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National Army Museum Account 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 15 NOVEMBER 2007

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Contents

	Page
Reference and Administrative Information	2
Structure, Governance and Management	3
Objectives and Activities	5
Achievements and Performance	7
Future Plans	13
Financial Review	13
Remuneration Report	16
Statement of Council's and Director's responsibilities	19
Statement of Internal Control	20
The Certificate and Report of the Comptroller and Auditor General to the Secretary of State for Defence	22
Statement of Financial Activities	24
Balance Sheet	25
Cash Flow Statement	26
Notes to the Financial Statements	27

Reference and Administrative Information

Introduction

The accounts for the National Army Museum are presented for the financial year ended 31 March 2007. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

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

Address and Principal Office of Museum

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

Professional Advisers

Bankers

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Solicitors

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Internal Auditors

Daly, Hoggett & Co
5-11 Mortimer Street
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Structure, Governance and Management

Background information

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

Appointment of Members of council

At a Privy Council Meeting on 22 May 2002, Her Majesty The Queen approved amendments to the Royal Charter of the National Army Museum. In line with para 7(2) of the amended Royal Charter the Members of Council at the date on which the Article came into effect, who had been nominated by the Army Board, continued to be Members of the Council and the ex officio Members ceased to be Members from that date. In line with para 7(3) of the amended Royal Charter, vacancies in the Membership occurring after the coming into effect of the amended Royal Charter are filled by persons nominated by the Council and approved by the Army Board. Para 8(1) of the amended Royal Charter states that the Chairman of the Council of the National Army Museum shall be nominated by the Council from among its Members and shall hold office (unless he or she shall earlier resign) for the residue of the period for which he or she has been appointed a Member. General Sir Jack Deverell was elected Chairman of Council at the 125th Meeting on 7 September 2005.

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

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

Members of council

Admiral Sir Jeremy Black GBE KCB DSO

General Sir Jack Deverell KCB OBE (Chairman)

The Rt Hon Lord Freeman PC MA FCA CRAeS

The Hon David McAlpine (until October 2006)

The Right Reverend Peter J Nott

Mr Richard Nunneley MBE (from October 2006)

Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI

The Lady Vaizey

Major General Charles G C Vyvyan CB CBE MA MSc

Recruitment, Appointment and Training of Trustees

New Members of Council are sought through national advertisement with subsequent applicants being interviewed by members of Council assisted by external assessors. Recommendations are then made for approval by the Army Board. All new Trustees receive information as laid down by the Charity Commission. They also visit the Museum for Induction training provided by the Museum Director.

Organisation structure and decision-making process

The overall direction and operation of the NAM is vested in the Council of the Museum. The Council of the National Army Museum consists of up to nine members who serve for a period of three years from the date of their nomination. The day-to-day operations are controlled by the Director of the NAM with the assistance of a Management Team.

The following were the members of the Management Team during the year

Dr Alan J Guy	Director
Dr Peter Boyden	Assistant Director (Collections)
Mike O'Connor	Assistant Director (Operations)
David Smurthwaite	Assistant Director (Museum Services)

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

Objectives and Activities

The year in brief

The National Army Museum, like other national institutions, has to work and prosper in a busy and competitive world. In the financial year 2006-2007 the Museum made progress in this environment to a significant degree. In almost every respect it was a record-breaking year for the National Army Museum as the leading charity telling the story of the British Army's history and achievements. The total number of visitors to the Museum's Chelsea site rose by 88% in the twelve months from April 2006 to March 2007 compared to the previous year. Visitors in 2005-2006 amounted to 107,576. In 2006-2007 they totalled 202,402 in Chelsea, with a further 55,680 visiting the National Army Museum Buffs Exhibition in the Royal Museum and Art Gallery, Canterbury. We continued to provide inspiration and information in equal measure, without charge, to the tens of thousands of people seeking information on the history of the Army, and the worldwide public who used the National Army Museum website increased in 2006-2007 by 368%.

The reasons for this surge of public interest are principally to be found in the Museum's successful re-branding. Throughout its history the National Army Museum has tended to present a strong story but a weak brand. This was perhaps inevitable with a relatively young national institution, but determined efforts were made throughout the financial years 2005-2006 and 2006-2007 to rectify this situation. In 2005-2006 the problems associated with the Museum's branding were analysed and a strategy proposed for overcoming them. This was endorsed by the Museum Council and teams of staff reflecting all the Museum's skills were set up to develop individual projects. These included a number of Special Exhibitions (*Somme 90; The British Army in Afghanistan: Then and Now; and Captive*), self-guided visitor tours (*Icons; Heroes; and Animals*);, fourteen online exhibitions, an audio visual Orientation Area, a re-launched website (<http://www.national-army-museum.ac.uk>) and a new Children's Gallery (*The Kids' Zone*). The groundwork done by all the Museum's staff during the re-branding process was progressively implemented during 2006-2007, with the results outlined above.

At the same time, the first steps were taken to resolve a number of fundamental issues affecting the management of the Museum's collections. These were centred on the Heritage Military Vehicle (HMV) Collection, and the MOD Obsolete Master Sealed Pattern Collection transferred to the Museum by the Defence Clothing and Textiles Agency (DCTA) in February 1999. After the HMV Collection was withdrawn from the failed Museum of Army Transport in Beverley the decision was taken by the Museum Council, following advice from their Acquisitions and Disposals Committee, to reduce the Collection by approximately 50% through transfer or loan to other Registered Museums, preservation societies, or on recognized collections with public access.

The closure of storage facilities at DSDC (North) at Donnington meant that from October 2006 the HMV Collection and the Sealed Patterns would be without a home. Although the number of vehicles was progressively reduced during the year appropriate storage still had to be found to house the remaining core collection. After an extensive search and detailed negotiations a 25-year lease was signed for a commercial property in Stevenage. The two collections were safely transferred to this new permanent home in January 2007.

Although the principal challenges facing the Museum during 2006-2007 – re-branding and collections management – dominated the working patterns of the staff for much of the year, important aspects of the Museum's service to the Nation were successfully maintained and developed in areas such as Life-long Learning and outreach, photography, pastoral care to Regimental Museums, digitisation, retail and corporate services, research facilities, and audience development.

The mission statement

The NAM's Mission Statement is

'To interpret and communicate the objects in the Museum's care in ways which inspire, provide enjoyment and provoke questions from the NAM's visitors.'

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

Review of activities

The NAM Council's aspirations for the future development of the Museum have, in the year ended 31 March 2007, been mediated through a rebranding process which resulted in a newly expressed Purpose for the Museum approved by Council at the 126th Meeting held on 26 October 2005. The Museum wished to demonstrate its contribution to the Defence Purpose, and to be more widely recognized as a focal point for the Army's material heritage, ethos and esprit de corps so that the NAM acts as a link between the Army and Society, helping to ensure that the two never grow apart. The NAM's Purpose is thus

- i to reconnect the Army with society;
- ii to explain the Army so that everyone can see how it has protected society over time;
- iii to explain what the Army did/does, why it did it, how it did it and the impact it has had on the nation;
- iv to use objects in its Collections as tools to deliver the Story of the Army and not as an end in themselves; and
- v to link the past with the present.

