

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

Royal Naval Museum Account 2006-2007

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Royal Naval Museum Account 2006-2007

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 19 JULY 2007

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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
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Bankers

National Westminster Plc
130 Commercial Road
Portsmouth
Hampshire
PO1 1ES

Investment Portfolio

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

Solicitors

Biscoes
Kingston Place
Kingston Crescent
Portsmouth
Hampshire, PO2 8AQ

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 2006-2007

Chairman

Admiral Sir Peter Abbott GBE KCB

Ex-officio Trustees

Naval Secretary
Rear Admiral Richard Ibbotson
Naval Base Commander
Commodore D Steele RN

Representative Trustees

The Society for Nautical Research

Professor R Harding
City Council of Portsmouth
Vacant
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
Brigidia 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 C S White

Structure, Governance and Management

History

The consolidated accounts for the Royal Naval Museum, Portsmouth are presented for the financial year ended 31 March 2007. 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 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 (Head of Internal Resources, Head of External Resources and Head of Research Collections) who follows 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, 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 these 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 26 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. In 2006-2007, for the first time, 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.

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

Exhibitions

In 2006-2007 the Museum opened three new temporary exhibitions planned to coincide with national anniversaries. These were all on a significant scale and have offered visitors an in-depth look at three subjects not covered in detail in the permanent exhibition galleries. All were only possible because of fundraising – for the first time in recent years this allowed the Museum to appoint professional exhibition designers. The two most recent exhibitions have been developed in conjunction with external stakeholders and seek to develop the Museum audience.

'Dreadnoughts: the ships and the men who built, lived and fought them'

Opened to the public 28 April 2006 with formal launch 12 May 2006. Closed 25 February 2007. This exhibition marked the centenary of the launch of *HMS Dreadnought*.

Total visitor numbers 60,515.

Budget: £11,000, with £5,000 from VT Shipbuilding

'Chasing Freedom: the Navy and the Suppression of the Transatlantic Slave Trade'

Opened to the public 27 January 2007, with formal launch 2 February.

This exhibition marks the bicentenary of the abolition of the slave trade and the Navy's contribution to subsequent suppression. There is a full supporting programme of events and activities to run throughout 2007 funded by Heritage Lottery Fund.

Total budget: £84,000 of which £44,000 on the exhibition.

'Task Force South: the Royal Navy and the Falklands War'

Opened to the public 31 March 2007.

This exhibition marks the 25th anniversary of the Falklands War. It has been prepared in partnership with the other naval museums and is branded as the first exhibition of the National Museum of the Royal Navy.

Budget: £55,000

Curatorial

A major achievement by the curatorial staff of the Museum was the award of full accredited status under the Museums, Libraries and Archives Council Accreditation scheme.

Aside from significant exhibition work the Museum acquired over 126 separate accessions in this financial year. This included a wide range of artefacts, works of art, photographs and manuscripts. The most significant purchase was of a model of *HMT Grenadier* on escort duty. For the first time in recent years there were additions to the oral history collection from two recording projects: 'Women at Sea' and 'Diving into the Past'.

The RNM's website continues to show record use. The average monthly number of hits was 385,164, an increase from 273,967 in 2005-2006. The Museum's first online catalogue – of its extensive Manuscript Collection – went 'live' in early 2007 and the rest of the collection will be made available online in a phased development spread over the next two years.

Learning projects

The 2006-2007 *Learning* brochure was produced in July 2006 and, as with last year, mailed to 5,000 schools across the South East. In addition to the nine workshops introduced last year it included a new '*Slavery through objects*' workshop developed as part of the Chasing Freedom programme of events, '*Sea your World*' for Reception and Key stage 1 and '*Kitbag stories*', a *Sea your History* linked workshop for Key stage 2.

The workshops continue to sell well bringing the total of pupils of participating in a taught RNM sessions since October 2005 to 4823.

Successful RNM initiatives in the past year have included the Volvo Ocean Race Crossing Oceans project and Sea your World Early Years Week. In addition to this the Learning Development Officer also helped to devise and organise the first *Sea your History* education project, *Dockyard: Then & Now* in conjunction with Stamshaw School.

