

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

Royal Naval Museum Account 2008-2009

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Royal Naval Museum Account 2008-2009

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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
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Bankers

National Westminster Plc
130 Commercial Road
Portsmouth
Hampshire
PO1 1ES

Investment Portfolio

Brown Shipley & Co Ltd
Founders Court
Lothbury
London EC2R 7HE

Solicitors

Blake Lapthorn Tarlo Lyons
Harbour Court
Compass Road
North Harbour
Portsmouth PO6 4ST

Trustees Report

A Board of Trustees under the chairmanship of Admiral Sir Peter Abbott GBE KCB governs the Royal Naval Museum. The Museum is a registered charity within the meaning of the Charities Act 2006, 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. A panel of the Trustee body normally interviews prospective Trustees. 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 2008-2009

Chairman

Admiral Sir Peter Abbott GBE KCB

Ex-officio Trustees

Naval Secretary
Rear Admiral Charles Montgomery
Naval Base Commander
Commodore D Steele RN
Commodore Rob Thompson RN (from 14 January 2009)

Representative Trustees

The Society for Nautical Research
Professor R Harding
City Council of Portsmouth
Mr S Baily (from 30 October 2008)
National Maritime Museum
Dr R Blyth
Society of Friends of the Royal Naval Museum
Rear Admiral R Irwin CB
Commodore P Wykeham-Martin (from 14 January 2009)

Other Trustees

Captain W Alexander RN
Miss A Dixon (from 11 July 2008)
Mr M Gambazzi
Miss V Hardman
Brigadier S P Hill OBE (stood down 11 April 2008)
Captain P G Hore RN (stood down 11 April 2008)
Mr B Miller
Commodore T Morton RN
Mr Clive Richards OBE (stood down 11 July 2008)
Mr K Robinson
Mrs J B Royle (stood down 11 April 2008)
Mr C M Wilson (stood down 11 April 2009)

Director and Accounting Officer

Dr C S White (until 25 December 2008)
Mr G Dobbins (from 21 January 2009)

Structure, governance and management

History

The consolidated accounts for the Royal Naval Museum, Portsmouth are presented for the financial year ended 31 March 2009. 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 and 4 July 1996, varied by order of 31 July 2002, by resolutions 18 October 2002, 23 March 2004, 2 July 2004 and 17 July 2006; 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 Board of Trustees which meets three times a year governs the Museum. There are five Trustee working parties in existence

- Curatorial and Interpretation;
- Development;
- Finance and Personnel;
- Income; and
- National Museum of the Royal Navy.

As their titles suggest, they each 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.

Following the untimely death of the Director, Dr Colin White, on Christmas Day 2008, Trustees took the view that given developments surrounding the National Museum of the Royal Navy (referred to elsewhere) it would be inappropriate to recruit a replacement director and therefore confirmed the Head of Internal Resources as Acting Director until integration with the National Museum is completed. The day to day management of the Museum is therefore currently headed by the Acting Director (Chief Executive) who also acts as Head of Internal Resources and supported by the Senior Management Group (Head of External Affairs, Head of Research Collections and Head of Gallery Operations and Functions) 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 H & S policy which are in existence and reviewing matters contained within these policies at least on an annual basis, 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 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 these will be returned to the full board for further discussion and endorsement.

Trustee induction and training procedures

A formal induction process for Trustees has now been introduced which combines 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' with a day visit to the Museum to meet key members of staff and to discuss current issues. Recent appointees have confirmed their satisfaction with this process.

Related parties

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

Objectives and activities

Following a strategic review involving Trustees and all staff, the Museum's Mission was redefined succinctly as: *To make accessible to all the story of the Royal Navy and its people from earliest times to the present.*

In pursuit of this Mission, the Aims of the Museum are 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, although the Museum also provides overall coverage of the Navy's story – and works closely with the three 'branch' naval museums to promote a unified approach to naval history. So, for example, in 2007-2008, the four naval museums collaborated in a major joint special exhibition to commemorate the 25th anniversary of the Falklands war (see 'Exhibitions' below) and they also worked closely together on the *Sea Your History* project.

In July 2007, the Trustees and staff together formulated and agreed a Five Year Plan for the Museum, which outlines in detail the activities that will be undertaken in order to achieve these aims. This plan will be reviewed and updated annually.

Achievement and performance

Visitors

The new counting system established last year, which enables an accurate total of visitors to be derived from the visits made to each of the Museum's buildings, is now working well. The total number of visitors to the Museum in 2008-2009 was 182,635 (185,000, 2007-2008) and initial figures for the current Financial Year (2009-2010) indicate that despite earlier pessimism visitor numbers remain in line with 2008-2009 and marginally increased for the peak periods such as Easter and Spring school holidays.

Curatorial Department 2008-2009

The routine work of the department giving talks, receiving visiting groups, research and collection management has continued as usual. Particular developments of note have been:

Exhibitions and projects:

The Interpretation Team prepared a Design Brief for the new 20th Century Wing which will form part of the Museum's Centenary Project, October 2008. Further progress on this awaits HLF and Trustees' decisions on capital development. (Page 7 – 'the Centenary Project' – provides more detail.)

The new special exhibition 'Sea Your History: 20th Century Navy' opened to the public in the Museum's Lewin Gallery on 26 April 2008, with the official opening by HRH the Princess Royal on 21 May.

The remaining part of the Lewin Gallery benefitted from a redesign by Defence Public Relations (Navy) of the Modern Navy display which opened to the public on 9 April 2009.

The special exhibition in the Victory Gallery 'Chasing Freedom: the Royal Navy and the suppression of the Trans-Atlantic slave trade' has been permanent. New text panels reflecting a re-configuration are about to be installed.

