foundation; The Jaffe Family Foundation; The Kelton Foundation; Susan T Zetkus.

Sponsors

Accurist; BP Shipping; National Physical Laboratory; P&O; The Crown Estate; The Maritime Coastguard Agency (MCA).

Corporate Benefactor

BP Shipping

Corporate Patron

English Partnerships

Corporate Members

Accor UK; Braemar Seascope; Evergreen (UK) Ltd; General Maritime Corporation; HSBC Insurance Brokers Ltd; Liberty Syndicates; Lloyd's Register; Lloyds of London; Morgan Stanley and Co International; Norton Rose; Serco Group; Shell International Trading and Shipping Co. Ltd; Swiss Re; The Baltic Exchange; Yang Ming Marine Transport Corp.

Associate Member

Cheeswrights

Corporate Loan Holders

Lloyd's of London; Mandarin Oriental Hyde Park Hotel; Morgan Stanley and Co International; Pemberton Greenish; Rathbone Brothers plc; Simpson, Spence and Young Ltd; The Leathersellers' Company; The Orrery Restaurant – Conran Holdings plc; Wellington Underwriting.

Honorary Commodores

Awarded for outstanding support and commitment to the Museum: Sir David Attenborough OM; Mr Richard Carlson; Sir David Hardy; Mr Peter Harrison; Mr Zvi Meitar M Jur; Libby Purves OBE; Dr David Quarmby CBE; Lord Rees of Ludlow; Professor NAM Rodger FBA; Mrs Coral Samuel CBE; Dava Sobel; Mr Peter Snow CBE; Dr David Starkey; Sir Arthur Weller CBE; Susan T Zetkus.

Donors to the Collection

During the year artefacts were donated, bequeathed or given in lieu of tax to the Museum by the following:

Lt Commander GV Ball, R.D. R.N.R. (Ret'd); Capt. Eric Beetham; Mr C R Cotton; Lady Delacombe; Mr R. Day; The East Africa Conference; Mrs Mary D Evans; Mrs C N Ewens; Mrs Arnold Forster; Mr James Hancock; Mr Tim Lewin; Mr John Lindsay and Mr Eric O'Leary; Mr David Massa; The National Archives; Mr E. Michael D. Scott; Mrs K Salmon; Fiona Sinclair; Mr Colton P. Wagner MBE; Dr. J. R. H. Western; Yes Watch to whom the Trustees are most grateful.

9. FINANCIAL REVIEW

The Consolidated Statement of Financial Activities on page 37 shows Incoming Resources of £24,803,000 (£22,148,000 in 2005). Resources expended amount to £21,453,000 (£19,911,000 in 2005). The Museum thus achieved a surplus of £3,350,000 (surplus of £2,237,000 in 2005).

The surplus of £3.3 million is a particularly strong performance, about £2million pounds in excess of the budget for the year. The principle reason for the significant increase in incoming resources is the success of the fundraising campaign for the *Time and Space* redevelopment at the Royal Observatory Greenwich. The incoming resources for Other Voluntary Funds amounts to £4,923,000 (£1,791,000 2005) of which the vast majority is restricted to *Time and Space*.

The Grant-in-Aid has reduced to a total of £15,236,000 (£15,731,000 2005) due to the additional ring-fenced funding in prior years for *Time and Space*. Non capital (GIA) has shown a 2% increase on the previous year. The Museum's other income sources have in general shown modest growth in line with market expectations and the programme of activities undertaken by the Museum in the financial year.

Resources expended have increased in the year by £1,542,000 reflecting the increased level of activity undertaken by the Museum.

The *Nelson and Napoléon* exhibition was a successful major activity in the year and this increased the costs by £500,000 at the same time the Museum has continued to invest significantly in the collections reform programme, a major strategic priority.

The Museum's operating costs have been subjected to rigorous efficiency reviews, but are still subject to market forces and inflation. Price inflation has been particularly significant in energy costs.

The financial performance of the Museum has been maintained within both income and expenditure budgets throughout the year.

The *Time and Space* project has generated timing differences between the project budget and actual expenditure, but the overall project remains within its agreed financial outturn projection.

Reserves Policies

The Museum reserves at 31 March 2006 amounted to £99.4 million of which the greater part, £74.1 million, was represented by land and buildings which have no realisable value to the Museum.

The Museum policies concerning the level of general reserves are to:

- maintain sufficient liquid funds to meet liabilities as they fall due
- provide for the capital development programme
- provide for the collections development programme
- build up investments over time to provide additional income to cover non-commercial activities, notably including research and education
- maintain a fund to cover unforeseen circumstances.

These policies are reviewed annually in the budgeting and planning process that sets the Museum's revenue and capital plans.

The Board of Trustees considers that free reserve funds of £5million represent a prudent level of funding necessary to underpin the working capital requirements of the Museum at its current level of activity. This funding level also provides modest cover for unforeseen circumstances such as the downturn in tourist numbers experienced in the summer of 2005.

The Museum is experiencing sustained growth in its activities and operation and its future developments such as *Time and Space* will result in yet further growth. Accordingly the level of free reserves considered adequate will in future years grow beyond the current £5m.

At 31 March 2006 the Museum had £9.9m of unrestricted liquid reserves i.e. investments, cash, debtors less creditors and less restricted funds held as investments. *Time and Space*, the Collections Reform and Exhibitions projects require £4.4m of these free reserves leaving a balance of £5.5m.

The underlying reserves position is deemed adequate for the currently identifiable requirements planned for future years, within present forecasts for inflation and at no more than medium risk.

Investment Policies

As at 31 March 2006, the Museum holds investments valued at £3.7 million, all of which are within the Caird Fund, the Development Fund and the No3 Trust Fund. The investments are held predominantly as units in a variety of funds managed by Jupiter Asset Management Limited, with the objective of providing a balance of capital growth and income from dividends. The individual investment holdings reflect the requirement for income or growth of the underlying trust funds.

Investment performance in the year has continued to improve as in the previous two years. This improvement has achieved an investment gain on revaluation of £745,000 (£276,000 gain in 2005). During the year the Museum rebalanced the investment portfolio by disposing of its Corporate Bond Fund units and purchasing further equity based units. The disposal of the Corporate Bond Fund generated a realised gain of £1,000 (£nil gain or loss in 2005). This change has enhanced the capital growth of the investments in the second half of the year without income sacrifice. The result for the year represents capital growth of 22 % (FT All Share Index 26%), however, following the transfer of investments into equity funds at the half year the portfolio return has exceeded the FT All Share Index growth by 2% in each subsequent quarter.

The overall investment returns have been very satisfactory for the year as a whole.

Fixed Assets

The net book value of fixed assets at the end of the year was £88.2 million (£81.1 million in 2005). Capital expenditure amounted to £6.5 million in the year (£3.2 million in 2005). Depreciation amounted to £3.0 million (£2.7 million in 2005).

At 31 March 2006, the main Museum site and the Royal Observatory, Greenwich were revalued on a depreciated replacement cost basis, and the Brass Foundry and the Kidbrooke stores were revalued using the existing use basis. Independent valuers undertook these review revaluations and the results of the revaluation represent an increase in the gross book value of land and buildings of £2.4 million. (See Notes 10 & 21).

The Museum does not have ownership of the freehold to either the main Museum site or the Royal Observatory Greenwich and accordingly the site and buildings at Greenwich have no realisable value to the Museum. (See Note 10).

