

Presented pursuant to section 44 of the Charities Act 1993

National Army Museum Account 2007-2008

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ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 11 NOVEMBER 2008

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Contents

	Page
Reference and Administrative Information	2
Structure, Governance and Management	3
Objectives and Activities	5
Achievements and Performance	7
Future Plans	19
Financial Review	20
Remuneration Report	22
Statement of Council's and Director's responsibilities	25
Statement on Internal Control	26
The Certificate and Report of the Comptroller and Auditor General	28
Statement of Financial Activities	30
Balance Sheet	31
Cash Flow Statement	32
Notes to the Financial Statements	33

Reference and Administrative Information

Introduction

The accounts for the National Army Museum are presented for the financial year ended 31 March 2008. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

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

Address and Principal Office of Museum

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

Professional Advisers

Bankers

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25 Gresham Street
London
EC2V 7HN

Solicitors

Charles Russell 8-10 New Fetter Lane London EC4A 1RS	Penningtons Bucklersbury House, 83 Cannon Street London EC4N 8PE
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Auditors

National Audit Office
151 Buckingham Palace Road
London
SW1W 9SS

Internal Auditors

Daly, Hoggett & Co
5-11 Mortimer Street
London
W1T 3HS

Structure, Governance and Management

Background information

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

Appointment of Members of Council

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

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

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

Members of Council

Admiral Sir Jeremy Black GBE KCB DSO

Mr Mihir Bose (from December 2007)

General Sir Jack Deverell KCB OBE (Chairman)

The Rt Hon Lord Freeman PC MA FCA CRAeS

The Rt Reverend Peter J Nott

Mr Richard Nunneley MBE

Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI

The Lady Vaizey

Major General Charles G C Vyvyan CB CBE MA MSc

Recruitment, Appointment and Training of Trustees

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

Organisation Structure and Decision-Making Process

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

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

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

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

Objectives and activities

Review of activities

An email posted on the Art Fund's website by a visitor to the Museum in April 2008 summed up what had been achieved during the year and the challenges that lie ahead

...the National Army Museum has been unparalleled in its ability to remind us, in a purely accessible and imaginative manner, of the importance of the UK Armed Forces, the role they have played in defining who Britain is today, and not the least in capturing and re-telling the personal lives behind the sometimes anonymous monolith we have come to regard as 'The Army'.

The National Army Museum (NAM) sustained its visitor growth of 2006-2007 (88 per cent) with visitor numbers to NAM Chelsea totalling over 201,000 in 2007-2008. The growth in users was also significant with visits to the NAM's website growing by 99.9 per cent on top of an increase in 2006-2007 of 368 per cent. Page hits on the website rose, in comparison with the previous year, from some 13m to over 22m and site visits grew from 577,000 to nearly 1.2m.

The NAM's Special Exhibition programme was again instrumental in diversifying and expanding our audience through two original and innovative exhibitions – *Faces of Battle* dealing with the remarkable story of facial reconstruction during and after the First World War; and *Helmand: The Soldiers Story* which focused on the operational tour of 16 Air Assault Brigade in Afghanistan in 2006. During its first seven months *Helmand* was seen by some 86,000 people and it was long-listed by the Art Fund for its prestigious prize in 2008. Subsequently, the exhibition was runner up (to the British Museum for *The First Emperor: China's Terracotta Army*) and highly commended, in the category of Best Temporary Exhibition in the Museums and Heritage Awards for Excellence 2008. Also in the NAM's 'Quick-Wins' programme was an exhibition prepared during the year which commemorated the 25th anniversary of the Falklands conflict.

The Helmand exhibition was a breath of fresh air. It is nice to see a museum that is trying to do something different, and here it works excellently. My knowledge of this topic before was limited, but after this exhibition I feel like I have a much better understanding, and have since taken a much more active interest in Afghanistan and Britain's role. I would recommend it to anyone.

The Art Fund website 2008

The NAM was successful in securing a grant from the Heritage Lottery Fund towards the cost of producing an on-line database and exhibition relating to the contribution of Black and Asian troops to the history of the Army. The Museum also launched an Appeal to raise over £300,000 to purchase a portrait of General Wolfe painted c1760 by JSC Schaak sold at auction and destined for export – the painting has now been purchased as a result of this campaign and is on display in The Making of Britain Gallery.

Throughout the year the NAM has concentrated upon work designed to reinforce the Army's connection with the Nation and Society, and to link the past with the present. To achieve these objectives the staff and the Museum Council have looked in depth at the strategic development of the NAM's facilities and services over the next five years, while maintaining our commitment to the policy of identifying 'Quick-Wins' whose implementation can be sustained within each financial year. Strategically, the emphasis lies with meeting new demands upon the physical spaces within the Chelsea building, upon the renewal of the Museum's core galleries – whose displays now range in age from 10 to 25 years – in providing a modern working environment for the staff, whose accommodation has not been refurbished since 1981, and upon resolving the long-standing curatorial issues inherent in a museum collection of 6.23m items and in the location of object stores at the Royal Military Academy, Sandhurst.

The conditions governing collections' care are applied to the Museum through Museums, Libraries and Archives Council (MLA) Accreditation. To this end, thousands of hours of staff time have been expended during the year on collections management work that must be completed as a key task in the Museum's application to the MLA's Accreditation Scheme. Already the benefits have been seen in terms of increased access to the Collections and improved storage conditions. It is to be hoped that this hard work will bear fruit in the form of Accreditation towards the end of 2008.

Notable amongst the work on 'Quick-Wins' are the exhibitions mentioned above, the transformation of the area leading from the Making of Britain gallery into an introduction to the service of the Army in the American War of Independence 1776-83, and the development of 'Action Zones' in the Changing the World Gallery through which visitors of all ages can explore stories and ideas drawn from the objects on display.

The permanent galleries represent the NAM's core product and, despite their longevity, they still have the capacity through the power and importance of the world-wide story they tell to absorb, inspire and elucidate

I took my sons to see this Museum and it was a great day out. Given the constant barrage of news currently on all media it was refreshing to see history and news displayed with passion and heart. Soldiering is not popular these days, but the exhibits and displays brought so much life to the subject and provided so many questions and answers that I can't recall my children being quite so drawn into a subject for a long time.
The Art Fund website 2008

Achievements and Performance

Access and Audience Development

The Council believes that a core objective for the Museum is to provide the widest possible access to its collections and to the knowledge and experience of its staff. The commitment that this requires is delivered through the work of the Museum's Development Group, the Access Committee, and the many Floor Teams who take ideas and projects relating to user services through to implementation. A major effort to increase access and develop our audience centred on the Museum's policy of 'Quick-Wins' (including exhibitions, events and activities), on website development, on the imaginative interpretation of relevant stories from the collections, and on detailed quantitative and qualitative research about our users and non-users. The Museum has shown that together these policies can promote audience development but that when applied in isolation the results are much less clear cut. Admission to the Museum and to its exhibitions has remained entirely free of charge since the NAM opened in 1960.

The substantial increase in visitor numbers to the Museum in Chelsea seen in 2006-2007 (88 per cent) was sustained in 2007-2008. Visitors totalled 201,038 only some 1,000 fewer than the previous year despite the fact that the *Horse in War* weekend, which attracted 10,000 visitors in 2006-2007, could not be held in 2007-2008. Setting the *Horse in War* visitors to one side the Museum's attendance in 2007-2008 rose by some 4 per cent year on year despite the periodic suspension of underground services to our local station, Sloane Square, at weekends. A further 57,157 people visited the National Army Museum Buffs (Royal East Kent Regiment) exhibition in the Royal Museum and Art Gallery, Canterbury.