The digitisation and web project 'Sea Your History' was formally completed at the end of November 2008. The project benefitted from £664,000 of HLF funding between 2006 and 2009 and has helped in completion of a new website www.seayourhistory.org.uk which has welcomed just under 200,000 visitors who have viewed nearly 1,000,000 pages. In addition it has

- provided access to collections catalogues through www.royalnavalmuseum.org;
- funded four new oral history recording projects;
- funded three learning projects. In 2008 this included work with the Friday Club in production of the 'Senior Service' magazine and with MAST on a travelling exhibition; and
- increased volunteer engagement, with 54 individual volunteers provided 442.7 days of effort.

Between October 2008 and March 2009 the curatorial department gave advice to staff from HMS Raleigh wishing to set up a Heritage Centre to train all new naval entrants in naval history and ethos. The Centre is scheduled to open in December 2009

Collections and Access

Public access has been increased through the provision of collection catalogues on line. The catalogue of the manuscript collections held at the Museum went live in September 2007, but for first time access is now available through the Museum's website also to

- The oral history collection.
- Photographic records – including the Wright and Logan collection.
- Selected records from the Art Collection.
- Manuscripts and photographs from the Women's Royal Naval Service collection.

Preparatory work has been completed on c.18,000 ACCESS database catalogue records for conversion to CALM. These records cover the artefacts from the WRNS collection and the general artefacts collections. This will complete the process of conversion begun c.5 years ago and will mean all Museum collections are now held on a single relational database.

Volunteers

The volunteer scheme, established last year in collaboration with the Friends of the Museum, has bedded down well. 15 volunteers worked regularly with Museum staff on specific projects, while a further 25 – 30 were on call for events and one-off tasks. Furthermore, the Museum's 1911 steam pinnace was run entirely from a pool of twenty-four volunteers.

Learning and audience development 2008-2009

Over the last year, the number of formal learning workshops delivered to schools was 110. This is a drop compared to 2007-2008 (203 workshops) but considering that the 2007/8 figure included African Legacy Week (125 workshops), and that World Discovery Week (125 workshops planned) was cancelled, the deficit was not as big as predicted.

Other achievements include

- 3,300 pupils participated in the formal workshops taking the total since 2005 to 13,000;
- 405 children took part in the Sea Your World Early Years Week activities;
- 2,500 participants took part in Informal Learning Activities taking the total since 2005 to 13,000; and
- Holiday Activities attracted 1315 participants.

In addition, eight new trails linked to the National Curriculum have been produced for key stages 1 to 3 to enhance gallery-based Discovery Visits. A Teachers Pack to accompany the *Chasing Freedom* exhibition with a short film produced by DPR(N) has also been written and will be sent out to schools in the Summer Term. The Learning Manager has also supplied materials, and helped produce lesson plans for the MoD-funded *Defence Dynamics* website for schools.

In winter 2008-2009 the Learning Manager secured funding from the Museums Libraries and Archives Council (Strategic Commissioning) for a work-related learning diploma project with Felpham Community College. This project was delivered by HMS Victory's Learning Officer, Claire Jordan and Victoria Ingles from the Curatorial Department.

Links with universities and colleges continue, with the Learning Manager delivering sessions to Portsmouth University (Initial Teacher Training course) and Chichester University (MA in Tourism Interpretation course as well as Initial Teacher Training depts). The Learning Manager also delivered a paper on the Chasing Freedom project for the *1807 Commemorated Conference* at York University and managed a MLA Strategic Commissioning-funded Initial Teacher Training project.

Activities for adult and community learners include eight outreach lectures to local history societies and libraries, four Object-handling sessions for Black History Month and the International Day for the Remembrance of the Slave trade as well as *behind the scenes* sessions for community groups.

The department also ran the *Sea your History Community Curators* project and Veterans Day event in conjunction with the Curatorial Department. It continues to run sessions with the African Women's Forum, Friday Club, MAST and Friendship House community groups.

Conferences and lectures

Museum's Month in May was marked by the latest in a series of in-gallery talks given by naval veterans that the Museum has run successfully for a number of years. 'From Teletype to Satellite', 'Plotting the Future', and 'Valves, Spanners and Ladies Tights' picked up on themes in the new *Sea Your History* exhibition. In July, the Museum hosted a one-day conference in honour of the late Naval historian Tom Pocock. Members of staff gave a number of lectures and hosted visits from organisations such as the University of the Third Age.

The Centenary Project

Plans to progress the Centenary Project received two potential setbacks in the year. First, in September, the project failed to get the backing of the Heritage Lottery Fund. It was made clear, however, that this was due, largely, to pressure on funding, rather than any weakness in the project, and the Museum was therefore encouraged to submit a revised bid, which was done in February 2009. This bid focused on the exhibition element of the project, under which the space devoted to the 20th Century Navy will be increased fivefold. The revised project cost is £4.58 million. Clearly, the illness and tragic death of the Director also had an impact on the momentum of the project. But if anything, this untimely event has strengthened the Museum's determination to deliver the new exhibitions, as evidenced by the re-submission of the HLF bid and the fact that, by the end of the year, some £500,000 had been raised or pledged towards the project, including the first donation from the newly-formed American Friends of the Royal Naval Museum. Given the slippage in the timetable, it is considered that a new name should be found for the project and this is under consideration.

Disappointingly, the Museum found out in May 2009 that it had not been successful with this second application to HLF and Trustees will be discussing the way forward when they meet in July.

National Museum of the Royal Navy

The National Museum of the Royal Navy legally came into being on 14 October 2008, and its first Director General (Dr Dominic Tweddle) took up post on 5 January 2009. The work plan for the NMRN envisaged the creation of a strategic plan together with a business plan in the first half of 2009. This would allow the four constituent Service museums to take their individual decisions whether or not to join the new structure towards the end of 2009. The shape of the NMRN would thus be set by early 2010, thereby meeting the head mark set by the Naval Heritage Strategy. This work plan envisaged that whatever the final structure decided upon, it would allow the individual museums to be part of the NMRN while still retaining their individual identities.

