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# Royal Naval Museum Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2006

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# Trustees' report

## Reference and administrative details

### **Address of the charity**

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

### **Charity number**

266563

### **Accountants**

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

### **Auditors**

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

### **Bankers**

National Westminster Plc  
130 Commercial Road  
Portsmouth  
Hampshire  
PO1 1ES

### **Solicitors**

Biscoes  
Kingston Place  
Kingston Crescent  
Portsmouth  
Hampshire, PO2 8AQ

## 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, CNS-Heritage 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 2005-2006

*Chairman* Admiral Sir Peter Abbott GBE KCB

### *Ex-officio Trustees*

*Chief of Staff (Warfare)/ Naval Secretary (from March 2006)*

Rear Admiral David Snelson CB until March 2006

Naval Secretary

Rear Admiral Richard Ibbotson, from March 2006

Naval Base Commander

Commodore Amjad Hussain RN until October 2005

Commodore D Steele RN from October 2005

### *Representative Trustees*

*The Society for Nautical Research*

Mr F A Aberg, until June 2005

Professor R Harding, from June 2005

City Council of Portsmouth

Councillor T Blair

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

Mr Clive Richards

Mrs J B Royle

Mr C M Wilson

*Director and Accounting Officer* Dr H C McMurray OBE

Dr H C McMurray retired as director on 30 June 2006. The new director, Dr C White was appointed as Accounting Officer with effect from 19th June 2006. The accounts for the year ended 31 March 2006 include disclosures for Dr McMurray as director in the post during the year under review. However, the accounts have been signed by Dr White, as director and Accounting Officer at the date the accounts were approved.

## Structure, governance and management

### History

The consolidated accounts for the Royal Naval Museum, Portsmouth are presented for the financial year ended 31 March 2006. 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 and the Statement of Recommended Practice: Accounting for Charities issued in 2005.

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.

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.

### Organisational structure

The Museum is governed by the Board of Trustees who meet three times a year. There are three Trustee working parties in existence – Curatorial, Development and Finance and Personnel which, as their titles suggest, have certain areas of responsibility devolved to them – these bodies usually meet in advance of Trustee meetings and will report to the full board with specific proposals for endorsement.

Day to day management of the Museum is headed by the director (Chief Executive) supported by the Senior Management Group (Administrator, Development Manager and Head of Research collections) who follow a collegiate method of Management.

Trustees are responsible for a wide body of matters, such as endorsing the annual budgets, agreeing the annual accounts, endorsing the variety of Museum policies such as the collecting policy, the disaster plan and the Health and Safety policy which are in existence, endorsing the long-term developmental plans for the Museum and setting the policy for the museum's relationships with external bodies such as the other three naval museums, Portsmouth Historic Dockyard Limited and the Embryonic National Museum of the Royal Navy. Once Trustees have reached a decision on such issues, management is then delegated to the Museum staff who will act on these instructions and will continually report back to Trustees on developments – if a significant change is required to what Trustees have agreed this will be returned to the full board for further discussion and endorsement.

### Trustee induction and training procedures

At present, there is no formal policy on the induction and training of new Trustees. When a new Trustee is appointed – using OCPA guidance – the Trustee will receive a large pack of background reading material including items such as the Trust Deed, copies of minutes of recent meetings, a copy of the charity Commission publication 'The Essential Trustee: what you need to know', a copy of the Museum's corporate plan and a copy of the Museum Association publication 'Code of Ethics for Trustees'. New Trustees are also encouraged to spend time at the Museum meeting staff before their first meeting.

The new Director has now initiated a thorough strategic review which will include the role of Trustees and their relationship with the museum; it is anticipated that a formal statement on induction and training of Trustees will emerge from the review.

### **Related parties**

The related parties of the Royal Naval Museum are disclosed in notes 4 and 25 to the accounts.

### **Objectives and activities**

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.

### **Achievement and performance**

#### **Collections and exhibitions**

In 2005-2006 the Museum re-invested in the infrastructure of its two existing exhibitions, which are directly relevant to the Bicentenary of the Battle of Trafalgar. This led to improvements for visitors to the 'Victory Gallery' (in particular to the recreation of the Battle in the 'Trafalgar Experience'), and to 'Nelson: the Hero and the Man'. In the former we also installed a new permanent interactive 'Who Was at the Battle of Trafalgar', which allows visitors to search a database and find details of 18,000 men who served in the British fleet.

In addition three temporary exhibitions were mounted. Between May and November, 'Nelson's Navy in Caricature' featured 40 rare caricatures, freshly conserved, from the Museum's collections and 'Trafalgar Documents: Records from the Campaign' included manuscripts from the Museum and loans from private individuals and institutions. From November, a foyer exhibition 'Photographs from the RNM Archive' showcased 40 historic images from the Museum's collection.

#### **Curatorial**

The Museum acquired over 100 separate accessions in 2005-2006 including a wide range of artefacts, medals, manuscripts and photographs. In addition the Victoria Cross awarded to Jack Mantle for action in HMS Foyle Bank in 1940 has been loaned to the Museum.

Staff have carried out an extensive programme of external lectures and talks at the Museum to visiting groups. In addition, the Museum was a key organiser in Trafalgar Conference of 14-15 October, which attracted an audience of over 200.

The books published in association with the Museum were A Sainsbury and L Phillips, 'The Royal Navy Day by Day', April 2005 (to which over 300 images were supplied), Colin White, 'Nelson: the New Letters', April 2005 (jointly also with the National Maritime Museum) and Colin White, 'Nelson the Admiral'. The Museum's website [www.royalnavalmuseum.org](http://www.royalnavalmuseum.org) has achieved its highest ever number of hits, which averaged over 250,000 hits every month over the period and marks an significant increase on 2004-2005.

## Education

A *Learning* brochure was launched in July 2005 and mailed to 5,000 schools across the South East. Included in this were nine new workshops and accompanying materials for Foundation Stage to University level. To date more than 2,500 pupils have taken part in these workshops. The Museum has also participated in Portsmouth City Council's *Children's University* programme and run sessions for local universities, the *Education and Business Partnership* and the *Group for Education in Museums*.