Core values

In carrying out its Purpose the Museum adheres to four Core Values that are intended to focus and reinforce our work with the Collections and for the public.

They are

- Relevance
- Insight
- Quality
- Exploration

Achievements and performance

Delivering a Museum 'brand'

The pre-2005 Mission Statement: 'To Collect, Preserve and Exhibit Objects and Records relating to the History of the British Army from c1415 until the Present Day, so that the Achievements, History and Traditions of the British Army should be better made known' was reconsidered so that, as stated earlier, it is now

'To interpret and communicate the objects in the Museum's care in ways which inspire, provide enjoyment and provoke questions from the NAM's visitors.'

This is much more dynamic than the former version, and means in practice that to appeal more widely to our users, to opinion-formers and decision-makers, grant-making bodies, potential sponsors, donors and 'friends' of all kinds, the NAM's image needed to be changed from a military/antiquarian one to a museum of British history and culture, with a distinctive 'brand', vision and personality evident in all its activities. Considerable work was devoted to this task during the year and the extent of its success can be seen in the use made of the Museum by a worldwide public in 2006-2007.

NAM Chelsea

Following the decision by the Museum Council to concentrate upon developing NAM Chelsea as a public attraction using the existing building to the fullest extent, steps were taken during the year to deliver achievable improvements to the Chelsea site. As a precursor to later fundraising, MOD Grant-in-Aid, together with funds generously provided by the National Army Museum Development Trust and the Society of Friends of the National Army Museum, were used to improve the overall impact of the Museum's foyer areas, to provide better disabled facilities, to extend the NAM Shop, and to provide an enclosed lift for access between the floor levels accommodating the Templer Study Centre, and the Lecture Theatre, the lower foyer, and the upper foyer.

Collections review

The National Army Museum's collections contain some 6.23m accessioned items, which are housed in Chelsea, at Sandhurst and until recently in accommodation rented from Defence Estates. The uncertain future of individual defence sites and the facilities they contain meant that the management of a number of collections was fundamentally constrained by this hostage to fortune. The failure of the Museum of Army Transport in Beverley in August 2003 had already occasioned a review of the NAM's Heritage Military Vehicle (HMV) Collection of some 165 vehicles, ranging from motorcycles to steam locomotives. The intention, endorsed by the Museum Council in June 2006 had been to reduce this to a core collection of about 70 vehicles which could be managed and housed in a manner which was appropriate and sustainable.

The solution was to find a permanent home in premises controlled by the NAM so that the future of the Heritage Military Vehicle and Sealed Pattern collections could be secured and the development of NAM Chelsea progressed. After an extensive search for a suitable property and a convenient location a 25-year lease was taken on a new warehouse unit in Stevenage which provides 2,181 m² of accommodation. By February 2007 the core Heritage Military Vehicle Collection, together with 20,000 Obsolete Master Sealed Patterns had been transferred to this facility.

Accessions to the collections

Accessions and retrospective cataloguing are entered on the Museum's centralized Collections Database and Network Infrastructure (CABAL). The Department of Computer Services has continued to plan the future of the CABAL system with an emphasis on providing public access to collection records via the website and in the Templer Study Centre, our research facility in NAM Chelsea. The main database platform has been upgraded from Filemaker 6 to the latest version 8.5, bringing with it many additional features and capabilities.

New Accession Numbers issued during 2006-2007 totalled 811 (2005-2006: 2,506) out of 9,538 (2005-2006: 6,287) accessions entered, divided between the following departments: Weapons, Equipment & Vehicles (WEV): 102 (1,572); Archives, Photographs, Film & Sound (APFS): 238 (404); Fine & Decorative Art (FDA): 399 (425); Uniform, Badges & Medals (UBM): 72 (105). In addition, 271 (258) new records were created by the Department of Printed Books in this period.

The Documentation Team continued to keep pace with new accessions despite the demands of Floor Team, gallery and exhibition work. The entry of records for existing items in the collections continued during the year, with the following totals being entered on CABAL in 2006-2007 (Figures in brackets are for 2005-2006)

Master Records entered	9,538	(6,287)
Part Records entered	26,231	(20,179)
Digitised Images	6,766	(4,052)

This provided overall totals for CABAL entries 1998 to 2007 as follows

NAM new Accessions	25,340
CABAL total Data Records	65,477
CABAL total Part Records	220,223

These records document some 500,000 individual artefacts. The Museum's Negative List Database currently holds 108,427 (104,300) photographic records and forms an integral part of CABAL. It links digital images to catalogue records with a total of 35,705 scanned images now loaded onto CABAL of which 21,781 (16,601) have data records linked to them. All new digital photography is formatted in such a way that new images are incorporated into CABAL as a matter of course.

Acquisitions

During the year the Museum collected a number of items that have either considerable display or research potential, or tell important stories about the Army and society, thereby meeting the criteria of both the 2004 Acquisitions & Disposals Policy and the Museum's recently redefined purpose. Two of the most visually stunning items are the pair of oil portraits of Colonel John Hutchinson, Parliamentarian Governor of Nottingham during the Civil War and his wife and biographer Lucy. Equally attractive, and also very rare, is the front section of a mitre cap of the 70th Regiment of Foot of c1760, later refabricated into a lady's pocket. The Museum's core collection of auxiliary force uniforms was strengthened by the addition of an other ranks' full dress and undress jackets of the London and Westminster Light Horse Volunteers of c1796, and a trooper's helmet of the 1st Huntingdonshire Light Horse Volunteers, dating from c1860-1880 and a very scarce item. With these garments may be mentioned a watercolour of the Pendennis Artillery Volunteers drawn up on parade c1800, another important and unusual acquisition during the year.

The most significant addition to the Archive was the original operational papers of Major Bruce Holford-Walker relating to the Tank Corps during the First World War, including the first ever use of tanks at Flers Courcellette on 15 September 1916. Other collections strengthened existing holdings on well-documented aspects of British military history. They included over 400 letters written by Lieutenant-Colonel Percy Wilfred Machell, Essex Regiment and Egyptian Army, 1882-1891, including his service in the 1st Sudan War (1884-1885); and in excess of 250 letters, with associated photographs, written by Lieutenant-Colonel Hay Mitchell and his brother Colonel Wilfred Mitchell, during service with the British and Indian Armies between 1903 and 1921. Between them they served in the Boer War (1899-1902), Somaliland (1903-1904), Tibet (1903-1904), the Mohmand Expedition (1908), in most theatres of the First World War, and, topically, in Iraq during the 1920 Revolt.

An important addition to the weapons collection was one of the (only) 125, Pattern 1904 Experimental Cavalry Trooper's swords produced by Wilkinson for sword trials in 1904 and 1906. A further 75 were manufactured at Enfield, and these trials eventually resulted in the Pattern 1908 sword.