Donations in kind

During the year artefacts to the value of £49,000 (£11,000 in 2005) were donated, bequeathed or given in lieu of tax to the Museum. [see Section 8 above]

Lord Sterling
Chairman of the Board of Trustees

Roy Clare
Director and Accounting Officer

17 July 2006

10. STATEMENT OF THE BOARD OF TRUSTEES' AND THE DIRECTOR'S RESPONSIBILITIES

Under Section 9(4) and (5) of the Museums and Galleries Act 1992, the Board of Trustees of the National Maritime Museum are required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Culture, Media and Sport with the consent of the Treasury. The accounts are prepared to show a true and fair view of the Board's financial activities during the year and its financial position at the end of the year.

In preparing the Museum's accounts the Trustees are required to:

- observe the accounts direction* issued by the Secretary of State 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 and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Museum will continue in operation.

The Accounting Officer of the Department for Culture, Media and Sport has designated the Director as the Accounting Officer for the Museum. His relevant responsibilities as Accounting Officer including his responsibility for the propriety and regularity of the public finances for which he is answerable and for the keeping of proper records, are set out in the 'Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in Government Accounting.

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

Lord Sterling

Chairman of the Board of Trustees

Roy Clare

Director and Accounting Officer

17 July 2006

* A copy of this is available from the Director of Finance, National Maritime Museum, Romney Road, London SE10 9NF

11. STATEMENT ON INTERNAL CONTROL

Scope of responsibility

The Accounting Officer and the Trustees (represented by the Chairman of the Audit Committee) have joint responsibility for maintaining a sound system of internal control which supports the achievement of the Museum's mission, responsibilities, objectives and policies whilst safeguarding public funds and the Museum's assets, for which the Accounting Officer is personally responsible, in accordance with the responsibilities assigned to him under Government Accounting.

The Museum has a three-year Funding Agreement with its government sponsor body, the Department for Culture, Media and Sport, which includes targets to assist the Department in meeting its Public Service Agreement targets and identifies the most significant risks to achieving the Museum's objectives. Progress against Funding Agreement targets is monitored at least twelve times a year.

The purpose of the system of internal control

The Museum's system of internal control is appropriate to the circumstances and business of the Museum and is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve the Museum's mission, responsibilities, objectives and policies; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

Capacity to handle risk

The Director has responsibility for leading and managing the work of the institution in achieving its mission and proposing strategies to meet its objectives and uphold its values; he reports to the Board of Trustees of the National Maritime Museum.

The Audit Committee gives independent advice and guidance to the Accounting Officer and the Board of Trustees on the adequacy of audit arrangements (internal and external) and on the implications of assurances provided in respect of risk and control in the Museum and oversees the work of the internal auditors.

Staff are trained to identify, evaluate and manage risk as a practical module on the Museum's management and specialist development courses and the Museum's Code of Practice on Risk Management, see below, is accessible to all. The Museum's Code adheres to HM Treasury's best practice guidance *Management of Risk – Principles and Concepts*.

The risk and control framework

Risk Management Policy:

The Museum's Risk Management Policy, endorsed by the Accounting Officer, Audit Committee and Board, says:

The Museum will operate a systematic and effective process of risk management following the Museum's Code of Practice on Risk Management. This document will be updated as and when to take account of lessons learned and good practice.

The Museum will monitor and control both the process of risk management and the risks themselves to ensure its continuing effectiveness; continuing value for money is being achieved; and that opportunities for the Museum's advancement are not being rejected.

The Museum's Code of Practice on Risk Management sets out the structures and procedures for the identification, evaluation, ownership, monitoring and control of risk at all levels of business planning – from the corporate process to the setting of individual staff's objectives.

Identification and Evaluation

At the corporate level major risks are identified and evaluated in the Museum's Strategic Plan, which is re-validated regularly.

Risks at operational level are identified and evaluated in a structured way following the procedures given in the *Code of Practice on Risk Management*. These risks are tabulated in the Management Plan and responsibilities for their management defined.

As part of the Museum's project method procedures, the Executive requires project managers to identify and manage risks on all projects.

Risk ownership

The Finance Director is responsible for sponsoring and coordinating effective risk management procedures throughout the Museum.

Responsibility is assigned at the relevant and appropriate level. As part of the appraisal, performance management, and objective setting mechanism, Executive Board and managers' performance agreements contain explicit requirements for identifying, assessing and managing the risks in their area of work in order to provide a reasonable assurance that their contribution to the Museum's objectives are met in the most efficient and economical way. These are linked to the Management Plan.

The Museum's Project Method provides a mechanism for assigning the ownership of project risks. Specialist risk managers exist within the Museum dealing with, for example, Health and Safety and Security.

Monitoring and Control

The Accounting Officer and Executive Board review performance against targets and objectives, and risks to that performance, on a monthly basis using a system of key performance and risk indicators established from the Strategic and Management Plans. In addition, the Executive requires regular reports from project managers on the steps they are taking to manage risks on key projects including, where appropriate, the application of Gateway Review procedures.

The Finance Committee and the Board of Trustees review these performance reports on a quarterly basis.

Review of effectiveness

The Accounting Officer and the Trustees (represented by the Chairman of the Audit Committee) have joint responsibility for reviewing the effectiveness of the systems of internal control. Our review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by external auditors in their management letter and other reports. We have been advised on the implications of the result of our review of the effectiveness of the system of internal control by the Audit Committee and a plan to address any weaknesses and ensure continuous improvement of the system is in place.

Internal Audit – the Museum employs an Internal Audit service, which operates to the Government Internal Audit Standards. The Internal Audit service submits regular reports and advice to the Accounting Officer, which includes the Head of Internal Audit's annual statement of assurance supporting the work performed during the year.

The remit of the Audit Committee also reflects Government Internal Audit Standards and Cabinet Office guidance.

Executive Board – each member of the Executive Board provides an annual assurance statement that confirms she or he has acted within the rules and procedures laid down by government for the operation of a public body and have sought to maximise value for money in all transactions.

The Museum views risk management as an active part of the management processes and will continue to develop and embed these systems, in line with the latest guidance and best practice.

The system of internal control has been in place in the National Maritime Museum for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

There have been no major internal control weaknesses.

Roy Clare, Director and Accounting Officer 17 July 2006

Nigel Macdonald, Member of the Audit Committee on behalf of,
Victor Benjamin, Chairman of the Audit Committee

12. NATIONAL MARITIME MUSEUM & GROUP

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Maritime Museum and the group for the year ended 31 March 2006 under the Museums and Galleries Act 1992. These comprise the Statement of Financial Activities, the Income and Expenditure Account, the Consolidated Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Board of Trustees, the Director, and auditor

The Board of Trustees, and the Director, as Accounting Officer, are responsible for preparing the Trustees' Report, the Remuneration Report and the financial statements in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, and for ensuring the regularity of financial transactions funded by Parliamentary grant ("Grant in Aid"). These responsibilities are set out in the Statement of the Board of Trustees' and Director's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport, with the consent of the Treasury. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the National Maritime Museum or the group have not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 32 to 33 reflects the National Maritime Museum's and the group's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Director's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the National Maritime Museum's and the group's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Annual Report, and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Maritime Museum's and the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury, of the state of the affairs of the National Maritime Museum and of the group as at 31 March 2006 and of the incoming resources and application of resources for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Museums and Galleries Act 1992 and directions made thereunder by the Secretary of State for Culture, Media, and Sport with the consent of the Treasury; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

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

20 July 2006

Consolidated Summary Income and Expenditure Account for the Year ended 31 March 2006

| | 2006 £'000 | 2005 £'000 |
|--|-----------------------------|---------------|
| Total Incoming Resources | 24,803 | 22,148 |
| Total Resources Expended | (21,453) | (19,911) |
| Net Surplus for the year | 3,350 | 2,237 |
| Less Capital projects net (income)/expenditure | (5,334) | (4,576) |
| Add Depreciation | 3,025 | 2,656 |
| Net Surplus for the year | 1,041 | 317 |