A Family Learning programme has been established and attendance for our holiday activities programme is high (over 1,500 children to date). Other resources for families are an Activity Cart and trails. Events for adults include a series of lunchtime talks for *Museums and Galleries Month* and behind the scenes for *Heritage Open Days*.

Education projects in 2005-2006 included *Sea your World* (funded by awards for all), Dockyard Activity Backpacks (funded by SEMLAC), *Making the News* (in conjunction with South East Grid for learning), *Life Onboard HMS Victory* (a website produced by Becta and NGfI) and *1805 & All That* with the William Herschel Museum.

Policy documents produced are

*RNM Learning Policy*

*Analysis of key target audiences for learning*

*Action Plan for learning*

*Sea Your History education implementation strategy* (in conjunction with Helen Gibbons)

## Sea Your History

The Royal Naval Museum received notice from the Heritage Lottery Fund that it had been successful in its bid for funding in April 2004. Shortly after contracts and agreements were signed between the Museum and the Lottery. The Sea your History project began in earnest during October, with the recruitment of project manager, Helen Gibbons.

The Project Manager took up post in November and began recruiting the rest of the project team. The eight person team consists of an IT officer, an Oral Historian, four Researchers and a Documentation Assistant. The team was fully in post by April 2006.

As part of the special conditions required by the lottery in their contract, a suite of project planning documents were developed and presented to the Lottery's lead monitor at the beginning of March 2005. These documents and the other conditions were accepted by the Lottery, who gave permission to the project to start the tender process for the selection of the web design company and digitisation bureau at the beginning of April 2006. A web design company and digitisation bureau have now been selected and work with both has begun.

The Project Board has met two times since November and relationships have been developed with all of the project stakeholders, including a user group that has been formed under the leadership of a Curator from a neighbouring Museum. Volunteers are a key part of this project and so their recruitment and training has formed a key part of the project's work since January.

Since the Researchers on the project have been in post, they have been researching the collections here at the Royal Naval Museum, selecting items for digitisation and preparing content for the first learning package called *The Navy's People*, which is due to be made live in December 2006.

## Financial review

### Results for the year ended 31 March 2006

Total incoming resources for the Group in 2005-2006 amounted to £2,282,306 (2004-2005 £2,136,844). Total resources expended amounted to £2,070,815 (2004-2005 £2,097,632). After adjustment for notional charges and other recognised gains and losses totalling £104,551 (2004-2005 £136,260), the net movement in funds for the year was an increase of £316,042 (2004-2005 £175,112).

The Group's net assets as at 31 March 2006 amounted to £4,133,689 (31 March 2005 £3,817,647).



### **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 2006, the level of the Museum's reserves stood at £363,633 (31 March 2005 £305,679).

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 funds 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 2005-2006 was that these criteria were met in 100 per cent of all bills paid (2004-2005 97.3 per cent).

### **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 twice-weekly staff briefings and quarterly 'Staff Way Ahead' meetings, as well as through regular departmental meetings, informal meetings and internal memoranda.

### **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.

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

## Plans for future periods

Anticipated significant developments and changes in the future activities of the Museum are likely to be concentrated in the following key areas.

At the operational level, management will seek to build on the achievements of 2005, the year of the bi-centenary of the Battle of Trafalgar, and strive to maintain the greater portion of the healthy increase in the level of business activity and results which marked this unique period. While recognising the exceptional and probably unrepeatable experience of last year's trading performance, therefore, which saw visitor numbers and income to both the Royal Naval Museum and to the Historic Dockyard at large increase by over 20 per cent compared with the previous year, management has nevertheless set itself a robust but realistic target for both admissions and revenue for 2006 based on the actual figures for 2004, plus four per cent.

Portsmouth Historic Dockyard Limited, the commercial arm of the holding trust, Flagship Portsmouth (and reported in the Foreword to last year's annual accounts) now firmly grounded in a greatly more effective and efficient undertaking, and with the marketing, business development and visitor services functions now being carried out by skilled professionals, management is confident that this is an achievable goal. The Royal Naval Museum of course remains an equal partner in this undertaking, alongside Portsmouth Naval Base Property Trust (PNBPT), the Mary Rose Trust and the Warrior Preservation Trust, with HMS Victory in association, and the chairmanship of 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, carefully sets out the respective responsibilities and accountabilities of each of the Partner attractions in the conduct and furtherance of the business of the Trust and its subsidiary.

As described in previous years, following an extended review of its organisational and staffing structures conducted by external consultants in 2003 to determine the most cost effective and efficient means of securing the long-term sustainability of its operations, Trustees approved a series of measures first to re-structure its staffing complement and, secondly, to pursue the establishment of the Royal Naval Museum as an independent pay bargaining unit. To date, while the re-structuring component of this exercise was safely completed in summer 2004, the Museum has not yet succeeded in obtaining Treasury consent to carry out the second of these steps. Efforts will continue to be made in the year ahead, therefore, to secure this agreement, which would permit the Museum to dissolve the present central pay bargaining arrangements, thereby permitting it in future to set terms and conditions of employment and methods of reward locally, based on the principle of affordability. In the meantime, management will continue to seek negotiated agreement with staff to amend to the greatest extent practicable within the existing framework the terms and conditions of their employment and scales of remuneration consistent with good practice and efficient working.

Curatorial energies in the year ahead will be directed towards several areas, key among which will be the preparation of the bid to secure Accreditation, the national successor scheme to Registration: like the latter, it recognises those museums throughout the country that have achieved appropriate standards in the care, management and interpretation of their collections, but is much more comprehensive and searching in its requirements. In terms of interpretation, special new exhibitions are being planned to honour the important role played by the Royal Navy in the abolition of Atlantic slavery in 1807, and to mark the 25th anniversary of the Falklands conflict. Both of these will have a strong educational element, supported by specially produced learning materials for use in schools and colleges, and for family learning. The appointment in January 2005 of a highly qualified specialist in museum education and learning development has permitted the Museum to give a strong lead in the planning and delivery of educational activity across the Historic Dockyard, and this expert professionalism has not only added to its reputation as a source of expertise but also given it an influential position in the planning and determination of a future strategy for education across the site, which will be further developed in future years.

