

Presented pursuant to section 25(6) and (7) of the Government Resources And Accounts Act 2000, and section 3(3) of the Government Resources And Accounts Act 2000 (Audit of Public Bodies) Order 2003

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# Royal Naval Museum Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 18 JULY 2005

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# Contents

	Page
Charity Information	2
Foreword	3
Statement of Board of Trustees' and Director's responsibilities	7
Statement on Internal Control	8
Certificate and Report of the Comptroller and Auditor General	10
Consolidated Statement of Financial Activities	12
Consolidated Balance Sheet - Group	13
Balance Sheet - Charity only	14
Consolidated Cashflow Statement	15
Notes to the Financial Statements	16
Accounts Direction	29
Schedules 1 and 2	30

## Charity Information

### **Address of the charity**

Royal Naval Museum  
HM Naval Base (PP66)  
Portsmouth  
Hampshire  
PO1 3NH

### **Names and addresses of other relevant organisations**

#### **Accountants**

Compass Accountants Limited  
Venture House  
The Tanneries  
East Street  
Titchfield  
Hampshire  
PO14 4AR

#### **Auditors**

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

#### **Solicitors**

Biscoes  
Kingston Place  
62/68 Kingston Crescent  
North End  
Portsmouth  
Hampshire  
PO2 8AQ

#### **Bankers**

National Westminster Bank plc  
130 Commercial Road  
Portsmouth  
Hampshire  
PO1 1ES

# Foreword

## Introduction

The consolidated accounts for the Royal Naval Museum, Portsmouth are presented for the financial year ended 31 March 2005. The Group comprises the main charity and its subsidiary undertakings, the Royal Naval Museum Trading Company Limited and RNM Functions Limited. These accounts, which also incorporate the results of the Museum's interest in Flagship Portsmouth Trust, the site services management company for the Historic Dockyard, are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

The Royal Naval Museum, Portsmouth is a charity registered with the Charity Commission (reference no. 266563). The governing document of the body is the Trust Deed of 4 October 1973 as varied by schemes of the Commissioners of 8 December 1987, 4 July 1996, 31 July 2002 and 19 March 2004; the Museum's Trustees are incorporated as a body.

## History

The Royal Naval Museum Portsmouth has its origins in the Dockyard Museum founded in 1911, which was later subsumed within the Victory Museum when that opened in 1938 under the auspices of the Society for Nautical Research. In 1972, on the occasion of the gift of a collection of Nelson memorabilia to the Royal Navy, for display on the ground floor of No. 11 Storehouse, one of three distinguished Georgian structures built between 1760 and 1790, the collections came under the administrative ownership of the Ministry of Defence (Navy) and the new establishment became known as the Portsmouth Royal Naval Museum. Between 1972 and 1985, the Portsmouth Royal Naval Museum was an integral part of the Ministry of Defence (MoD), and the small number of permanent staff were employed under terms of engagement identical to those of civil servants employed elsewhere in the Dockyard. In 1985, under the terms of the National Heritage Act 1983, the Museum was devolved from the MoD to become an Executive Non-Departmental Public Body, supported by a Grant-in-Aid, originally calculated to reflect the level of financial support and general assistance formerly provided by the Department. At this juncture, the name was changed again to become the Royal Naval Museum, Portsmouth.

## Aims and objectives

As stated in the Museum's Corporate Plan, the Aim of the Museum is to provide an effective and accessible repository both now and in the future for the heritage of the Royal Navy and to raise public awareness of the history of the Service, whilst encouraging scholarship and research into naval history. These aims have been defined as relating primarily to the surface ships and personnel of the Royal Navy. In consultation with the Trustees of the other Naval Museums, the Royal Naval Museum includes in its exhibitions only those aspects of the history of the Royal Marines, of the Submarine Service and of the Fleet Air Arm as are necessary for the sake of completeness and to stimulate interest in the other Museums.

Within the Corporate Plan, Trustees have identified a number of key objectives for the Museum, the first and foremost of which reads, to take every opportunity to raise the public awareness of The Royal Naval Museum and the work it is undertaking in the research and portrayal of naval history.

## Trustees

The Royal Naval Museum is governed by a Board of Trustees under the chairmanship of Admiral Sir Peter Abbott GBE KCB. The Museum is a registered charity within the meaning of the Charities Act 1993, which places on Trustees the responsibility for the effective and economical management of the Trust and the stewardship and care of the collections.

Trustees are appointed to the Board in strict accordance with the guidance laid down by the Office of the Commissioner for Public Appointments. This procedure includes the obtaining of nominations from a variety of sources, including advertising and liaison with the Public Appointments Unit, the vetting of nominations by a panel normally comprising the Chairman of Trustees, a senior civil servant from the sponsoring Department (MoD) and an independent member. Prospective Trustees are normally interviewed by a panel of the Trustee body. The sponsor branch for the Naval Museums, Pol Sec 2 is closely involved in all stages of the selection process. Other than those appointed as ex-officio members of the Board, Trustees are normally appointed for a period of five years. Trustees, at the discretion of the Board, and in consultation with the MoD sponsor, however may be reappointed for a second and final five-year term. The following people served as the Museum's Trustees during 2004-2005

### **Chairman**

Admiral Sir Peter Abbott GBE KCB

### **Ex-officio Trustees**

*Chief of Staff (Warfare) and Rear Admiral Surface Ships*

Rear Admiral David Snelson

*Naval Base Commander*

Commodore Amjad Hussain RN

### **Representative Trustees**

*The Society for Nautical Research*

Mr F A Aberg

*City Council of Portsmouth*

Councillor A Silvester

Councillor T Blair from October 2004

*National Maritime Museum*

Dr J Owen

*Society of Friends of the Royal Naval Museum*

Rear Admiral R Irwin CB

### **Other Trustees**

Captain W Alexander RN

Mr R L Dean

Brigadier S P Hill OBE

Captain P G Hore RN

Mr B Miller

Commodore T Morton RN

Mrs J B Royle

Mr C M Wilson

### **Director and accounting officer**

Dr H C McMurray OBE

## Results for the year ended 31 March 2005

Total incoming resources for the Group in 2004-2005 amounted to £2,136,485 (2003-2004: £1,715,783). Total resources expended amounted to £2,097,632 (2003-2004: £2,162,649). After adjustment for notional charges and other recognised gains and losses totalling £136,260 (2003-2004: £98,592), the net movement in funds for the year was an increase of £175,113 (2003-2004 a decrease of £348,274).