Of course, visitor numbers alone tell only part of the story, and it is pleasing to be able to report that significant progress has been achieved in understanding our audience and its needs. The fact that so many more people are now coming to NAM Chelsea makes it less difficult to assess their expectations than in the past, and during the year the Museum targeted specific groups of users (and non-users). This important work was completed by the Department of PR, Marketing & Events, working with the private sector analyst Ipsos MORI in 2006-2007 and will be re-visited in 2008-2009 with the research firm Opinion Leader.

The Museum's policy of implementing 'Quick-Wins', and in particular the mounting of exhibitions such as *Helmand*, have undoubtedly changed our visitors' perceptions of the NAM's purpose. In 2006-2007, 12 per cent of visitors gave 'the Army today' as one of their main areas of interest in visiting the Museum. After the opening of *Helmand*, this figure almost trebled to 30 per cent. One of the reasons is that the exhibition made the Museum relevant to non-traditional audiences; 62 per cent of the visitors to NAM in August and September were new visitors, and almost a third, 28 per cent, had come expressly to see *Helmand*. This impact has been maintained with almost two thirds of all the Museum's visitors seeing the exhibition. The Foreign Office even sent civilian staff to view *Helmand* as part of preparations for deployment in Helmand Province.

The project has earned the Museum considerable third party endorsement. UK and international museums are now developing similar exhibition treatments, and *Helmand* was selected by the Art Fund for its long-list (10) of museums and galleries competing for the 2008 prize. It was also Highly Commended for Best Temporary Exhibition at the Museums & Heritage Awards for Excellence 2008. The number of people from across the world using the Museum's services through contact with its website has continued to grow exponentially. Users increased by 99.9 per cent in 2007-2008 to over 1m (577,000 in 2006-2007) leading to 22.6m page hits. Just over half the users were from the United Kingdom with the remainder, in descending percentages, from Europe, the United States, Asia, Oceania, Africa and South America. The Museum's popularity with children has continued to grow dramatically. The number of birthday parties held at the NAM in 2005-2006 totalled 20 and in 2006-2007 totalled 189. In 2007-2008 the number of parties rose to 282.

In May 2007, the Access Group produced the Museum's policy and action plan, *NAM's Strategy for Access, Inclusion and Diversity 2007*, which was published on the Museum's website. A number of the improvements outlined in section 6, Planning the Future, have since been implemented, and work on a revised disability action plan is in progress. As part of the NAM's commitment to these issues, the Access Group met (and continues to meet) regularly to identify further improvements to the visitor and website user experience.

All members of the group have received training on a range of access issues and the group has carried out formal and informal user consultation with visitors with specific impairments (mobility impaired and profoundly deaf). More recently, an Evaluation Group has been set up to measure visitor response to and learning outcomes of displays and events, and a full Access Audit of both the Chelsea site and the Museum's website has been commissioned, with reports due in July 2008. The Group has also ensured that the NAM meets all the standards for access required for achieving Accreditation with the Museums, Libraries and Archives Council, and it continues to seek to raise standards and to develop the Museum's provision for a wider audience base.

Special Exhibitions and Permanent Galleries

During the year the Museum continued to develop historical and contemporary strands illustrating the relationship between the Army and Society. Nowhere was this more apparent than in two major Special Exhibitions which explored difficult themes in ways which cemented the NAM's innovative, partnership-led approach to exhibition planning. *Helmand: The Soldiers' Story* (from 2 August 2007) and *Faces of Battle* (from 10 November 2007) attracted substantial media attention as well as professional recognition, but most importantly, both were extremely well received by visitors. A smaller but no less significant Special Exhibition, *Task Force Falklands* (from 2 April 2007), looked back at the conflict in the South Atlantic after 25 years. Each exhibition, despite the different and sometimes challenging subject matter, explored its theme through multiple perspectives and diverse voices, often letting the protagonists speak for themselves.

The exhibition *Helmand: The Soldiers' Story* saw the Museum working with over 150 serving soldiers of 16 Air Assault Brigade to achieve a groundbreaking display reflecting the reality of conflict in Afghanistan. The NAM was approached by officers of the Brigade who recognised that the Museum was uniquely placed to communicate to the public their soldiers' experience in Helmand Province. When the 3,330 soldiers of 16 Air Assault Brigade returned home in September 2006, nobody was really aware that they'd spent six months in the fiercest fighting seen by British soldiers since the Korean War over fifty years previously.

Whilst the NAM had worked with veterans and individual soldiers in the past, it, like most museums, had never grappled with contemporary – and a controversial contemporary – conflict before. Creating an exhibition that would stand up to the shifting political, cultural and military contexts of an ongoing campaign represented an incredibly complex task. Yet despite this the Museum was aware that here was an opportunity that was unique in our experience, and not one to be discarded lightly.

So began an intense period of planning, working in close partnership with over 20 Army units, to create an exhibition out of real words, real experiences and real objects. Five elements of military life in Helmand Province were explored: 'Camp Bastion', 'UK Task Force Command', 'Core Tasks', 'Combat' and 'Medical Care'. Built by soldiers of the Brigade, using the same materials that were available to them in Afghanistan, each section has an unusual authenticity. 'Bastion', for example, is represented by an accommodation tent, complete with 'Gucci kit', to show how soldiers live in 'towns' built by themselves in the middle of a desert.

The NAM was one of the first museums worldwide to present an ongoing and controversial conflict to the public without the benefit of hindsight, and this was undoubtedly a risk. However, the *Helmand* exhibition team succeeded in mounting an exhibition which was true to the Brigade's experience without compromising the desire of the public for a coherent, balanced view of the conflict. In an exhibition that foregrounded individual voices, in audio and on the walls, a large area of the display space was given over to comments from the public. The feedback wall has become a space for discussion about the conflict, for messages of support to the troops and for commemorating casualties. This engagement with the exhibition is the greatest measure of its success, although the NAM has also been delighted with positive reviews from the media, and sector recognition. In February it was announced that *Helmand* had been one of the ten exhibitions long-listed for the Art Fund Prize 2008, competing with museums from across the length and breadth of the United Kingdom.

The NAM has always presented the entirety of the soldiers' experience, from recruitment and daily life to conflict and injury. With the Special Exhibition *Faces of Battle: Untold stories of suffering, heroism and hope*, the Museum examined the stories of First World War soldiers who suffered almost unimaginable injury and yet survived. The Museum's staff collaborated with the artist Paddy Hartley and his Project Façade team to form a diverse working partnership which included Dr Andrew Bamji, the Curator of the Gillies Archive at Queen Mary's Hospital, Sidcup. The project centred on the pioneering work of Dr Harold Gillies during and after the First World War to reconstruct faces shattered by twentieth-century weapons. Paddy Hartley's research into the techniques and the impact that reconstructive surgery had on the lives of patients inspired a series of uniform sculptures. Each sculpture interpreted the life of one of Gillies' patients. These sculptures, and the NAM objects that accompanied them, provided a unique insight into personal stories of sacrifice and courage. One of a sequence of Special Exhibitions on the First World War mounted by the NAM since 2004, this is a hard-hitting, moving exploration of fortitude, technical skill and hope for the future. Linked to the annual Remembrance Day commemorations, the NAM has as its collaborators in the Exhibition, in addition to the creative team Project Façade and the Gillies Archive, the Wellcome Trust and King's College London.

Museum staff saw the 25th anniversary of the Falklands conflict as an opportunity to take a fresh look at the war which defined a generation. This Special Exhibition tells the story of the Falklands War from the perspective of those who lived and fought through it – in pictures, memories and media. This was a chance for the Museum to display iconic photographs alongside previously unpublished images, and to give visitors the opportunity to listen to the voices of the soldiers who fought the battle for the Falklands, and of the Islanders who lived through it. The centrepiece of the Exhibition was the Victoria Cross awarded posthumously to Lt Col 'H' Jones for his actions while commanding 2nd Bn Parachute Regiment at Darwin, East Falkland. Colonel Jones' VC has been placed on loan to the National Army Museum by his widow, Mrs Sara Jones CBE JP.