The Museum also participates in Portsmouth City Council's *Children's University* programme, hosting workshops for 'Gifted and Talented' groups in the Autumn, Spring and Summer. In addition, the Learning Development Officer leads sessions for Portsmouth, Sussex and Winchester universities on subjects such as Heritage Learning and Interpretation, as well as delivering training to Portsmouth University Initial Teacher Training students.

The Family Learning programme run in conjunction with *HMS Victory* is now well established and attendance for the holiday activities programme is high (over 4,000 children to date). There are now a number of repeat visitors attending every activity. In the summer and winter 2006, '*Inspired Art*' classes for families run by a professional artist were also introduced and attended by over 60 people.

Events for adults and Community Groups over the past year have included another successful *Heritage Open Days* weekend as well as the *Chasing Freedom Community Day* run in conjunction with BBC South in March which attracted over 1,000 visitors.

The Learning Development Officer has also acted as Project Manager for the *Chasing Freedom* exhibition and learning programme.

Sea your History

During 2006-2007, the *Sea Your History* project, begun in 2005, has achieved a number of key milestones. The website went live in December 2006 along with the Navy's People theme and the Women at Sea Oral History recording project. This was followed at the end of March 2007 with the launch of the Portsmouth Dockyard theme for the website. Through the work of the *Sea Your History*'s IT Officer, CALM, the Museum's Collection Catalogue has been made available online for the first time this year.

Funds have been drawn down successfully from the Heritage Lottery Fund every quarter. Regular meetings have been held with the Heritage Lottery Fund's Lead Monitor who has given the impression that she is happy with the project and its direction.

Over the last 12 months, the Researchers working on the project have each spent two separate months working away at the project's partner collections – especially the three 'specialist' naval museums. During this time, they researched the collection and selected items for digitisation. The project board has continued to meet every quarter over the last year, providing an opportunity to share ideas and discuss the way forward for the project. The User Group has also met twice during the last year to user test initial designs for the website and also pilot the first content to appear on the website.

The Dockyard; Then and Now education project ran as part of the Sea Your History project between January and March 2007. The Researcher with responsibility for the Dockyard section of the website worked with 19 pupils from Stamshaw School to develop their understanding of the history of Portsmouth Dockyard during the 20th century. The outcome of the project can be found on the Sea Your History website.

Articles on the project have appeared in Hampshire Life, Navy News and local press and the project team have been interviewed by local radio. Work is currently underway to mount two Sea Your History displays in Portsmouth Historic Dockyard showcasing different aspects of the project. The displays will be erected in the Mary Rose Trust Museum and the Dockyard Apprentice exhibition

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 CTV 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 2007

Total incoming resources for the Group in 2006-2007 amounted to £2,141,127 (2005-2006 £2,282,306). Total resources expended amounted to £2,064,528 (2005-2006 £2,070,815). After adjustment for notional charges and other recognised gains and losses totalling £119,918 (2005-2006 £104,551), the net movement in funds for the year was an increase of £196,517 (2005-2006 £316,042).

The Group's net assets as at 31 March 2007 amounted to £4,330,208 (31 March 2006 £4,133,689).

Changes in fixed assets

Movements in fixed assets are shown in note 12 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 2007, the level of the Museum's reserves stood at £354,254 (31 March 2006 £363,633).

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 £9,855 in Investment income. The value of the portfolio fell by £2,110 to £239,874.

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 2006-2007 was that these criteria were met in 97.3 per cent of all bills paid (2005-2006 100 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. The Director has now also introduced quarterly 'Director's Forums' where he briefs all staff on events affecting the Museum and answers questions from them.

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

In 2007-2008, the Museum intends to begin detailed planning work on the long-awaited second stage of its Development Plan, which will include the creation of a set of new galleries devoted to the story of the Royal Navy in the Twentieth Century. Completion of this ambitious project is currently planned for 2010. As a 'curtain-raiser', the Museum will create – in partnership with the other naval museums - a special C20th Navy exhibition for 2008-2009, based on the pioneering work done by the *Sea Your History* project.

Additionally, the Museum will be playing a key role in the emerging plans for a National Museum of the Royal Navy, in collaboration with its fellow naval museums.