Finally, in this summary of curatorial endeavour in the year ahead, work on the Sea Your History programme (a three-year project supported by a grant of nearly £700,000 from the Heritage Lottery Fund) to create a digital resource for the history of the Royal Navy in the 20th century will be taken forward. This project, which is in partnership with the other Naval Service Museums, the Fleet Photographic Unit, the Mary Rose Trust and the Portsmouth Royal Dockyard Historical Trust, will produce an authoritative web-site offering digital images of some 15,000 items from both RNM and the Partner collections and embrace the results of several new oral history projects, for example, on women at sea in the modern Royal Navy and another on those who dived on the Mary Rose in the 1970s and assisted in the recovery of the hull and artefacts from the seabed. This innovative and inventive project will also lead to the production of on-line educational packs containing learning resources based on such themes as Conflict and Change; the Navy at Home and Abroad, etc. It is intended that the Sea Your History web-site should be not only interesting, informative and accessible, but unique and fun.

In terms of future development strategy, the Museum continues to pursue the second phase of its capital expansion plan, to provide a new, comprehensive and challenging treatment of the history and operations of the Royal Navy in the 20th century, *The Report*, on the future strategic development of the Historic Dockyard noted in last year's Foreword to the accounts, and known as the *Locum Study* was delivered in September 2005, and proposed a development solution for the Museum which envisages it forming an alliance with the Portsmouth Naval Base Property Trust, to take over Action Stations and develop the Museum's new 20th century galleries within No 6 Boathouse. While the potential synergies which could be envisaged within this development were recognised, there were also major concerns related to prospective running costs and general suitability of the premises for RNM purposes. In the meantime, discussions with both PNBPT and the Millennium Commission, which provided the original funding for Action Stations, are in progress but it will be some time before these matters are likely to be finally resolved. In the meantime, the Museum enjoys a long lease on the ground floor of No 10 Storehouse, which provides a potential alternative solution although at a larger capital cost if the whole of the building is taken into the plan, and without the same possibility of being able to generate the increase in revenues that would be necessary to meet the consequential rise in the cost of overheads. While therefore it has been relatively straightforward to develop the interpretative concept for the Museum's Phase II development aspirations, the task of producing a robust business plan to support the capital expansion with a secure stream of additional income sufficient to meet the anticipated increase in running costs has been more problematic. Trustees, however, are confident that a suitable model for the future development of the Museum can be found and remain committed to the task. A fund-raising group is being established by the Trustees to pursue matters.

Finally, 2005 saw the beginning of discussions on the founding of a new 'national museum of the Royal Navy', embracing the four existing Naval Service Museums and HMS Victory under the brand *Preserving the Past, Promoting the Future*. It is intended that this new undertaking should capture the spirit of continuity of naval service, the sense of past, present and future which links the rich legacy of history with the challenges faced by the Royal Navy today, and recognises the strong role that tradition plays in sustaining Service ethos and fighting spirit in the present day. The plan of implementation for this new body recognises that it will be a challenging exercise, and that will need time and the exercise of great care if the proper results are to be obtained and the necessary safeguards for the existing charitable trusts secured. In any event, it is clear that the administrative effort necessary to bring this new organisation into existence, which will be led by the Sponsor Branch, will dominate the work of the Royal Naval Museum and that of its sister museums well into next year and beyond.

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees  
7 July 2006

*Dr Colin White*  
Accounting Officer  
7 July 2006

## Remuneration report

### Remuneration policy

The Director of the Royal Naval Museum is a civil servant and his salary is determined centrally as part of the annual MOD pay negotiations.

### Salary and pension entitlements

The Director, HC McMurray, had a basic salary during the year ended 31 March 2006 of £59,910 per annum. The director is aged 64, 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.

'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.

The Director's CETV as at 31 March 2006 was £446,425.

The Director did not receive any Benefits in Kind.

For 2005-2006, for the Museum as a whole, employers' contributions of £47,928 were payable (2004-2005 £37,934) at rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2004-2005. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

### Pension benefits

Pension benefits are provided through the Principal Civil Service Pension Schemes (PCSPPS). This scheme is an unfunded multi-employer defined benefits schemes but the Royal Naval 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 (PCSPPS)**

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium and classic plus are increased annually in line with 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 per cent of pensionable earnings for classic and 3.5 per cent 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 three per cent and 12.5 per cent (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 per cent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk).

The director's CETV is set out above. 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 a 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 2003-2004 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.

*Admiral Sir Peter Abbott GBE KCB*  
On behalf of the Board of Trustees  
7 July 2006

*Dr Colin White*  
Accounting Officer  
7 July 2006

## 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 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 2006 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 Navy Submarine Museum and the Royal Marines Museum to conduct an annual audit of each other. However, it was agreed by all three Museum's Trustee bodies that to ensure that the audit remained fresh and rigorous that if possible an external auditor with knowledge of the Museums' operations be used for 2005-2006.

Following the Corporate Governance audit by Defence Internal Audit (DIA) in late 2005 they offered their services to carry out an internal audit for the Museums that would comply with Government auditing standards. The only drawback with this offer was that the audit could not be carried out until late 2006.

The National Audit Office were consulted over this situation and it was suggested that for 2005-2006 the Corporate Governance audit and findings be used as reassurance of procedures for 2005-2006 with a view to an in depth independent audit being carried out by DIA in 2006 (A date of November 2006 has now been agreed.)

### 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  
7 July 2006

*Dr Colin White*  
Accounting Officer  
7 July 2006



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

I have audited the financial statements of the Royal Naval Museum for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. 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.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Royal Naval 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 pages 13 and 14 reflects the entity's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Royal Naval Museum's corporate governance procedures or its risk and control procedures.