The tragic death of Dr Colin White, Director of the RNM, impacted on this work plan and in January 2009 Trustees of the RNM decided not to immediately advertise for a successor, instead appointing Mr. Graham Dobbin as Acting Director. At the same time they asked Dr. Tweddle, to report to them with the brief

'To consider the most effective way forward for the RNM to achieve its declared objectives and evaluate the development and ongoing needs of the RNM, consulting with the Acting Director, management team, Trustees and others as deemed appropriate and to report to the RNM Trustees in April 2009.'

The Trustees' NMRN Working Party met on 3 April 2009 and considered the Report prepared by Dr Tweddle, Captain John Rees and Mr Graham Dobbin. The working party recommended to the full Board of Trustees that the best option for the Royal Naval Museum at this time is integration with the National Museum of the Royal Navy and that this should be achieved as quickly as possible. The recommendation was further endorsed by the Trustees Finance and personnel Working Party.

When the full Board of Trustees met on 10 April 2009, they discussed and reviewed the papers prepared by Dr Tweddle and the recommendations coming from the two Working Parties described above.

After full discussion, Trustees endorsed the recommendation that integration with the NMRN was the best option for the Royal Naval Museum at this time and that this should be achieved as quickly as possible although subject to the usual Due Diligence exercise. The agreed route for this was 'Dissolution and Transfer'. Dr Tweddle and Mr Dobbin were asked to report back to the July meeting of Trustees with a clear timetable detailing how this could be achieved – no deadline was placed on the dissolution but it was hoped that this could be achieved by 31 March 2010 at the latest.

As a result these are the final accounts that will be presented to Parliament. It is anticipated that the 2009-2010 financial results of the Museum will be reported in the accounts of the NMRN, and that the closing net assets at 31 March 2009 will be included within the opening balance sheet for the NMRN.

Social, Community and Environmental Issues

The Museum actively engages with the community it serves. As shown above, its Learning Programme and Community Days have brought increasing numbers of schoolchildren and families through its doors, including specially-sponsored visits by schools from deprived areas. The 'Chasing Freedom' exhibition, and its related events, has drawn in – for the first time in the Museum's history - members of the local African community, some of whom actively contributed to the formation of the displays. And the *Sea Your History* project has, on the one hand, given the Museum a world-wide reach through the Internet, while closer to home it has engaged with local children who have helped to create parts of the website.

The Museum actively promotes environmental awareness amongst its staff – in particular through paper recycling and the installation of energy efficient lighting in all new office spaces and stores.

Risks and Uncertainties facing the Royal Naval Museum

The Museum faces the usual natural risks to its staff, customers, collections and premises from fire, storm and flood. The risk of fire is met with a modern alarm system which is tested weekly and with regular drills - while all possible risks to the collection are covered by a comprehensive Disaster Plan.

Security of the buildings and collections, while still a risk, is lessened by the fact that the Museum lies within the Portsmouth Naval Base, which is secured at night. This is backed up by a night-time alarm system in all the Museum buildings. By day, the public areas are patrolled by the Museum's gallery assistants and covered with a CCTV system connected to a central control room, with video recording facility, which is manned at all times during working hours. Staff are regularly trained and particular care has been taken recently to alert them to the possibilities of terrorist attack. Random bag searches are carried out at the entrance to the Historic Dockyard in normal circumstances and bag searches of all customers are introduced when the Naval Base's security state is increased.

Apart from these risks, the Museum's main uncertainties relate to its financial position. First, its annual GIA is dependent on the ability and willingness of the Royal Navy to find the money to fund the Museum's activities. This risk is met by maintaining close links with the RN (for example, by having two serving officers on its Board of Trustees) and by constantly highlighting the ways in which the Museum supports the Navy's work and by demonstrating value for money. Second, the Museum's position within the Portsmouth Historic Dockyard site means that a significant proportion of its income is dependent on visitor numbers to the site. To help control this risk, the Museum Director sits on the Board of Portsmouth Historic Dockyard Ltd, which controls the marketing of the site and ticket sales and so is able to ensure that the site's planning is prudent and its expenditure well-controlled.

Financial review

Results for the year ended 31 March 2009

Total incoming resources for the Group in 2008-2009 amounted to £1,897,052 (2007-2008 £1,900,420). Total resources expended amounted to £2,144,499 (2007-2008 £2,211,971). After adjustment for notional charges and other recognised gains and losses totalling £139,521 (2007-2008 £631,037), the net movement in funds for the year was a decrease of £109,253 (2007-2008 increase £319,486).

The Group's net assets as at 31 March 2009 amounted to £4,540,441 (31 March 2008 £4,649,694).

Changes in fixed assets

Movements in fixed assets are shown in note 12 to the accounts.

Policy on unrestricted 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 2009, the level of the Museum's reserves stood at £293,059 (31 March 2008 £390,635).

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 continually 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.

As set out in the previous paragraph, the Museum's primary objective for the performance of its investment portfolio is to provide a low risk depository, generating a relatively secure and modest income stream. During the year the Museum received £8,219 in Investment income. The value of the portfolio increased from £155,212 to £246,893.

Payment of creditors

The Museum aims 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 2008-2009 was that these criteria were met in 98.5 per cent of all bills paid (2007-2008 98.4 per cent).

Sickness absence data

The Royal Naval Museum employs 52 members of staff (32 full time equivalent) and monitors staff sick absence as part of its health and safety processes. The Board of Trustees' receives data annually and discusses potential risks arising from any patterns that are identified. During 2008-2009, there were 633 (full time equivalent) days lost to sick absence of which 431 were for long term absences associated with hospitalisation and recuperation periods.

Personal data loss

The Museum has not identified any personal data related incidents during 2008-2009 or in the previous five financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

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 informal twice-weekly staff briefings, as well as through regular departmental meetings, informal meetings and internal memoranda. The Acting Director also holds a regular 'Acting Director's Forum' at which he briefs all staff on a wide range of matters affecting the Museum and answers questions from them. The Museum has also recently introduced a formal staff forum although this has, as yet, to have its first formal meeting.