Consolidated Statement of Financial Activities for the Year ended 31 March 2006

| | Note | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total 2006 £'000 | Total 2005 £'000 Restated |
|--|------|--------------------------------|------------------------------|-----------------------------|---------------------------------|------------------------------------|
| Incoming Resources | | | | | | |
| <i>Incoming Resources from Generated Funds</i> | | | | | | |
| Voluntary Funds | | | | | | |
| – Grant in Aid | | 14,203 | 1,033 | – | 15,236 | 15,731 |
| – Other | | 178 | 4,745 | – | 4,923 | 1,791 |
| Total Voluntary Funds | 4 | 14,381 | 5,778 | – | 20,159 | 17,522 |
| Activities for Generating Funds | | 2,676 | 756 | – | 3,432 | 3,486 |
| Investment Income | 6 | 404 | 4 | 24 | 432 | 429 |
| Total Incoming Resources from Generated Funds | | 17,461 | 6,538 | 24 | 24,023 | 21,437 |
| <i>Incoming Resources from Charitable Activities</i> | | | | | | |
| Safeguarding & Enhancing the value of its Assets | 7 | 418 | – | – | 418 | 375 |
| Maximising Access & Inspiration for its Users | | 182 | – | – | 182 | 144 |
| Satisfying its Stakeholders; Locally, Nationally & Internationally | | 180 | – | – | 180 | 192 |
| Total Incoming Resources from Charitable Activities | | 780 | – | – | 780 | 711 |
| Total Incoming Resources | | 18,241 | 6,538 | 24 | 24,803 | 22,148 |
| Resources Expended | | | | | | |
| <i>Cost of Generating Funds</i> | | | | | | |
| Costs of Generating Voluntary Funds | | 876 | 1 | – | 877 | 884 |
| Costs of Activities for Generating Funds | | 2,050 | – | – | 2,050 | 1,514 |
| Investment Management Costs | | 22 | – | 2 | 24 | 26 |
| <i>Costs of Charitable Activities</i> | | | | | | |
| Safeguarding & Enhancing the value of its Assets | | 10,235 | 2,959 | – | 13,194 | 12,382 |
| Maximising Access & Inspiration for its Users | | 3,948 | – | – | 3,948 | 3,442 |
| Satisfying its Stakeholders; Locally, Nationally & Internationally | | 1,196 | – | 22 | 1,218 | 1,510 |
| Governance Costs | 5 | 142 | – | – | 142 | 153 |
| Total Resources Expended | | 18,469 | 2,960 | 24 | 21,453 | 19,911 |
| Net (Outgoing) / Incoming Resources before transfers | | (228) | 3,578 | – | 3,350 | 2,237 |
| <i>Transfers</i> | | | | | | |
| Transfers between funds | | 5,565 | (5,715) | 150 | – | – |
| Net Incoming Resources before other Recognised Gains and Losses | | 5,337 | (2,137) | 150 | 3,350 | 2,237 |
| <i>Other Recognised Gains and Losses</i> | | | | | | |
| Revaluation of Fixed Assets | | – | 3,665 | – | 3,665 | 3,957 |
| Unrealised Gain on Investments | | 680 | 6 | 59 | 745 | 276 |
| Cost of Capital Charge | | (2,168) | – | – | (2,168) | (2,131) |
| Net Movement in Funds | 8 | 3,849 | 1,534 | 209 | 5,592 | 4,339 |
| Reversal of Cost of Capital Charge | | 2,168 | – | – | 2,168 | 2,131 |
| Total net movement in funds | | 6,017 | 1,534 | 209 | 7,760 | 6,470 |
| Funds balance brought forward at 01 April 2005 | | 13,789 | 77,447 | 415 | 91,651 | 85,181 |
| Funds balance at 31 March 2006 | | 19,806 | 78,981 | 624 | 99,411 | 91,651 |

All operations of the Museum continued throughout the two years and no operations were acquired or discontinued in either year.

The Museum has no recognised gains and losses other than those shown above, and therefore no separate statement of total recognised gains and losses has been presented.

The notes on pages 40 to 53 form part of these accounts.

Balance Sheets as at 31 March 2006

| | Note | Group | | Charity | |
|---|------|----------------------|----------------|----------------------|----------------|
| | | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Fixed assets | | | | | |
| Tangible Fixed assets | 10 | 88,216 | 81,100 | 88,216 | 79,486 |
| Investments | 11 | 3,709 | 2,813 | 4,209 | 3,013 |
| | | <u>91,925</u> | <u>83,913</u> | <u>92,425</u> | <u>82,499</u> |
| Current assets | | | | | |
| Stock | 13 | 501 | 450 | 210 | 149 |
| Debtors | 14 | 1,058 | 895 | 1,367 | 1,063 |
| Cash at bank and in hand | 22 | 4,044 | 2,895 | 3,260 | 2,607 |
| Short-Term Deposit | 22 | 4,074 | 6,084 | 4,074 | 6,084 |
| | | <u>9,677</u> | <u>10,324</u> | <u>8,911</u> | <u>9,903</u> |
| Creditors: Amounts falling due within one year | 15 | (1,916) | (2,194) | (1,717) | (2,037) |
| Net current assets | | <u>7,761</u> | <u>8,130</u> | <u>7,194</u> | <u>7,866</u> |
| Total assets less current liabilities | | <u>99,686</u> | <u>92,043</u> | <u>99,619</u> | <u>90,365</u> |
| Provisions for liabilities and charges | 17 | (275) | (392) | (275) | (392) |
| Net Assets | | <u>99,411</u> | <u>91,651</u> | <u>99,344</u> | <u>89,973</u> |
| Income Funds | | | | | |
| Restricted funds | 18 | 78,981 | 77,447 | 78,981 | 75,832 |
| Unrestricted funds: | | | | | |
| Designated funds | 19 | 16,145 | 10,720 | 16,078 | 10,657 |
| General funds | 19 | 3,661 | 3,069 | 3,661 | 3,069 |
| | | <u>98,787</u> | <u>91,236</u> | <u>98,720</u> | <u>89,558</u> |
| Capital Funds | | | | | |
| Endowments | 20 | 624 | 415 | 624 | 415 |
| Total Funds | | <u>99,411</u> | <u>91,651</u> | <u>99,344</u> | <u>89,973</u> |

Lord Sterling of Plaistow
Chairman of the Trustees

Roy Clare
Director and Accounting Officer

17 July 2006

Consolidated Cash Flow Statement for the Year ended 31 March 2006

| | Note | 2006 | 2005 |
|--|------|---------------------|--------------|
| Cash Flow Statement | | £'000 | £'000 |
| Net cash inflow from operating activities | 22 | 5,309 | 4,424 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 432 | 429 |
| Capital expenditure and financial investment | | | |
| Payments to acquire tangible fixed assets | | (6,451) | (3,195) |
| Payments to acquire investments | | (151) | - |
| Management of Liquid Resources | | | |
| (Increase)/Decrease in short term deposits | | 2,010 | (602) |
| Increase in cash | 22 | <u>1,149</u> | <u>1,056</u> |

Notes to the Consolidated Accounts for the Year ended 31 March 2006

1 Accounting Policies

The accounts comply with the Statement of Recommended Practice: Accounting and Reporting by Charities (SORP 2005), applicable accounting standards, the requirements of the HM Treasury's Financial Reporting Manual, Charities Act 1993 and in the case of the subsidiary the Companies Act 1985, and Accounts Direction issued by the Department for Culture, Media and Sport. The particular accounting policies adopted by the Museum are described below.

(a) Basis of accounting

The accounts have been prepared under the historical cost convention as modified by the revaluation of tangible fixed assets and the inclusion of investments at market value. The group comprises of the main Museum, the trading subsidiary (National Maritime Museum Enterprises Limited), three Trusts (The Caird Fund, The Development Fund and The No. 3 Trust Fund) and the American Fund of the National Maritime Museum and Royal Observatory, Greenwich.