As well as Special Exhibitions, the NAM continued to develop its offer to the public by updating selected display themes in some permanent galleries. Significant effort this year went into the refurbishment of areas of the *Making of Britain* gallery, particularly *Forging the Nation 1066-1509*, *The British in India 1600-1783* and *The War for America 1775-1783*. The latter employed large graphics and rarely-seen objects to turn a museum corridor into a dynamic and vibrant exhibition space. The anniversaries of the Indian Mutiny and Partition prompted new displays in the Changing the World and World Wars galleries which made excellent use of both the Museum's Indian treasures and new scholarship.

The Museum continues to illustrate how ordinary soldiers, and the Army as a whole, have contributed to the history of Britain and the world from the Middle Ages to the present day. The permanent displays are presented in four major galleries, as follows

The Making of Britain 1066-1783

Changing the World 1784-1904

World Wars 1905-1945

Fighting for Peace 1946-2006

The permanent galleries represent the NAM's core product and, despite their longevity, they still have the capacity through the power and importance of the world-wide story they tell to absorb, inspire and elucidate

Overall, this is a very encouraging set of results. Both temporary and permanent exhibitions have been rated highly, and the high number of return visitors indicates that there are enough quality displays to bring people back. If the National Army Museum can continue to introduce innovative, well presented exhibitions there is no reason that these impressive ratings cannot be maintained.

Ipsos MORI

Inspiring Learning for All

The National Army Museum places the highest value on its work dedicated to exploiting and disseminating the knowledge contained in its collections. Through talks, conferences, events and exhibitions, staff explain the service of the Army for the nation across hundreds of years of endeavour. In so doing they provide users of all ages with access to greater understanding of the Army and the soldier, thereby creating a shared identity and a knowledge of community and place. That the record of the Army's work and the stories of British soldiers lives can create a powerful learning response in all ages is shown by the many comments left by visitors or posted on relevant websites

I went to the Helmand exhibition with my boyfriend and really enjoyed it. I tend to lose concentration if an exhibition is too vast, but this was just the right size and was set up in such a unique way. I particularly loved the room set up exactly like the soldier's living quarters. It was really interesting and I felt like I had a much better understanding of what was going on in Afghanistan and, specifically, the regiment the exhibition focused on.

The Art Fund website 2008

Between April 2007 and March 2008 the Education Department's formal learning programme delivered taught sessions to 15,099 learners, comprising school groups at Primary, Secondary and 6th Form level, and adult learners from Further Education, the Army and special interest groups. In addition, education staff facilitated conferences and 45 Lunchtime Lectures for 5,168 self-directed adult learners. Some 33,000 early learners used the NAM Childrens' Gallery which is facilitated by a specialist teacher, and the number of young soldiers visiting the Museum more than doubled compared with the previous year. This was due to interest generated by the Helmand exhibition which most Army groups visited via a new taught session describing British historical involvement in Afghanistan. In all over 53,000 visitors experienced contact with the Museum's Lifelong-learning programme during the year.

The Museum is engaged in an ongoing programme of learning resource development, which includes new, curriculum based material for the formal learning programme, together with the development of the handling collection, and learning through gallery trails, backpacks, the Kids' Zone and the Action Zones. During the year backpacks were produced for use in the *Helmand* exhibition, in the Art Gallery and in the *World Wars* gallery in the form of a pack on *Spies* and *Secret Agents*. The backpacks are aimed at the 10+ age group, as part of a family audience, and the *Helmand* backpack was produced as a joint venture with members of the Civil Service Fast Stream. This team also worked in conjunction with Museum staff on the new Action Zone which was installed in the *Changing the World 1784-1904* gallery during the year and on an interactive computer quiz. The projects were all in line with the National Curriculum and they were trialled with children from Preston Park (Tower Hamlets) and Christchurch (Chelsea) Primary Schools. In all the exhibitions mounted by the NAM the average reading age of Museum text is kept at 12+, with difficult language and acronyms unpacked where appropriate. Immersive environments, handling objects, and the use of sound and lighting effects complement text to provide access to different learning styles.

In the case of the *Helmand* exhibition handling objects, uniforms and the built environments provide interactive learning experiences for visitors. Visitors are encouraged to return later to the NAM website for the complementary online exhibition, and to follow the experiences of individuals within 16 Air Assault Brigade through online diaries/blogs. This, it is hoped, would prompt further exploration of the role and activity of the Army as a whole, as well as return visits to the Museum.

The NAM's impact on a broad range of young people has never been greater and this was illustrated by comments on the Art Fund website

Fantastic. My seven year old son has visited NAM three times within two months! First with a school trip focusing on the Crimean War, then he and I spent the whole day there in the February half-term holidays, and then in early March, my son wanted Daddy to go, so all three of us went! We really enjoyed the way the exhibits are set out. Lots to see, try (on) and talk about throughout the museum – and the Kids Zone is great! Helmand is particularly interesting because it is happening now, and we could touch the equipment, hold the guns and listen to the troops talking about their work, conditions and experiences. I found the use of technology particularly fascinating. Yet at the same time we could see footage of incidents, and the ever-present danger. I pointed out the list of people who died there, and my son acknowledged this, whilst admitting that he 'didn't want to look for too long because it made him sad'. A well balanced exhibition – but, for me, what made it really poignant, was that during the evening after our visit in February, the news reported that one soldier had died and another had been seriously injured in Helmand. Having been to the exhibition, I felt better informed as to what the troops are trying to achieve in extremely unforgiving territory (though in reality, only those there can really comprehend that environment). If you can get there – go, you won't be disappointed.

Special events for young people were also successful during the year and none more so than Big Spring Clean half-term event. Attendances were good but more importantly, the event succeeded in introducing the Kids' Zone audience to the rest of the Museum in an exciting and dynamic way – which of course was one of the main reasons for doing it in the first place. The 8–12 age range lapped up 'Captain Clean', and had great fun puzzle-solving in the galleries. As various observers commented, it was the first time they had seen that age group really looking at the gallery contents. That they were also engaging with the displays was neatly demonstrated by the conversation between Captain Clean and a five-year-old about battlefield conditions for Napoleonic soldiers as a result of investigating holes in a redcoat's trousers; one of many similar learning 'digressions'. It seems clear that the public, old and young, who participated in our events, increased their knowledge, learned new skills, did activities they enjoyed, and came away with a different attitude towards the work of the NAM, thereby fulfilling a range of Generic Learning Outcomes.

Collections review

During the year the collections storage facility at Stevenage has been further developed and the core collection of Heritage Military Vehicles has been cleaned and housed in suitable conditions. Sealed Patterns from the NAM's existing collections have finally been reunited under one roof, and will, after some further curation, constitute an unparalleled resource for the study of British Army clothing and equipment. Plans can now progress for the transfer of the collections at Sandhurst into the Stevenage store to move hand-in-hand with a methodical review and rationalization of the existing collections.

Accessions to the collections

Accessions and retrospective cataloguing are entered on the Museum's centralized Collections Database and Network Infrastructure (CABAL). Public-facing versions of elements of the database have increased access to the Collections for researchers in the Templer Study Centre. Work has continued on the important retrospective documentation of all areas of the Collections, often as a partnership project between the Department of Computer Services and curatorial staff.

New Accession Numbers issued during 2007-2008 totalled 980 (2006-2007: 811) out of 12,097 (2006-2007: 9,538) accessions entered, divided between the following departments

- Weapons, Equipment and vehicles 46 (last year 102);
- Archives, Photographs, Film and Sound 278 (last year 238);
- Fine and Decorative Art 124 (last year 399); and
- Uniform, Badges and Medals 532 (last year 72).