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 Museum's relationship with the National Museum of the Royal Navy (NMRN) is steadily evolving. From 1 April 2009, the Royal Navy's financial support for the Museum is being channelled through the NMRN. A Service Level Agreement governs this financial arrangement. During 2009, there will be further discussions about the future constitutional relationship between the Museum and the NMRN.

As a result of the implementation of the NMRN that these are the final accounts that will be presented to Parliament. It is anticipated that the 2009-2010 financial results of the Museum will be reported in the accounts of the NMRN, and that the closing net assets at 31 March 2009 will be included within the opening balance sheet for the NMRN.

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

At their meeting on April 17 2009, Trustees also took the decision to dissolve the Royal Naval Museum and to fully integrate with the National Museum of the Royal Navy subject to standard Due Diligence. It is hoped to achieve this within 2009-2010 and much staff effort throughout all Museum departments will be required to see this process successfully completed.

In 2009-2010, depending on the availability of funding, the Museum will seek to take forward the Centenary Project, the next stage of which is to undertake the design phase for both the building work and the exhibitions. Fundraising will continue for the capital project, while at the same time steps are taken to strengthen the Museum's income generation activity.

Further plans include

- a concerted effort to raise the Museum's profile nationally and as part of the Historic Dockyard;
- developing a supporter database;
- developing collections access through the extension of the on-line catalogues; and
- helping to develop the Heritage Centre at HMS Raleigh for all new entrants to the Royal Navy – it is hoped that this will open in December 2009.

Admiral Sir Peter Abbott GBE KCB
On behalf of the Board of Trustees
10 July 2009

Mr Graham Dobbin
Accounting Officer
10 July 2009

Remuneration Report

Remuneration policy

The Director and Acting Director of the Royal Naval Museum are employees of the Board of Trustees. Until August 2006, their salary was determined centrally as part of the annual MOD pay negotiations.

Salary and pension entitlements

Mr G Dobbin, was appointed Acting Director of the Royal Naval Museum on 21 January 2009, following the death of Dr C White; he has been employed by the Royal Naval Museum in other roles since 1 January 1993. Trustees decided not to make this appointment subject to a fixed-term: Standard age for retirement from the Museum remains at 65 although requests can be made to work beyond this point, each request being considered on a case by case basis. As a member of the Principal Civil Service Pension Scheme, Mr Dobbin would be entitled to standard Civil Service severance packages if Trustees terminated his contract prematurely. Mr Dobbin had a basic salary during the year ended 31 March 2009 of £53,420 per annum and received a salary of £9,236 while in the position of Acting Director. The Acting Director is aged 49, his pension (net of inflation) increased by £616 in the year, with his total accrued pension now being £52,420 as an ordinary member of the Principal Civil Service Pension Scheme.

The Acting Director's CETV on taking office was £283,000 and as at 31 March 2009 was £304,000.

The Acting Director did not receive any Benefits in Kind.

Dr White had a basic salary during the year ended 31 March 2009 of £66,712 (2008: £63,165) per annum. Dr White received a salary of £ 51,029 for the year ended 31 March 2009. Dr White's CETV had been £587,000 at 31 March 2008.

The Director did not receive any Benefits in Kind.

'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.

For 2008-2009, for the Museum as a whole, employer's contributions of £34,292 were payable (2007-2008 £35,812) at rates in the range 17.1 to 25.5 percent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2007-2008. 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 (PCSPS). 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 (PCSPS)

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefits scheme; either a 'final salary' schemes (classic, premium, or classic plus) or a 'whole career' scheme (nuvos), Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the Retail Price Index (RPI). Recent entrant to premium (after 1 October 2002) and nuvos (from 30 July 2007) may chose between membership of the scheme or joining a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable earnings 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. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is updated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 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, the employer will match these 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.

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
10 July 2009

Mr Graham Dobbin
Accounting Officer
10 July 2009

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 Acting 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 '*Managing Public Body*'.

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 Managing Public Body, 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 2009 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 reviews 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.

Defence Internal Audit undertook the Internal Audit in the current financial year.

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
10 July 2009

Mr Graham Dobbin
Accounting Officer
10 July 2009

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 2009 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 Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the 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 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 Board of Trustees' and the 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 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 Trustees Report, which includes the financial review, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing 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 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 Internal Control reflects the Royal Naval 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 Royal Naval Museum's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Trustees Report, which includes the financial review, 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 opinions

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 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 incoming and outgoing 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 2009 and of its 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
- information given within the Trustees Report, which includes the financial review, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources 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.