Finally, and from its associations, one of the most interesting acquisitions for many years was a copy of the *Standing Orders of the Twenty-First or Royal County Limerick Militia, 1797*. Not only is this rare item important in its own right (it does not appear to be listed in the British Library's English Short Title Catalogue), but the NAM copy bears an inscription suggesting that it might once have belonged to Lieutenant-General Watkin Tench, the Royal Marine officer who as a young man accompanied the First Fleet to Botany Bay in 1788. Tench also spent two periods as a prisoner of war of the French during the Revolutionary War.

Access

The number of visitors to Chelsea in 2006-2007 totalled 202,402 (2005-2006: 107,576) – a heartening increase of 88.14% on the previous year. To encourage an additional 95,000 people, many of them first time visitors, to come to Chelsea despite the suspension of the District Line and Circle Underground services to our nearest Tube station, Sloane Square, on many weekends, was a highly rewarding response to the Museum's re-branding and all the work done by the staff during the year.

The Museum's users and worldwide audience also grew dramatically during the year, with an increase of 368% in the number of visitors to the NAM website compared to 2005-2006. Page Views (the number of times individual web pages were viewed) totalled 3,827,281; Page Hits (the number of requests for files received by Web Server) totalled 15,173,870; and Site Visits (number of times people visited and interacted with website) came to 653,550.

The user figures for the Website have increased alongside the NAM Chelsea visitor figures. This success has been due largely to the re-branding and redesign of the site in association with the effective marketing of Somme 90, the Kids' Zone and subsequent projects. The creation of content relating to current conflicts within an historical context has also contributed to the increase in visitors to the site.

The Museum's Access Group produced a Strategy for Access, Inclusion and Diversity during the year, which highlighted the considerable amount of work that needs to be completed to ensure that all aspects of the NAM's product are available to the widest possible audience. In particular, it is considered essential that work continues to identify opportunities to co-operate with other organizations to encourage social cohesion and the inclusion of individuals suffering from inter-related problems such as poor skills, discrimination, unemployment, family breakdown and poor housing. A significant number of actions have already been taken to improve the standard of Access experienced by visitors including the establishment of a Visitor Services Team to provide assistance throughout the Museum, improved signage in the Chelsea building, and a Special Exhibition, *Captive*, aimed at a teenage audience.

The National Army Museum's new Templer Study Centre (successor to the old Reading Room) opened in June 2006 and it offers visitors the opportunity to explore in depth the campaigns, personalities and social history of the British Army. Seating fifteen Readers, the Centre offers access to the Museum's collections of regimental and campaign histories, archives, photographs, prints and drawings, and provides a rich picture of soldiers' daily lives through the ages. Visitors can also draw upon the expertise of the Study Centre curatorial staff.

Special exhibitions and permanent galleries

The Museum's re-branding highlighted the need for 'quick wins' to demonstrate to the potential visitor that the NAM was changing, that it was relevant to their needs, and that it could provide information which would help them to understand the world in which they live. The mounting of Special Exhibitions and the renewal of Permanent Galleries were seen as a major part of this process. Floor teams and Exhibition teams were established so that members of staff could 'own' the planning and delivery of these projects, and the results of their work were to be seen during the year in a new Children's Gallery (The Kids' Zone) which opened on 10 April 2006, and in three Special Exhibitions: *Somme 90* (1 July 2006–1 July 2007) *The British Army in Afghanistan, Then and Now* (1 September 2006–18 March 2007); and *Captive* (21 December 2006–3 June 2007).

The exhibition on The Battle of the Somme marked the 90th anniversary of one of history's most controversial battles. On 1 July 1916 the British Army suffered the heaviest losses ever inflicted on it in a single day, at the beginning of a five-month campaign that would achieve an uncertain victory at a cost many then, and since, believed to be too high. The exhibition was designed to explore the facts and the perceptions of the Somme, and allow visitors to decide where they stood on a battle in which over 1,200,000 soldiers became casualties. The result was a display that offered multiple perspectives, from those of the British politicians faced with substantial Allied losses, to the generals, their critics, and the voices of those who fought and sometimes died. The political, strategic, and technological imperatives that influenced the campaign were investigated, and the effect of the battle – on the progress of the War, public opinion and popular culture – explored.

In November 2001, following the events of 9/11, British troops returned to Afghanistan as part of an international coalition to rid the country of the Taleban and suppress Al Qaeda elements. For many, the historical resonances were inescapable. In 1839 and 1878, the British had invaded Afghanistan to meet a possible Russian threat to India. The first intervention was disastrous: the army which retreated from Kabul in 1842 was destroyed, with Dr William Brydon the only European to reach safety. The 2nd Afghan War of 1878-81 was arguably more successful, and unlike the earlier conflict it was captured on camera. Looking at these historic photographs and comparing them with photographs taken by British Army photographers today was the main purpose of the exhibition. What emerged for the visitor were the striking parallels, captured on film, between a nineteenth-century war of Empire and a twenty-first century War on Terror.

The exhibition *Captive* offered visitors the opportunity to learn about the ordeal endured by British and Commonwealth Prisoners of War. Plunged into the journey of the prisoner from conflict to captivity, visitors were able to discover the experiences of British soldiers, and see how the status of the captive changes dramatically with the nature of warfare. Visitors could pick up a character card at the entrance to the exhibition and follow the story of a real soldier from the past, allowing them to relate to human stories rather than just statistics, and to assess their reaction as if the prisoner was their friend, father or brother. Through *Captive* it was possible to come to some understanding of what it means to be a prisoner of war in relation to constant deprivation, monotony, despair, hope and ultimately release, or possibly through escape – or death.

The planning work by individual Floor Teams for the renewal of the Permanent Galleries continued at some intensity during the last twelve months and a number of refurbishment schemes now await implementation in the next financial year. During 2006-2007 a new display on the campaign in the Western Desert 1940-1943 was installed in the *World Wars* Gallery together with an audio visual Orientation Area in the Lower Foyer. The latter has been generously funded by the National Army Museum Development Trust.

The time frame of the story told by the Museum now effectively begins in 1066 and continues to the present day. Its content centres upon the relevance of the Army to the development of Britain, and the contribution of the British soldier to world history. The permanent displays are presented in four major galleries, as follows

The Making of Britain 1066-1783

Changing the World 1784-1904

World Wars 1905-1945

Fighting for Peace 1946-2006

Audience development

The Museum again offered visitors inspirational exhibitions, contemporary relevance and a number of new or refreshed services and in this way many Departments contributed to the development of our audience during the year.