The Group's net assets as at 31 March 2005 amounted to £3,817,647 (31 March 2004: £3,642,534).

## Changes in fixed assets

Movements in fixed assets are shown in note 8 to the accounts.

## Policy on reserves

The Trustees continually monitor the levels of the Charity's reserves, defined for the purposes of this policy as the amounts shown as 'Investments' and 'Net Current Assets' in the accounts of the Charity, and which are attributable to Unrestricted Funds. As at 31 March 2005, the level of the Museum's reserves stood at £305,679 (31 March 2005: £194,972).

The Museum needs to retain a viable reserve in order to

- cover liabilities;
- cover annual deficits
- provide income; and
- fund development or fund capital development or facilitate initial capital development.

Trustees have considered the matter and have decided not to set a minimum figure for the reserve because of the continuing changing circumstances of the Charity. This decision is reviewed at least annually.

## Investment policy

Brown Shipley, reporting to the Finance and Personnel Working Party of the Board of Trustees on a non-discretionary basis, manages the investment fund. Subject to their advice, the Museum adopts a low risk attitude and its funds are placed in investments which yield both a degree of security and a modest stream of income (for example government stocks, bank deposits and first class corporate bonds).

The amount and term of the investment of the reserves are based on the Trustees' opinion of the immediate and future needs of the Museum by identifying the requirements for continuing operations and setting aside sufficient to enable medium and long-term development and expansion.

## Payment of creditors

The Museum adheres to the government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 30 days of receipt or in accordance with the supplier's terms of business. The Museum's actual payment performance during 2004-2005 was that these criteria were met in 97.3% of bills paid (2003-2004: 96.2%).

## Policy on the employment of disabled persons

The Museum is committed to managing staff solely on the basis of actual performance in the job, and considering new applicants solely on the basis of ability to do the job. The Museum follows MoD and civil service guidelines on such practices and, in particular, has taken the contents of the MOD Civilian Equal Opportunities Policy Statement with reference to the Equality and Diversity Policy Declaration as its Equal Opportunities Policy.

## Consultation with employees

Senior management communicate with staff through bi-weekly staff briefings and quarterly 'Staff Way Ahead' meetings, as well as through departmental meetings, informal meetings and internal memoranda.

## Future developments

Anticipated significant developments and changes in the future activities of the Museum embrace the following

Previously, this review has described the progress made in creating the new site services management company for the Historic Dockyard and during the year the Charity Commission gave its approval to the establishment of the new undertaking. Flagship Portsmouth Trust remains the holding body, the day to day site management activities such as ticketing, marketing, the provision of visitor services, etc., being conducted by its new subsidiary, Portsmouth Historic Dockyard Limited. The Museum remains an equal partner in this undertaking, alongside Portsmouth Naval Base Property Trust, the Mary Rose Trust and the Warrior Preservation Trust, with HMS Victory in association, and the chairmanship both the Trust and its operating company are held by a non-executive, independent member. A Members' Agreement, formally engrossed by each Trust in January 2005, sets out with precision the respective responsibilities and accountabilities of each of the partner attractions in the conduct and furtherance of the business of the Trust and its operating company. A new chief executive was appointed in late 2004 and has led the company through its formative year in preparation for the unique marketing and trading opportunities presented by 2005, the Year of the Sea.

As described in previous years, following an extended review of its organisational and staffing structures conducted by external consultants to determine the most cost effective and efficient means of securing the long-term sustainability of its operation, Trustees approved a series of measures to both re-structure its staffing complement and to pursue the establishment of the Museum as an independent pay bargaining unit. The restructuring component of this exercise, involving the deletion of 5fte posts, was completed in summer 2004, all those staff affected departing on agreed voluntary terms. Subsequently, an application has been made through the sponsor branch, Pol Sec 2, to dissolve the existing central pay bargaining arrangements and establish the Museum as an independent unit, with delegated power to set its own terms and conditions of employment and methods of reward and remuneration explicitly based on the principle of 'affordability'.

In terms of future development strategy, the Museum continues to pursue the second phase of its capital expansion plan. The central focus of this scheme involves the restoration and modernisation of No 10 Storehouse in the Historic Dockyard, to create a series of new, environmentally controlled galleries in which to depict a series of innovative and challenging treatments of the history of the Royal Navy in the 20th century. The scheme also envisages the provision of state of the art accommodation for education and learning development programmes, permitting the Museum to offer these as both internal and site wide services for the Historic Dockyard at large. While it has been relatively straightforward to develop the interpretative concept for the Museum's Phase II plans, producing a robust business plan to support the development with a secure stream of additional income has been more problematic. However, with the assistance of grant from SEEDA in 2004, PHDL was able to commission a specialist team of consultants to work with all the partners to produce an integrated strategic development plan, supported by a realistic business supporting case, and they will report in the summer of 2005. It is anticipated that the Museum will thereafter be in a position to firm up its development plans and seek by December 2005 to be in a position to make application to the Heritage Lottery Fund for a project planning grant to take its scheme to tender stage in 2007.

## Post balance sheet events

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

## Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003.

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees  
8 July 2005

*HC McMurray*  
Accounting Officer  
8 July 2005



## Statement of Board of Trustees' and Director's responsibilities

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

In preparing financial statements giving a true and fair view, the Board of Trustees is required to

- observe any 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, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Charity will continue in operation.

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

The Secretary of State has appointed me, the senior full time official, the Director, as the Accounting Officer for the Royal Naval Museum. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of expenditure from Grant-in-Aid provided by Parliament 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'.

# Statement on the System of Internal Control

## Scope of responsibility

I, as Accounting Officer, have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Naval Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and for ensuring compliance with the requirements of the Royal Naval Museum's Financial Memorandum.

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Royal Naval Museum, am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks, to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

## The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. 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 the Royal Naval Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Royal Naval Museum for the year ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

A comprehensive Risk Register is in use, which identifies the risks relevant to the successful continuation of the Museum's current operations and its future development. Risk Management is now incorporated into the Museum's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

## The risk and control framework

The management of risk is exercised through the Museum's Senior Management Group who review on a regular basis the Museum's principal activities and events, with associated risks. The Board of Trustees receiving periodic reports on the principal risks and the steps being taken to manage them effectively.