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

## Basis of audit opinion

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

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

## Opinions

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 Royal Naval Museum's and the group's affairs as at 31 March 2006 and of the incoming resources and application of resources of the group 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
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

*John Bourn*  
Comptroller and Auditor General

18 July 2006

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

# Statement of financial activities for the year ended 31 March 2006

	Notes	Unrestricted funds £	Grant in Aid £	Capital Project £	<b>2006 Total £</b>	Restated <sup>1</sup> 2005 Total £
<b>Incoming resources</b>						
<b>Incoming resources from generated funds</b>						
Voluntary income						
Grant in Aid (operating)	2	0	1,007,544	0	<b>1,007,544</b>	1,127,731
Grant in Aid (purchases)	2	0	17,500	0	<b>17,500</b>	17,000
Other donations and grants	2	29,745	0	106,440	<b>136,185</b>	144,952
Legacies	3	62,500	0	0	<b>62,500</b>	0
<b>Incoming resources from charitable activities</b>						
Admissions		333,785	0	0	<b>333,785</b>	290,238
Income of Trading Companies and share of Joint Venture		1,000,631	0	0	<b>1,000,631</b>	809,189
Income from investments	5	12,577	0	3,140	<b>15,717</b>	10,202
Other incoming resources	6	62,442	0	0	<b>62,442</b>	88,718
<b>Total incoming resources</b>		<b>1,501,680</b>	<b>1,025,044</b>	<b>109,580</b>	<b>2,636,304</b>	<b>2,488,030</b>
Deduct share of Joint Venture Income		(353,998)	0	0	<b>(353,998)</b>	(351,546)
		<b>1,147,682</b>	<b>1,025,044</b>	<b>109,580</b>	<b>2,282,306</b>	<b>2,136,484</b>
<b>Resources expended</b>						
Fundraising and publicity	7	(66,214)	(11,242)	0	<b>(77,456)</b>	(80,885)
Expenses of Trading Companies		(554,441)	0	0	<b>(554,441)</b>	(421,631)
<b>Charitable activities</b>						
Museum and visitor operations	9	(427,305)	(847,020)	(88,936)	<b>(1,363,261)</b>	(1,521,803)
<b>Governance costs</b>	10	(8,652)	(55,634)	0	<b>(64,286)</b>	(66,576)
Notional charges		0	(11,371)	0	<b>(11,371)</b>	(6,737)
Total resources expended		<b>(1,056,612)</b>	<b>(925,267)</b>	<b>(88,936)</b>	<b>(2,070,815)</b>	<b>(2,097,632)</b>
<b>Net incoming/(outgoing) resources before transfers</b>		<b>91,070</b>	<b>99,777</b>	<b>20,644</b>	<b>211,491</b>	<b>38,852</b>
Adjustment for notional charges		0	11,371	0	<b>11,371</b>	6,737
<b>Net incoming/(outgoing) resources before gains and losses on revaluations and disposals</b>		<b>91,070</b>	<b>111,148</b>	<b>20,644</b>	<b>222,862</b>	<b>45,589</b>
<b>Other recognised gains and losses</b>						
<i>Realised gains/(losses)</i>						
Net gain on sale of investments		0	0	0	<b>0</b>	(2,348)
Share of results of Joint Venture		9,756	0	0	<b>9,756</b>	24,762
<i>Unrealised gains/(losses)</i>						
Revaluation of fixed assets		0	(7,559)	88,343	<b>80,784</b>	102,317
Revaluation of investments		2,640	0	0	<b>2,640</b>	4,792
<b>Net movement in funds</b>		<b>103,466</b>	<b>103,589</b>	<b>108,987</b>	<b>316,042</b>	<b>175,112</b>
Total funds brought forward		429,450	254,332	3,133,865	<b>3,817,647</b>	3,642,535
Total funds carried forward		<b>532,916</b>	<b>357,921</b>	<b>3,242,852</b>	<b>4,133,689</b>	<b>3,817,647</b>

All recognised gains and losses are included in the statement of financial activities.

All transactions are derived from continuing activities.

- 1 All prior period restatements arise from changes required by the adoption of the 2005 Charities SORP. These changes merely reclassify incoming and outgoing resources into new categories. The changes have no impact on the prior period's Statement of Total Recognised Gains and Losses.

## Balance Sheet – Consolidated as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12		<b>3,264,234</b>		3,249,285
Heritage assets	12		<b>37,256</b>		33,956
Investments	13		<b>241,984</b>		239,344
Investment in Joint Venture					
Share of gross assets			<b>79,372</b>		78,611
Share of gross liabilities			<b>(54,787)</b>		(63,782)
			<b>24,585</b>		14,829
			<b>3,568,059</b>		3,537,414
<b>Current assets</b>					
Stocks	14		<b>96,866</b>		112,401
Debtors	15		<b>56,550</b>		67,908
Cash at bank and in hand	16		<b>572,199</b>		329,125
			<b>725,615</b>		509,434
<b>Creditors: amounts falling due within one year</b>	17		<b>(70,012)</b>		(139,228)
<b>Net current assets</b>			<b>655,603</b>		370,206
Total assets less current liabilities			<b>4,223,662</b>		3,907,620
Provisions for liabilities and charges	18		<b>(89,973)</b>		(89,973)
<b>Net assets</b>			<b>4,133,689</b>		3,817,647
<b>Funds</b>					
Unrestricted funds			<b>392,240</b>		326,466
Restricted funds	19				
Grant in Aid (operating)			<b>284,344</b>		191,543
Grant in Aid (purchases)			<b>73,577</b>		62,789
Other restricted funds			<b>3,242,852</b>		3,133,865
Non charitable trading funds			<b>140,676</b>		102,984
			<b>4,133,689</b>		3,817,647

The financial statements were approved by the Trustees on 7 July 2006 and signed on its behalf by