The analysis of incoming resources and resources expended for the 2005 year have been restated to comply with SORP 2005.

(b) Incoming resources

Income is classified under the headings of Incoming Resources from Generated Funds and Incoming Resources from Charitable Activities. Grant-in-aid from the Department for Culture, Media and Sport is recognised in the Statement of Financial Activities in the year that it is received. Lottery income is recognised as income when the conditions for its receipt have been met. Commercial income is recognised upon performance of services rendered in accordance with the contractual terms. Donations are recognised on a receipts basis or when the Museum becomes entitled to the funds. Other income is recognised where there is certainty of receipt and the amount is quantifiable.

(c) Expenditure

All expenditure has been accounted for on an accruals basis.

Expenditure is matched to the income classifications under the headings of Costs of Generating Funds and Costs of Charitable Activities with the additional classification of Governance rather than the type of expense in order to provide more useful information to users of the accounts. Governance costs include audit fees and a portion of administration costs.

Costs of Generating Funds and Costs of Charitable Activities comprise direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources in accordance with SORP 2005.

(d) Collection acquisitions

In accordance with the HM Treasury's Financial Reporting Manual, additions to the collection acquired since 1 April 2001 are capitalised and recognised in the Balance Sheet at the cost or value of the acquisition, where such cost or valuation is reasonably obtained. Such items are not depreciated or revalued as a matter of routine.

(e) Other tangible fixed assets

The Museum capitalises the purchase of assets which cost more than £1,000 and which have lives beyond the financial year in which they are bought.

Land and buildings are professionally fully valued every five years; the last such valuation was undertaken as at 31 March 2004. In the years between full valuations of land and buildings a review based revaluation is undertaken. Other fixed assets, where material, are revalued each year using National Statistical Indices.

Depreciation is provided on all tangible assets, except freehold land and heritage assets, at rates calculated to write off the cost less estimated residual value of each asset on a straight line basis. For assets under construction, depreciation is not charged until the asset has been completed.

Indicative asset lives are as follows:

| | |
|-------------------------------|---------------------|
| Buildings – Structure | 100 years |
| Buildings – Plant & Machinery | 20 years |
| Buildings – Fit out | 20 years |
| Fixtures and fittings | 4 years or 10 years |
| Equipment and vehicles | 4 years |

(f) Investments

Listed investments are classified as fixed assets and are valued at market price. The charity holds an unlisted investment in National Maritime Museum Enterprises Limited which is valued at historic cost.

(g) Stock

Stock is valued at the lower of cost and net realisable value.

(h) Pension Schemes

Pensions costs are accounted for as they are incurred.

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. The National Maritime Museum is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

The Museum ceased offering membership to the PCSPS to new non-member employees on the 1 April 1994.

Group Personal Pension Scheme

The Museum offers membership of a group money purchase scheme into which the employer contributes between 8.5% and 10% of pensionable salary. The employee contributes between 1.5% and 3% of pensionable salary.

The Museum also provides, centrally, an insurance based cover for death in service and ill health benefits.

(i) Early retirement costs

Under the rules of the Principal Civil Service Pension Scheme the early retirement of officers is permitted with the agreement of the Museum. In these circumstances certain benefits arise for the employee. The Museum bears the cost of these retirement benefits for the period from the officer's retirement up to their normal retirement age under the Scheme's rules.

The total pension liability up to the normal retirement age of the officer is charged to the Statement of Financial Activities in the year in which the employee ceases employment and an increase in the provision for future pensions is made. The provision is released each year to fund the pension paid to the retirees until the date at which they normally would have retired.

(j) Foreign currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Financial Activities.

(k) Fund accounting

General funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Museum. Designated funds comprise unrestricted funds which have been set aside at the discretion of the Trustees for specific purposes. Restricted funds are funds subject to specific restrictions imposed by donors or by the purpose of the appeal. Permanent endowment funds are funds which the donor has stated are to be held as capital.

Transfers are made from Unrestricted funds to Restricted funds to cover restricted funds' deficits. Where restricted funds are received for specific capital or other projects, once expenditure is incurred, transfers are made to the appropriate fund.

(l) Operating leases

Rentals applicable to operating leases are charged to the Statement of Financial Activities of the period in which the cost is incurred.

2 Notional Cost of Capital

In accordance with Treasury guidance, notional costs of capital are charged in the Statement of Financial Activities in arriving at a net incoming/(outgoing) resources figure. These are reversed so that no provision is included in the balance sheet.

The notional cost of capital has been calculated as 3.5% (3.5% – 2005) of the average capital employed in the year, less amounts equal to the assets funded by donations (including Heritage Lottery Fund grants).

3 Results of Trading Subsidiary

The Museum has a trading subsidiary National Maritime Museum Enterprises Limited whose principal activities are merchandising through the Museum shops and the organisation of commercial activities and events. The company donates its profit to the Museum through Gift Aid. A summary of its trading results is shown below. Audited accounts are filed with the Registrar of Companies.

| Profit and Loss Account | 2006 | 2005 |
|---|--------------|-------|
| | £'000 | £'000 |
| Retail turnover | 1,354 | 1,116 |
| Cost of sales | (698) | (514) |
| Gross profit | 656 | 602 |
| Income from other commercial activities | 511 | 521 |
| Administrative expenses | (746) | (733) |
| Operating profit | 421 | 390 |
| Interest receivable and similar income | 13 | 9 |
| Profit on ordinary activities before taxation | 434 | 399 |
| Tax on profit on ordinary activities | - | - |
| Profit on ordinary activities after taxation | 434 | 399 |
| Gift Aid donation to the Museum | (429) | (391) |
| Profit / (Loss) retained in the subsidiary | 5 | 8 |

Other commercial activities include venue hire, corporate membership and artefact loans and the catering franchise commission.

Administrative expenses include charges of £603,000 (£603,000 – 2005) from the Museum.

| Balance Sheet | 2006 | 2005 |
|---|--------------|-------|
| | £'000 | £'000 |
| Current Assets | 1,150 | 687 |
| Current Liabilities | (582) | (424) |
| Total current assets less current liabilities | 568 | 263 |
| Capital and Reserves | | |
| Called-up equity share capital | 500 | 200 |
| Profit and loss account | 68 | 63 |
| | 568 | 263 |

4 Voluntary Funds

£15,236,000 (£15,731,000 – 2005) of Grant in Aid has been received from the Department for Culture, Media and Sport (Request for Resources 1) during the year.

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2006 £'000 | 2005 £'000 |
|------------------------------|--------------------------------|------------------------------|-----------------------------|-----------------------------|---------------|
| Operating Expenditure | 14,092 | – | – | 14,092 | 13,931 |
| Pension Uplift | 111 | – | – | 111 | – |
| Capital Grant | – | 500 | – | 500 | 500 |
| Collections Reform Grant | – | 200 | – | 200 | 200 |
| Time & Space Capital Grant | – | 200 | – | 200 | 1,100 |
| Sea Britain Capital Grant | – | 33 | – | 33 | – |
| Historic Ships Unit | – | 100 | – | 100 | – |
| Total Grant in Aid | 14,203 | 1,033 | – | 15,236 | 15,731 |
| Capital Grant | – | 1,110 | – | 1,110 | 182 |
| Donations | 178 | 1,307 | – | 1,485 | 1,000 |
| Gifts in Kind | – | 49 | – | 49 | 11 |
| Heritage Lottery Fund | – | 2,279 | – | 2,279 | 352 |
| Revenue Grant | – | – | – | – | 246 |
| Total Voluntary Funds | 14,381 | 5,778 | – | 20,159 | 17,522 |

Donated objects are artefacts given to the Museum with a value of £ 49,080 (£11,385 – 2005). Objects have been valued by curators based on their expert knowledge and market value, i.e. previous auction results for comparable items.