'Quick wins', although principally identified as relatively inexpensive projects which could be implemented with speed, were also seen as features which could target particular segments of our current and potential audience. As a result, the Special Exhibition *Captive* was designed with a teenage audience in mind, whilst the *raison d'être* of the Kids' Zone needs no elaboration. In terms of our international audience, the NAM website is a powerful instrument for communicating the history and achievements of the Army across the world. It is also an ideal vehicle for 'quick wins', and this was fully exploited during the year. A refreshed NAM website was launched in March 2006 and this has now been populated with online exhibitions published to complement, promote or preserve exhibitions in other media, mark anniversaries and reflect topical events and themes. They included

Soldiers, Seahawks and Smugglers
The Victoria Cross
Soccer Soldiers
Combat Cricketers
Finding the Fallen
Somme 90
Afghanistan Then and Now
Afghan Wars
Operation Telic

The Fall of Baghdad
Secret Weapon – tanks on the Somme
Captive
Task Force Falklands
3 Para in Helmand Province

In addition online resources ranging from self-guided tours – *Icons, Heroes, and Animals* – to Curators' Choice film clips (with The History Channel) are available on the website. A large resource of Fact Files and Campaign Histories are now awaiting publication online.

Events specially tailored to encourage audience development during the year included *The Big Bash* and *The Horse in War*. The former was an evening of educational events and entertainment – meeting curators, enjoying art workshops and interpretative activities – which doubled as a potential fundraising opportunity. The latter comprised three thrilling horse shows, during which visitors could watch the age-old partnership between soldier and steed – and the unique skills involved – demonstrated throughout the day. Knights in armour battled to win a medieval tournament, Victorian lancers demonstrated their deadly accuracy by picking-up tent-pegs at full gallop, Boer War soldiers performed weapons drill, and First World War soldiers recreated some of the last British Army cavalry charges. *The Horse in War* was held, with the kind support of the Royal Hospital Chelsea and the Royal Borough of Kensington and Chelsea, in Burton Court, a grass playing field opposite the National Army Museum. A record number of visitors flocked to the event and it was attended over two days by nearly 10,000 members of the public.

The NAM's younger audience grew considerably, as witnessed by the popularity of the Kids' Zone, and by the fact that the number of birthday parties held at the Museum rose from the total of 20 in 2005-2006 to 161 in 2006-2007 – a growth rate in a single year of over 800%.

During the year the Museum, using the services of Ipsos MORI, carried out four waves of market research into its users' needs with interesting and encouraging results. The research was designed to track the NAM's visitor profile, to monitor opinions of the Museum, to explore the motivation for visiting, and to assess reaction to specific exhibitions and displays. Overall satisfaction with the NAM product is high, with 98% of visitors 'satisfied' with their visit. The Museum's displays and the way in which they are interpreted were rated very highly by visitors and *Somme 90* was by far the most popular Special Exhibition with 90% of all Wave 3 visitors in July 2006 seeing it.

Inspiring learning for all

The Museum's Education Department provided its Learning services to some 51,000 people during the year. This can be broken down into various categories. The number of Primary (3,499) and Secondary (8,905) students attending the Museum was slightly down on previous years, due to the difficulties schools are experiencing in financing travel and facilitating time away from the classroom. Sixth Form visits (577) have increased over last year's figures, while Adult Groups (5,549) were marginally down. Some 1,500 serving soldiers and veterans also visited Chelsea. Holiday and Outreach events had an audience which totalled over 30,000 people, with activities ranging from Chelsea to the National Memorial Arboretum in Staffordshire.

The year's programme of Lunchtime Talks and Celebrity lectures provided focused periods of adult and family education to a wide ranging audience, while covering a diverse range of topics, such as *War on the Scillies: The Storming of Tresco 1661* and *Conan Doyle at war: From the White Company to the Western Front*. Celebrity Lecturers included the novelist George MacDonald Fraser speaking on his creations *Flashman* and *MacAuslan*, to Professor Niall Ferguson, who spoke on *The War of the World*. The Department of Education also hosted three Study Days and Conferences, covering such subjects as *Battlefield Archaeology, 1916: A Global Conflict and Medieval Warfare*.

The Special Events programme saw a wide range of periods and subjects delivered in weekend events, such as The Somme (8-9 July 2006) which explored this notoriously memorable battle, and Christmas Revolution (9-10 December). The latter was set in New York at Christmas 1776, and it gave visitors the chance to reflect upon events surrounding the rebellion of the American Colonies against King George III.

Pastoral care

The NAM continued its Pastoral Care Policy for Regimental and Corps Museums, assisting museums in Cardiff, Fareham, Enniskilling, Leicester, Gloucester, Chicksands and Dorchester with Heritage Lottery Fund (HLF) applications, gallery re-displays or new services. In addition regular advice was provided to the REME Museum, the Adjutant General's Corps Museum and the Museum of the Royal Warwickshire Regiment. The Museum ran two five-day training courses for Regimental Museum Curators during the year and these were attended to capacity.

Information technology and communications

As a major tool for communication, considerable effort was devoted during the year to Website content and user figures reflect the popularity of the approach adopted by the Museum. This was essentially to implement the principles of the NAM's re-branding in the redesign of the site, together with the effective marketing of *Somme 90*, the *Kids' Zone* and subsequent projects. In January 2007 the NAM Online Shop was launched on the website.

The Education Department has continued to deliver video conference sessions to schools and other education users and there has been a steady growth in the demand for this service. For the first time sessions were delivered across the Atlantic to users in America and also to audiences in Europe.

Trading activities

During the year ended 31 March 2007 Museum shop sales increased by 51% to £205,255 (2005-2006 £135,608). The Shop benefiting from the appointment of a new Retail Services Manager, increased visitor numbers and improvements to the orientation area where the shop is situated.

In addition other trading income increased by 69% over 2005-2006 to £103,847. The increase primarily relates to the increased number of children's birthday parties.

This increase in trading income has seen a return to profitability of £4,672 for 2006-2007 compared to the trading loss of £22,854 in 2005-2006.

Managing people

With the assistance of an external consultant, the Department of Human Resources has progressed a skills audit of the staff, to be completed by August 2007. This will link into all areas of the Museum's business and activities, and will help to develop the NAM's overall training strategy.

This will in turn link into a new Performance Appraisal System, to be put in place by the end of 2007. The new system will have a greater emphasis on personal and professional development, and will be linked to the Museum's goals and objectives. This will be supplemented by up-to-date training of all members of staff who are involved in the process.

All policies have been incorporated into two on-line Staff Handbooks, which will be accessible to staff. The Handbook will periodically be reviewed and equality proofed in line with the NAM's Disability and Gender Equality Schemes, Equal Opportunities Policy and any other Equality Scheme in place at such time, and in consultation with the Director and NAM Access Group.

Future plans

Many aspects of the work outlined above will continue in the financial year 2007-2008 and for some time to come. The most significant objectives will be as follows

Preserving the collections

There is an acute need to ensure that the Collections are preserved for future generations in appropriate conditions with public access. None of this can be taken for granted. It will mean the continued management of challenging storage conditions at Sandhurst and the upgrading, to full museum specification, of the Museum's newly-acquired storage facility at Stevenage. Once the latter has been achieved, the transfer of the Collections from Sandhurst can be initiated, ideally within the next two years, but in the present funding climate nothing can be guaranteed.