The Documentation Team continued to keep pace with new accessions despite the demands of Floor Team, gallery and exhibition work. The entry of records for existing items in the collections continued during the year, with the following totals being entered on CABAL in 2007-2008 (figures in brackets are for 2006-2007). The term 'Part Records' refers to one or more objects from an accessioned group

Data Records entered	12,097 (9,538)
Part Records entered	31,323 (26,231)

This provided overall totals for CABAL entries from 1998 to 2008 as follows

CABAL total Data Records	77,597 (last year 65,477)
CABAL total Part Records	251,422 (last year 220,223)

These records document more than 500,000 individual artefacts. The Museum's Photographic Negative List Database forms an integral part of CABAL. It links digital images to catalogue records with a total of 45,356 scanned images now loaded onto CABAL of which 31,628 (last year 21,781) have data records linked to them. All new digital photography is formatted in such a way that images are incorporated into CABAL as a matter of course.

Acquisitions

Over the year the Museum continued to add items to its Collections. Some objects are intended for display in the galleries, while others strengthen the collections of printed books and archive material which are an asset to researchers and historians worldwide. New acquisitions assist the NAM to tell diverse stories and shed new light on the Army's history.

One of the most exciting and unexpected acquisitions of the year was the donation of the Victoria Cross awarded to Trooper Herbert Stephen Henderson, Rhodesia Horse, Bulawayo Field Force, 1896. Trooper Henderson was awarded the VC for gallantry in saving a wounded comrade, Trooper Celliers, at Campbell's Store, Bulawayo, Rhodesia, on 30 Mar 1896. The VC came to the NAM through the Henderson family. Among the other medal acquisitions this year the most notable is a rare lead medal commemorating the Duke of Wellington's victory at Vittoria in 1813.

The Museum continued to develop its archive collection through the acquisition of such rare items as the Field General court martial book of the 88th Brigade, 29th Division, covering the period 1915-1917. This volume records the names and units of 154 soldiers accused of offences during the Battle of the Somme and fighting at Gallipoli, with details of the sentences passed. Another important archive acquired this year is a set of nominal rolls of officers of various British regiments as well as the Chinese Labour Corps and Indian Army, all relating to the First World War. The collection includes the Buffs, the Middlesex Regiment and the disbanded Irish regiments, for which NAM has special responsibility. The rolls will play an important part in family history research as so many other First World War records have not survived. The NAM added to its collection of rare early photography when it acquired an indexed volume of cuttings and photographs relating to the Rifle Brigade in the 2nd Ashanti War 1873-74. The photographs are especially good, showing a large number of personalities including famous war correspondent Melton Prior. Photographs taken on campaign are particularly rare and are an invaluable authentic resource.

Artistic representations of warfare are well represented in the Museum, but this year the NAM added to its collection of contemporary art when it purchased 'REPETITION, 2004-5' from the artist, Gerald Laing. This painting by a former officer in the Northumberland Fusiliers was acquired with the intention of offering different perspectives about the nature of warfare in which British soldiers continue to be engaged, and military life and institutions in general.

Rare antiquarian books on a military theme are eagerly sought by the NAM, and offer an excellent resource for the researcher and for the Museum's exhibition teams. This year the Museum was able to acquire three rare books which add to its already extensive holdings: *An abridgement of the English military discipline, 1678*; *The perfection of military discipline, 1691*; and George Story's *An impartial history of the wars of Ireland, 1693*. The latter is one of the most important eye-witness accounts of the Williamite war in Ireland.

One of the few remaining gaps in the Museum's renowned collection of swords was filled with the acquisition of a 1796 Pattern Light Cavalry Officer's Sword to the 6th Bengal Cavalry. Very few swords of this pattern to the Indian Army are known. This variant can be dated to c1820 and has a variation on the standard blade which was developed for Indian Army use.

Purchase grant

The Purchase Grant was expended upon the following important items (prices shown are totals, including premiums where applicable)

Accession number	Object	Total price	Purchased from
2007-05-13	Portrait in oils of Captain Augustus Hartmann, 2nd Bn King's German Legion, by Paul Dumortier, 1815	£1,750.00	Christopher Bryant
2007-05-79	Watercolour of two Officers watching exercise At St Ann's Garrison, Barbados, 1886	£2,570.00	Bonhams
2007-07-35	B/W pen and ink drawing of Pajero hire car & Fv432, Basra Palace, Iraq 2003, by Matthew Cook	£223.25	Matthew Cook
2007-07-48	Watercolour of an Army encampment in Kensington Gardens, 1937, by Rowland Suddaby	£600.00	Mrs J Reeve
2007-09-14	Oil painting, Repetition 2004-5, by Gerald Laing	£44,062.50	Gerald Laing
2007-10-13	MESS GAMES Remembering past Mess Nights. Watercolour over pencil by Lt Col Chris Blessington, 2007	£350.00	Armed Forces Art Society
2007-10-14	If I should die think only this of me that there's some corner of a foreign field that is forever England. Pastel and watercolour by Hugh Brown, 2007	[purchased with item above]	Armed Forces Art Society
2007-11-17 to 21 inc	Five sets of lithographs of uniform studies	£10.00	May's Military
2008-02-18	DRAWINGS to illustrate the nature of a BURMESE STOCKADE. Pen and ink drawing by M Armstrong after 2/Lt (later Col) Paul Willis, Bengal Engineers, 4 Jan 1825.	£450.00	Grosvenor Prints
46616	Notes On Employment Of Cavalry & Horse Artillery With Instructions For Evolutions Of A Brigade	£764.00	Maggs Bros Ltd
46674 46675 46676	2 Volumes On Military Discipline (1678 & 1691) and Story's An Impartial History Of Wars Of Ireland, 1693	£2,600.00 [three volumes]	Sotheby's
2007-07-31	Gold prize medal for shooting, 1st Loyal London Volunteers, dated 1805	£700.00	Christopher Seidler
	Total	£54,079.75	

The balance of the purchase grant has been carried forward to the next year as part of the funds for the purchase of the important portrait of General James Wolfe.

Loans

The NAM's Collections are seen worldwide through loans to major international institutions. Over the last year a number of rare images from the dawn of photography, taken by Surgeon John McCosh of the Bengal Army in the 1850s, were showcased in the exhibition 'Impressed by Light' which opened at the Metropolitan Museum of Art in New York and transferred to Washington DC. The much loved Sant portrait of Captain Colin Mackenzie in Afghan dress travelled to the Yale Centre for British Art (in New Haven, Connecticut) as part of a Tate-sponsored international exhibition. Portraits of Sir John Moore and the Duke of Wellington were lent to the Cultural Centre, Madrid, to mark the 200th anniversary of the start of the Peninsular War. Closer to home, loans were also made to the National War Museum of Scotland, the Commonwealth War Graves Commission's 90th Anniversary Exhibition at Canada House, and the exhibition 'Passchendaele 1917-2007: The Belgians have not forgotten', held at the London residence of the Belgian Ambassador.

Disposal

A major project this year has been the disposal of the rolling stock and locomotives inherited by the NAM after the failure of the Museum of Army Transport, Beverley. These items had been subject to a claim by the Defence Rail & Container Service (former Defence Logistics Organisation) which has only lately been resolved to the Museum's satisfaction by the most helpful intervention of Army Heritage Branch. The writing off of this claim allowed the Museum to cancel the long term loans of the rolling stock and locomotives and convert such loans into gifts, thereby assisting in the reduction of contingent liability.

Work has continued on the rationalisation of the Printed Books Collection. In the main the Department's disposal programme has resulted in transfers to regimental museums, although some duplicate restricted material has been destroyed as have a small number of books in poor condition after previous water damage.

In the Department of Uniform, Badges and Medals, the focus has been to reduce the number of non-military items, in particular the button ledgers from the Gaunt collection. After the NAM unsuccessfully offered the ledgers to the museum community the ledgers were reluctantly consigned to auction. They were sold by Dix Noonan Webb in November, making a sum of £37,611.57 after charges. Specialist sporting badges and buckles have been transferred to appropriate museums (British Cycling Museum, British Golf Museum, National Football Museum, MCC Museum).