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

*Dr C White*  
Accounting Officer

## Balance Sheet – Charity only as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12	<b>3,241,897</b>		3,223,384	
Heritage assets	12	<b>37,256</b>		33,956	
Investments	13	<b>241,986</b>		239,346	
		<b>3,521,139</b>		<b>3,496,686</b>	
<b>Current assets</b>					
Debtors	15	<b>92,919</b>		70,528	
Cash at bank and in hand	16	<b>471,842</b>		275,235	
		<b>564,761</b>		345,763	
<b>Creditors: amounts falling due within one year</b>	17	<b>(27,500)</b>		(52,642)	
<b>Net current assets</b>		<b>537,261</b>		293,121	
<b>Total assets less current liabilities</b>		<b>4,058,400</b>		3,789,807	
<b>Provisions for liabilities and charges</b>	18	<b>(89,973)</b>		(89,973)	
<b>Net assets</b>		<b>3,968,427</b>		<b>3,699,834</b>	
<b>Funds</b>					
Unrestricted funds		<b>367,654</b>		311,637	
Restricted funds	19				
Grant in Aid (operating)		<b>284,344</b>		191,543	
Grant in Aid (purchases)		<b>73,577</b>		62,789	
Other restricted funds		<b>3,242,852</b>		3,133,865	
		<b>3,968,427</b>		<b>3,699,834</b>	

The financial statements were approved by the Trustees on 7 July 2006 and signed on its behalf by

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

*Dr C White*  
Accounting Officer

## Cash Flow Statement for the year ended 31 March 2006

	Non-public funds £	Restricted Grant in Aid £	Charity funds 2006 £	Group 2006 £	Group 2005 £
<b>Net cashflow/(outflow) from operating activities</b>	88,732	113,051	<b>201,783</b>	<b>248,889</b>	277,777
<b>Return on investments and servicing of finance</b>					
Bank interest received	9,486	0	<b>9,486</b>	<b>11,611</b>	10,709
Dividends received	15,717	0	<b>15,717</b>	<b>15,717</b>	10,203
<b>Capital expenditure and financial investment</b>					
Purchase of fixed assets	(4,053)	(26,326)	<b>(30,379)</b>	<b>(33,143)</b>	(42,609)
Purchase of investments	0	0	<b>0</b>	<b>0</b>	(181,371)
Sale of investments	0	0	<b>0</b>	<b>0</b>	185,852
<b>Increase/(decrease) in cash</b>	109,882	86,725	<b>196,607</b>	<b>243,074</b>	260,561
Opening cash balances	121,745	153,490	<b>275,235</b>	<b>329,125</b>	68,564
Closing cash balances	231,627	240,215	<b>471,842</b>	<b>572,199</b>	329,125

### Reconciliation of changes in resources to net cashflow from operating activities

Net incoming/(outgoing) resources for year	74,023	111,146	<b>185,169</b>	<b>222,862</b>	45,590
Depreciation	79,771	9,579	<b>89,350</b>	<b>95,678</b>	328,798
Investment income and interest received	(25,203)	0	<b>(25,203)</b>	<b>(27,328)</b>	(20,911)
Increase/(decrease) in creditors	(6,655)	(18,487)	<b>(25,142)</b>	<b>(69,216)</b>	(18,144)
Increase/(decrease) in provisions	0	0	<b>0</b>	<b>0</b>	(25,027)
(Increase)/decrease in stocks	0	0	<b>0</b>	<b>15,535</b>	(4,769)
(Increase)/decrease in debtors	(33,204)	10,813	<b>(22,391)</b>	<b>11,358</b>	(27,760)
<b>Net cash inflow/(outflow) from operating activities</b>	88,732	113,051	<b>201,783</b>	<b>248,889</b>	277,777

# Notes to the financial statements for the year ended 31 March 2006

## 1 Accounting policies

### *Accounting convention*

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 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.

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

### *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 of twenty years.

### *Computer and office 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, which range from four to ten 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 per cent on reducing balance
Office equipment	– 20 per cent on reducing balance



*Basis of allocation*

Cost of generating funds comprises of costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Royal Naval Museum as a visitor attraction.

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

Charitable expenditure includes expenditure associated with Collections and Exhibitions, Curatorial matters and Education and include costs directly attributable to each activity. Costs not directly attributable to one activity including the proportion of support costs relating to charitable expenditure have been allocated in proportion to staff costs incurred in the following per centages:

	%
Collections and exhibitions	70
Curatorial	25
Education	5
	<hr style="width: 100%; border: 0.5px solid black;"/> 100 <hr style="width: 100%; border: 0.5px solid black;"/>

Support costs include central functions and have been allocated to cost categories on a basis consistent with the use of resources or the floor space occupied, as applicable.

*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 per cent 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.

*Stock*

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.

*Heritage 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 2005-2006 were as follows

Non-industrial staff	
Band one – £18,000 and under	16.2 per cent
Band two – 18,001 – £37,000	18.6 per cent
Band three – 37,001 – 63,500	22.3 per cent
Band four – £63,501 and over	24.6 per cent

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 2005-2006, employers' contributions of £47,928 were payable to the PCSPS (2004-2005 £37,934) at one of four rates in the range 16.2 to 24.6 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 nine per cent of gross pensionable pay for the year. During the year contributions totalling £50,244 (2004-2005 £50,516) were paid into the scheme. There were no outstanding or prepaid contributions at the balance sheet date.

## 2 Grants and donations received

During the year the following grants and donations were received

Grants received from Ministry of Defence Vote, Request for Resources R1

	2006 £	2005 £
Operations	<b>1,007,544</b>	1,127,731
Purchase of exhibits	<b>17,500</b>	17,000
	<b><u>1,025,044</u></b>	<u>1,144,731</u>

Other grants and donations

	Unrestricted funds £	Restricted Grant in Aid £	Restricted other funds £	Total £
BAE Systems	0	0	75,000	<b>75,000</b>
HLF Grants	0	0	19,222	<b>19,222</b>
Miscellaneous donations and grants	6,956	0	1,093	<b>8,049</b>
Re Nelson's Concert	3,789	0	0	<b>3,789</b>
Collins	1,000	0	0	<b>1,000</b>
Dennis Curry Charitable Trust	0	0	5,000	<b>5,000</b>
Semlac	0	0	1,175	<b>1,175</b>
Awards for All	0	0	4,950	<b>4,950</b>
Mr C Richards	18,000	0	0	<b>18,000</b>
	<u>29,745</u>	<u>0</u>	<u>106,440</u>	<b><u>136,185</u></b>