The Museum will also continue to organise ambitious programmes of events and learning initiatives designed to attract learners of all ages, backgrounds and abilities into the Museum. It will also develop its online facilities gradually, by stages, making the entire collection available through electronic cataloguing and also offering 'virtual' displays, linked to its special and permanent displays, thus making them accessible to a wider audience.

Admiral Sir Peter Abbott GBE KCB
On behalf of the Board of Trustees
6 July 2007

Dr Colin White
Accounting Officer
6 July 2007

Remuneration Report

Remuneration Policy

The Director of the Royal Naval Museum is an employee of the Board of Trustees. Until August 2006, his salary was determined centrally as part of the annual MOD pay negotiations. However, the Museum has now been awarded local pay bargaining status – advice of this was received too late to action in time for the August 2006 pay settlement and therefore agreement was reached that the Museum should mirror the August 2006 MOD pay settlement.

Salary and pension entitlements

Dr C S White, was appointed Director of the Royal Naval Museum on 26 June 2006; he has been employed by the Royal Naval Museum in other roles since September 1975. 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, Dr White would be entitled to standard Civil Service severance packages if Trustees terminated his contract prematurely. Dr White had a basic salary during the year ended 31 March 2007 of £56,977 per annum. The director is aged 55, his pension (net of inflation) fell by £948 in the year, with his total accrued pension now being £22,791 as an ordinary member of the Principal Civil Service Pension Scheme.

Dr White replaced Dr H C McMurray as director of the Royal Naval Museum on 26 June 2006. Dr McMurray was paid a basic salary of £15,032 for the period he served as director (£60,128 per annum). Dr McMurray is aged 65, his pension (net of inflation) increased by £301 in this period, with his total accrued pension now being £17,287 as an ordinary member of the Principal Civil Service Pension Scheme. Dr McMurray's CETV as at 26 June 2006 was £404,952.

'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 2007 was £469,677

The Director did not receive any Benefits in Kind.

For 2006-2007, for the Museum as a whole, employer's contributions of £40,001 were payable (2005-2006 £47,928) at rates in the range 17.1 to 25.5 per cent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2005-2006. 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 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 as at 31 March 2003. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.

Principal Civil Service Pension Scheme (PCSPS)

From 1 October 2002, civil servants may be in one of three statutory based 'final salary' defined benefit schemes (classic, premium and classic plus). The schemes are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under 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 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, 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.

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
6 July 2007

Dr Colin White
Accounting Officer
6 July 2007

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 2007 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 receive 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
6 July 2007

Dr Colin White
Accounting Officer
6 July 2007

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 2007 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. 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 is consistent with the financial statements. I also report whether in all material respects the expenditure income and resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the 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 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 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

Audit opinion

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the Royal Naval Museum's and the group's affairs as at 31 March 2007 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 is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

16 July 2007

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

Statement of financial activities for the year ended 31 March 2007

	Notes	Unrestricted funds £	Grant in Aid £	Capital Project £	2007 Total £	2006 Total £
Incoming resources						
Incoming resources from generated funds						
Voluntary income						
Grant in Aid (operating)	2	0	877,502	0	877,502	1,007,544
Grant in Aid (purchases)	2	0	18,000	0	18,000	17,500
Other donations and grants	2	18,960	0	480,596	499,556	136,185
Legacies	3	22,875	0	0	22,875	62,500
Incoming resources from charitable activities						
Admissions		319,625	0	0	319,625	333,785
Income of Trading Companies and share of Joint Venture		679,762	0	0	679,762	1,000,631
Income from investments	5	9,855	0	0	9,855	15,717
Other incoming resources	6	29,552	6,042	7,628	43,222	62,442
Total incoming resources		1,080,629	901,544	488,224	2,470,397	2,636,304
Deduct share of Joint Venture Income		(329,270)	0	0	(329,270)	(353,998)
		751,359	901,544	488,224	2,141,127	2,282,306
Resources expended						
Fundraising and publicity	7	(73,413)	(19,450)	(221)	(93,084)	(77,456)
Expenses of Trading Companies		(337,996)	0	0	(337,996)	(554,441)
Charitable activities						
Museum and visitor operations	9	(303,204)	(811,200)	(436,560)	(1,550,964)	(1,363,261)
Governance costs	10	(56,015)	(11,814)	(1,143)	(68,972)	(64,286)
Notional charges		0	(13,512)	0	(13,512)	(11,371)
Total resources expended		(770,628)	(855,976)	(437,924)	2,064,528	(2,070,815)
Net incoming/(outgoing) resources before transfers		19,269	45,568	50,300	76,599	211,491
Adjustment for notional charges		0	13,512	0	13,512	11,371
Net incoming/(outgoing) resources before gains and losses on revaluations and disposals		(19,269)	59,080	50,300	90,111	222,862
Other recognised gains and losses						
<i>Realised gains/(losses)</i>						
Net gain on sale of investments		0	0	0	0	0
Share of results of Joint Venture		(9,509)	0	0	(9,509)	9,756
<i>Unrealised gains/(losses)</i>						
Revaluation of fixed assets		0	14,174	103,851	118,025	80,784
Revaluation of investments		(2,110)	0	0	(2,110)	2,640
Net movement in funds		(30,888)	73,254	154,151	196,517	316,042
Total funds brought forward		532,918	357,921	3,242,852	4,133,691	3,817,649
Total funds carried forward		502,030	431,175	3,397,003	4,330,208	4,133,691