In the Department of Weapons, Equipment, and Vehicles, work has concentrated on the disposal of items beyond effective conservation. In some cases these objects were received by the Museum in poor condition, but in the main they have deteriorated as a result of poor storage conditions and flooding in Sandhurst. Significant work has also been completed on reducing Museum's holdings of firearms. Despite increasingly stringent legislation the intention remains to retain the internationally-important collections of edged weapons and firearms. This is best achieved by ensuring that space in the Armoury is used effectively, so duplicate weapons, non-British Army weapons and objects in poor condition have been extracted. Some eight firearms have been transferred to regimental museums with the appropriate licences, and up to ten more await collection. Over 50 longarms will be transferred to the Metropolitan Police, either to be scrapped or to be used as training firearms.

Benefits

Effort spent on disposals has been of use in preparing stores for Accreditation by removing accumulations of unsuitable material. Additional space has thus been created for further acquisitions and for improved storage of the Collections. NAM will continue to review and edit its Collections so that they meet the needs of users and contain only objects of national importance.

Date of disposal	Accession number	Object	Result of disposal
4 April 2007	1995-01-2	Morris Commercial general service truck	Transferred
12 April 2007	UNACC	Gaunt button ledgers	Sale by auction
18 May 2007	2002-04-872	Scammell recovery vehicle	Transferred
26 June 2007	UNACC	Life size carved wooden horse	Transferred
13 July 2007	14819 & 14820	<i>Royal Army Veterinary Corps Journal</i>	Destroyed, poor condition
8 August 2007	UNACC	Gaunt buttons relating to the Salvation Army	Transferred
8 August 2007	UNACC	Various books	Destroyed, poor condition
11 September 2007	UNACC	Respirator and canvas bag	To Education Department
11 September 2007	1993-12-142	Two children's respirators	Destroyed (asbestos)
11 September 2007	1993-12-144	Three civilian respirators	Destroyed (asbestos)
11 September 2007	2003-06-58	Wirecutters	To Education Department
20 September 2007	UNACC	Small drop leaf table	Transferred
20 September 2007	UNACC	Large metal Coat of Arms	Transferred
20 September 2007	1963-09-88	Hollow cast plaster statue of a Zulu	Destroyed, poor condition
25 September 2007	UNACC	6 duplicate/non-military books	Transferred
25 September 2007	UNACC	Badges etc relating to cricket	Transferred
5 October 2007	1998-09-63	Leyland Charioteer tank	Transferred
10 October 2007	1996-08-217	Replica SA80	To Education Department
10 October 2007	1992-05-18	Replica lobster pot helmet	To Education Department
12 October 2007	UNACC	Badges etc relating to football	Transferred
31 October 2007	1981-12-68-2&4	2 Lee-Enfield rifles	Transferred
31 October 2007	1993-07-132	Bolt-action rifle	Transferred
31 October 2007	UNACC	8 jezails	Transferred
5 November 2007	UNACC	<i>Calendar of State Papers – 150 vols</i>	Transferred
7 November 2007	UNACC	French official history of the First World War	Transferred
12 November 2007	UNACC	Badges etc relating to golf	Transferred
28 November 2007	UNACC	<i>Coat of Arms magazines</i>	Transferred
28 November 2007	19857	<i>Naval and military Records of Rugbeians</i>	Transferred
28 November 2007	28 Nov 2007	Misc duplicate/ non-military books	Transferred
28 November 2007	UNACC	2 volumes of Who's Who and a duplicate book	Transferred
28 November 2007	UNACC	2 volumes of Who's Who	Transferred
29 November 2007	UNACC	Wooden box	Destroyed, poor condition
29 November 2007	UNACC	Tin box	Destroyed, poor condition
29 November 2007	UNACC	Leather suitcase	Destroyed, poor condition
3 December 2007	1996-08-256	German bolt action rifle	Transferred
3 December 2007	1963-12-251-64	Lee-Enfield rifle	Transferred

Date of disposal	Accession number	Object	Result of disposal
3 December 2007	1978-11-51	Bolt action carbine	Transferred
3 December 2007	UNACC	Various duplicate/ non-military books	Transferred
4 December 2007	UNACC	Badges etc relating to cycling	Transferred
4 December 2007	1956-08-40	Pair of percussion pistols	Destroyed, poor condition
4 December 2007	1963-11-92	Percussion pistol	Destroyed, poor condition
4 December 2007	1959-04-243	Smoothbore percussion pistol	Destroyed, poor condition
4 December 2007	1956-08-43	Flintlock pocket pistol	Destroyed, poor condition
4 December 2007	1983-05-98-11	Scabbard for bayonet	To Education Department
4 December 2007	1983-05-98-05	Scabbard for bayonet	To Education Department
4 December 2007	1993-12-98	8 field telephone sets	Transferred
6 December 2007	UNACC	Various duplicate/ non-military books	Transferred
6 December 2007	UNACC	Various duplicate/ non-military books	Transferred
10 December 2007	1996-08-252	Mauser Gewehr rifle	Transferred
10 December 2007	1965-10-204-121	Short magazine Lee-Enfield rifle	Transferred
14 December 2007	UNACC	Various duplicate/ non-military books	Transferred
14 December 2007	UNACC	Various duplicate/ non-military books	Transferred
14 December 2007	UNACC	Various duplicate/ non-military books	Transferred
14 December 2007	UNACC	Various duplicate/ non-military books	Transferred
17 December 2007	UNACC	Various duplicate/ non-military books	Transferred
21 January 2008	1994-11-14	Lord Kitchener's Coach. Eight wheel non-bogie saloon	Transferred
21 January 2008	1994-11-11	Ruston and Hornsby 0-4-0 diesel locomotive, AD 110	Transferred
21 January 2008	1998-09-92	Merryweather transportable steam pump	Transferred
21 January 2008	UNACC	Dining car from the Berlin Military Train	Transferred
25 January 2008	1998-09-87	Simplex, 20 hp diesel rail tractor, c. 1943	Transferred
25 January 2008	1998-09-91	Steam locomotive 0-6-0 saddle tank, 'Waggoner	Transferred
25 January 2008	2000-03-40	Kelbus mobile sand drier	Transferred
25 January 2008	2000-03-47	Narrow gauge 20 hp 4 WDM 18/20 Ruston locomotive, pattern 1938	Transferred
25 January 2008	2000-03-48	Narrow gauge 20 hp 4 WDM 18/20 Simplex locomotive, pattern 1935	Transferred