We have responsibility for reviewing the effectiveness of the system of internal control. Our review of the effectiveness of the system of internal control is informed by the internal audit function (described below), and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Royal Naval Museum has a reciprocal agreement with the Royal Marines Museum and the Royal Navy Submarine Museum to conduct an annual internal audit of each other, which operates to standards defined in the Government Internal Audit Manual. This internal audit work is informed by an analysis of the risks to which the Royal Naval Museum is exposed, and annual audit plans are based on this analysis. We are provided with a report on internal audit activity at the Museum annually. This report includes an independent opinion on the adequacy and effectiveness of the Museum's internal controls.

## Review of effectiveness

The review of the effectiveness of the system of internal controls is exercised through the Finance and Personnel Working Party (Audit Committee) of the Board of Trustees. This sub-group, which tends to meet quarterly, is chaired by the Deputy Chairman of the Board of Trustees and membership includes an additional four of the Museum's Trustees, with Museum officers in attendance, as required. The working party reports directly to the Board of Trustees. This working party has visibility across the whole sphere of Museum internal management and is well placed to assess the effectiveness of internal controls and management of risk. Staff have been made aware of the existence of the Risk Register; this has been reviewed periodically by the Finance and Personnel Working Party who are content that it remains up to date and relevant. In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the Royal Naval Museum's system of internal control in accordance with Treasury guidance and recommendations.

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees  
8 July 2005

*H C McMurray*  
Accounting Officer  
8 July 2005

# The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I have audited the financial statements on pages 12 to 28 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 16 to 18.

## Respective responsibilities of the Board of Trustees, the Director and the Auditor

As described on page 7, the Board of Trustees and the Director are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded by Parliamentary grant (Grant in Aid). The Board of Trustees and the Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

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

I review whether the statement on pages 8 and 9 reflects the Museum's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum 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 are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Royal Naval Museum and the group as at 31 March 2005 and of the incoming resources and application of resources of the group for the year then ended and have been properly prepared in accordance with the Charities Act 1993, and the directions made by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources 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

14 July 2005

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

## Consolidated Statement of Financial Activities for the year ended 31 March 2005

	Notes	Unrestricted funds £	Restricted Grant in Aid £	Capital project £	Total funds 2005 £	Total funds 2004 £
<b>Incoming resources</b>						
Grant in aid (operating)	7	0	1,127,731	0	<b>1,127,731</b>	906,529
Grant in aid (purchases)	7	0	17,000	0	<b>17,000</b>	17,250
Other donations and grants	7	33,671	0	111,281	<b>144,952</b>	67,161
Investment income		10,202	0	0	<b>10,202</b>	11,082
Museum admissions		290,238	0	0	<b>290,238</b>	258,468
Income of trading companies and share of joint venture	1, 2, 21	809,190	0	0	<b>809,190</b>	656,440
Sundry income		85,031	2,101	1,586	<b>88,718</b>	55,654
Total group income before deductions						1,972,584
Deduct share of joint venture income		(351,546)	0	0	<b>(351,546)</b>	(256,801)
Total incoming resources		876,786	1,146,832	112,867	<b>2,136,485</b>	1,715,783
<b>Resources expended</b>						
Costs of generating funds						
Fundraising and publicity	4	67,445	13,440	0	<b>80,885</b>	80,989
Expenses of trading companies	2	421,631	0	0	<b>421,631</b>	369,984
		489,076	13,440	0	<b>502,516</b>	450,973
<b>Net incoming resources available for charitable application</b>						
		387,710	1,133,392	112,867	<b>1,633,969</b>	1,264,810
<b>Charitable expenditure</b>						
Direct charitable expenditure	3	232,490	940,933	315,862	<b>1,489,285</b>	1,557,124
Management and administration	5	26,865	71,074	1,155	<b>99,094</b>	149,715
Notional charges	6	0	6,737	0	<b>6,737</b>	4,837
		259,355	1,018,744	317,017	<b>1,595,116</b>	1,711,676
<b>Total resources expended</b>		748,431	1,032,184	317,017	<b>2,097,632</b>	2,162,649
<b>Net incoming/(outgoing) resources before transfers</b>						
		128,355	114,648	(204,150)	<b>38,853</b>	(446,866)
Adjustment for notional charges		0	6,737	0	<b>6,737</b>	4,837
Net incoming/(outgoing) resources		128,355	121,385	(204,150)	<b>45,590</b>	(442,029)
<b>Other recognised gains/(losses)</b>						
<b>Realised gains/(losses)</b>						
Net gain on sale of investments		(2,348)	0	0	<b>(2,348)</b>	0
Share of results of joint venture	21	24,762	0	0	<b>24,762</b>	(1,728)
<b>Unrealised gains/(losses)</b>						
Revaluation of investments	9	4,792	0	0	<b>4,792</b>	(2,512)
Revaluation of fixed assets		0	2,301	100,016	<b>102,317</b>	97,995
<b>Net movement in funds</b>		155,561	123,686	(104,134)	<b>175,113</b>	(348,274)
Fund balances brought forward at 1 April 2004		273,889	130,646	3,237,999	<b>3,642,534</b>	3,990,808
<b>Fund balances carried forward at 31 March 2005</b>		429,450	254,332	3,133,865	<b>3,817,647</b>	3,642,534

All transactions are derived from continuing activities.

All recognised gains and losses are included in the Statement of Financial Activities.

## Consolidated Balance Sheet - Group - as at 31 March 2005

	Notes	2005	2004
		£	£
<b>Fixed assets</b>			
Tangible assets	8	<b>3,283,241</b>	3,467,113
Investments	9	<b>239,344</b>	241,382
Investment in joint venture			
Share of gross assets	21	<b>78,611</b>	27,486
Share of gross liabilities		<b>(63,782)</b>	(37,419)
		<b>14,829</b>	(9,933)
		<b>3,537,414</b>	3,698,562
<b>Current assets</b>			
Stocks	10	<b>112,401</b>	107,632
Debtors	11	<b>67,908</b>	40,148
Cash at bank and in hand	12	<b>329,125</b>	68,564
		<b>509,434</b>	216,344
<b>Creditors (amounts falling due within one year)</b>	13	<b>(139,228)</b>	(157,372)
<b>Net current assets</b>		<b>370,206</b>	58,972
<b>Provisions for liabilities and charges</b>	14	<b>(89,973)</b>	(115,000)
<b>Total assets less all liabilities</b>		<b>3,817,647</b>	3,642,534
<b>Funds</b>			
Unrestricted funds		<b>326,466</b>	173,919
Restricted funds	15		
Grant in aid (operating)		<b>191,543</b>	82,258
Grant in aid (purchases)		<b>62,789</b>	48,388
Other restricted funds		<b>3,133,865</b>	3,237,999
Non charitable trading funds		<b>102,984</b>	99,970
<b>Total funds</b>		<b>3,817,647</b>	<b>3,642,534</b>