5 Governance

| Governance costs are made up of: | 2006 £'000 | 2005 £'000 |
|----------------------------------|-----------------------------|---------------|
| External Audit | 32 | 36 |
| Internal Audit | 31 | 35 |
| Apportionment of Support Costs | 79 | 82 |
| | 142 | 153 |

6 Investment Income

| Investment income is made up as follows: | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2006 £'000 | 2005 £'000 |
|--|--------------------------------|------------------------------|-----------------------------|-----------------------------|---------------|
| Dividends received | 59 | – | 7 | 66 | 68 |
| Interest received – Bank interest | 104 | – | – | 104 | 79 |
| Interest received – Fixed Term Deposits | 238 | 4 | 15 | 257 | 282 |
| Realised Gain on Investment | 3 | – | 2 | 5 | – |
| | 404 | 4 | 24 | 432 | 429 |

7 Incoming Resources from Charitable Activities

| Incoming Resources from Charitable Activities include the following: | Safeguard & Enhance Assets £'000 | Maximise Access £'000 | Satisfy Stake-Holders £'000 | Restricted Funds 2006 £'000 | 2005 £'000 |
|--|-------------------------------------|--------------------------|--------------------------------|-----------------------------------|---------------|
| Car Parking | 16 | - | - | 16 | 13 |
| Conferences | 18 | - | - | 18 | 28 |
| Filming & Photography | 42 | - | - | 42 | 41 |
| Licensing | 46 | - | - | 46 | 18 |
| Open Museum | - | - | 41 | 41 | 45 |
| Reproductions, Plans & Print Sales | 211 | - | - | 211 | 208 |
| Research | 31 | - | - | 31 | 17 |
| Revenue Grant | - | 118 | - | 118 | 50 |
| Specific Purpose Government Grants | - | - | 84 | 84 | 139 |
| Corporate Loans | - | 32 | - | 32 | 20 |
| Other | 54 | 32 | 55 | 141 | 132 |
| | <u>418</u> | <u>182</u> | <u>180</u> | <u>780</u> | <u>711</u> |

8 Net Movement in Funds

| Net movement in funds is arrived at after charging: | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Auditors' remuneration – for audit work | 49 | 45 |
| Lease rental payments on land and buildings | 152 | 116 |
| Lease rental payment – other | 17 | 24 |
| Early Retirement Fund Spend | 117 | 130 |
| Depreciation | 3,025 | 2,656 |

9 Analysis of Total Resources Expended

Cost allocation includes an element of judgement and the Museum has had to consider the cost benefit of detailed calculations and record keeping. To ensure accurate costs are kept the Museum adopts a policy of allocating costs to the respective cost headings throughout the year for projects or where the activity is self contained (for example, activities undertaken by the subsidiaries), which means that the Activities include support costs where they are directly attributable.

For costs that are not directly attributable the basis for allocation is on estimated incoming and outgoing resources.

The 2005 results have been restated using the SORP 2005 model to ensure comparability.

| | Support Cost Allocation | | | | Total 2006 £'000 | Total 2005 £'000 |
|--|-------------------------|----------------------|------------------|-------------|------------------------|------------------------|
| | Activities £'000 | Directorate £'000 | Finance £'000 | HR £'000 | | |
| Costs of Generating Funds | | | | | | |
| Costs of generating voluntary funds | 31 | 427 | 130 | 289 | 877 | 884 |
| Costs of activities for generating funds | 1,932 | 60 | 18 | 40 | 2,050 | 1,514 |
| Investment management costs | 4 | 10 | 3 | 7 | 24 | 26 |
| Costs of Charitable Activities | | | | | | |
| Safeguard & enhance assets | 12,525 | 337 | 103 | 229 | 13,194 | 12,382 |
| Maximise access | 3,771 | 89 | 27 | 61 | 3,948 | 3,442 |
| Satisfy Stakeholders | 1,160 | 29 | 9 | 20 | 1,218 | 1,510 |
| Governance | 63 | 40 | 12 | 27 | 142 | 153 |
| Total Resources Expended | <u>19,486</u> | <u>992</u> | <u>302</u> | <u>673</u> | <u>21,453</u> | <u>19,911</u> |

| (a) Staff Costs | 2006 | 2005 |
|--|---------------|-------|
| | £'000 | £'000 |
| Wages and salaries – Permanent Staff | 8,530 | 8,050 |
| Wages and salaries – Agency and Temporary Staff | 462 | 461 |
| Social security costs | 776 | 728 |
| Pension costs, less NOF Costs Capitalised £5,000 (2005 – £5,000) | 651 | 524 |
| Early retirement and termination costs | 9 | 33 |
| | 10,428 | 9,796 |

The average number of employees (i.e. full-time equivalents) analysed by function and category of employment was:

| | 2006 Staff | 2006 Temporary, Contract and Agency | 2006 Staff on Inward Secondment | 2006 Staff on Capital Projects | 2006 Total | 2005 Total Restated |
|--|---------------|---|--|---|-----------------------|---------------------------|
| Costs of Generating Funds | | | | | | |
| Costs of Generating Voluntary Funds | – | – | – | – | – | – |
| Costs of Activities for Generating Funds | 36 | 2 | – | – | 38 | 27 |
| Investment Management Costs | – | – | – | – | – | – |
| Costs of Charitable Activities | | | | | | |
| Safeguard & Enhance Assets | 289 | 8 | 1 | 1 | 299 | 287 |
| Maximise Access | 32 | 1 | – | 1 | 34 | 38 |
| Satisfy Stakeholders | 19 | 1 | – | – | 20 | 19 |
| Administration/Support Costs | 28 | – | – | 1 | 29 | 37 |
| | <u>404</u> | <u>12</u> | <u>1</u> | <u>3</u> | 420 | <u>408</u> |

The number of senior employees, excluding the Director, whose emoluments as defined for tax purposes amounted to over £60,000 in the year were as follows:

| | | |
|-------------------|----------|---|
| £60,001 – £70,000 | 1 | 3 |
| £70,001 – £80,000 | 4 | 2 |
| | 5 | 5 |

Of the five employees earning over £60,000 per annum there are three for whom benefits are accruing under the defined benefits scheme (PCSPS), with the remainder accruing benefits under the defined contribution scheme. The total contribution to the PCSPS was £41,022 (£19,676 – 2005).

Director's Emoluments

The Director, R A G Clare, is employed in a permanent capacity with a notice period of six months. There are no contractual termination payments.

The Director's total emoluments of £122,356 (£116,530 – 2005) comprised basic pay of £94,815 (£90,300 – 2005) and a non-consolidated bonus of £18,060 (£17,200 – 2005) and employer's pension contribution to the NMM Group Personal Pension Plan on behalf of the Director of £9,481 (£9,030 – 2005).

The Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme. The National Maritime Museum is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary (Hewitt Bacon Woodrow) valued the scheme as at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-06, employers' contributions of £282,000 were payable to the PCSPS (2004-05 £219,000) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands (the rates in 2004-05 were between 12% and 18.5%). The Scheme Actuary reviews employer contributions every four years following a full scheme valuation. From 2006-07, the salary bands will be revised and the rates will be in a range between 17.1% and 25.5%.

The contribution rates are set to meet the cost of the benefits accruing during 2005-06 to be paid when the member retires, and not the benefits paid during this period to existing pensioners.