## 3 Legacies

	Unrestricted funds £	2006 £	2005 £
Commodore White	62,500	<b>62,500</b>	0
	<u>62,500</u>	<b><u>62,500</u></b>	<u>0</u>

#### 4 Income and expenses from trading activities of subsidiaries

##### *Royal Naval Museum Trading Company Limited*

The charity controls the Royal Naval Museum Trading Company Limited, (RNMTTC), a company limited by guarantee incorporated in England and Wales. RNMTTC operates a souvenir shop within the Museum. At the discretion of its directors, RNMTTC 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

	<b>2006</b>	2005
	<b>£</b>	£
Turnover	<b>604,163</b>	418,612
Cost of sales	<b>(318,586)</b>	(239,595)
Gross profit	<b>285,577</b>	179,017
Administration	<b>(208,175)</b>	(161,002)
Interest payable	<b>0</b>	(251)
Other income	<b>1,792</b>	0
Net profit/(loss)	<b>79,194</b>	17,764
Tax on ordinary activities	<b>0</b>	0
Available for distribution	<b>79,194</b>	17,764
Distributed to other charities	<b>(12,000)</b>	0
Net profit/(loss) after distribution to other charities	<b>67,194</b>	17,764
Amount gifted to Royal Naval Museum	<b>(30,000)</b>	(15,000)
Retained in subsidiary	<b>37,194</b>	2,764

##### *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

	<b>2006</b>	2005
	<b>£</b>	£
Turnover	<b>40,678</b>	39,032
Expenditure	<b>(16,180)</b>	(16,283)
Net profit	<b>24,498</b>	22,749
Tax on ordinary activities	<b>0</b>	0
	<b>24,498</b>	22,749
Amount gifted to Royal Naval Museum	<b>(24,000)</b>	(22,500)
Retained in subsidiary	<b>498</b>	249

**5 Investment income**

	Unrestricted funds £	Endowment funds £	<b>2006</b> £	2005 £
Dividends received	12,577	3,140	<b>15,717</b>	10,202
	<u>12,577</u>	<u>3,140</u>	<u><b>15,717</b></u>	<u>10,202</u>

**6 Other incoming resources**

	Unrestricted funds £	<b>2006</b> £	2005 £
Sundry income	62,442	<b>62,442</b>	88,718
	<u>62,442</u>	<u><b>62,442</b></u>	<u>88,718</u>

**7 Cost of generating funds**

	Fundraising and publicity £	<b>2006</b> £	Restated <sup>1</sup> 2005 £
Staff costs	54,872	<b>54,872</b>	52,033
Rent, rates and service charge	7,612	<b>7,612</b>	8,567
Operating costs	10,682	<b>10,682</b>	8,811
Printing, postage and stationery	3,140	<b>3,140</b>	4,199
Telephone	490	<b>490</b>	760
Events and functions	0	<b>0</b>	5,788
General expenses	660	<b>660</b>	727
	<u>77,456</u>	<u><b>77,456</b></u>	<u>80,885</u>

**8 Support costs**

	Museum and visitor centre operations £	Governance costs £	<b>2006</b> £	Restated <sup>1</sup> 2005 £
Staff costs	179,384	0	<b>179,384</b>	156,532
Premises costs	129,398	15,223	<b>144,621</b>	173,962
Education	6,167	0	<b>6,167</b>	1,189
Printing, postage and stationery	9,419	3,140	<b>12,559</b>	16,797
Telephone	980	490	<b>1,470</b>	2,279
Travelling	4,726	0	<b>4,726</b>	2,284
Entertaining	4,705	0	<b>4,705</b>	5,685
Consultancy	5,535	0	<b>5,535</b>	6,660
Bank charges and interest	1,268	0	<b>1,268</b>	951
Investment charges	0	0	<b>0</b>	3,715
Health and safety	5,974	0	<b>5,974</b>	3,166
Sundry expenses	13,522	0	<b>13,522</b>	8,087
Subscriptions	3,014	0	<b>3,014</b>	1,816
	<u>364,092</u>	<u>18,853</u>	<u><b>382,945</b></u>	<u>383,123</u>

**9 Costs of activities in furtherance of the objects of the charity**

	Education £	Curatorial £	Collections and exhibitions £	Sea Your History £	2006 £	Restated <sup>1</sup> 2005 £
Staff costs	33,051	209,791	483,687	22,947	<b>749,476</b>	728,699
Other staff costs	471	2,448	7,309	5,964	<b>16,192</b>	2,316
Site costs	0	0	92,781	0	<b>92,781</b>	80,955
Conservation	0	(5)	2,711	0	<b>2,706</b>	232
Curatorial	541	5,374	18,918	0	<b>24,833</b>	15,299
Purchase of exhibits	0	0	6,714	0	<b>6,714</b>	2,599
Temporary exhibition costs	0	0	5,008	0	<b>5,008</b>	8,459
Computer costs	0	0	0	10,478	<b>10,478</b>	0
Bad debts	0	1,631	0	0	<b>1,631</b>	0
Depreciation	4,468	17,870	67,012	0	<b>89,350</b>	322,213
Support costs	18,205	91,023	254,864	0	<b>364,092</b>	361,031
	<u>56,736</u>	<u>328,132</u>	<u>939,004</u>	<u>39,389</u>	<u><b>1,363,261</b></u>	<u>1,521,803</u>

**10 Governance costs**

	2006	Restated <sup>1</sup> 2005
Staff costs	<b>28,042</b>	26,323
Legal and professional	<b>761</b>	1,426
Accountancy	<b>8,830</b>	6,000
Audit	<b>7,800</b>	10,735
Support costs	<b>18,853</b>	22,092
	<u><b>64,286</b></u>	<u>66,576</u>

**11 Total resources expended (charity only)**

	Staff costs £	Other costs £	Depreciation £	Total 2006 £	Restated <sup>1</sup> Total 2005 £
Charitable expenditure	928,860	345,051	89,350	<b>1,363,261</b>	1,521,803
Costs of generating funds	54,872	22,584	0	<b>77,456</b>	80,885
Governance costs	28,042	36,244	0	<b>64,286</b>	66,576
Notional charges	0	11,371	0	<b>11,371</b>	6,737
Total	<u>1,011,774</u>	<u>415,250</u>	<u>89,350</u>	<u><b>1,516,374</b></u>	<u>1,676,001</u>
				<b>2006</b> £	2005 £
Staff costs				<b>829,053</b>	796,116
Wages and salaries				<b>84,550</b>	79,021
Social security costs				<b>98,171</b>	88,450
Pension costs				<u><b>1,011,774</b></u>	<u>963,587</u>

No staff member earns more than £60,000 per annum, excluding pension contributions.