Amyas C E Morse
Comptroller and Auditor General

14 July 2009

National Audit Office
151 Buckingham Palace Road
Victoria
London SW1W 9SS

Statement of Financial Activities for the year ended 31 March 2009

	Notes	Unrestricted funds £	Grant in Aid £	Other restricted £	2009 Total £	2008 Total £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grant in Aid (operating)	2	0	1,023,166	0	1,023,166	854,111
Grant in Aid (purchases)	2	0	19,000	0	19,000	18,449
Other donations and grants	2	27,107	0	156,632	183,739	289,800
Legacies	3	2,442	0	0	2,442	1,005
Incoming resources from charitable activities						
Admissions		349,329	0	0	349,329	328,248
Income of Trading Companies and share of Joint Venture	4	647,191	0	0	647,191	728,963
Income from investments	5	8,219	0	0	8,219	8,975
Other incoming resources	6	11,615	0	8,096	19,711	56,578
Total incoming resources		<u>1,045,903</u>	<u>1,042,166</u>	<u>164,728</u>	2,252,797	2,286,129
Deduct share of Joint Venture Income		<u>(355,745)</u>	<u>0</u>	<u>0</u>	(355,745)	(385,709)
		690,158	1,042,166	164,728	1,897,052	1,900,420
Resources expended						
Fundraising and publicity	7	(73,765)	(7,253)	(643)	(81,661)	(80,962)
Expenses of Trading Companies	4	(326,616)	0	0	(326,616)	(345,572)
Charitable activities						
Museum and visitor operations	9	(404,394)	(898,216)	(336,690)	(1,639,300)	(1,696,932)
Governance costs	10	(47,769)	(40,498)	(643)	(88,910)	(77,852)
Notional charges		<u>0</u>	<u>(8,012)</u>	<u>0</u>	(8,012)	(10,653)
Total resources expended		<u>(852,544)</u>	<u>(953,979)</u>	<u>(337,976)</u>	(2,144,499)	(2,211,971)
Net incoming/(outgoing) resources before transfers						
		(162,386)	88,187	(173,248)	(247,447)	(311,551)
Transfers between funds		0	0	0	0	0
Adjustment for notional charges		<u>0</u>	<u>8,012</u>	<u>0</u>	8,012	10,653
Net incoming/(outgoing) resources before gains and losses on revaluations and disposals						
		(162,386)	96,199	(173,248)	(239,435)	(300,898)
Other recognised gains and losses						
<i>Realised gains/(losses)</i>						
Net gain on sale of investments		(95)	0	0	(95)	55
Share of results of Joint Venture		(8,920)	0	0	(8,920)	(1,080)
<i>Unrealised gains/(losses)</i>						
Revaluation of fixed assets		4,357	6,498	126,852	137,707	615,426
Revaluation of investments		<u>1,490</u>	<u>0</u>	<u>0</u>	1,490	5,983
Net movement in funds		<u>(165,554)</u>	<u>102,697</u>	<u>(46,396)</u>	(109,253)	319,486
Total funds brought forward		<u>629,443</u>	<u>177,570</u>	<u>3,842,681</u>	4,649,694	4,330,208
Total funds carried forward		<u>463,889</u>	<u>280,267</u>	<u>3,796,285</u>	4,540,441	4,649,694

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

All transactions are derived from continuing activities

The notes on pages 23 to 36 form an integral part of these financial statements.

Balance sheet – Consolidated as at 31 March 2009

	Notes	£	2009 £	£	2008 £
Tangible assets	12		3,828,527		3,901,311
Heritage assets	12		72,387		67,921
Investments	13		246,893		155,212
Investment in Joint Venture					
Share of gross assets		85,925		77,831	
Share of gross liabilities		(80,846)		(63,834)	
			5,079		13,997
			4,152,886		4,138,441
Current assets					
Stocks	14	65,721		66,478	
Debtors	15	110,156		166,039	
Cash at bank and in hand	16	512,349		439,063	
			688,226	671,580	
Creditors: amounts falling due within one year	17	(300,671)		(160,327)	
Net current assets			387,555		511,253
Total assets less current liabilities			4,540,441		4,649,694
Net assets			4,540,441		4,649,694
Funds					
Unrestricted funds			414,122		526,105
<i>Restricted funds</i>	18				
Grant in Aid (operating)			154,854		70,913
Grant in Aid (purchases)			125,413		106,657
Other restricted funds			3,796,285		3,842,681
Non charitable trading funds			49,767		103,338
			4,540,441		4,649,694

The financial statements were approved by the Trustees on 10 July 2009 and signed on its behalf by

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

Mr G P Dobbin
Accounting Officer

The notes on pages 23 to 36 form an integral part of these financial statements.

Balance sheet as at 31 March 2009

	Notes	£	2009 £	£	2008 £
Tangible assets	12		3,823,569		3,881,571
Heritage assets	12		72,387		67,921
Investments	13		246,895		155,214
			4,142,851		4,104,706
Current assets					
Debtors	15	87,608		152,965	
Cash at bank and in hand	16	507,774		415,474	
			595,382	568,439	
Creditors: amounts falling due within one year	17	(252,641)		(140,786)	
			342,741		427,653
Net current assets			342,741		427,653
Net assets			4,485,592		4,532,359
Funds					
Unrestricted funds			409,040		512,108
Restricted funds:	18				
Grant in Aid (operating)			154,854		70,913
Grant in Aid (purchases)			125,413		106,657
Other restricted funds			3,796,285		3,842,681
			4,485,592		4,532,359

The financial statements were approved by the Trustees on 10 July 2009 and signed on its behalf by

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

Mr G P Dobbin
Accounting Officer

The notes on pages 23 to 36 form an integral part of these financial statements.

Cash flow statement for the year ended 31 March 2009

	Notes	Non-public funds £	Restricted Grant in Aid £	Charity funds 2009 £	Group 2009 £	Group 2008 £
Net cashflow/(outflow) from operating activities		(47,193)	221,170	173,977	154,223	(129,097)
Return on investments and servicing of finance						
Bank interest received		15,344	0	15,344	16,233	30,282
Dividends received		8,219	0	8,219	8,219	8,975
Capital expenditure and financial investment						
Purchase of fixed assets		(5,470)	(9,484)	(14,954)	(15,103)	(160,175)
Purchase of investments		(147,286)	0	(147,286)	(147,286)	0
Sale of fixed assets		0	0	0	0	287
Sale of investments		57,000	0	57,000	57,000	90,700
Increase/(decrease) in cash		(119,386)	211,686	92,300	73,286	(159,028)
Opening cash balances		373,146	42,328	415,474	439,063	598,092
Closing cash balances	16	253,760	254,014	507,774	512,349	439,064
Reconciliation of changes in resources to net cashflow from operating activities						
Net incoming/(outgoing) resources for year		(282,065)	96,199	(185,866)	(239,435)	(300,898)
Depreciation	12	194,577	11,617	206,194	221,126	166,794
Disposal of fixed assets		-	0	0	0	119
Investment income and interest received		(23,563)	0	(23,563)	(24,452)	(39,257)
Increase/(decrease) in creditors	17	(77,517)	189,372	111,855	140,344	47,786
Increase/(decrease) in provisions		0	0	0	0	0
(Increase)/decrease in stocks	14	0	0	0	757	17,307
(Increase)/decrease in debtors	15	141,375	(76,018)	65,357	55,883	(20,948)
Net cash inflow/(outflow) from operating activities		(47,193)	221,170	173,977	154,223	(129,097)

The notes on pages 23 to 36 form an integral part of these financial statements

Notes to the financial statements for the year ended 31 March 2009

1 Accounting policies

1.1 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.