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

All transactions are derived from continuing activities

The notes on pages 21 to 34 form an integral part of these financial statements.

Balance Sheet – Consolidated as at 31 March 2007

	Notes	2007		2006	
		£	£	£	£
Tangible assets	12		3,308,233		3,264,234
Heritage assets	12		52,597		37,256
Investments	13		239,874		241,984
Investment in Joint Venture					
Share of gross assets		69,038		79,372	
Share of gross liabilities		(53,961)		(54,787)	
			15,077		24,585
			3,615,781		3,568,059
Current assets					
Stocks	14	83,785		96,866	
Debtors	15	145,355		56,550	
Cash at bank and in hand	16	598,092		572,199	
		827,232		725,615	
Creditors: amounts falling due within one year	17	(112,805)		(70,012)	
Net current assets			714,427		655,603
Total assets less current liabilities			4,330,208		4,223,662
Provisions for liabilities and charges	18		0		(89,973)
Net assets			4,330,208		4,133,689
Funds					
Unrestricted funds			381,974		392,240
Restricted funds	19				
Grant in Aid (operating)			340,943		284,344
Grant in Aid (purchases)			90,232		73,577
Other restricted funds			3,397,003		3,242,852
Non charitable trading funds			120,056		140,676
			4,330,208		4,133,689

The financial statements were approved by the Trustees on 6 July 2007 and signed on its behalf by

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

Dr C White
Accounting Officer

The notes on pages 21 to 34 form an integral part of these financial statements.

Balance Sheet as at 31 March 2007

	Notes	£	2007 £	£	2006 £
Tangible assets	12		3,287,413		3,241,897
Heritage assets	12		52,597		37,256
Investments	13		239,876		241,986
			3,579,886		3,521,139
Current assets					
Debtors	15	119,575		92,919	
Cash at bank and in hand	16	557,490		471,842	
			677,065	564,761	
Creditors: amounts falling due within one year	17	(61,876)		(27,500)	
			615,189		537,261
Total assets less current liabilities					
			4,195,075		4,058,400
Provisions for liabilities and charges	18		0		(89,973)
			4,195,075		3,968,427
Funds					
Unrestricted funds			366,897		367,654
Restricted funds	19				
Grant in Aid (operating)			340,943		284,344
Grant in Aid (purchases)			90,232		73,577
Other restricted funds			3,397,003		3,242,852
			4,195,075		3,968,427

The financial statements were approved by the Trustees on 6 July 2007 and signed on its behalf by

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

Dr C White
Accounting Officer

The notes on pages 21 to 34 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 March 2007