Approved by the Board of Trustees on 8 July 2005

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees

*HC McMurray*  
Accounting Officer

## Balance Sheet - Charity Only - as at 31 March 2005

	Notes	2005		2004	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	8	<b>3,257,340</b>		3,437,585	
Investments	9	<b>239,344</b>		241,382	
Investment in trading subsidiary		<b>2</b>		2	
		<b>3,496,686</b>		<b>3,678,969</b>	
<b>Current assets</b>					
Debtors	11	<b>70,528</b>		45,077	
Cash at bank and in hand	12	<b>275,235</b>		28,308	
		<b>345,763</b>		73,385	
<b>Creditors (amounts falling due within one year)</b>	13	<b>(52,642)</b>		(84,857)	
<b>Net current assets</b>		<b>293,121</b>		(11,472)	
<b>Provisions for liabilities and charges</b>	14	<b>(89,973)</b>		(115,000)	
<b>Total assets less all liabilities</b>		<b>3,699,834</b>		<b>3,552,497</b>	
<b>Funds</b>					
Unrestricted funds		<b>311,637</b>		203,852	
Restricted funds	15				
Grant in aid (operating)		<b>191,543</b>		82,258	
Grant in aid (purchases)		<b>62,789</b>		48,388	
Other restricted funds		<b>3,133,865</b>		3,217,999	
		<b>3,699,834</b>		<b>3,552,497</b>	

Approved by the Board of Trustees on 8th July 2005

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees

*HC McMurray*  
Accounting Officer



## Consolidated Cashflow Statement for the year ended 31 March 2005

	Non-public Funds £	Restricted Grant in Aid £	Charity Funds 2005 £	Group 2005 £	Group 2004 £
<b>Net cashflow/(outflow) from operating activities</b>	133,663	128,218	<b>261,881</b>	<b>277,777</b>	(18,882)
<b>Return on investments and servicing of finance</b>					
Bank interest received	9,268	746	<b>10,014</b>	<b>10,709</b>	1,172
Dividends received	10,202	0	<b>10,202</b>	<b>10,203</b>	11,082
<b>Capital expenditure and financial investment</b>					
Purchase of investments	(181,371)	0	<b>(181,371)</b>	<b>(181,371)</b>	0
Sale of investments	185,852	0	<b>185,852</b>	<b>185,852</b>	0
Purchase of fixed assets	(21,051)	(18,600)	<b>(39,651)</b>	<b>(42,609)</b>	(1,900)
<b>Management of liquid resources</b>					
	0	0	<b>0</b>	<b>0</b>	0
<b>Financing</b>					
Short term borrowing	0	0	<b>0</b>	<b>0</b>	0
Increase/(decrease) in cash	<u>136,563</u>	<u>110,364</u>	<u><b>246,927</b></u>	<u><b>260,561</b></u>	<u>(8,528)</u>
<b>Reconciliation of changes in resources to net cashflow from operating activities</b>					
Net incoming /(outgoing) resources for year	(78,808)	121,385	<b>42,577</b>	<b>45,590</b>	(442,029)
Depreciation	312,161	10,052	<b>322,213</b>	<b>328,798</b>	325,008
Investment income and bank interest received	(19,470)	(746)	<b>(20,216)</b>	<b>(20,911)</b>	(12,255)
Increase/(decrease) in creditors	(21,988)	(10,227)	<b>(32,215)</b>	<b>(18,144)</b>	(11,321)
Increase/(decrease) in provisions	(42,074)	17,047	<b>(25,027)</b>	<b>(25,027)</b>	115,000
(Increase)/decrease in stocks	0	0	<b>0</b>	<b>(4,769)</b>	1,509
(Increase)/decrease in debtors	(16,158)	(9,293)	<b>(25,451)</b>	<b>(27,760)</b>	5,206
<b>Net cash inflow/(outflow) from operating activities</b>	<u>133,663</u>	<u>128,218</u>	<u><b>261,881</b></u>	<u><b>277,777</b></u>	<u>(18,882)</u>

# Notes to the Financial Statements

## 1 Accounting policies

### *Basis of preparation of financial statements*

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, the Statement of Recommended Practice: Accounting by Charities issued in 2000 and guidance issued by HM Treasury.

The financial statements are prepared under the historical cost convention modified to include fixed assets at their value to the business by reference to current costs.

Consolidated financial statements have been prepared in respect of the charitable trust, its wholly owned subsidiaries, The Royal Naval Museum Trading Company Limited and RNM Functions Limited and its Joint Venture, Flagship Portsmouth Trust. The Consolidated Statement of Financial Activities includes the results of the Royal Naval Museum Trading Company Limited, RNM Functions Limited and the Royal Naval Museum's share of the results of Flagship Portsmouth Trust as single line items. The consolidated balance sheet includes the net assets of The Royal Naval Museum Trading Company Limited and RNM Functions Limited, on a line by line basis and the Royal Naval Museum's share of the net assets of Flagship Portsmouth Trust as an item within Fixed Asset Investments.

### *Incoming resources*

Voluntary income and donations are accounted for as received by the charity. No permanent endowments have been received in the year.

### *Fixtures and fittings*

Fixtures and fittings with a cost or value greater than £750 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices. Fixtures and fittings are depreciated over their expected useful lives, which range from ten to thirty years.

### *Computer equipment*

Computer and office equipment with a cost or value greater than £750 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices. Computer and office equipment are depreciated over their expected useful lives of four years.

### *Assets held by Royal Naval Museum Trading Company Limited*

The tangible fixed assets of the Royal Naval Museum Trading Company Limited are stated in the Museum's group accounts at historic cost less accumulated depreciation. Depreciation has been provided at rates calculated to spread the cost of each asset over its expected useful life as follows

Property improvements	straight line over the lease term
Fixtures and fittings	20% on reducing balance
Office equipment	20% on reducing balance

### *Basis of cost allocation*

Fundraising expenditure comprises costs incurred in inducing people and organisations to contribute financially to the charity's work.

Expenditure on management and administration of the charity includes staff costs, other direct costs and related overheads incurred in complying with constitutional and statutory requirements and any other expenditure not directly relating to the objects of the charity.

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

*Grants receivable*

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

*Restricted funds*

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

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

*Notional charges*

In accordance with Treasury guidance notional interest is charged to the Statement of Financial Activities at 3.5% of the average cost of capital employed.