1.2 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.

1.3 Improvements to property

Improvements to property with a cost or value greater than £750 and a useful economic life greater than one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices. Improvements to property are depreciated over the lease term of the buildings, which expires in 2085.

1.4 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.

1.5 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.

1.6 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 straight line
Office Equipment	–	20 per cent straight line

1.7 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 percentages

	%
Collections and Exhibitions	70
Curatorial	25
Education	5
	<u>100</u>

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.

1.8 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.

1.9 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.

1.10 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.

1.11 Leased assets

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

1.12 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.

1.13 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.

1.14 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). Plans to make all of the Collections available on line will continue to be implemented into 2009-2010.

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.

1.15 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 2008-2009 were as follows

Non-industrial staff	%
Band one - £19,500 and under	17.1
Band two - £19,501 - £40,500	19.5
Band three - £40,501 - £69,000	23.2
Band four - £69,001 and over	25.5

The PCSPS is an unfunded multi employer defined benefit scheme but the Royal Naval Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservicepensions.gov.uk).

For 2008-2009, employers' contributions of £34,292 were payable to the PCSPS (2007-2008 £35,812) at one of four rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

The group scheme is a defined contribution scheme with contributions fixed at 9 per cent of gross pensionable pay for the year. During the year contributions totalling £66,500 (2007-2008 £68,236) were paid into the scheme. There were no outstanding or prepaid contributions at the balance sheet date.

1.16 Foreign currency transactions

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the end of the month preceding the transaction. Exchange differences are taken into account in arriving at the net incoming/(outgoing) resources

1.17 Financial instruments

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

Term deposits of less than one year are classified as investments within current assets.

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:

	2009 £	2008 £
Operations	1,023,166	854,111
Purchase of Exhibits	19,000	18,449
	<u>1,042,166</u>	<u>872,560</u>

Other grants and donations

	Unrestricted funds £	Restricted Grant in Aid £	Restricted other funds £	Total 2009 £	Total 2008 £
H B Allen Charitable Trust	10,000	0	0	10,000	10,000
HLF Grants	0	0	151,420	151,420	230,793
EDS	0	0	0	0	5,000
Miscellaneous donations and grants	17,107	0	5,212	22,319	33,577
Dennis Curry Charitable Trust	0	0	0	0	5,000
Mrs Lee McGill	0	0	0	0	5,430
	<u>27,107</u>	<u>0</u>	<u>156,632</u>	<u>183,739</u>	<u>289,800</u>

3 Legacies

	Unrestricted funds £	2009 £	2008 £
Mr P Kratz	0	0	1,005
Mr P H H Rhodes	2,442	2,442	0
	<u>2,442</u>	<u>2,442</u>	<u>1,005</u>

4 Income and expenses from trading activities of subsidiaries

Summary of income and expenditure

	Notes	2009 £	2008 £
Income			
Royal Naval Museum Trading Company Limited		249,095	302,650
RNM Functions Limited		42,351	40,604
Flagship Portsmouth Trust	25	355,745	385,709
		<u>647,191</u>	<u>728,963</u>
Expenditure			
Royal Naval Museum Trading Company Limited		302,720	319,406
RNM Functions Limited		23,896	26,166
		<u>326,616</u>	<u>345,572</u>
Flagship Portsmouth Trust	25	364,665	386,789
		<u>691,281</u>	<u>732,361</u>

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

	2009	2008
	£	£
Turnover	248,381	302,280
Cost of sales	(139,666)	(161,382)
Gross Profit	108,715	140,898
Administration	(164,946)	(158,024)
Interest payable	0	0
Other income	714	370
Net profit/(loss)	(55,517)	(16,756)
Tax on ordinary activities	1,892	0
Available for distribution	(53,625)	(16,756)
Distributed to other charities	0	0
Net profit/(loss) after distribution to other charities	(53,625)	(16,756)
Amount gifted to Royal Naval Museum	0	0
Retained in Subsidiary	(53,625)	(16,756)

RNMTTC made a significant loss in 2008-2009 but significant restructuring has been conducted to correct the position and revised cash flow forecasts, reviewed by the company's Board and the Museum's Trustees, indicate that RNMTTC can continue as a going concern for the foreseeable future.

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

	2009	2008
	£	£
Turnover	42,351	40,604
Expenditure	(23,896)	(26,166)
Net profit	18,455	14,438
Tax on ordinary activities	0	0
	18,455	14,438
Amount gifted to Royal Naval Museum	(18,400)	(14,400)
Retained in Subsidiary	55	38

5 Investment income

	Unrestricted funds £	2009 £	2008 £
Dividends received	8,219	8,219	8,975
	<u>8,219</u>	<u>8,219</u>	<u>8,975</u>

6 Other incoming resources

	Unrestricted funds £	Restricted funds £	2009 £	2008 £
Bank interest received	7,888	7,456	15,344	29,666
Other incoming resources	3,727	640	4,367	26,912
	<u>11,615</u>	<u>8,096</u>	<u>19,711</u>	<u>56,578</u>

7 Cost of generating funds

		Fund raising and publicity £	2009 £	2008 £
Staff costs		62,416	62,416	59,842
Rent, rates and service charge		6,259	6,259	6,497
Operating costs		9,786	9,786	11,195
Printing, postage and stationery		2,557	2,557	3,044
Telephone		643	643	384
		<u>81,661</u>	<u>81,661</u>	<u>80,962</u>

8 Support costs

	Museum & visitor centre operations £	Governance costs £	2009 £	2008 £
Staff costs	198,673	0	198,673	210,201
Premises costs	127,560	12,519	140,079	144,347
Education	14,928	0	14,928	4,646
Printing, postage and stationery	7,673	2,700	10,373	14,307
Telephone	1,503	643	2,146	1,153
Travelling	7,389	0	7,389	11,088
Entertaining	11,640	0	11,640	4,778
Consultancy	5,535	0	5,535	5,670
Bank charges and interest	387	0	387	1,522
Health and safety	6,801	0	6,801	9,155
Sundry expenses	2,960	0	2,960	21,545
Subscriptions	4,420	0	4,420	4,399
	<u>389,469</u>	<u>15,862</u>	<u>405,331</u>	<u>432,811</u>