Date of disposal	Accession number	Object	Result of disposal
25 January 2008	2000-03--48	Narrow gauge 20 hp 4 WDM 18/20 Simplex locomotive, pattern 1935	Transferred
25 January 2008	UNACC	Steam locomotive AD600 'Gordon'	Transferred
25 January 2008	2001-07-33	0-6-0 Austerity Saddle tank locomotive, 1953, 'Royal Engineer'	Transferred
25 January 2008	2001-07-34	Standard 0-4-0, 153 HP diesel locomotive, 'Mavis', 1945.	Transferred
25 January 2008	UNACC	Wickham 4 wheeled platelayers' trailer	Transferred
25 January 2008	UNACC	A quantity of 60cm rolling stock and 60cm rails and sleepers, all in poor condition	Transferred
30 January 2008	2002-01-14	Simplex locomotive, 4WDM, 2 ft gauge, 1917	Transferred
30 January 2008	1998-09-88	Simplex, 20 hp diesel rail tractor, 1941	Transferred
2 February 2008	1982-11-199-5	Compass, naval type P8 No 118292 H, c1943	Destruction (radiation source)
2 February 2008	1998-06-32	Clock from unknown German vehicle, 1944	Destruction (radiation source)
2 February 2008	1977-10-59-24	Packaged clinometer, 1956	Destruction (radiation source)
2 February 2008	1978-11-182-2	Wireless set (Canadian) 19 Mk III.	Destruction (radiation source)
2 February 2008	1986-05-47	Director and case	Destruction (radiation source)
2 February 2008	1963-11-92	Percussion pistol by J Lang (duelling or officer's) 1845	Destruction, beyond repair
2 February 2008	1956-08-40	Pair of officer's percussion pistols; W Mills, London, 1850	Destruction, beyond repair
19 February 2008	UNACC	Brass-bound wooden box	Destruction, beyond repair
20 February 2008	1994-11-17	Warwell bogie wagon	Transferred
20 February 2008	1994-11-16	Southern Railway ramp wagon with detachable bogie	Transferred
20 February 2008	1998-09-93	Gun tractor or armoured train	Transferred
20 February 2008	UNACC	3 buttons relating to early locomotives	Transferred
20 February 2008	UNACC	Warwell wagon	Transferred
20 February 2008	1998-09-90	Rec tank bogie wagon	Transferred
20 February 2008	UNACC	Three books of plastic badges	Destroyed, poor condition
25 February 2008	UNACC	2 powder magazine trucks, RN 9 and RN 18	Transferred
25 February 2008	1998-09-85	Steam locomotive 0-6-0 saddle tank, 'Woolmer'	Transferred
25 February 2008	1994-11-13	Steam boiler from ex-locomotive 'Mars'	Transferred
25 February 2008	1998-09-86	Diesel locomotive 0-4-0, 'Rorke's Drift'	Transferred

Date of disposal	Accession number	Object	Result of disposal
25 February 2008	1998-09-89	Railway wrecker, Pline C24	Transferred
25 February 2008	1998-09-94	Craven 10 ton railway box van, 1918	Transferred
11 March 2008	1999-02-56	Foot press for button manufacture	Destroyed, poor condition
11 March 2008	1999-02-57	Screw or Fly press for buttons	Destroyed, poor condition
18 March 2008	1959-11-226	Iron rations in a sealed tin, c1900	Destroyed, poor condition
20 March 2008	UNACC	<i>Pamphlet entitled Memento of the signing of the Great Peace on June 28th 1919</i>	Transferred
20 March 2008	UNACC	Wickham target trolley, WD76182	Transferred
20 March 2008	UNACC	Wickham trailer for Wickham car (T9022)	Transferred
28 March 2008	1972-05-49	One button inscribed P.W.G.	Sale by auction with Gaunt material

Immediate steps

The coming year will see significant improvements to the facilities at the Stevenage building and the start of the transfer of the Collections held at Sandhurst, initially focussing on the uniform collections. This will be an excellent opportunity for a methodical and comprehensive collections review, leading inevitably to a small number of disposals of duplicate pieces but more importantly to a massive improvement in the care and curation afforded the bulk of the Collections.

Work done to prepare the Museum for its application for the Museums, Libraries and Archives Council's Accreditation Scheme will set the NAM in good stead in all areas of its work. Already the benefits have been seen in terms of increased access to the Collections and improved storage conditions. It is to be hoped that this hard work will bear fruit in the form of Accreditation towards the end of 2008.

The year 2008-2009 will see the first phase of the Museum's Online Collection, designed to showcase some of the many treasures of the Collections but also to improve access for all visitors, go live for those using the Chelsea site and for those visiting the website from across the world.

Regional support

The NAM has continued its policy of reactive regional support through advice and consultancy to regimental museums throughout the United Kingdom. As well as acting as Curatorial advisers for a number of museums under the Museum, Libraries and Archive Council's Registration and Accreditation schemes the NAM has provided design services for two major regimental museum projects in the last year. NAM staff were instrumental in the planning and display of the new Royal Military Police Museum at Southwick Park which was opened by Her Majesty, the Queen on 7 June 2007. This was the culmination of a project which involved the closure of the RMP Museum in Chichester, the transfer of the collections to a converted stable block at the Defence College of Police and Guarding, and the creation of entirely new displays. NAM assisted throughout this process which was jointly funded by the RMP and the Ministry of Defence. The second major scheme is the complete re-display of the Inniskillings Museum in the Castle, Enniskillen, Northern Ireland. The National Army Museum's involvement started in 2001, continued through funding applications to the Heritage Lottery Fund and others, and will see the new museum completed in June 2008. Support was also provided with preparatory designs for the Rifles Collection Centre in Winchester, and advice given to the Trustees of the Queen's Royal Lancers Regimental Museum concerning their search for a new location in which to display their collections.

Professional training for curators and trustees of MOD sponsored museums was provided through three five day courses held at NAM, Chelsea. The courses were attended by 29 curators drawn from across the United Kingdom. Assistance with heritage projects was made available to the Army for work on Operation Hyperion and the proposed Heritage Centre at the Infantry Training Centre, Catterick in the form of historical, interpretative, and design advice.

The Development of NAM Trading Activities

Thanks to increased visitor throughput and vigorous marketing, the volume of NAM's trading activities has grown strongly – so much so that the Museum must now take action to avoid infringing its charitable status. This 'problem of success' was considered at the Inaugural Meeting of the NAM Development Committee on 21 November 2006 and, following advice from the Museum's private sector accountant & auditor, Messrs Daly, Hoggett & Co, it was discussed at the 14th & 15th Meetings of the Audit & Remuneration Committee (12 December 2006 and 7 March 2007).

As an initial outcome it was considered prudent to commission an independent consultancy to determine the way ahead for NAM trading as a whole, seeing that, for historic reasons, it was an under-developed arm of the Museum's activities. At present there is no separate entity for Museum trading.

The strategic objective of the consultancy was to concentrate on the Museum's revenue-generating functions, weighing them against the public service and internal market aspects of their operation, with the potential of setting up an independent trading arm. At the very least, this would prevent the NAM being caught by surprise should our trading position become so strong as to place charitable status at risk. Detailed advice has been taken from the Museum's Solicitors, Messrs Charles Russell, concerning these matters and as a result the decision has been taken to establish a separate trading company for the NAM in the financial year 2008-2009.

Future Plans

The success of the NAM's new approach to interpretation, meaning and relevance has created acute challenges for the Museum. Our building, our galleries and our staff have experienced vastly increased pressure on all aspects of their performance during the last two years. The occasions when the building, and especially the foyer, fails to cope with the sheer number of visitors are becoming more frequent. Despite piecemeal improvements to displays and their interpretation the NAM's ageing permanent galleries desperately need complete renewal if they are to achieve the level of communication about the Army demanded by the sensibilities and knowledge of today's citizens. It is now over twenty-five years since anything fundamentally new was done to improve the working conditions of the staff, especially in regard to their accommodation and facilities. Vital collections management initiatives, which seek to resolve the historic Sandhurst issue and achieve development of the NAM Stevenage Outstation, must also go ahead with immediate effect.

A five-year Strategic Plan addressing these issues has been drawn-up, costed and approved by the Museum Council and the NAM's sponsor branch within the Ministry of Defence. The Plan is structured around phased works, which may be initiated, continued or terminated as funds are made available, but without compromising the Museum's service to the public, its stewardship of the Collections, or reputation. Additionally, it does not expose Council (or any other stakeholder) to concealed risks. A Development Committee has been established to assist with the funding of elements of the Strategic Plan and it was felt that an organisation like the NAM, with a modern public image, sitting astride a secure academic base while also reflecting what the Army is doing right now, might be seen by many as an attractive proposition to support.

We believe that this Strategic Plan offers a coherent, value-for-money development programme for the Museum. We also believe that the only alternative would be for the Museum effectively to stand still, focusing on limited objectives. It thus forms an essential element in the NAM's ability to respond effectively to the growing recognition within the military community that its material heritage has an important role to play in supporting the Armed Forces, and to the public's desire to learn more about the men and women upon whose work and ability their security depends.