This notional charge is not an actual cost to the Museum and a corresponding credit entry is also reflected on the Statement of Financial Activities.

*Leased assets*

Rentals applicable to operating leases are charged to the Statement of Financial Activities as incurred.

*Investments*

Investments are revalued at the market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

*Stocks*

Stocks are valued at the lower of cost, (or at net current replacement cost, if materially different), and net realisable value after making due allowance for obsolescence and slow moving items.

*Collection assets*

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to their historic nature, covering the history of the Royal Navy.

The Museum currently holds 'in trust for the Nation' a wide variety of artefacts both on display and in reserve. By area of expertise, numbers held are

Manuscripts	20,000
Library	12,000
Oral History	450
Fine Art	3,600
Photographs	100,000
Models	763
Artefacts	1,781
Ceramics	507
Uniform	1,869
Insignia (uniform badges)	3,218
Silver	136
Weapons	272
Flags	160
Ship Hardware	1,340
Medals	5,122
Instruments (i.e. Navigation)	140

The catalogue of the Oral History and Manuscripts have been published and are available on request (charged). The catalogue for the Library is available to any Reader that uses the Library facilities (by appointment). Within the *Sea Your History* Project there are plans to make all of the Collections available on-line; this Project aims to be complete by 2008.

With effect from 1 April 2001, additions to the collection with a cost in excess of £750, have been capitalised. In accordance with Guidelines issued by HM Treasury these assets are not revalued or depreciated.

### *Pensions*

Museum staff are covered either by the provisions of the Principal Civil Service Pension Scheme, which provides benefits based on final pensionable pay, or by a group money purchase pension scheme, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund. The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Paymaster General at rates determined from time to time by the Government Actuary, which for 2004-2005 were as follows

#### *Non-industrial staff*

Band one - £17,000 and under	12.0%
Band two - £17,001 - £36,000	13.5%
Band three - £36,001 - £62,000	16.5%
Band four - £62,001 and over	18.5%

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

For 2004-2005, employers' contributions of £37,934 were payable to the PCSPS (2003-2004 £40,712) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The group scheme is a defined contribution scheme with contributions fixed at 9% of gross pensionable pay for the year. During the year contributions totalling £50,516 (2003-2004 £49,337) were paid into the scheme. There were no outstanding or prepaid contributions at the balance sheet date.

## 2 Income and expenses from trading activities of subsidiaries

The charity controls the Royal Naval Museum Trading Company Limited, (RNMTC), a company limited by guarantee incorporated in England and Wales. RNMTC operates a souvenir shop within the Museum. At the discretion of its directors, RNMTC distributes its net profit amongst the Museum and The Society for Nautical Research, retaining the balance.

A summary of its trading results is shown below

### Profit and loss account

#### Year ended 31 March 2005

	2005 £	2004 £
Turnover	<b>418,612</b>	374,344
Cost of sales	<b>(239,595)</b>	(201,207)
Gross profit	<b>179,017</b>	173,137
Administration	<b>(161,002)</b>	(157,796)
Interest payable	<b>(251)</b>	(552)
Other income	<b>0</b>	449
Net profit /(loss)	<b>17,764</b>	15,238
Tax on ordinary activities	<b>0</b>	0
Available for distribution	<b>17,764</b>	15,238
Distributed to other charities	<b>0</b>	0
Net profit /(loss) after distribution to other charities	<b>17,764</b>	15,238
Amount gifted	<b>(15,000)</b>	(10,000)
Retained in subsidiary	<b>2,764</b>	5,238

### RNM Functions Limited

RNM Functions Limited, a company limited by shares, incorporated in England and Wales, is a wholly owned subsidiary of the charity and, at the discretion of the directors, distributes its net profit to the Museum.

A summary of its trading results is shown below

### Profit and loss account

#### Period ended 31 March 2005

	2005 £	2004 £
Turnover	<b>39,032</b>	24,846
Expenditure	<b>(16,283)</b>	(10,929)
Net profit	<b>22,749</b>	13,917
Tax on ordinary activities	<b>0</b>	0
	<b>22,749</b>	13,917
Amount gifted to Royal Naval Museum	<b>(22,500)</b>	(13,500)
Retained in subsidiary	<b>249</b>	417

**3 Direct charitable expenditure**

	Unrestricted Funds £	Restricted		<b>Total 2005 £</b>	Total 2004 £
		Grant in Aid £	Other Funds £		
Staff costs	134,786	750,445	0	<b>885,231</b>	1,034,131
Other staff costs	453	1,863	0	<b>2,316</b>	1,520
Site costs	80,955	0	0	<b>80,955</b>	69,647
Conservation	0	232	0	<b>232</b>	1,660
Curatorial	4,658	10,641	0	<b>15,299</b>	20,534
Museum boats	0	0	0	<b>0</b>	2,932
Premises costs	0	150,204	6,625	<b>156,829</b>	91,713
Travelling expenses	0	1,035	0	<b>1,035</b>	1,128
Purchase of exhibits	0	2,599	0	<b>2,599</b>	1,221
Temporary exhibition costs	8,459	0	0	<b>8,459</b>	0
Communications	0	1,519	0	<b>1,519</b>	706
Printing, postage & stationery	257	12,341	0	<b>12,598</b>	14,306
Depreciation	2,922	10,054	309,237	<b>322,213</b>	317,626
Profit/(loss) on disposal of assets	0	0	0	<b>0</b>	0
	<u>232,490</u>	<u>940,933</u>	<u>315,862</u>	<b><u>1,489,285</u></b>	<u>1,557,124</u>

**4 Fundraising and publicity**

	Unrestricted funds £	Restricted		<b>Total 2005 £</b>	Total 2004 £
		Grant in Aid £	Other funds £		
Staff costs	52,033	0	0	<b>52,033</b>	49,569
Operating costs	8,811	0	0	<b>8,811</b>	8,320
Advertising and publicity	727	0	0	<b>727</b>	7,415
Events and functions	5,788	0	0	<b>5,788</b>	6,133
Premises costs	0	8,567	0	<b>8,567</b>	4,783
Printing, postage and stationery	86	4,113	0	<b>4,199</b>	4,769
Communications	0	760	0	<b>760</b>	0
	<u>67,445</u>	<u>13,440</u>	<u>0</u>	<b><u>80,885</u></b>	<u>80,989</u>