Development of the public service at NAM Chelsea

It is essential that the core product of the Museum, its Permanent Galleries in Chelsea, are renewed in line with the NAM's intention to show how the Army and its history have helped to mould the nation and world in which we live today. Although the existing galleries are still popular with the public, several are approaching, or are long since past pensionable age, and major funding will need to be secured to replace them with a modern equivalent. Exciting plans for the renewal of the galleries have been drawn up by Museum staff, but again for funding reasons there is as yet no start date for their phased introduction.

Audience development will depend in large part upon the Museum's success in renewing its galleries as a major demonstration of its purpose and accessibility as exemplified in its new brand.

Financial review

Results for the year ended 31 March 2007

Total incoming resources for the Museum in 2006-2007 amounted to £6,068,157 (2005-2006 £5,314,261). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2006-2007 this was £5,292,879 (2005-06 £4,871,374). Total resources expended amounted to £5,718,818 (2005-2006 £5,931,307). After adjustment for notional charges, the revaluation of the Museum's leasehold property and other recognised gains and losses, the net movement in funds for the year showed an increase of £4,237,953 (2005-2006 £190,081).

The Museum's net assets as at 31 March 2007 amounted to £24,784,073 (31 March 2006 £20,546,120).

Changes in fixed assets

Movements in fixed assets are shown in note 8 to the accounts. The Museum has had its leasehold property independently revalued at 31 March 2007 and details of this revaluation are also shown in note 8.

Policy on reserves

The NAM's reserves, are defined for the purposes of this policy, as the amounts shown as 'Investments' and 'Net Current Assets' which are attributed to unrestricted funds. As at 31 March 2007, the level of the Museum's reserves stood at £982,855 (31 March 2006 £765,199).

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

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

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

Investment policy

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

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

Relationship with related parties

Details of related parties and transactions with these parties are shown in note 17 of the financial statements.

Payment of creditors

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

The Museum's actual payment performance during the year was that 98% (2005-2006 100%) of bills were paid within the thirty day target.

Equal opportunities and disabled persons

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

Employee Involvement

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

Auditors

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

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

Dr Alan J Guy
Director

1 November 2007

General Sir Jack Deverell
Chairman, on behalf of Council
National Army Museum

Remuneration Report

Remuneration policy

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

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

Salary and pension entitlements

The salary and pension entitlements of the Management Team of the Museum were as follows (with comparative salary disclosures for 2005-2006).

	Dr A Guy £'000	Mr D Smurth- waite £'000	Dr P Boyden £'000	Mr M O'Connor £'000
Salary including performance pay 2006-2007	90-95	65-70	45-50	45-50
Salary including performance pay 2005-2006	85-90	60-65	50-55	45-50
Real increase/(decrease) in pension and related lump sum at 60	0-2.5 plus 2.5-5.0 lump sum	0-2.5 plus 2.5-5.0 lump sum	0-2.5 plus 0-(2.5) lump sum	0-2.5 plus 2.5-5.0 lump sum
Total accrued pension at 60 as at 31 March 2007 and related lump sum	30-35 plus 100-105 lump sum	25-30 plus 80-85 lump sum	20-25 plus 50-55 lump sum	0-5 plus N/A lump sum
Cash equivalent transfer value as at 31 March 2006	687	634	404	44
Cash equivalent transfer value as at 31 March 2007	741	653	432	57
Real increase in cash equivalent transfer value as funded by employer	21	17	12	10

None of the above received any benefits in kind during the year (2005-2006 £Nil).

No members of the Council received any remuneration during the year (2005-2006 £Nil). During the year reimbursements were made to four members of the Council totalling £266 (2005-2006 £1,060) for travel and subsistence and £1,921 (2005-2006 £1,180) for hospitality.

For 2006-2007 employers' pension contributions for the Museum as a whole of £403,803 were payable to the PCSPS (2005-2006 £380,531) at rates based on salary bands as follows

Band one	– £18,500 and under	17.1%
Band two	– £18,501 – £38,000	19.5%
Band three	– £38,001 – £65,000	23.2%
Band four	– £65,001 and over	25.5%

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

Salary

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

Benefits in kind

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

Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPS). This scheme is an unfunded multi-employer defined benefits schemes but the National Army Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out as at 31 March 2003. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

Principal Civil Service Pension Scheme (PCSPS)

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under the classic, premium and classic plus are increased annually in line with the changes in the Retail Prices Index. New entrants after 1 October 2002 may choose between membership of Premium or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

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

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

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

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

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

Dr Alan J Guy
Director

1 November 2007

General Sir Jack Deverell
Chairman, on behalf of Council
National Army Museum
1 November 2007

Statement of Council's and Director's responsibilities

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

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

- Observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; 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 Council is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the charity and which enable the Council to ensure that the financial statements comply with the applicable law. The Council is also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Dr Alan J Guy
Director

1 November 2007

General Sir Jack Deverell
Chairman, on behalf of Council
National Army Museum
1 November 2007

Statement of Internal Control

1 Scope of responsibility

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

2 The purpose of the system of internal control

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

The system of internal control is based on an ongoing process of assessment and scrutiny, overseen by the Audit & Remuneration Committee of the National Army Museum Council, designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the National Army Museum for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts. The Museum believes its system of internal control accords with Treasury guidance.

3 Capacity to handle risk

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

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

4 The risk and control framework

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

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

5 Review of effectiveness

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

Dr Alan J Guy
Director

1 November 2007

General Sir Jack Deverell
Chairman, on behalf of Council
National Army Museum

1 November 2007

The Certificate and Report of the Comptroller and Auditor General to the Secretary of State for Defence

I have audited the financial statements of the National Army Museum for the year ended 31 March 2007 under the Museum's Royal Charter of 1960 as amended in 1988. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, the Director, and the Auditor

The Director, as Accounting Officer, and the Council are responsible for preparing the Foreword and Report of Council, the Remuneration Report and the financial statements in accordance with the Charities Act 1993, and directions made thereunder by the Secretary of State for Defence, and for ensuring the regularity of financial transactions funded by Parliamentary grant (Grant in Aid). These responsibilities are set out in the Statement of Council's and Director's Responsibilities.

My responsibility is to audit the financial statements and the part of the Remuneration Report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland). I have been appointed as auditor under the Museum's Royal Charter dated 26 October 1988, and report in accordance with regulations made under Section 44 of the Charities Act 1993.

I report 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 Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I report to you whether, in my opinion, certain information given in the Foreword and Report of Council is consistent with the financial statements. 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.

In addition, I report to you if the National Army Museum has 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 Internal Control reflects the National Army Museum's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the National Army Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Foreword and Report of Council 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. 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 Council and the Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Army Museum's circumstances and are 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.