Without fail the National Army Museum has impressed me with inventive displays, emotive artwork and engaging, knowledgeable staff. 'Helmand: A Soldier's Story' perfectly illustrates the Gallery's attention to detail and ability to communicate complex, and often dismal stories in a way that is both truly memorable and often harrowingly moving. I have been forced to return more than once... An absolutely fantastic piece of work.
Art Fund website Spring 2008

Financial Review

Results for the year ended 31 March 2008

Total incoming resources for the Museum in 2007-2008 amounted to £6,246,519 (2006-2007 £6,068,157). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2007-2008 this was £5,479,521 (2006-07 £5,292,879). Total resources expended amounted to £6,425,397 (2006-2007 £5,718,818). After adjustment for notional charges, the revaluation of the Museum's leasehold property and other recognised gains and losses, the net movement in funds for the year showed an increase of £604,688 (2006-2007 £4,237,953).

The Museum's net assets as at 31 March 2008 amounted to £25,388,761 (31 March 2007 £24,784,073).

Changes in fixed assets

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

Policy on reserves

The NAM's reserves, are defined for the purposes of this policy, as the amounts shown as 'Investments' and 'Net Current Assets' which are attributed to unrestricted funds. As at 31 March 2008, the level of the Museum's reserves stood at £1,102,832 (31 March 2007 £982,855).

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

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

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

Investment policy

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

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

Relationship with related parties

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

Payment of creditors

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

The Museum's actual payment performance during the year was that 100 per cent (2006-2007 98 per cent) of bills were paid within the thirty day target.

Equal opportunities and disabled persons

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

Employee involvement

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

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

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

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

Dr Alan J Guy
Director

29 October 2008

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

Remuneration Report

Remuneration policy

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

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

Salary and pension entitlements

The salary and pension entitlements of the Management Team of the Museum were as follows (with comparative salary disclosures for 2006-2007).

	Dr A Guy £000	Mr D Smurthwaite £000	Dr P Boyden £000	Mr M O'Connor £000
Salary including performance pay 2007-2008	95-100	70-75	55-60	55-60
Salary including performance pay 2006-2007	90-95	65-70	45-50	45-50
Real increase/(decrease) in pension and related lump sum at 60	0-2.5 plus 2.5-5.0 lump sum	0-2.5 plus 2.5-5.0 lump sum	0-2.5 plus 0-2.5 lump sum	0-2.5 plus N/A lump sum
Total accrued pension at 60 as at 31 March 2008 and related lump sum	35-40 plus 110-115 lump sum	25-30 plus 85-90 lump sum	20-25 plus 55-60 lump sum	5-10 plus N/A lump sum
Cash equivalent transfer value as at 31 March 2008	869	758	524	87
Cash equivalent transfer value as at 31 March 2007	741	689	432	57
Real increase in cash equivalent transfer value as funded by employer	27	25	32	20

Owing to the fact that there were certain errors in earlier CETV calculations, there may be a difference between the final period CETV for 2006-2007 and the start of period CETV for 2007-2008.

None of the above received any benefits in kind during the year (2006-2007 £Nil).

No members of the Council received any remuneration during the year (2006-2007 £Nil). During the year reimbursements were made to three members of the Council totalling £194 (2006-2007 £266) for travel and subsistence and £436 (2006-2007 £1,921) for hospitality.

For 2007-2008 employers' pension contributions for the Museum as a whole of £448,378 were payable to the PCSPS (2006-2007 £403,803) at rates based on salary bands as follows

Band one	-	£19,000 and under	17.1 per cent
Band two	-	£19,001 - £39,000	19.5 per cent
Band three	-	£39,001 - £66,500	23.2 per cent
Band four	-	£66,501 and over	25.5 per cent

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

Salary

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

Benefits in Kind

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

Pension benefits

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

Principal Civil Service Pension Scheme (PCSPS)

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

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

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3 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 Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves the scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-2004 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, and do take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Dr Alan J Guy
Director

29 October 2008

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

Statement of Council's and Director's responsibilities

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

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

- Observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the charity will continue in operation.

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

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

Dr Alan J Guy
Director

29 October 2008

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

Statement on Internal Control

Scope of responsibility

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

The purpose of the system of internal control

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

The system of internal control is based on an ongoing process of assessment and scrutiny, overseen by the Audit & Remuneration Committee of the National Army Museum Council, designed to identify and prioritise the principal risks to the achievement of the Council's policies, aims and objectives; to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the National Army Museum for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts. The Museum believes its system of internal control accords with Treasury guidance.

Capacity to handle risk

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

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

The risk and control framework

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

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

Review of effectiveness

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

Dr Alan J Guy
Director

29 October 2008

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

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

I have audited the financial statements of the National Army Museum for the year ended 31 March 2008 under the Museum's Royal Charter of 1960 as amended in 1988. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

I 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, the information, which comprises the Financial Review, included in the Foreword and Report of Council is consistent with the financial statements. I also report whether in all material respects the income 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 National Army Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Foreword and Report of Council and consider whether it is consistent with the audited financial statements. This information comprises the Financial Review. 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 Council and Director in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the National Army 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 income 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 National Army Museum's affairs as at 31 March 2008 and of its incoming resources and application of resources 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, which comprises the Financial Review, included within the Foreword and Report of Council is consistent with the financial statements.

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.

T J Burr
Comptroller and Auditor General

7 November

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

Statement of Financial Activities year ended 31 March 2008

	Notes	Unrestricted funds £	Restricted funds £	Restricted grant-in-aid funds £	Total funds 2007-2008 £	Total funds 2006-2007 £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grants and donations		22,280	100,000	60,000	182,280	296,476
<i>Activities for generating funds</i>						
Commercial trading operations	5	373,705	0	0	373,705	309,102
Investment income	2	43,600	16,209	15,938	75,747	55,895
		<u>439,585</u>	<u>116,209</u>	<u>75,938</u>	631,732	661,473
Other incoming resources						
Grant-in-aid (operating)		0	0	5,364,521	5,364,521	5,177,879
Grant-in-aid (purchases)		0	0	115,000	115,000	115,000
Sundry income		129,624	0	5,642	135,266	113,805
Total incoming resources		<u>569,209</u>	<u>116,209</u>	<u>5,561,101</u>	6,246,519	6,068,157
Resources expended						
Cost of generating funds						
Fundraising costs of grants and donations	4	0	0	9,673	9,673	9,265
Commercial trading operations	4, 5	255,627	5,790	72,801	334,218	304,430
		<u>255,627</u>	<u>5,790</u>	<u>82,474</u>	343,891	313,695
Cost of charitable activities						
Collections and exhibitions	4	100,837	327,366	3,618,606	4,046,809	3,529,752
Curatorial	4	0	144,759	890,350	1,035,109	880,114
Education	4	0	86,855	188,602	275,457	328,169
Publicity	4	24,964	28,952	564,319	618,235	570,093
		<u>125,801</u>	<u>587,932</u>	<u>5,261,877</u>	5,975,610	5,308,128
Governance costs	4	0	0	65,666	65,666	61,823
Notional charges	6	0	0	40,230	40,230	35,172
Total resources expended	7	<u>381,428</u>	<u>593,722</u>	<u>5,450,247</u>	6,425,397	5,718,818
Net incoming/(outgoing) resources before transfers						
		187,781	(477,513)	110,854	(178,878)	349,339
Reversal of notional charges	6	0	0	40,230	40,230	35,172
Net oncoming/(outgoing) resources for the year		<u>187,781</u>	<u>(477,513)</u>	<u>151,084</u>	(138,648)	384,511
Other recognised gains and losses						
Unrealised gains/(losses)						
Investments		0	(32,636)	0	(32,636)	10,563
Revaluation of assets		1,199	757,246	17,527	775,972	3,842,879
Net movement in funds		<u>188,980</u>	<u>247,097</u>	<u>168,611</u>	604,688	4,237,953
Balances brought forward at 1 April 2007		1,314,397	21,705,014	1,764,662	24,784,073	20,546,120
Balances carried forward at 31 March 2008		<u>1,503,377</u>	<u>21,952,111</u>	<u>1,933,273</u>	25,388,761	24,784,073

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

The notes on pages 33 to 42 form a fundamental part of these financial statements.