Group Personal Pension Scheme

The Museum offers membership of a group money purchase scheme into which the employer contributes between 8.5% and 10% of pensionable salary. The employee contributes between 1.5% and 3% of pensionable salary.

Employers' contributions of £362,000 were paid in 2005-06 (2004-05 £310,000) into the Group Personal Pension schemes. These are defined contribution schemes.

b) Trustees

The Trustees neither received nor waived any emoluments during the year (£nil – 2005). Expenses reimbursed (for travel and subsistence) to five Trustees amounted to £483 (£1,948 – 2005).

10 Tangible Fixed Assets

| | Equipment | | | | | Asset | |
|--|---------------|---------------|--------------|--------------|------------|--------------|---------------|
| | Land and | Fixtures & | (including | Collection | Motor | under | Total |
| | Buildings | Fittings | Computers) | Acquisitions | Vehicles | Construction | |
| Cost or valuation: | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| At 1 April 2005 | 71,735 | 9,602 | 4,394 | 2,797 | 146 | 1,320 | 89,994 |
| Additions | – | 1,763 | 389 | 106 | 18 | 4,224 | 6,500 |
| Disposals | – | (78) | (345) | – | (15) | – | (438) |
| Transfers Between Asset Class | – | – | 48 | – | 16 | (64) | – |
| Revaluation gain | 2,369 | – | – | – | – | – | 2,369 |
| At 31 March 2006 | 74,104 | 11,287 | 4,486 | 2,903 | 165 | 5,480 | 98,425 |
| Accumulated depreciation: | | | | | | | |
| At 1 April 2005 | – | 6,331 | 2,508 | 0 | 55 | 0 | 8,894 |
| Depreciation Charge for the year | 1,296 | 882 | 814 | – | 33 | – | 3,025 |
| Disposals | – | (67) | (342) | – | (5) | – | (414) |
| Transfers Between Asset Class | – | – | (16) | – | 16 | – | – |
| Revaluation Gain | (1,296) | – | – | – | – | – | (1,296) |
| At 31 March 2006 | – | 7,146 | 2,964 | – | 99 | – | 10,209 |
| Net Book Value at 31 March 2006 | 74,104 | 4,141 | 1,522 | 2,903 | 66 | 5,480 | 88,216 |
| Net Book Value at 31 March 2005 | 71,735 | 3,271 | 1,886 | 2,797 | 91 | 1,320 | 81,100 |

The freehold title to the main Museum site at Greenwich was transferred from the Secretary of State for the Environment to the Museum Trustees in July 1989. The Museum was granted rights to occupy and use part of the site of the Royal Observatory, Greenwich in a Royal Warrant dated 1953. On 23 March 2004 a new Royal Warrant was signed which granted rights to occupy and use the entire site of the Royal Observatory, Greenwich.

The Land and Buildings are professionally valued every five years; the last such full valuation was undertaken as at 31 March 2004, by external valuers, Gerald Eve, Chartered Surveyors in accordance with the professional standards set out by the Royal Institution of Chartered Surveyors. In the years between full valuations a professional review valuation of the Land and Buildings is undertaken by the external valuers.

The Land and Buildings of the main Museum and the Royal Observatory, Greenwich have been revalued using the Depreciated Replacement Cost basis applicable to specialised buildings and on the basis that the Museum is a going concern. The revaluation of the Royal Observatory, Greenwich reflects the valuation of the entire site following the grant of the new Royal Warrant. The Brass Foundry and the Kidbrooke Stores have been revalued using the Existing Use Value basis applicable to non-specialised buildings.

Legal and Statutory Constraints

By the National Maritime Museum Acts 1934 and 1989, should the specialised buildings at Greenwich (not including the Royal Observatory, Greenwich) cease to be used for the purposes of the Museum, they shall be held in trust for the benefit of Greenwich Hospital. The Royal Warrant, by which the Royal Observatory, Greenwich is occupied, does not confer ownership rights to the property and so should the Royal Observatory Greenwich cease to be used for Museum purposes it would revert to the Crown. In consequence, the entire site and buildings at Greenwich have no realisable value to the Museum.

Revaluation was carried on the following assets for 2005-06:

| | Cost £'000 | Revaluation £'000 |
|--|---------------|----------------------|
| Main site – Land and Buildings | 48,000 | 67,000 |
| Royal Observatory – Land and Buildings | 700 | 5,100 |
| The Brass Foundry – Land and Buildings | 325 | 674 |
| Kidbrooke Stores – Land and Buildings | 1,260 | 1,330 |
| | <u>50,285</u> | <u>74,104</u> |

The financial effect of revaluing other tangible fixed assets was considered to be immaterial and therefore they have been disclosed at their historic costs.

Capital expenditure commitments were as follows:

| | 2006 £'000 | 2005 £'000 |
|---|---------------|---------------|
| Authorised by the Board of Trustees, but not yet contracted | 9,659 | 11,557 |
| Contracted for but not provided in the accounts | 248 | 2,004 |

Capital expenditure commitments are high during both financial years because of the approval of the Time and Space Project which commenced construction during 2004/05. Contracted for capital expenditure but not provided in the accounts has reduced due to a lesser number of open projects operating at the balance sheet date.

11 Investments**Quoted Investments**

| | Group | | Charity | |
|--------------------------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Market value at 1 April 2005 | 2,813 | 2,537 | 2,813 | 2,537 |
| Additions | 151 | – | 151 | – |
| Net Gain on revaluation | 745 | 276 | 745 | 276 |
| Market value at 31 March 2006 | <u>3,709</u> | <u>2,813</u> | <u>3,709</u> | <u>2,813</u> |
| Historical cost as at 31 March 2006 | <u>2,485</u> | <u>2,332</u> | <u>2,485</u> | <u>2,332</u> |
| Unquoted Investment: | | | | |
| Cost as at 31 March 2006 | <u>–</u> | <u>–</u> | <u>500</u> | <u>200</u> |
| Total Investments | <u>3,709</u> | <u>2,813</u> | <u>4,209</u> | <u>3,013</u> |

The unquoted investment is in the trading subsidiary, National Maritime Museum Enterprises Limited – a company registered in England and Wales. The issued share capital consists of 500,000 £1 ordinary shares of which the Museum owns 100%.

12 Financial Instruments (FRS 13)

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role which financial instruments have had during the year, in creating or changing the risks the Museum faces in undertaking its activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the Balance Sheet date have been omitted from this note.

Liquidity Risk

The National Maritime Museum receives the majority of its income by way of Grant in Aid and as a result there is little exposure to liquidity risk.

Foreign Currency Risk

The National Maritime Museum has no exposure to foreign currency risk because no material transactions are carried out in foreign currencies.