**5 Management and administration of the charity**

	Unrestricted Funds £	Restricted		Total 2005 £	Total 2004 £
		Grant in Aid £	Other Funds £		
Staff costs	0	26,323	0	<b>26,323</b>	20,449
Accountancy	6,000	0	0	<b>6,000</b>	8,725
Audit fees	3,235	7,500	0	<b>10,735</b>	7,350
Consultancy	5,535	0	1,125	<b>6,660</b>	54,456
Legal and professional	1,363	63	0	<b>1,426</b>	12,218
Investment charges	3,715	0	0	<b>3,715</b>	0
Bank charges and interest	259	662	30	<b>951</b>	1,240
Entertaining	3,978	1,707	0	<b>5,685</b>	3,908
Printing, postage and stationery	86	4,113	0	<b>4,199</b>	4,769
Communications	0	760	0	<b>760</b>	0
Training	0	0	0	<b>0</b>	1,122
Education	1,189	0	0	<b>1,189</b>	8,413
Travelling expenses	1,249	0	0	<b>1,249</b>	1,014
Premises costs	0	17,133	0	<b>17,133</b>	9,566
Subscriptions	0	1,816	0	<b>1,816</b>	3,546
Health & safety	0	3,166	0	<b>3,166</b>	5,715
Sundry expenses	256	7,831	0	<b>8,087</b>	7,224
	<u>26,865</u>	<u>71,074</u>	<u>1,155</u>	<b><u>99,094</u></b>	<u>149,715</u>

**6 Total resources expended**

	Staff costs £	Other costs £	Depreciation £	Total 2005 £	Total 2004 £
	Direct charitable expenditure	885,231	281,841	322,213	<b>1,489,285</b>
Fundraising and publicity	52,033	28,852	0	<b>80,885</b>	80,989
Management and administration	26,323	72,771	0	<b>99,094</b>	149,715
Notional charges	0	6,737	0	<b>6,737</b>	4,837
Total	<u>963,587</u>	<u>390,201</u>	<u>322,213</u>	<b><u>1,676,001</u></b>	<u>1,792,665</u>

	2005 £	2004 £
Staff costs		
Wages and salaries	<b>796,116</b>	827,623
Social security costs	<b>79,021</b>	71,477
Pension costs	<b>88,450</b>	90,049
Redundancy costs	<b>0</b>	115,000
	<b><u>963,587</u></b>	<u>1,104,149</u>

Including the director, the number of employees earning £40,000 per annum or more, excluding pension contributions

	<b>2005</b>	2004
£40,000 to £49,999	<b>3</b>	1
£50,000 to £59,999	<b>1</b>	1
	<b>4</b>	2

Excluding the director, the number of employees, analysed by function, was

	<b>2005</b>	2004
Museum services	<b>31</b>	35
Fundraising and publicity	<b>1</b>	1
Management and administration of the charity	<b>3</b>	3
	<b>35</b>	39

The Director, H C McMurray, had a basic salary during the year ended 31 March 2005 of £57,810 per annum. The director is aged 63, his pension (net of inflation) rose by £979 in the year, with his total accrued pension now being £15,175 as an ordinary member of the Principal Civil Service Pension Scheme. Although the Museum has attempted to provide full disclosure for the Director's CETV as at 31 March 2005, the Museum has been unable to complete this exercise for the 2004-2005 accounts. Where full disclosure has not been possible this year, steps have been taken to ensure that the information will be ready for the 2005-2006 accounts.

No Trustees received remuneration during the year (2004 : NIL). One Trustee was reimbursed for travel expenses totalling £573 (2004 : £500).

## 7 Grants donations received

During the year the following grants and donations were received

Grants received from Ministry of Defence Vote Request for Resources R1

	<b>2005</b>	2004
	<b>£</b>	<b>£</b>
Operations	<b>1,127,731</b>	906,529
Purchase of exhibits	<b>17,000</b>	17,250
	<b>1,144,731</b>	923,779

Other grants and donations

	Unrestricted	Restricted	<b>Total</b>
	£	£	£
BAE Systems	0	95,000	<b>95,000</b>
H B Allen Charitable Trust	0	10,000	<b>10,000</b>
PRDHT	10,318	0	<b>10,318</b>
Blair Foundation	2,000	0	<b>2,000</b>
Society of Friends	0	6,000	<b>6,000</b>
HLF Grant	13,828	0	<b>13,828</b>
Miscellaneous donations and grants	7,525	281	<b>7,806</b>
	<b>33,671</b>	<b>111,281</b>	<b>144,952</b>



**8 Tangible assets****Charity**

	Fixtures and Fittings £	Plant and Equipment £	Improvements to Property £	Purchase of Exhibits £	Total £
<b>Cost or valuation</b>					
1 April 2004	2,890,318	1,124,373	2,164,704	16,833	6,196,228
Additions	0	22,528	0	17,123	39,651
Disposals	(30,214)	(52,998)			(83,212)
Revaluation in year	48,041	589	83,774	0	132,404
<b>31 March 2005</b>	<b>2,908,145</b>	<b>1,094,492</b>	<b>2,248,478</b>	<b>33,956</b>	<b>6,285,071</b>
<b>Depreciation</b>					
1 April 2004	1,530,155	1,102,718	125,770	0	2,758,643
Charge for the year	284,360	11,379	26,474	0	322,213
Revaluation	25,089	130	4,868	0	30,087
Disposals	(30,214)	(52,998)	0	0	(83,212)
<b>31 March 2005</b>	<b>1,809,390</b>	<b>1,061,229</b>	<b>157,112</b>	<b>0</b>	<b>3,027,731</b>
Net book value					
<b>31 March 2005</b>	<b>1,098,755</b>	<b>33,263</b>	<b>2,091,366</b>	<b>33,956</b>	<b>3,257,340</b>
31 March 2004	1,360,163	21,655	2,038,934	16,833	3,437,585