	Notes	Non-public funds £	Restricted Grant in Aid £	Charity funds 2007 £	Group 2007 £	Group 2006 £
Net cashflow/(outflow) from operating activities		67,607	61,273	128,880	71,204	248,889
Return on investments and servicing of finance						
Bank interest received		23,007	0	23,007	24,146	11,611
Dividends received		8,642	0	8,642	8,642	15,717
Capital expenditure and financial investment						
Purchase of fixed assets		(58,034)	(16,847)	(74,881)	(78,275)	(33,143)
Purchase of investments		0	0	0	0	0
Sale of investments		0	0	0	176	0
Increase/(decrease) in cash		41,222	44,426	85,648	25,893	243,074
Opening cash balances		231,627	240,215	471,842	572,199	329,125
Closing cash balances	16	272,849	284,641	557,490	598,092	572,199
Reconciliation of changes in resources to net cashflow from operating activities						
Net incoming/(outgoing) resources for year	12	51,653	59,080	110,733	90,111	222,862
Depreciation		127,157	4,892	132,049	136,785	95,678
Investment income and interest received		(31,649)	0	(31,649)	(32,788)	(27,328)
Increase/(decrease) in creditors	17	9,363	25,013	34,376	42,793	(69,216)
Increase/(decrease) in provisions	18	(72,926)	(17,047)	(89,973)	(89,973)	0
(Increase)/decrease in stocks	14	0	0	0	13,081	15,535
(Increase)/decrease in debtors	15	(15,991)	(10,665)	(26,656)	(88,805)	11,358
Net cash inflow/(outflow) from operating activities		67,607	61,273	128,880	71,204	248,889

The notes on pages 21 to 34 form an integral part of these financial statements

Notes to the financial statements for the year ended 31 March 2007

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 on reducing balance
Office Equipment	–	20 per cent on reducing balance

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 includes 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
	100

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). 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.

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 2006-2007 were as follows

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

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.civilservicepensions.gov.uk).

For 2006-2007, employers' contributions of £40,001 were payable to the PCSPS (2005-2006 £47,928) 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 revaluation 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 £56,936 (2005-2006 £50,244) 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 resources.

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

	2007 £	2006 £
Operations	877,502	1,007,544
Purchase of Exhibits	18,000	17,500
	<u>895,502</u>	<u>1,025,044</u>

Other grants and donations

	Unrestricted funds £	Restricted Grant in Aid £	Restricted other funds £	Total £	Total £
BAE Systems	0	0	80,000	80,000	75,000
HB Allen Charitable Trust	0	0	10,000	10,000	0
Chemring	0	0	10,000	10,000	0
HLF Grants	0	0	299,135	299,135	19,222
Miscellaneous donations and grants	16,910	0	211	17,121	8,049
Fisher Foundation	0	0	10,000	10,000	0
Fleet Services	0	0	1,000	1,000	0
Re Nelson's Concert	0	0	0	0	3,789
Collins	0	0	0	0	1,000
Dennis Curry Charitable Trust	0	0	0	0	5,000
Semlac	0	0	0	0	1,175
Awards for All	0	0	0	0	4,950
Mr C Richards	0	0	0	0	18,000
Lissimore	1,050	0	0	1,050	0
Lockheed Martin	0	0	5,000	5,000	0
Eranda Foundation	0	0	15,000	15,000	0
Amicus	0	0	6,000	6,000	0
The Ministry of Defence	0	0	25,000	25,000	0
Redfern Charitable Foundation	0	0	5,000	5,000	0
Rockware	0	0	2,000	2,000	0
Rowett Jones	1,000	0	0	1,000	0
SOF	0	0	1,250	1,250	0
Ultra Electronics	0	0	1,000	1,000	0
VT Shipbuilding	0	0	10,000	10,000	0
	<u>18,960</u>	<u>0</u>	<u>480,596</u>	<u>499,556</u>	<u>136,185</u>

3 Legacies

	Unrestricted funds £	2007 £	2006 £
Commodore White	21,875	21,875	62,500
Commodore Morton	1,000	1,000	0
	<u>22,875</u>	<u>22,875</u>	<u>62,500</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, (RNMTCL), a company limited by guarantee incorporated in England and Wales. RNMTCL operates a souvenir shop within the Museum. At the discretion of its directors, RNMTCL 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

	2007	2006
	£	£
Turnover	303,442	604,163
Cost of sales	(157,916)	(318,586)
Gross profit	145,526	285,577
Administration	(163,361)	(208,175)
Interest payable	0	0
Other income	621	1,792
Net profit/(loss)	(17,214)	79,194
Tax on ordinary activities	(3,486)	0
Available for distribution	(20,700)	79,194
Distributed to other charities	0	(12,000)
Net profit/(loss) after distribution to other charities	(20,700)	67,194
Amount gifted to Royal Naval Museum	0	(30,000)
Retained in Subsidiary	(20,700)	37,194