Interest Rates Risk

The National Maritime Museum has no borrowings and all cash deposits are for terms of less than three months, consequently there is no exposure to interest rate risk on its liquidity.

| Financial Assets | Total | Floating Financial Assets | Fixed Financial Assets | Non- Int Bearing Financial Asset | Assets Earning Equity Return | Weighted Average Fixed Int Rate | Weighted Average Period for Which Rate Is Fixed |
|----------------------------|--------|---------------------------------|------------------------------|---|---------------------------------------|--|---|
| | £000 | £000 | £000 | £000 | £000 | | |
| Year ended 31.03.06 | | | | | | | |
| Sterling | 11,827 | 4,044 | 4,074 | – | 3,709 | 4.5% | 3 Months |
| Year ended 31.03.05 | | | | | | | |
| Sterling | 11,792 | 2,895 | 6,084 | – | 2,813 | 4.7% | 3 Months |

| Reconciliation to Accounts | 2006 £'000 | 2005 £'000 |
|-----------------------------------|---------------|---------------|
| Cash | 4,044 | 2,895 |
| Investments (Current Assets) | 4,074 | 6,084 |
| Investments (Fixed Assets) | 3,709 | 2,813 |
| Total | 11,827 | 11,792 |

| 13 Stock | Group | | Charity | |
|------------------|--------------|--------------|--------------|--------------|
| | 2006 £000 | 2005 £000 | 2006 £000 | 2005 £000 |
| Goods for resale | 501 | 450 | 210 | 149 |

| 14 Debtors | Group | | Charity | |
|--------------------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Trade debtors | 228 | 464 | 153 | 369 |
| Amount owed by subsidiary | – | – | 384 | 267 |
| Prepayments and accrued income | 246 | 158 | 246 | 158 |
| Taxation (VAT) | 557 | 249 | 557 | 249 |
| Other debtors | 27 | 24 | 27 | 20 |
| | 1,058 | 895 | 1,367 | 1,063 |

Other Debtors includes £557,000 (2005: £248,000) due to other Central Government Bodies.

| 15 Creditors: Amounts falling due within one year | Group | | Charity | |
|--|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Trade creditors | 684 | 716 | 666 | 656 |
| Other creditors | 188 | 550 | 31 | 456 |
| Taxation and social security | 228 | 160 | 222 | 160 |
| Accruals | 816 | 768 | 798 | 765 |
| | 1,916 | 2,194 | 1,717 | 2,037 |

Taxation and social security consists of amounts owed to other Central Government Bodies.

16 Operating Leases

The Museum is committed to payments in the year to 31 March 2007 under non-cancellable operating leases which expire as follows:

| | Group | | Charity | |
|------------------------------|---------------|---------------|---------------|---------------|
| | 2006 £'000 | 2005 £'000 | 2006 £'000 | 2005 £'000 |
| Buildings | | | | |
| – Between one and five years | 152 | 116 | 152 | 116 |
| Total | 152 | 116 | 152 | 116 |
| Other | | | | |
| – Between one and five years | 79 | 22 | – | 22 |
| – After five years | 2 | 2 | 2 | 2 |
| Total | 81 | 24 | 2 | 24 |

17 Provisions for Liabilities and Charges

The provision is for early retirement as described in the accounting policies.

| | Balance 1 April 2005 £'000 | Amount Additions £'000 | Used £'000 | Balance 31 March 2006 £'000 |
|--|-------------------------------------|------------------------------|---------------|--------------------------------------|
| | 392 | 5 | (122) | 275 |
| | <u>392</u> | <u>5</u> | <u>(122)</u> | <u>275</u> |

18 Restricted Funds

The income funds of the Museum comprise of specific purposes grants and donations which remain unexpended:

| | Balance 1 Apr 2005 £'000 | Income £'000 | Expenditure £'000 | Gains £'000 | Transfers £'000 | Balance 31 Mar 2006 £'000 |
|---|--------------------------------|-----------------|----------------------|----------------|--------------------|---------------------------------|
| Land and Buildings Fund | 44,588 | – | (1,296) | – | 6,993 | 50,285 |
| Revaluation Reserve | 27,147 | – | – | 3,665 | (6,993) | 23,819 |
| Capital Additions Fund | 38 | 500 | – | – | (538) | – |
| Special Purpose Fund | 30 | 677 | (940) | – | 233 | – |
| Collections Capital Fund | 2,797 | 49 | – | – | 57 | 2,903 |
| Time & Space Capital Fund | 1,575 | 4,022 | (308) | – | (4,225) | 1,064 |
| Rediscover | – | 880 | – | – | (880) | – |
| New Opportunities Capital Fund | 1,085 | – | (347) | – | 1 | 739 |
| American Fund of the National Maritime Museum, Greenwich | – | 234 | (1) | – | (233) | – |
| National Historic Ships Unit | – | 100 | (68) | – | – | 32 |
| Trust No. 3 – Sackler Fund | 134 | 75 | – | – | (134) | 75 |
| Trust No. 3 – Anderson Fund | 49 | 1 | – | 5 | 4 | 59 |
| Trust No. 3 – Bosanquet Fund | 4 | – | – | 1 | – | 5 |
| | <u>77,447</u> | <u>6,538</u> | <u>(2,960)</u> | <u>3,671</u> | <u>(5,715)</u> | <u>78,981</u> |

The Land and Buildings Fund was established in 1989 when the title to the main Museum site at Greenwich was transferred from the Secretary of State for the Environment to the Trustees. During the year Land and Buildings and Revaluation Reserve were reviewed and some funds were reclassified.

In March 1999, the Royal Observatory, Greenwich was incorporated into the Land and Buildings Fund at a value of £700,000 reflecting the incomplete title held. In March 2004 a new Royal Warrant granted occupation rights to the entire site of the Royal Observatory, Greenwich and a revaluation adjustment of £4,250,000 was added to the Revaluation Reserve Fund.

The Revaluation Reserve represents the cumulative increase in value of land and buildings.

The Capital Additions Fund represents grants and donations for non-specific capital projects. The Special Purpose Fund represents the value of grants received by the Museum for a specific purpose. The transfers to the Tangible Asset Fund have occurred during the year as a result of expenditure incurred.

The Special Purpose Fund represents the value of grants received by the Museum for a specific purpose, for example, funds received for specific use in an exhibition.

The Collections Capital Fund was established on 1 April 2001 and represents the value of additions to the collections of the Museum. The positive transfer to the collections fund is an allocation of general funds for acquisition of collections.

The Time and Space Capital Fund was established in 2004 to reflect the value of grants and donations received and used for the re-development of the Royal Observatory, Greenwich. The transfer to the Tangible Asset Fund have occurred during the year as a result of expenditure incurred.

The Rediscover Fund represents the value of grants received by the Museum for refurbishing the Space Galleries in the Royal Observatory, Greenwich. The transfer to the Tangible Asset Fund have occurred during the year as a result of expenditure incurred.

The New Opportunities Fund was established in 2003 to reflect the value of lottery grant received and used for the content development of the Port Cities worldwide website.

The American Fund of the National Maritime Museum, Greenwich was established in January 2003 to facilitate the receipt of donations for the benefit of the National Maritime Museum at Greenwich from the United States. Funds received have been reviewed and reclassified as special purpose funds.

The National Historic Ships Unit Fund was established in 2005 to support research, publications, training, recording and similar activities relating to the preservation of historic vessels. On an interim basis the Unit is funded by DCMS and is located on site at the National Maritime Museum.

No. 3 Trust Fund – Restricted Funds

The Sackler Fund was established over a three year period from 1992 to support a research fellowship in areas directly related to the history of astronomy and navigational sciences. During the year fund was reviewed and reclassified.

The Anderson Fund was established in 1992 following receipt of a legacy to support a fellowship in naval and maritime history.

The Bosanquet Fund was established in 1959 by Henry Bosanquet to provide funding for the purchase of library books.

19 Unrestricted Funds

The income funds of the Museum include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific purposes:

| | Balance 1 April 2005 £'000 | Income £'000 | Expenditure £'000 | Other Gains & (Losses) £'000 | Loss on Disposal of Assets £'000 | Transfers £'000 | Balance 31 March 2006 £'000 |
|-------------------------|-------------------------------------|-----------------|----------------------|---------------------------------------|---|--------------------|--------------------------------------|
| Tangible Asset Fund | 5,483 | – | (1,382) | – | (14) | 5,583 | 9,670 |
| Collections Fund | 44 | – | – | – | – | – | 44 |
| Caird Fund | 802 | 193 | (36) | 114 | – | – | 1,073 |
| Development Fund | 3,936 | 441 | (31) | 543 | – | – | 4,889 |
| No. 3 Fund | 391 | 22 | (17) | 23 | – | (18) | 401 |
| Trading Funds | 64 | 1,878 | (1,874) | – | – | – | 68 |
| Designated Funds | 10,720 | 2,534 | (3,340) | 680 | (14) | 5,565 | 16,145 |
| General Funds | 3,069 | 15,707 | (15,115) | – | – | – | 3,661 |
| | 13,789 | 18,241 | (18,455) | 680 | (14) | 5,565 | 19,806 |

Transfers into the Tangible Asset Fund represent expenditure from restricted funds on ongoing capital projects. This includes expenditure on the Time and Space project which will be transferred to the Land and Buildings Fund when the project has been completed.