The average number of employees, analysed by function, was

	<b>2006</b>	2005
Costs of generating funds	<b>1</b>	1
Charitable expenditure	<b>33</b>	31
Governance costs	<b>3</b>	3
	<b>37</b>	35

The Director, HC McMurray, had a basic salary during the year ended 31 March 2006 of £59,910 per annum. The director is aged 64, 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. The director's CETV as at 31 March 2006 was £446,425.

No Trustees received remuneration during the year (2005: Nil). One trustee was reimbursed for travel expenses totalling £494 (2005: £573)

## 12 Tangible fixed assets – Charity

	Improvements to property £	Computer and office equipment £	Fixtures, and fittings £	Heritage assets £	Total £
<b>Cost or valuation</b>					
At 1 April 2005	2,248,478	1,104,516	2,908,145	33,956	6,295,095
Additions	0	19,989	7,090	3,300	30,379
Revaluation	74,874	(8,858)	53,361	0	119,377
Disposals	0	0	0	0	0
<b>At 31 March 2006</b>	<b>2,323,352</b>	<b>1,115,647</b>	<b>2,968,596</b>	<b>37,256</b>	<b>6,444,851</b>
<b>Depreciation</b>					
At 1 April 2005	157,112	1,071,253	1,809,390	0	3,037,755
Revaluation	5,232	125	33,236	0	38,593
Charge for the year	27,355	7,794	54,201	0	89,350
<b>At 31 March 2006</b>	<b>189,699</b>	<b>1,079,172</b>	<b>1,896,827</b>	<b>0</b>	<b>3,165,698</b>
<b>Net book values</b>					
At 31 March 2006	2,133,653	36,475	1,071,769	37,256	<b>3,279,153</b>
At 31 March 2005	2,091,366	33,263	1,098,755	33,956	3,257,340

**12 Tangible fixed assets – Group**

	Improvements to property £	Computer and office equipment £	Fixtures, and fittings £	Heritage assets £	Total £
<b>Cost or valuation</b>					
At 1 April 2005	2,260,120	1,104,516	3,025,876	33,956	6,424,468
Additions	0	19,989	9,854	3,300	33,143
Revaluation	74,874	(8,858)	53,361	0	119,377
Disposals	0	0	0	0	0
<b>At 31 March 2006</b>	<b>2,334,994</b>	<b>1,115,647</b>	<b>3,089,091</b>	<b>37,256</b>	<b>6,576,988</b>
<b>Depreciation</b>					
At 1 April 2005	168,754	1,071,253	1,901,220	0	3,141,227
Revaluation	5,232	125	33,236	0	38,593
Charge for the year	27,355	7,794	60,529	0	95,678
<b>At 31 March 2006</b>	<b>201,341</b>	<b>1,079,172</b>	<b>1,994,985</b>	<b>0</b>	<b>3,275,498</b>
<b>Net book values</b>					
At 31 March 2006	2,133,653	36,475	1,094,106	37,256	3,301,490
At 31 March 2005	2,091,366	33,263	1,124,656	33,956	3,283,241

**13 Fixed asset investments**

	Charity listed £	Group unlisted £	Listed £	Unlisted £
Market value at 1 April 2005	239,344	2	239,344	0
Acquisitions at cost	0	0	0	0
Disposals at opening book value	0	0	0	0
Net unrealised gains/(losses)	2,640	0	2,640	0
<b>Market value at 31 March 2006</b>	<b>241,984</b>	<b>2</b>	<b>241,984</b>	<b>0</b>
<b>Historic cost at 31 March 2006</b>	<b>238,840</b>	<b>2</b>	<b>238,840</b>	<b>0</b>
Market value at 31 March 2005	239,344	2	239,344	0
Historic cost at 31 March 2005	238,840	2	238,840	0

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

Unlisted investments represent 100 per cent of the issued share capital of RNM Functions Limited.



**14 Stocks**

	2006		2005	
	Charity £	Group £	Charity £	Group £

The amounts attributable to the different categories are as follows

Goods for resale	<b>0</b>	<b>96,866</b>	0	112,401
	<b>0</b>	<b>96,866</b>	0	112,401

**15 Debtors**

	2006		2005	
	Charity £	Group £	Charity £	Group £

Amounts falling due within one year

Trade debtors	<b>3,373</b>	<b>5,107</b>	12,554	17,993
Other debtors	<b>1,533</b>	<b>1,533</b>	4,882	4,884
Prepayments	<b>87,825</b>	<b>49,888</b>	50,089	44,621
VAT	<b>188</b>	<b>22</b>	3,003	410
	<b>92,919</b>	<b>56,550</b>	70,528	67,908

**16 Cash at bank and in hand**

	2006 £	2005 £
Non-public funds	<b>231,627</b>	121,745
Public funds		
Grant in Aid (operating)	<b>206,352</b>	125,000
Grant in Aid (purchases)	<b>33,863</b>	28,490
Total-public funds	<b>240,215</b>	153,490
<b>Cash at bank and in hand – Charity</b>	<b>471,842</b>	275,235
Trading Subsidiaries	<b>100,357</b>	53,890
<b>Cash at bank and in hand – Group</b>	<b>572,199</b>	329,125

For the purposes of the Cash Flow Statement, cash at bank and in hand comprises

	£	£
Cash	<b>572,199</b>	329,125
Liquid resources	<b>0</b>	0
	<b>572,199</b>	329,125

**17 Creditors: amounts falling due within one year**

	2006		2005	
	Charity £	Group £	Charity £	Group £
Trade creditors	<b>4,484</b>	<b>9,996</b>	4,137	35,814
Other taxes and social security	<b>0</b>	<b>5,396</b>	0	1,974
Other creditors	<b>0</b>	<b>217</b>	10,502	14,229
Accruals	<b>23,016</b>	<b>54,403</b>	38,003	87,211
	<b>27,500</b>	<b>70,012</b>	52,642	139,228

**18 Provisions for liabilities and charges**

	Provisions £	Total £
At 1 April 2005	89,973	89,973
At 31 March 2006	<b>89,973</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 and a further provision of £17,047 was recognised in that 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.