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

	2007	2006
	£	£
Turnover	26,062	40,678
Expenditure	(13,233)	(16,180)
Net profit	12,829	24,498
Tax on ordinary activities	0	0
	12,829	24,498
Amount gifted to Royal Naval Museum	(12,750)	(24,000)
Retained in subsidiary	79	498

5 Investment income

	2007	2006
	£	£
Unrestricted funds		
Dividends received	9,855	15,717
	9,855	15,717

6 Other incoming resources

	Unrestricted funds £	Grant in Aid £	Restricted funds £	2007 £	2006 £
Sundry income	29,552	6,042	7,628	43,222	62,442
	<u>29,552</u>	<u>6,042</u>	<u>7,628</u>	<u>43,222</u>	<u>62,442</u>

7 Cost of generating funds

		Fund raising and publicity £	2007 £	2006 £
Staff costs		57,666	57,666	54,872
Rent, rates and service charge		15,775	15,775	7,612
Operating costs		15,524	15,524	10,682
Printing, postage and stationery		3,751	3,751	3,140
Telephone		368	368	490
General expenses		0	0	660
		<u>93,084</u>	<u>93,084</u>	<u>77,456</u>

8 Support costs

	Museum & visitor centre operations £	Governance costs £	2007 £	2006 £
Staff costs	182,077	0	182,077	179,384
Premises costs	135,973	8,220	144,193	144,621
Education	5,553	0	5,553	6,167
Printing, postage and stationery	11,163	3,842	15,005	12,559
Telephone	736	368	1,104	1,470
Travelling	5,761	0	5,761	4,726
Entertaining	6,646	0	6,646	4,705
Consultancy	6,278	0	6,278	5,535
Bank charges and interest	1,518	0	1,518	1,268
Health and safety	4,736	0	4,736	5,974
Sundry expenses	18,767	0	18,767	13,522
Subscriptions	3,984	0	3,984	3,014
	<u>383,192</u>	<u>12,430</u>	<u>395,622</u>	<u>382,945</u>

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

	Education £	Curatorial £	Collections and exhibitions £	Sea Your History £	2007 £	2006 £
Staff costs	30,716	217,982	383,032	174,112	805,842	749,476
Other staff costs	248	1,702	4,048	902	6,900	16,192
Site costs	0	0	83,816	0	83,816	92,781
Conservation	0	0	4,895	0	4,895	2,707
Curatorial	610	6,782	7,921	0	15,313	24,832
Purchase of exhibits	0	0	1,345	0	1,345	6,714
Temporary Exhibition costs	0	0	88,679	0	88,679	5,008
Computer costs	0	0	0	28,933	28,933	10,478
Bad debts	0	0	0	0	0	1,631
Depreciation	6,602	26,410	99,037	0	132,049	89,350
Support costs	18,186	90,930	254,603	19,473	383,192	364,092
	<u>56,362</u>	<u>343,806</u>	<u>927,376</u>	<u>223,420</u>	<u>1,550,964</u>	<u>1,363,261</u>

10 Governance costs

	2007	2006
Staff costs	29,850	28,042
Legal and professional	4,212	761
Accountancy	14,330	8,830
Audit	8,150	7,800
Support costs	12,430	18,853
	<u>68,972</u>	<u>64,286</u>

11 Total resources expended (charity only)

	Staff costs £	Other costs £	Depreciation £	Total 2007 £	Total 2006 £
Charitable expenditure	987,919	430,996	132,049	1,550,964	1,363,261
Costs of generating funds	57,666	35,418	0	93,084	77,456
Governance costs	29,850	39,122	0	68,972	64,286
Notional charges	0	13,512	0	13,512	11,371
Total	<u>1,075,435</u>	<u>519,048</u>	<u>132,049</u>	<u>1,726,532</u>	<u>1,516,374</u>

	2007 £	2006 £
Staff costs		
Wages and salaries	968,258	829,053
Social security costs	92,295	84,550
Pension costs	104,855	98,171
Less release of provision	(89,973)	0
	<u>1,075,435</u>	<u>1,011,774</u>

No employees earned £60,000 per annum or more, excluding pension contributions

The average number of employees, analysed by function, was

	2007	2006
Costs of generating funds	1	1
Charitable expenditure	35	33
Governance costs	3	3
	<u>39</u>	<u>37</u>

The Director, C White, had a basic salary during the year ended 31 March 2007 of £56,977 per annum. The director is aged 55, his pension (net of inflation) fell by £948 in the year, with his total accrued pension now being £22,791 as an ordinary member of the Principal Civil Service Pension Scheme. The director's CETV as at 31 March 2007 was £469,677.