20 Endowments

| | Balance 1 April 2005 £'000 | Income £'000 | Expenditure £'000 | Investment Gains £'000 | Transfers £'000 | Balance 31 March 2006 £'000 |
|-----------------------|-------------------------------------|-----------------|----------------------|------------------------------|--------------------|--------------------------------------|
| Permanent endowments: | | | | | | |
| The Caird Fund | 415 | 21 | (21) | 59 | – | 474 |
| The Sackler Fund | – | 3 | (3) | – | 150 | 150 |
| | <u>415</u> | <u>24</u> | <u>(24)</u> | <u>59</u> | <u>150</u> | <u>624</u> |

The Caird Fund was created under a trust deed dated 23 March 1942. The original capital was provided by Sir James Caird as a permanent endowment.

The Committee for the time being is required to apply the income thereof in perpetuity for the purpose and benefit of the National Maritime Museum at Greenwich.

The Sackler Fund was created under a trust deed dated 01 December 1992. The original capital was provided as a permanent endowment. The Committee for the time being is required to apply the income thereof in perpetuity for the purpose of supporting a research fellowship in areas directly related to the history of astronomy and navigational sciences. During the year fund was reviewed and reclassified.

21 Analysis of Group Net Assets between Funds

| | Unrestricted General Funds £'000 | Unrestricted Designated Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | Total £'000 |
|---|---|--|------------------------------|-----------------------------|----------------|
| Fund balances at 31 March 2006 are represented by: | | | | | |
| Tangible Fixed assets | 10,470 | – | 77,746 | – | 88,216 |
| Investments | 1,850 | – | 1,235 | 624 | 3,709 |
| Current assets | 6,016 | 3,661 | – | – | 9,677 |
| Creditors: Amounts falling due within one year | (1,916) | – | – | – | (1,916) |
| Provisions for liabilities and charges | (275) | – | – | – | (275) |
| Group Net Assets | <u>16,145</u> | <u>3,661</u> | <u>78,981</u> | <u>624</u> | <u>99,411</u> |

Unrealised gains and losses detailed below have been included in the above balances.

**Reconciliation of movements in
unrealised gains on land and buildings:**

| | | | | |
|--|----------|---------------|----------|---------------|
| Unrealised gains at 1 April 2005 | – | 20,154 | – | 20,154 |
| Net gains arising on revaluation | – | 3,665 | – | 3,665 |
| Unrealised gains at 31 March 2006 | <u>–</u> | <u>23,819</u> | <u>–</u> | <u>23,819</u> |

**Reconciliation of movements in
unrealised gains on investments:**

| | | | | |
|--|------------|----------|-----------|------------|
| Unrealised Gains at 1 April 2005 | 263 | 1 | 12 | 276 |
| Net Gain arising on revaluations | 417 | 5 | 47 | 469 |
| Unrealised Gains at 31 March 2006 | <u>680</u> | <u>6</u> | <u>59</u> | <u>745</u> |

22 Reconciliation of net incoming resources to net cash inflow from operating activities

| | 2006 | 2005 |
|--|---------------------|--------------|
| | £'000 | £'000 |
| Net incoming / (outgoing) resources | 3,350 | 2,237 |
| Donated Objects | (49) | (11) |
| Depreciation charges | 3,025 | 2,656 |
| Investment income | (432) | (429) |
| (Increase) in stock | (51) | (100) |
| (Increase) in debtors | (163) | (240) |
| (Decrease) / Increase in creditors | (278) | 438 |
| Decrease in provisions | (117) | (130) |
| Loss on Disposal of Fixed Assets | 24 | 3 |
| Net cash inflow from operating activities | <u>5,309</u> | <u>4,424</u> |

Reconciliation of increase in cash to movement in net funds

| | | |
|--|---------------------|--------------|
| Increase / (Decrease) in cash in the period | 1,149 | 1,056 |
| Cash Inflow / (Outflow) from changes in liquid resources | (2,010) | 602 |
| Change in net funds resulting from cash flows | (861) | 1,658 |
| Net funds at 1 April 2005 | 8,979 | 7,321 |
| Net funds at 31 March 2006 | <u>8,118</u> | <u>8,979</u> |

Analysis of net funds

| | At 1 April 2005 | Cashflow | At 31 March 2006 |
|--------------------|---------------------|---------------------|---------------------|
| | £'000 | £'000 | £'000 |
| Cash at bank | 2,888 | 1,149 | 4,037 |
| Pay Master General | 3 | - | 3 |
| Cash in Hand | 4 | - | 4 |
| Liquid resources | 6,084 | (2,010) | 4,074 |
| Net funds | <u>8,979</u> | <u>(861)</u> | <u>8,118</u> |

23 Related party transactions*a) The Department for Culture, Media and Sport*

The National Maritime Museum is a non-departmental public body whose parent department is the Department for Culture, Media and Sport. The Department for Culture, Media and Sport is regarded as a related party. During the year the Museum had a number of transactions in the normal course of business and at full arms length with the Department.

b) The Heritage Lottery Fund

The National Maritime Museum received lottery grants from the Heritage Lottery Fund (HLF) for which the Department is also regarded as the parent Department.

c) The Trustees and Staff

There were no material related party transactions with the Trustees, key managerial staff or other related parties during the year.

d) The National Maritime Museum Cornwall

The National Maritime Museum Cornwall (NMMC) is an independent, registered charity with which the National Maritime Museum has had a range of transactions:

Small Boat Collection

The National Maritime Museum has provided, on loan, the small boat collection exhibits for the National Maritime Museum Cornwall.

Guarantee

The Trustees of the National Maritime Museum guaranteed a sum not exceeding £250,000 available to the National Maritime Museum Cornwall (the NMMC) during the period ending 21 October 2009 to cover shortfalls in partnership funding for the capital costs of the NMMC and the payment of running costs of the NMMC exceeding the income and reserves. Payments are recoverable within the lifetime of the guarantee from surpluses made by NMMC. A maximum of £100,000 could be drawn down in any one financial year of the National Maritime Museum. NMMC invoked the guarantee in January 2004 and a payment of £100,000 was made to NMMC. The guarantee has been taken up fully with two further payments being made, £100,000 in March 2005 and £50,000 in April 2005. The final payment was expensed in the financial year 2004/05.

Staff Secondment

The National Maritime Museum has seconded two members of staff to NMMC as a long term arrangement.

24 Post Balance Sheet Events

There are no post balance sheet events to report.

25 Control of the Consolidated Entities

The consolidated accounts of the National Maritime Museum include the results of a trading subsidiary, National Maritime Museum Enterprises Limited (NMME), three Trust Funds and the American Fund of the National Maritime Museum, Greenwich. The Museum controls NMME through ownership of 100% of its issued share capital. Control of the Trust Funds arises from the Trust deeds which vest ownership of the assets, which are to be used for the benefit of the Museum, in the Trustees of the Funds. Monitoring of the performances of NMME and the Trusts is undertaken by the Trustees of the National Maritime Museum through quarterly Trustee, Board, and Finance Committee meetings. Day to day control is operated through the financial and management arrangements of the executive offices of the Museum. Accountability is to the Trustees of the Museum and to the Department for Culture, Media and Sport.

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