Opinions

Audit opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the National Army Museum's affairs as at 31 March 2007 and of the incoming resources and application of resources of the National Army Museum 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 Charities Act 1993 and directions made thereunder by the Secretary of State for Defence; and
- information given within the Foreword and Report of Council is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

12 November 2007

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

Statement of Financial Activities

	Note	Unrestricted funds £	Restricted funds £	Restricted grant-in-aid funds £	Total funds 2006-2007 £	Total funds 2005-2006 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income: Grants and donations		77,290	159,186	60,000	296,476	138,968
<i>Activities for generating funds</i>						
Commercial trading operations	5	309,102	0	0	309,102	197,079
Investment income	2	32,960	14,530	8,405	55,895	54,778
		<u>419,352</u>	<u>173,716</u>	<u>68,405</u>	661,473	<u>390,825</u>
Other incoming resources						
Grant-in-aid (operating)		0	0	5,177,879	5,177,879	4,756,374
Grant-in-aid (purchases)		0	0	115,000	115,000	115,000
Sundry income		112,941	0	864	113,805	52,062
Total incoming resources		<u>532,293</u>	<u>173,716</u>	<u>5,362,148</u>	6,068,157	<u>5,314,261</u>
Resources expended						
Cost of generating funds						
Fundraising costs of grants and donations	4	0	0	9,265	9,265	9,328
Commercial trading operations	4 & 5	230,470	2,705	71,255	304,430	219,933
		<u>230,470</u>	<u>2,705</u>	<u>80,520</u>	313,695	<u>229,261</u>
Cost of charitable activities						
Collections and exhibitions	4	69,364	170,852	3,289,536	3,529,752	3,727,163
Curatorial	4	0	67,635	812,479	880,114	857,055
Education	4	0	40,581	287,588	328,169	338,264
Publicity	4	24,399	13,527	532,167	570,093	677,693
		<u>93,763</u>	<u>292,595</u>	<u>4,921,770</u>	5,308,128	<u>5,600,175</u>
Governance costs	4	0	0	61,823	61,823	60,931
Notional charges	6	0	0	35,172	35,172	40,940
Total resources expended	7	<u>324,233</u>	<u>295,300</u>	<u>5,099,285</u>	5,718,818	<u>5,931,307</u>
Net incoming/(outgoing) resources before transfers						
		208,060	(121,584)	262,863	349,339	(617,046)
Reversal of notional charges	6	0	0	35,172	35,172	40,940
Net incoming/(outgoing) resources for the year		<u>208,060</u>	<u>(121,584)</u>	<u>298,035</u>	384,511	<u>(576,106)</u>
Other recognised gains and losses						
Unrealised gains/(losses)						
Investments		0	10,563	0	10,563	36,765
Revaluation of assets		(24)	3,818,483	24,420	3,842,879	729,422
Net movement in funds		<u>208,036</u>	<u>3,707,462</u>	<u>322,455</u>	4,237,953	<u>190,081</u>
Balances brought forward at 1 April 2006		1,106,361	17,997,552	1,442,207	20,546,120	20,356,039
Balances carried forward at 31 March 2007		<u>1,314,397</u>	<u>21,705,014</u>	<u>1,764,662</u>	24,784,073	<u>20,546,120</u>

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

The notes on pages 27 to 36 form a fundamental part of these financial statements

Balance Sheet

	Notes	£	2007 £	£	2006 £
Fixed assets					
Tangible assets	8	21,522,764		17,681,584	
Heritage assets	9	1,530,552		1,359,579	
Investments	10	214,747		228,177	
			23,268,063		19,269,340
Current assets					
Stock of finished goods		56,768		37,643	
Debtors	11	213,012		181,039	
Cash	12	1,384,685		1,215,412	
		1,654,465		1,434,094	
Current liabilities					
Creditors: amounts falling due within one year	13	138,455		157,314	
Net current assets			1,516,010		1,276,780
Total assets less current liabilities			24,784,073		20,546,120
Reserves					
Unrestricted funds			1,314,397		1,106,361
Restricted funds	14	21,705,014		17,997,552	
Restricted grant-in-aid	15	1,764,662		1,442,207	
Funds	15	24,784,073		20,546,120	

The financial statements were approved by the Council on 1 November 2007 and signed on its behalf by

Dr Alan J Guy
Director

General Sir Jack Deverell
Chairman

The notes on pages 27 to 36 form a fundamental part of these financial statements.

Cash Flow Statement

	Unrestricted funds £	Restricted funds £	Restricted grant in aid funds £	Total funds 2006-2007 £	Total funds 2005-2006 £
Net cash inflow/(outflow) from operating activities (see below)	<u>105,340</u>	<u>201,632</u>	<u>405,211</u>	<u>712,183</u>	<u>(336,947)</u>
Return on investments and servicing of finance					
Interest received	32,960	7,609	8,405	48,974	48,168
Investment income	0	6,921	–	6,921	6,610
	<u>32,960</u>	<u>14,530</u>	<u>8,405</u>	<u>55,895</u>	<u>54,778</u>
Capital expenditure					
Payments to acquire					
Tangible fixed assets	0	(178,779)	(273,046)	(451,825)	(317,197)
Heritage assets	(13,300)	0	(157,673)	(170,973)	(97,058)
Proceeds on sale of fixed assets	0	0	0	0	12,500
Sale of investments	0	23,993	0	23,993	0
	<u>(13,300)</u>	<u>(154,786)</u>	<u>(430,719)</u>	<u>(598,805)</u>	<u>(401,755)</u>
Increase/(decrease) in cash	<u>125,000</u>	<u>61,376</u>	<u>(17,103)</u>	<u>169,273</u>	<u>(683,924)</u>
Reconciliation of changes in resources to net cash inflow/(outflow) from operating activities					
Changes in resources before revaluations	208,060	(121,584)	298,035	384,511	(576,106)
Investment income	(32,960)	(14,530)	(8,405)	(55,895)	(54,778)
Depreciation	1,238	284,184	164,525	449,947	445,311
Loss on disposal of fixed assets	0	0	3,577	3,577	3,462
Increase/(decrease) in creditors	4,550	53,562	(76,971)	(18,859)	(134,976)
(Increase)/ decrease in stocks	(19,125)	0	0	(19,125)	1,870
Decrease/(increase) in debtors	(56,423)	0	24,450	(31,973)	(21,730)
Net cash inflow/(outflow) from operating activities	<u>105,340</u>	<u>201,632</u>	<u>405,211</u>	<u>712,183</u>	<u>(336,947)</u>

The notes on pages 27 to 36 form a fundamental part of these financial statements.

Notes to the Financial Statements

1 Accounting policies

a Basis of accounting

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

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

b Grants receivable

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

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

c Voluntary income

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

d Tangible fixed assets and depreciation

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

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

Leasehold buildings	50 years
Computer equipment	5 years
Fixtures and fittings	10 years

e Heritage assets

Prior to 1 April 2001 the National Army Museum's collection items were not valued or capitalised in the Accounts. In accordance with the requirements of FRS 15 and SORP 2005 additions to the collection from 1 April 2001 with a cost greater than £1,000 have been capitalised where reliable cost information is known. These assets are not depreciated. The Museum does not include donated heritage assets in the accounts due to the costs of valuation.