No Trustees received remuneration during the year (2006: NIL). One trustee was reimbursed for travel expenses totalling £252 (2006: £494)

12 Tangible fixed assets – Charity

	Improvements to property £	Computer and office equipment £	Fixtures, and fittings £	Heritage assets £	Total £
Cost or valuation					
At 1 April 2006	2,323,352	1,115,647	2,968,593	37,256	6,444,848
Additions	4,545	50,116	4,879	15,341	74,881
Revaluation	72,863	20,540	89,021	0	182,424
At 31 March 2007	<u>2,400,760</u>	<u>1,186,303</u>	<u>3,062,493</u>	<u>52,597</u>	<u>6,702,153</u>
Depreciation					
At 1 April 2006	189,695	1,079,174	1,896,826	0	3,165,695
Revaluation	5,937	397	58,065	0	64,399
Charge for the year	28,268	13,503	90,278	0	132,049
At 31 March 2007	<u>223,900</u>	<u>1,093,074</u>	<u>2,045,169</u>	<u>0</u>	<u>3,362,143</u>
Net book values					
At 31 March 2007	<u>2,176,860</u>	<u>93,229</u>	<u>1,017,324</u>	<u>52,597</u>	<u>3,340,010</u>
At 31 March 2006	<u>2,133,657</u>	<u>36,473</u>	<u>1,071,767</u>	<u>37,256</u>	<u>3,279,153</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 2006	2,334,994	1,115,647	3,089,088	37,256	6,576,985
Additions	4,545	50,116	8,273	15,341	78,275
Revaluation	72,863	20,540	89,021	0	182,424
Disposals	0	0	(786)	0	(786)
At 31 March 2007	2,412,402	1,186,303	3,185,596	52,597	6,836,898
Depreciation					
At 1 April 2006	201,337	1,079,174	1,994,984	0	3,275,495
Revaluation	5,937	397	58,065	0	64,399
On disposals	0	0	(611)	0	(611)
Charge for the year	28,268	13,503	95,014	0	136,785
At 31 March 2007	235,542	1,093,074	2,147,452	0	3,476,068
Net book values					
At 31 March 2007	2,176,860	93,229	1,038,144	52,597	3,360,830
At 31 March 2006	2,133,657	36,473	1,094,104	37,256	3,301,490

13 Fixed asset investments

	Charity Listed £	Unlisted £	Group Listed £	Unlisted £
Market value at 1 April 2006	241,984	2	241,984	0
Acquisitions at cost	0	0	0	0
Disposals at opening book value	0	0	0	0
Net unrealised gains/(losses)	(2,110)	0	(2,110)	0
Market value at 31 March 2007	239,874	2	239,874	0
Historic cost at 31 March 2007	238,840	2	238,840	0
Market value at 31 March 2006	241,984	2	241,984	0
Historic cost at 31 March 2006	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

	2007	Group	2006	Group
	Charity	Group	Charity	Group
	£	£	£	£
The amounts attributable to the different categories are as follows				
Goods for resale	0	83,785	0	96,866
	0	83,785	0	96,866

15 Debtors

	2007	Group	2006	Group
	Charity	Group	Charity	Group
	£	£	£	£
Amounts falling due within one year				
Trade debtors	896	2,450	3,373	5,107
Other debtors	3,384	6,021	1,533	1,533
Prepayments and accrued income	100,880	122,100	87,825	49,888
VAT	14,415	14,784	188	22
	119,575	145,355	92,919	56,550