**Group**

	Fixtures and Fittings £	Plant and Equipment £	Improvements to Property £	Purchase of Exhibits £	Total £
<b>Cost or valuation</b>					
1 April 2004	3,005,091	1,124,373	2,164,704	16,833	6,311,001
Additions	2,958	22,528	0	17,123	42,609
Disposals	(30,214)	(52,998)	0	0	(83,212)
Revaluation in year	48,041	589	83,774	0	132,404
<b>31 March 2005</b>	<b>3,025,876</b>	<b>1,094,492</b>	<b>2,248,478</b>	<b>33,956</b>	<b>6,402,802</b>
<b>Depreciation</b>					
1 April 2004	1,615,400	1,102,718	125,770	0	2,843,888
Charge for the year	290,945	11,379	26,474	0	328,798
Revaluation	25,089	130	4,868	0	30,087
Disposals	(30,214)	(52,998)	0	0	(83,212)
<b>31 March 2005</b>	<b>1,901,220</b>	<b>1,061,229</b>	<b>157,112</b>	<b>0</b>	<b>3,119,561</b>
Net book value					
<b>31 March 2005</b>	<b>1,124,656</b>	<b>33,263</b>	<b>2,091,366</b>	<b>33,956</b>	<b>3,283,241</b>
31 March 2004	1,389,691	21,655	2,038,934	16,833	3,467,113

Group tangible fixed assets at 31 March 2005 include the tangible fixed assets of the Royal Naval Museum Trading Company Limited, with a net book value of £24,588, and for RNM Functions Limited of £1,313. While the Museum is required to follow HM Treasury's guidance, and therefore revalues its tangible fixed assets annually, the Trading Company is not subject to Treasury guidance and does not revalue its tangible fixed assets.

## 9 Investments

	Charity £	Group £
Market value at 1 April 2004	241,382	241,382
Acquisitions at cost	181,371	178,369
Disposals at opening book value	(188,200)	(188,200)
Net unrealised gains/(losses)	4,791	7,793
<b>Market value at 31 March 2005</b>	<b>239,344</b>	<b>239,344</b>
<b>Historic cost at 31 March 2005</b>	<b>238,840</b>	<b>238,840</b>
Market value at 31 March 2004	241,382	241,382
Historic cost at 31 March 2004	238,840	238,840

All investments held are listed on the United Kingdom Stock Exchange. All investment income is generated from listed investments.

## 10 Stocks

	Charity £	2005 Group £	Charity £	2004 Group £
The amounts attributable to the different categories are as follows				
Goods for resale	0	112,401	0	107,632
	<b>0</b>	<b>112,401</b>	<b>0</b>	<b>107,632</b>

## 11 Debtors

	Charity £	2005 Group £	Charity £	2004 Group £
Amounts due within one year				
Trade debtors	12,554	17,993	4,774	8,062
Other debtors	4,882	4,882	2,560	2,560
Prepayments	50,089	44,621	35,114	29,070
VAT	3,003	412	2,629	456
	<b>70,528</b>	<b>67,908</b>	<b>45,077</b>	<b>40,148</b>

**12 Cash at bank in hand**

	<b>2005</b>	2004
Non - public funds	<b>121,745</b>	(14,818)
Public funds		
Grant in aid (operating)	<b>125,000</b>	22,572
Grant in aid (purchases)	<b>28,490</b>	20,554
Total - public funds	<b>153,490</b>	43,126
Cash at bank and in hand (Charity)	<b>275,235</b>	28,308
Trading subsidiaries	<b>53,890</b>	40,256
Cash at bank and in hand (Group)	<b>329,125</b>	68,564
For the purposes of the cash flow statement, cash at bank and in hand comprises		
	<b>£</b>	£
Cash	329,125	68,564
Liquid resources	0	0
	<b>329,125</b>	<b>68,564</b>

**13 Creditors (amounts falling due within one year)**

	<b>Charity</b>	<b>2005</b>	Charity	2004
	£	Group	£	Group
		£		£
Trade Creditors	<b>4,137</b>	<b>35,814</b>	27,968	49,280
Other taxes and social security	<b>0</b>	<b>1,974</b>	14,086	14,086
Other creditors	<b>10,502</b>	<b>14,229</b>	448	4,021
Accruals	<b>38,003</b>	<b>87,211</b>	42,355	89,985
	<b>52,642</b>	<b>139,228</b>	84,857	157,372

**14 Provisions for liabilities and charges**

	<b>Provisions</b>
	<b>2005</b>
	£
At 1 April 2004	115,000
Costs incurred in year	(42,074)
New provisions made in the period	17,047
<b>At 31 March 2005</b>	<b>89,973</b>

During 2004 the Museum undertook a staffing reorganisation resulting in a number of redundancies. A provision of £115,000 was recognised during the year ended 31 March 2004 for redundancy costs. Those costs payable to staff were expended during the year ended 31 March 2005. A further provision of £17,047 has been recognised during the current year to reflect the increased costs anticipated. A balance remains in respect of potential pension contributions or repayment of balance of grant, if not required.

**15 Restricted funds**

	Balance at 1 April 2004 £	Incoming resources £	Expenditure £	Transfers £	Balance at 31 March 2005 £
Grant in aid (operating)	82,258	1,138,870	(1,029,585)	0	<b>191,543</b>
Grant in aid (purchases)	48,388	17,000	(2,599)	0	<b>62,789</b>
Development project	3,237,999	212,883	(317,017)	0	<b>3,133,865</b>
	<u>3,368,645</u>	<u>1,368,753</u>	<u>(1,349,201)</u>	<u>0</u>	<u><b>3,388,197</b></u>

The Museum receives Grant in Aid funding from the Ministry of Defence as a contribution towards operating costs.

In 2000, the Museum completed phase one of a major capital development programme to redesign and refit existing galleries and bring new display and office space into use. The movements on the Development Project Fund shown represent the income raised by donations and grants from the National Heritage Memorial fund and other organisations, less the revenue expenditure incurred up to the balance sheet date.

**16 Analysis of net assets between funds**

	Tangible Fixed Assets £	Investments £	Net Current Assets and Provisions £	Total £
<b>Restricted funds</b>				
Grant in aid (operating)	74,690	0	116,853	191,543
Grant in aid (purchases)	33,956	0	28,833	62,789
Development project	3,142,736	24,071	(32,942)	3,133,865
	<u>3,251,382</u>	<u>24,071</u>	<u>112,744</u>	<u>3,388,197</u>
<b>Unrestricted funds</b>				
Unrestricted funds (Charity)	5,958	215,275	90,404	311,637
	<u>3,257,340</u>	<u>239,346</u>	<u>203,148</u>	<u>3,699,834</u>
Share of net assets of joint venture	0	14,829	0	14,829
Non charitable trading funds	25,901	(2)	77,085	102,984
Total net assets (Group)	<u>3,283,241</u>	<u>254,173</u>	<u>280,233</u>	<u>3,817,647</u>

**17 Commitments and contingent liabilities**

The charity had no capital commitments or contingent liabilities at 31 March 2005 or at 31 March 2004.