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

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

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

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

f Investments

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

g Stocks

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

h Taxation

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

i Restricted and unrestricted funds

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

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

j Basis of cost allocation

Collections and exhibitions costs are those incurred in acquiring and preserving objects and records relating to the British Army for the education, inspiration and enjoyment of the present generation and its successors, together with the presentation of the Museum's collections to its users.

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

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

Publicity costs are those incurred in promoting the Museum to its users and also the branding and development of the Museum's image and marketing.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Costs, including support costs, that are shared by more than one function have been apportioned on a basis consistent with the estimated use of resources.

k Pensions cost

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

i Notional costs

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

2 Investment income

	Unrestricted funds £	Restricted funds £	Restricted grant-in-aid funds £	Total funds 2006-2007 £	Total funds 2005-2006 £
Interest receivable	32,960	7,609	8,405	48,974	48,168
Other investment income	0	6,921	0	6,921	6,610
	<u>32,960</u>	<u>14,530</u>	<u>8,405</u>	<u>55,895</u>	<u>54,778</u>

3 Allocation of support costs

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

Support costs	Allocated to charitable activities £	Allocated to costs of generating funds £	Governance £	Total £
General administration	71,433	1,585	0	73,018
Information technology	78,293	0	0	78,293
External audit	0	0	8,450	8,450
Internal audit	0	0	7,410	7,410
Accountancy services	16,478	0	0	16,478
Legal and other professional fees	53,375	0	0	53,375
Trustees expenses	0	0	1,187	1,187
Total 2006-2007	<u>219,579</u>	<u>1,585</u>	<u>17,047</u>	<u>238,211</u>
Total 2005-2006	<u>298,578</u>	<u>1,860</u>	<u>15,092</u>	<u>315,530</u>

4 Resources expended

	Cost of generating funds		Direct charitable expenditure				
	Fundraising costs £	Trading operations £	Collections and exhibitions £	Curatorial £	Education £	Publicity £	Governance Costs £
Staff costs	9,265	113,799	1,881,945	807,723	228,663	137,547	44,776
Premises costs	0	11,857	489,113	0	0	0	0
Collections maintenance	0	0	442,445	0	0	0	0
Educational events	0	0	0	0	57,340	0	0
Advertising and promotion	0	0	0	0	0	414,263	0
Purchase of artefacts	0	0	9,420	0	0	0	0
Other costs	0	174,484	112,848	0	0	0	0
Depreciation	0	2,705	325,499	67,635	40,581	13,527	0
Notional rent	0	0	60,000	0	0	0	0
Support costs (note 3)	0	1,585	208,482	4,756	1,585	4,756	17,047
Total 2006-2007	9,265	304,430	3,529,752	880,114	328,169	570,093	61,823
Total 2005-2006	9,328	219,933	3,727,163	857,055	338,264	677,693	60,931

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

5 Commercial trading operations

	2006-2007			2005-2006 £
	Trading profit and loss account £	Trading income £	Trading expenditure (Note 4) £	
Museum Shop sales	205,255	205,255		135,608
Less Cost of sales				
Opening stock	37,643			39,513
Purchases	141,082			71,423
Closing stock	(56,768)			(37,643)
	121,957		121,957	73,293
Shop gross profit	83,298			62,315
Other trading income	103,847	103,847		61,471
Other trading expenditure	182,473		182,473	(146,640)
Totals		309,102	304,430	(22,854)
Trading profit 2006-2007		4,672		
Trading loss 2005-2006				(22,854)

6 Notional charges

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

Notional charges comprise

	2006-2007	2005-2006
	£	£
Notional cost of capital on public funds at 3.5%	35,172	40,940

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

7 Total resources expended

	Unrestricted funds	Restricted funds	Restricted grant-in-aid funds	Total 2006-2007	Total 2005-2006
	£	£	£	£	£
This includes the following					
<i>Auditors' remuneration</i>					
Audit services	0	0	8,450	8,450	8,100
Non audit services	0	0	0	0	0
<i>Staff costs</i>					
Wages and salaries	56,879	0	2,456,365	2,513,244	2,390,155
Social security costs	4,784	0	179,934	184,718	184,393
Pension costs	0	0	403,803	403,803	380,531
Temporary staff and recruitment costs	2,272	0	130,413	132,685	90,383
	<u>63,935</u>	<u>0</u>	<u>3,170,515</u>	<u>3,234,450</u>	<u>3,045,462</u>

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

	2006-2007	2005-2006
£60,001 – £70,000	1	1

The average number of senior management and staff was

Collections and exhibitions	53	53
Curatorial	21	22
Education	5	5
Publicity	4	4
Trading	4	4
Fundraising	1	0
	<u>88</u>	<u>88</u>

8 Tangible fixed assets

	Long leasehold land and buildings £	Computer equipment £	Fixtures and fittings £	Total £
Valuation				
At commencement of year	18,022,797	279,091	1,967,547	20,269,435
Additions at cost	353,069	10,963	87,793	451,825
On revaluation	2,464,134	(11,695)	39,544	2,491,983
Disposals	0	(29,843)	(28,579)	(58,422)
At end of year	<u>20,840,000</u>	<u>248,516</u>	<u>2,066,305</u>	<u>23,154,821</u>
Depreciation				
At commencement of year	1,084,413	199,427	1,304,011	2,587,851
Charge for year	276,774	32,212	140,961	449,947
On revaluation	(1,361,187)	(5,816)	16,107	(1,350,896)
Disposals	0	(28,831)	(26,014)	(54,845)
At end of year	<u>0</u>	<u>196,992</u>	<u>1,435,065</u>	<u>1,632,057</u>
Net book value				
At 31 March 2007	<u>20,840,000</u>	<u>51,524</u>	<u>631,240</u>	<u>21,522,764</u>
At 31 March 2006	<u>16,938,384</u>	<u>79,664</u>	<u>663,536</u>	<u>17,681,584</u>

Included in land and buildings is a sum of £5,730,000 (2005-2006 £4,383,179) for land, which has not been depreciated.

The land and buildings were externally valued at 31 March 2007 by Gerald Eve, Chartered Surveyors. The valuation was undertaken in accordance with the RICS Appraisal and Valuation Manual and valued on the Depreciated Replacement Cost basis given the specialist nature of the property.

The valuation apportioned the total land and buildings as follows

	£
Land	5,730,000
Structure of buildings	11,080,000
Fit-out of buildings	1,580,000
Plant and machinery	2,450,000
	<u>20,840,000</u>

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

9 Heritage assets

Cost	Museum collection £
At commencement of year	1,359,579
Additions	170,973
Disposals	0
At end of year	<u>1,530,552</u>
Net book value 31 March 2007	<u>1,530,552</u>
Net book value 31 March 2006	<u>1,359,579</u>

During the year the Museum received grants towards the purchase of items for its collection of £115,000.