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

	Education £	Curatorial £	Collections and exhibitions £	Sea Your History £	2009 £	2008 £
Staff costs	43,422	173,690	651,335	0	868,447	893,709
Other staff costs	236	943	3,536	0	4,715	8,270
Site costs	4,146	16,585	62,192	0	82,923	98,596
Conservation	178	711	2,666	0	3,555	2,435
Curatorial	513	2,052	7,694	0	10,259	6,626
Purchase of exhibits	60	242	907	0	1,209	2,024
Temporary Exhibition Costs	0	0	0	46,884	46,884	51,167
Centenary project costs	0	0	16,888	0	16,888	47,408
Computer costs	433	1,752	6,572	0	8,757	10,505
Depreciation	10,310	41,239	154,645	0	206,194	161,813
Disposal of fixed assets	0	0	0	0	0	119
Support costs	19,475	77,894	292,100	0	389,469	414,260
	<u>78,773</u>	<u>315,108</u>	<u>1,198,535</u>	<u>46,884</u>	<u>1,639,300</u>	<u>1,696,932</u>

10 Governance costs

	2009 £	2008 £
Staff Costs	36,303	33,687
Legal and professional	13,490	3,364
Job evaluation costs	0	3,200
Accountancy	14,905	10,900
Audit	8,350	8,150
Support costs	15,862	18,551
	<u>88,910</u>	<u>77,852</u>

11 Total resources expended (charity only)

	Staff costs £	Other costs £	Depreciation £	Total 2009 £	Total 2008 £
Charitable expenditure	1,071,835	361,271	206,194	1,639,300	1,696,932
Costs of generating funds	62,416	19,245	0	81,661	80,962
Governance costs	36,303	52,607	0	88,910	77,852
Notional charges	0	8,012	0	8,012	10,653
Total	<u>1,170,556</u>	<u>441,135</u>	<u>206,194</u>	<u>1,817,883</u>	<u>1,866,399</u>

	2009 £	2008 £
Staff costs		
Wages and salaries	975,376	1,006,897
Social security costs	92,185	94,765
Pension costs	102,995	104,048
	<u>1,170,556</u>	<u>1,205,710</u>

Including the director, the number of employees earning £60,000 per annum or more, excluding pension contributions: 1

The average number of employees, analysed by function, was

	2009	2008
Costs of generating funds	1	1
Charitable expenditure	25	33
Governance costs	6	5
	<u>32</u>	<u>39</u>

Mr G Dobbin was appointed Acting Director of the Royal Naval Museum on 21 January 2009, following the death of Dr C White. Mr Dobbin had a basic salary during the year ended 31st March 2009 of £53,420 per annum and Mr Dobbin received a salary of £9,236 while in the position of Acting Director. The Acting Director is aged 49, his pension (net of inflation) increased by £616 in the year, with his total accrued pension now being £52,420 as an ordinary member of the Principal Civil Service Pension Scheme.

The Acting Director's CETV as at 31 March 2009 was £304,000.

Dr White had a basic salary during the year ended 31 March 2009 of £66,712 (2008: £63,165) per annum. Dr White received a salary of £51,029 for the year ended 31 March 2009. Dr White's CETV had been £587,000 at 31 March 2009.

No Trustees received remuneration during the year (2008: NIL). Four trustees were reimbursed for travel expenses totalling £1,245 (2008: £802).

12 Tangible fixed assets – Charity

	Improvements to property £	Computer and office equipment £	Fixtures, and fittings £	Heritage assets £	Total £
Cost or valuation					
At 1 April 2008	2,456,458	1,811,060	3,150,145	67,921	7,485,584
Additions	0	5,018	5,470	4,466	14,954
Revaluation	85,976	61,495	106,960	0	254,431
At 31 March 2009	<u>2,542,434</u>	<u>1,877,573</u>	<u>3,262,575</u>	<u>72,387</u>	<u>7,754,969</u>
Depreciation					
At 1 April 2008	258,019	1,099,313	2,178,760	0	3,536,092
Revaluation	9,031	36,797	70,899	0	116,727
Charge for the year	29,936	85,345	90,913	0	206,194
At 31 March 2009	<u>296,986</u>	<u>1,221,455</u>	<u>2,340,572</u>	<u>0</u>	<u>3,859,013</u>
Net book values					
At 31 March 2009	<u>2,245,448</u>	<u>656,118</u>	<u>922,003</u>	<u>72,387</u>	<u>3,895,956</u>
At 31 March 2008	<u>2,198,439</u>	<u>711,747</u>	<u>971,385</u>	<u>67,921</u>	<u>3,949,492</u>

12 Tangible fixed assets – Group

	Improvements to property £	Computer and office equipment £	Fixtures, and fittings £	Heritage assets £	Total £
Cost or valuation					
At 1 April 2008	2,468,100	1,811,060	3,274,713	67,921	7,621,794
Additions	0	5,018	5,619	4,466	15,103
Revaluation	85,976	61,495	106,960	0	254,431
At 31 March 2009	2,554,076	1,877,573	3,387,292	72,387	7,891,328
Depreciation					
At 1 April 2008	269,661	1,099,313	2,283,588	0	3,652,562
Revaluation	9,031	36,797	70,899	0	116,727
On disposals	0	0	0	0	0
Charge for the year	29,936	85,345	105,845	0	221,126
At 31 March 2009	308,628	1,221,455	2,460,332	0	3,990,415
Net book values					
At 31 March 2009	2,245,448	656,118	926,960	72,387	3,900,914
At 31 March 2008	2,198,439	711,747	991,125	67,921	3,969,232

13 Fixed asset investments

	Charity Listed £	Unlisted £	Group Listed £	Unlisted £
Market value at 1 April 2008	155,212	2	155,212	0
Acquisitions at cost	147,286	0	147,286	0
Disposals at opening book value	(57,095)	0	(57,095)	0
Net unrealised gains / (losses)	1,490	0	1,490	0
Market value at 31 March 2009	246,893	2	246,893	0
Historic cost at 31 March 2009	293,465	2	239,465	0
Market value at 31 March 2008	155,212	2	155,212	0
Historic cost at 31 March 2008	145,270	2	145,270	0

All investments held are listed in Treasury Stocks.