16 Cash at bank and in hand

	2007	2006
Non – public funds	272,849	231,627
Public funds		
Grant in Aid (operating)	241,741	206,352
Grant in Aid (purchases)	42,900	33,863
Total – public funds	284,641	240,215
Cash at bank and in hand – Charity	557,490	471,842
Trading Subsidiaries	40,602	100,357
Cash at bank and in hand – Group	598,092	572,199

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

	£	£
Cash	598,092	572,199
Liquid resources	0	0
	598,092	572,199

17 Creditors: amounts falling due within one year

	2007	Group	2006	Group
	Charity	£	Charity	£
	£	£	£	£
Trade creditors	32,885	60,381	4,484	9,996
Other taxes and social security	0	2,507	0	5,396
Other creditors	0	1,656	0	217
Accruals	28,991	48,261	23,016	54,403
	61,876	112,805	27,500	70,012

18 Provisions for liabilities and charges

	Provisions	Total
	£	£
At 1 April 2006	89,973	89,973
Released in the year	(89,973)	(89,973)
At 31 March 2007	0	0

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. The museum does not believe the outstanding provision will be realised and has reversed the balance of the provision to staff costs in the current year.

19 Restricted funds

	1 April	Incoming	Outgoing	31 March
	2006	£	£	2007
	£	£	£	£
Reserves – Grant in Aid (operating)	284,344	911,230	(854,631)	340,943
Reserves – Grant in Aid (purchases)	73,577	18,000	(1,345)	90,232
Reserves – Other restricted reserves	3,242,852	592,075	(437,924)	3,397,003
	3,600,773	1,521,305	(1,293,900)	3,828,178

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 £	investments £	Net current Assets £	Total £
Restricted Funds				
Grant in Aid (operating)	91,370	0	249,573	340,943
Grant in Aid (purchases)	52,597	0	37,635	90,232
Development Fund	3,183,400	24,071	189,532	3,397,003
	<u>3,327,367</u>	<u>24,071</u>	<u>476,740</u>	<u>3,828,178</u>
Unrestricted funds – Charity	12,643	215,805	138,449	366,897
	<u>3,340,010</u>	<u>239,876</u>	<u>615,189</u>	<u>4,195,075</u>
Share of joint venture net assets	10,327	0	4,750	15,077
Non charitable trading funds	20,820	(2)	99,238	120,056
	<u>3,371,157</u>	<u>239,874</u>	<u>719,177</u>	<u>4,330,208</u>

21 Commitments and Contingent Liabilities

The charity had no capital commitments or contingent liabilities at 31 March 2007 or at 31 March 2006.

22 Other commitments

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

	Land and buildings 2007 £	Other 2007 £	Land and buildings 2006 £	Other 2006 £
Expiry date				
Within one year	0	0	0	-
Between one and five years	0	8,610	0	8,610
In over five years	51,685	0	51,685	0
	<u>51,685</u>	<u>8,610</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 debtor for the year of £2,637 (2006: £NIL).

24 Post balance sheet events

The accounts were authorised for issue on 16 July 2007 by the Accounting Officer.

25 External performance indicators

Ratio of self-generating income to GiA

Year	Self generated income £	Grant in Aid income £	Ratio	
2006-2007	872,258	895,502	1.03	Actual
2006-2007	416,443	994,000	2.39	Budget
2005-2006	479,158	1,025,044	2.14	Actual

26 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

	2007		2006	
	Museum share £	Total £	Museum share £	Total £
Incoming resources	329,270	1,317,080	353,998	1,415,992
Total resources expended	(338,779)	(1,355,117)	(344,241)	(1,376,962)
Net incoming/(outgoing) resources	(9,509)	(38,037)	9,757	39,030
Fund balances brought forward at 31 March 2005	24,586	98,342	14,828	59,312
Fund balances carried forward at 31 March 2006	15,077	60,305	24,585	98,342

Balance Sheet

	£	£	£	£
Tangible fixed assets	10,326	41,304	15,813	63,254
Current assets	58,712	234,847	63,559	254,235
Current liabilities	(53,961)	(215,846)	(54,787)	(219,147)
Net current assets	4,751	19,001	8,772	35,088
Net assets	15,077	60,305	24,585	98,342
General unrestricted funds	15,077	60,305	24,586	98,342

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 £83,568 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 (2006 £NIL) to the Museum.

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