10 Unlisted investments

	2007 £	2006 £
Market value at beginning of year	228,177	191,412
Add acquisitions at cost	0	0
Less disposals	(23,993)	0
Net unrealised investment gain	10,563	36,765
Market value at end of year	<u>214,747</u>	<u>228,177</u>
Cost at end of year	<u>111,114</u>	<u>133,076</u>

11 Debtors

Trade debtors	56,971	22,321
VAT debtor	78,878	98,576
Prepayments	77,163	60,142
	<u>213,012</u>	<u>181,039</u>

12 Cash

Unrestricted funds	863,035	738,035
Restricted funds	455,682	394,306
Grant-in-aid operating account	58,930	25,370
Grant-in-aid exhibits reserve	7,038	57,701
	<u>1,384,685</u>	<u>1,215,412</u>

13 Creditors: amounts falling due within one year

Trade creditors	2,436	372
Other creditors	8,931	16,206
Accruals	127,088	140,736
	<u>138,455</u>	<u>157,314</u>

14 Restricted Funds

	Balance 1 April 2006 £	Movement in resources		Balance 31 March 2007 £
		Incoming £	Outgoing £	
NAM Land and Buildings	16,828,035	3,967,018	270,540	20,524,513
Leinster Regiment Museum Fund	5,109	137	119	5,127
Indian Divisions Memorial Fund	14,764	32	0	14,796
Middlesex Regiment Account	132,279	8,224	815	139,688
CCP Lawson Bequest	119,588	9,038	9,933	118,693
WRAC Association Account	13,429	54	0	13,483
Exhibition – Crete	39,678	1,325	0	41,003
Exhibition – Veterans of No 1 Commando	1,316	44	0	1,360
Exhibition – Korean War	24,166	807	0	24,973
Exhibition – Falklands	360	12	0	372
Exhibition – Teenagers War	1,528	51	0	1,579
Exhibition – 1st Battalion Malaysia Rangers	667	22	0	689
Exhibition – British Army in Berlin	187	6	0	193
Exhibition – Soldiers of the Raj	3,256	109	0	3,365
Exhibition – British Army in South Africa	5,864	196	0	6,060
NAM Building Appeal Fund	6,308	210	0	6,518
Bufs' Collection Fund	124,620	4,536	250	128,906
War Memorial Fund	28,734	291	0	29,025
Restricted Grants and Donations	647,664	160,834	163,827	644,671
	<u>17,997,552</u>	<u>4,152,946</u>	<u>445,484</u>	<u>21,705,014</u>

The NAM Land and Buildings Fund represents the net book value of land and buildings. These assets were funded entirely by public donations in the period leading up to and after the acquisition of the lease and the building of the Museum in 1967.

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

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

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

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

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

All Exhibition amounts are held for future displays.

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

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

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

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

15 Analysis of net assets between funds

	Tangible and heritage fixed assets £	Investments £	Other net assets £	Total 2007 £	Total 2006 £
Restricted funds					
NAM land and buildings	20,524,513	0	0	20,524,513	16,828,035
Leinster Regiment Museum Fund	0	0	5,127	5,127	5,109
Indian Divisions Memorial Fund	1,882	4,325	8,589	14,796	14,764
Middlesex Regiment Account	16,544	90,875	32,269	139,688	132,279
CCP Lawson Bequest	0	112,175	6,518	118,693	119,588
WRAC Association Account	0	7,372	6,111	13,483	13,429
Exhibition – Crete	0	0	41,003	41,003	39,678
Exhibition – Veterans of No 1 Commando	0	0	1,360	1,360	1,316
Exhibition – Korean War	0	0	24,973	24,973	24,166
Exhibition – Falklands	0	0	372	372	360
Exhibition – Teenagers War	0	0	1,579	1,579	1,528
Exhibition – 1st Battalion Malaysia Rangers	0	0	689	689	667
Exhibition – British Army in Berlin	0	0	193	193	187
Exhibition – Soldiers of the Raj	0	0	3,365	3,365	3,256
Exhibition – British Army in South Africa	0	0	6,060	6,060	5,864
NAM Building Appeal Fund	0	0	6,518	6,518	6,308
Buffs' Collection Fund	0	0	128,906	128,906	124,620
War Memorial Fund	0	0	29,025	29,025	28,734
Restricted Grants and Donations	538,223	0	106,448	644,671	647,664
	<u>21,081,162</u>	<u>214,747</u>	<u>409,105</u>	<u>21,705,014</u>	<u>17,997,552</u>
Unrestricted Funds	353,199	0	961,198	1,314,397	1,106,361
Restricted Grant-In-Aid Funds	1,618,955	0	145,707	1,764,662	1,442,207
	<u>23,053,316</u>	<u>214,747</u>	<u>1,516,010</u>	<u>24,784,073</u>	<u>20,546,120</u>

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

	2007 £	2006 £
At 1 April 2006	17,266,605	16,481,713
Revaluation in year	2,503,678	814,597
Excess of current cost depreciation over historic cost depreciation	(17,452)	(29,705)
At 31 March 2007	<u>19,752,831</u>	<u>17,266,605</u>

16 Operating lease commitments

At 31 March 2007, the Museum had annual commitments under non-cancellable operating leases as follows

	2007	2006
	£	£
Operating leases expiring		
<i>Land and buildings</i>		
within one year	0	53,311
over five years	163,856	0
<i>Other (office equipment)</i>		
within one year	366	2,056
between one and five years	10,165	8,917

17 Related party transactions*National Army Museum Development Trust*

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

The funds of the Trust may be applied, at the discretion of the Trust's trustees, to further the charitable purposes of the Museum or other charitable purposes or institutions. The Trustees may not, unless they see special reason, make a payment to the Museum without specifying the particular purpose for which it is to be used, being a purpose for which public funds are not expected to be available. During the year the National Army Museum received a grant of £126,660 (2005-2006 £41,801) from the Trust.

The balance of funds held by the Trust at 31 December 2006 was £1,911,510 (31 December 2005 £1,871,370). The control and administration of these funds remains, at all times, the full responsibility of the Trust's trustees.

Friends of the National Army Museum

During the year the National Army Museum received a grant of £30,000 (2005-2006 £11,486) from the Friends of the National Army Museum, a registered charity number 234325.

Ministry of Defence

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

18 Contingent liabilities

The Museum has a contingent liability in the event of the uninsured loss of exhibit assets loaned to it by third parties. As at 31 March 2007 the aggregate replacement value of inward loans was estimated to be approximately £270,000 (2005-2006 £270,000). The Museum's policy is to reduce this contingent liability by the agreed conversion of loans to gifts or the return of the assets as appropriate and where possible.

19 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. The annual report and financial statements were authorised for issue by the Accounting Officer on 12 November 2007.

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