## 18 Other commitments

At the year end the charity had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings 2005 £</b>	<b>Other 2005 £</b>	Land and buildings 2004 £	Other 2004 £
Expiry date				
Within one year	<b>0</b>	<b>0</b>	0	0
Over one year				
Between two and five years	<b>0</b>	<b>8,610</b>	0	8,610
In more than five years	<b>51,685</b>	<b>0</b>	51,685	0
	<b>51,685</b>	<b>8,610</b>	51,685	8,610

## 19 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax. The charity's trading subsidiaries have a corporation tax liability for the year of £NIL (2004: £NIL).

## 20 Performance indicator

	Self-generated	Income GIA	Ratio	
<b>Income generated and financial management</b>				
Ratio of self-generated income to grant in aid				
<b>2004-2005</b>	<b>534,110</b>	<b>1,144,731</b>	<b>1:2.14</b>	<b>Actual</b>
<b>2004-2005</b>	<b>506,635</b>	<b>945,649</b>	<b>1:1.87</b>	<b>Target</b>
2003-2004	392,365	923,779	1:2.35	Actual

## 21 Related parties

The Royal Naval Museum is a Non-Departmental Public Body, sponsored by the Ministry of Defence (the MoD). The MoD is regarded as a related party. Grant in Aid funding from the MoD is separately disclosed in the Statement of Financial Activities.

The Royal Naval Museum is a related party of Flagship Portsmouth Trust, a joint venture with Portsmouth Naval Base Property Trust, The Mary Rose Trust and The Warrior Preservation Trust Limited. Flagship Portsmouth is a company limited by guarantee, incorporated in England and Wales and, a registered charity. In the consolidated financial statements, Flagship Portsmouth has been treated as a joint venture, in which the Museum has a 25% interest.

A summary of the draft Statement of Financial Activities is detailed below: The joint venture has changed its year end to 30 September so as to be in line with Portsmouth Historic Dockyard Limited. The figures are therefore taken from interim management accounts dated 31 March 2005.

**Statement of Financial Activities**

	<b>Museum Share £</b>	<b>2005 Total £</b>	Museum Share £	2004 Total £
Incoming resources	<b>351,546</b>	<b>1,406,185</b>	256,801	1,027,206
Total resources expended	<b>(326,785)</b>	<b>(1,307,138)</b>	(258,529)	(1,034,120)
Net incoming/(outgoing) resources	<b>24,761</b>	<b>99,047</b>	(1,728)	(6,914)
Fund balances brought forward at 31 March 2004	<b>(9,934)</b>	<b>(39,735)</b>	(8,205)	(32,821)
<b>Fund balances carried forward at 31 March 2005</b>	<b>14,828</b>	<b>59,312</b>	(9,933)	(39,735)

**Balance sheet**

	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	<b>16,112</b>	<b>64,447</b>	5,520	22,081
Current assets	<b>62,500</b>	<b>249,998</b>	21,966	87,862
Current liabilities	<b>(63,783)</b>	<b>(255,133)</b>	(37,419)	(149,678)
Net current assets	<b>(1,284)</b>	<b>(5,135)</b>	(15,453)	(61,816)
Net assets	<b>14,828</b>	<b>59,312</b>	(9,933)	(39,735)
General unrestricted funds	<b>14,828</b>	<b>59,312</b>	(9,933)	(39,735)

Flagship Portsmouth Trust is responsible for the collection and distribution of ticketing income for the four members. The total admission income distributed in the year is disclosed in the Statement of Financial Activities.

The Royal Naval Museum is charged a levy by Flagship Portsmouth Trust. During the year this totalled £80,955 and is included in Site costs shown in note 3.

No amounts were written off during the year.

The Royal Naval Museum is a related party of the Society of Friends of the Royal Naval Museum. During the year the Society donated a total of £6,000 to the Museum.

## Accounts Direction given by the Secretary of State for Defence with the approval of HM Treasury

- 1 The Royal Naval Museum shall prepare accounts for the financial year ended 31 March 1998 and subsequent financial years comprising
  - a a foreword;
  - b a Statement of Financial Activities (SOFA);
  - c a Balance Sheet;
  - d a Cash Flow Statement; and
  - e notes to the accounts including such notes as may be necessary for the purpose referred to in the following paragraphs.
- 2 If the Museum has subsidiary undertakings, the statements referred to in paragraph one shall be prepared on a consolidated basis. In addition, there shall be a balance sheet in respect of the Museum alone, with relevant notes. When preparing the consolidated accounts, the Board of Trustees shall observe all relevant guidance issued by the Treasury and the Ministry of Defence.
- 3 The accounts shall give a true and fair view of the incoming resources and application of resources during the financial year, and the state of the Museum's affairs at the end of the financial year.
- 4 Subject to this requirement the accounts shall be prepared in accordance with
  - a the Charities Act 1993, the Charities (Accounts and Reports) regulations 1995 and the Statement of Recommended Practice (SORP) 'Accounting by Charities' (the Charities SORP);
  - b generally accepted accounting practice in the United Kingdom (UK GAAP);
  - c requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for segmental information for services or forms of services provided) and in any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view; and
  - d the accounting and disclosure requirements of 'Government Accounting' and the Treasury's guidance paper 'Executive Non-Departmental Public Bodies – Annual reports and Accounts Guidance' (March 1996), as amended or augmented from time to time, insofar as these are appropriate to the Museum and are in force for the financial year for which the accounts are to be prepared.
- 5 Clarification of the application of the accounting and disclosure requirements of the Charities Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
- 6 The SOFA and Balance sheet(s) shall be prepared under the historical cost convention modified by the inclusion of
  - a fixed assets at their value to the business by reference to current costs; and
  - b stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 This direction shall be reproduced as an appendix to the accounts.

## Schedule 1

### Application of the Accounting and Disclosure Requirements of the Charities Act and Accounting Standards

#### Charities act

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

#### Accounting standards

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

## Schedule 2

### Additional Disclosure Requirements

The foreword shall, inter alia;

- a state that the accounts have been prepared in accordance with the direction given by the Secretary of State for Defence with the approval of HM Treasury; and
- b include a brief history of the Museum and its statutory background.

The notes to the accounts shall include details of the key corporate financial targets set by the Secretary of State and the Board of Trustees together with an indication of the performance achieved.



For further information about the National Audit Office please contact:

National Audit Office  
Press Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP  
Tel: 020 7798 7400  
Email: [enquiries@nao.gsi.gov.uk](mailto:enquiries@nao.gsi.gov.uk)

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