**19 Restricted funds**

	1 April 2005 £	Incoming £	Outgoing £	31 March 2006 £
Reserves – Grant in Aid (operating)	191,543	1,018,915	(926,114)	<b>284,344</b>
Reserves – Grant in Aid (purchases)	62,789	17,500	(6,712)	<b>73,577</b>
Reserves – Other restricted reserves	3,133,865	197,923	(88,936)	<b>3,242,852</b>
	<b>3,388,197</b>	<b>1,234,338</b>	<b>(1,021,762)</b>	<b>3,600,773</b>

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

In 2000, the Museum completed phase 1 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.

**20 Analysis of net assets between funds**

	Tangible fixed assets £	Net current investments £	Assets £	<b>Total £</b>
<b>Restricted funds</b>				
Grant in Aid (operating)	80,579	0	203,765	<b>284,344</b>
Grant in Aid (purchases)	37,256	0	36,321	<b>73,577</b>
Development Fund	3,157,297	24,071	61,484	<b>3,242,852</b>
	<u>3,275,132</u>	<u>24,071</u>	<u>301,570</u>	<u><b>3,600,773</b></u>
Unrestricted funds – Charity	4,021	217,915	145,718	<b>367,654</b>
	<u>3,279,153</u>	<u>241,986</u>	<u>447,288</u>	<u><b>3,968,427</b></u>
Share of joint venture net assets	15,814	0	8,772	<b>24,586</b>
Non charitable trading funds	22,337	(2)	118,341	<b>140,676</b>
	<u>3,317,304</u>	<u>241,984</u>	<u>574,401</u>	<u><b>4,133,689</b></u>

**21 Commitments and contingent liabilities**

The charity had no capital commitments or contingent liabilities at 31 March 2006 or at 31 March 2005.

**22 Other commitments**

At 31 March 2006 the charity had annual commitments under non-cancellable operating leases as follows

	<b>Land and buildings 2006 £</b>	<b>Other 2006 £</b>	Land and buildings 2005 £	Other 2005 £
Expiry date				
Within one year	<b>0</b>	<b>0</b>	0	0
Between one and five years	<b>0</b>	<b>8,610</b>	0	8,610
In over five years	<b>51,685</b>	<b>0</b>	51,685	0
	<u><b>51,685</b></u>	<u><b>8,610</b></u>	<u>51,685</u>	<u>8,610</u>

**23 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 (2005: £Nil).

**24 External performance indicators**

*Ratio of self-generating income to GiA*

Year	Self generated income	Grant in Aid income	Ratio	
2005-2006	479,158	1,025,044	2.14	Actual
2005-2006	337,989	964,000	2.85	Budget
2004-2005	534,110	1,144,731	2.14	Actual

## 25 Related party transactions

The Royal Naval Museum is a Non Departmental Public Body, sponsored by the Ministry of Defence (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 per cent interest.

A summary of draft Statement of Financial Activities is detailed below

### Statement of financial activities

	2006		2005	
	Museum share	Total	Museum share	Total
Incoming resources	<b>353,998</b>	<b>1,415,992</b>	351,546	1,406,185
Total resources expended	<b>(344,241)</b>	<b>(1,376,962)</b>	(326,785)	(1,307,138)
Net incoming/(outgoing) resources	<b>9,757</b>	<b>39,030</b>	24,761	99,047
Fund balances brought forward at 31 March 2005	<b>14,828</b>	<b>59,312</b>	(9,934)	(39,735)
Fund balances carried forward at 31 March 2006	<b>24,585</b>	<b>98,342</b>	14,828	59,312

### Balance Sheet

	£	£	£	£
Tangible fixed assets	<b>15,813</b>	<b>63,254</b>	16,112	64,447
Current assets	<b>63,559</b>	<b>254,235</b>	62,500	249,998
Current liabilities	<b>(54,787)</b>	<b>(219,147)</b>	(63,783)	(255,133)
Net current assets	<b>8,772</b>	<b>35,088</b>	(1,281)	(5,135)
Net assets	<b>24,585</b>	<b>98,342</b>	14,828	59,312
General unrestricted funds	<b>24,586</b>	<b>98,342</b>	14,828	59,312

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 £92,780 and is included in Site costs shown in note 9.

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 £Nil (2005 £6,000) to the Museum.

Mr Clive Richards is a trustee of the Royal Naval Museum. He previously made a loan to the Museum's subsidiary company, Royal Naval Museum Trading Company Limited to assist the latter with the publication costs of the book 'The Nelson Portraits'. During the year, the balance of the loan, totalling £38,637 was repaid to Mr Richards by the Royal Naval Museum Trading Company Limited; from this, the sum of £18,000 was donated to the Museum under the Gift Aid Scheme. A further donation is anticipated during the year ended 31 March 2007.

## 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 1 shall be prepared on a consolidated basis. In addition, there shall be a balance sheet in respect of the Museum alone, with relevant notes. When preparing the consolidated accounts, the 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;
  - 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

Amended 9 September 1998

### 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 Navy Submarine 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

- 1 The foreword shall, inter alia
  - a state that the accounts have been prepared in accordance with the direction given by the Secretary of State for Defence with the approval of HM Treasury; and
  - b include a brief history of the Museum and its statutory background.
- 2 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.

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