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

14 Stocks

	Charity £	2009 Group £	Charity £	2008 Group £
The amounts attributable to the different categories are as follows				
Goods for resale	0	65,721	0	66,478
	0	65,721	0	66,478

15 Debtors

	Charity £	2009 Group £	Charity £	2008 Group £
Amounts falling due within one year				
Trade debtors	13,849	21,756	5,256	8,104
Other debtors	8,984	18,988	4,040	6,600
Prepayments and accrued income	59,859	63,804	122,732	130,398
VAT	4,916	5,608	20,937	20,937
	87,608	110,156	152,965	166,039

16 Cash at bank and in hand

	2009 £	2008 £
Non – public funds	253,760	373,146
<i>Public funds</i>		
Grant in Aid (operating)	200,988	0
Grant in Aid (purchases)	53,026	42,328
Total – public funds	254,014	42,328
Cash at bank and in hand – Charity	507,774	415,474
Trading Subsidiaries	4,575	23,589
Cash at bank and in hand – Group	512,349	439,063

The Grant in Aid (operating) cash at bank balance includes £200,988 of deferred income (see note 18).

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

	£	£
Cash	512,349	439,063
Liquid resources	0	0
	512,349	439,063

17 Creditors: amounts falling due within one year

	Charity	2009	Charity	2008
	£	Group	£	Group
		£		£
Trade Creditors	29,712	53,529	83,852	91,945
Other taxes and social security	0	1,095	0	2,410
Other creditors	0	11,680	2,564	6,060
Deferred income	200,988	200,988	0	0
Accruals	21,941	33,379	54,370	59,912
	252,641	300,671	140,786	160,327

Deferred income represents the first instalment of the 2009-2010 Grant in Aid which was received in advance in March 2009.

18 Restricted funds

	1 April	Incoming	Outgoing	31 March
	2008			2009
	£	£	£	£
Reserves – Grant in Aid (operating)	70,913	1,029,664	(945,723)	154,854
Reserves – Grant in Aid (purchases)	106,657	19,000	(244)	125,413
Reserves – Other restricted reserves	3,842,681	291,580	(337,976)	3,796,285
	4,020,251	1,340,244	(1,283,943)	4,076,552

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.

19 Analysis of net assets between funds

	Tangible		Net	
	fixed	investments	current	Total
	assets		Assets	
	£	£	£	£
Restricted funds				
Grant in Aid (operating)	138,158	0	16,696	154,854
Grant in Aid (purchases)	72,387	0	53,026	125,413
Development Fund	3,569,430	24,071	202,784	3,796,285
	3,779,975	24,071	272,506	4,076,552
Unrestricted funds – Charity	115,981	222,824	70,235	409,040
	3,895,956	246,895	342,741	4,485,592
Share of joint venture net assets	7,299	0	(2,220)	5,079
Non charitable trading funds	4,957	0	44,810	49,767
Total net assets – Group	3,908,215	246,895	385,331	4,540,441

20 Commitments and Contingent Liabilities

The charity had no capital commitments or contingent liabilities at 31 March 2009 or at 31 March 2008.

21 Other commitments

The charity had annual commitments under non-cancellable operating leases as follows

	Land and buildings 2009 £	Other 2009 £	Land and buildings 2008 £	Other 2008 £
Expiry date				
Within one year	0	0	0	0
Between one and five years	0	6,339	0	8,610
In over five years	51,685	0	51,685	0
	<u>51,685</u>	<u>6,339</u>	<u>51,685</u>	<u>8,610</u>

22 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 debtor for the year of £2,637 (2008: £2,637).

23 Post balance sheet events

The accounts were authorised for issue on 10 July 2009 by the Accounting Officer.

At their meeting on April 17 2009, Trustees took the decision to dissolve the Royal Naval Museum and to fully integrate with the National Museum of the Royal Navy. It is hoped to achieve this within 2009-2010 and much staff effort throughout all Museum departments will be required to see this process successfully completed.

Any transfer of functions to NMRN will not have a significant impact on the conduct of the museum's business and it therefore remains appropriate for the accounts to be prepared on a continuing basis.

24 External performance indicators

Ratio of self-generating income to GiA

Year	Self generated income £	Grant in Aid income £	Ratio	
2008-2009	563,440	1,042,166	1.85	Actual
2008-2009	464,281	1,045,500	2.25	Budget
2007-2008	683,205	872,560	1.28	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

	2009		2008	
	Museum share £	Total £	Museum share £	Total £
Incoming resources	355,745	1,422,981	385,709	1,542,835
Total resources expended	(364,665)	(1,458,660)	(386,789)	(1,547,154)
Net incoming/(outgoing) resources	(8,920)	(35,679)	(1,080)	(4,319)
Fund balances brought forward at 31 March 2008	13,999	55,986	15,079	60,305
Fund balances carried forward at 31 March 2009	5,079	20,307	13,999	55,986

Balance Sheet

	£	£	£	£
Tangible fixed assets	7,299	29,194	6,482	25,929
Current assets	78,626	314,503	71,351	285,394
Current liabilities	(80,846)	(323,390)	(63,834)	(255,337)
Net current assets	(2,220)	(8,887)	7,517	30,057
Net assets	5,079	20,307	13,999	55,986
General unrestricted funds	5,079	20,307	13,999	55,986

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 £82,923 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 (2008 £NIL) to the Museum.

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