Balance sheet year ended 31 March 2008

	Notes	2008 £	£	2007 £	£
Fixed assets					
Tangible assets	8	21,660,482		21,522,764	
Heritage assets	9	1,574,872		1,530,552	
Investments	10	182,111		214,747	
			23,417,465		23,268,063
Current assets					
Stock of finished goods		52,957		56,768	
Debtors	11	320,163		213,012	
Cash	12	1,698,366		1,384,685	
		2,071,486		1,654,465	
Current liabilities					
Creditors: Amounts falling due within one year	13	100,190		138,455	
Net current assets			1,971,296		1,516,010
Total assets less current liabilities			25,388,761		24,784,073
Reserves					
Unrestricted funds			1,503,377		1,314,397
Restricted funds	14		21,952,111		21,705,014
Restricted Grant-in-Aid Funds			1,933,273		1,764,662
	15		25,388,761		24,784,073

The financial statements were approved by the Council on 29 October 2008 and signed on its behalf by

Dr Alan J Guy
Director

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

The notes on pages 33 to 42 form a fundamental part of these financial statements.

Cash Flow Statement year ended 31 March 2008

	Unrestricted funds £	Restricted funds £	Restricted grant in aid funds £	Total funds 2007-2008 £	Total funds 2006-2007 £
Net cash inflow from operating activities (see below)	183,127	44,988	191,278	419,393	712,183
Return on investments and servicing of finance					
Interest received	43,600	9,302	15,938	68,840	48,974
Investment income	0	6,907	0	6,907	6,921
	43,600	16,209	15,938	75,747	55,895
Capital expenditure					
Payments to acquire					
Tangible fixed assets	(52,507)	(10,011)	(75,076)	(137,594)	(451,825)
Heritage assets	0	0	(44,320)	(44,320)	(170,973)
Proceeds on sale of fixed assets	0	0	455	455	0
Sale of investments	0	0	0	0	23,993
	(52,507)	(10,011)	(118,941)	(181,459)	(598,805)
Increase in cash	174,220	51,186	88,275	313,681	169,273
Reconciliation of changes in resources to net cash inflow/(outflow) from operating activities					
Changes in resources before revaluations	187,781	(477,513)	151,084	(138,648)	384,511
Investment income	(43,600)	(16,209)	(15,938)	(75,747)	(55,895)
Depreciation	6,363	592,272	159,433	758,068	449,947
Loss on disposal of fixed assets	0	0	17,325	17,325	3,577
Increase/(decrease) in creditors	(4,292)	(53,562)	19,589	(38,265)	(18,859)
(Increase)/decrease in stocks	3,811	0	0	3,811	(19,125)
Decrease/(increase) in debtors	33,064	0	(140,215)	(107,151)	(31,973)
Net cash inflow from operating activities	183,127	44,988	191,278	419,393	712,183

The notes on pages 33 to 42 form a fundamental part of these financial statements.

Notes to the Financial Statements year ended 31 March 2008

1 Accounting policies

a Basis of accounting

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

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

b Grants receivable

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

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

c Voluntary income

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

d Tangible fixed assets and depreciation

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

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

Leasehold Buildings	50 years
Fit-out of Buildings	15 years
Plant and Machinery	10 years
Computer Equipment	5 years
Fixtures and Fittings	10 years

e Heritage assets

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

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

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

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

By definition, the Museum has a long-term purpose and should possess permanent Collections in relation to its stated objectives. The Council accepts the principle that, except for sound curatorial reasons, there is a strong presumption against the disposal of any items in the Museum's Collections.

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

f Investments

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

g Stocks

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

h Taxation

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

i Restricted and unrestricted funds

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

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

j Basis of cost allocation

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

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

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

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

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

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

k Pensions cost

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

l Notional costs

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

2 Investment income

	Unrestricted funds £	Restricted funds £	Restricted grant-in-aid funds £	Total funds 2007-2008 £	Total funds 2006-2007 £
Interest receivable	43,600	9,302	15,938	68,840	48,974
Other investment income	0	6,907	0	6,907	6,921
	<u>43,600</u>	<u>16,209</u>	<u>15,938</u>	<u>75,747</u>	<u>55,895</u>

3 Allocation of support costs

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

Support costs	Allocated to charitable activities £	Allocated to costs of generating funds £	Governance £	Total £
General administration	74,117	2,629	0	76,746
Information technology	75,436	0	0	75,436
External Audit	0	0	8,450	8,450
Internal Audit	0	0	6,130	6,130
Accountancy Services	18,771	0	0	18,771
Legal and other Professional Fees	62,606	0	0	62,606
Trustees expenses	0	0	630	630
Total 2007-2008	<u>230,930</u>	<u>2,629</u>	<u>15,210</u>	<u>248,769</u>
Total 2006-2007	<u>219,579</u>	<u>1,585</u>	<u>17,047</u>	<u>238,211</u>

4 Resources expended

	Cost of generating funds		Direct charitable expenditure				
	Fundraising costs £	Trading operations £	Collections and exhibitions £	Curatorial £	Education £	Publicity £	Governance Costs £
Staff costs	9,673	116,835	2,061,100	882,462	168,176	145,300	50,106
Premises costs	0	12,583	551,207	0	0	0	0
Collections maintenance	0	0	558,901	0	0	0	0
Educational events	0	0	0	0	17,797	0	0
Advertising and promotion	0	0	0	0	0	436,095	0
Purchase of artefacts	0	0	4,151	0	0	0	0
Other costs	0	196,381	107,563	0	0	0	0
Depreciation	0	5,790	491,712	144,759	86,855	28,952	0
Notional rent	0	0	60,000	0	0	0	0
Support costs (note 3)	0	2,629	212,175	7,888	2,629	7,888	15,560
Total 2007-2008	9,673	334,218	4,046,809	1,035,109	275,457	618,235	65,666
Total 2006-2007	9,265	304,430	3,529,752	880,114	328,169	570,093	61,823

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

5 Commercial trading operations

	2007-2008			2006-2007 £
	Trading profit and loss account £	Trading income £	Trading expenditure (Note 4) £	
Museum Shop Sales	224,861	224,861		205,255
Less: Cost of Sales				
Opening Stock	56,768			37,643
Purchases	118,903			141,082
Closing Stock	(52,957)			(56,768)
	122,714		122,714	121,957
Shop Gross Profit	102,147			83,298
Other Trading Income	148,844	148,844		103,847
Other Trading Expenditure	211,504		211,504	182,473
Totals		373,705	334,218	4,672
Trading Profit 2007-2008	39,487			
Trading Profit 2006-2007	4,672			

6 Notional charges

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

Notional charges comprise

	2007-2008	2006-2007
	£	£
Notional cost of capital on public funds at 3.5 per cent	<u>40,230</u>	<u>35,172</u>

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

7 Total resources expended

	Unrestricted funds £	Restricted funds £	Restricted grant-in-aid funds £	Total 2007-2008 £	Total 2006-2007 £
<i>Total resources expended is stated after charging the following items</i>					
<i>Auditors' remuneration</i>					
Audit services	0	0	8,450	8,450	8,450
Non audit services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Staff costs</i>					
Wages and salaries	49,853	0	2,451,296	2,501,149	2,513,244
Social security costs	4,045	0	193,379	197,424	184,718
Pension costs	0	0	448,378	448,378	403,803
Temporary staff and recruitment costs	<u>5,348</u>	<u>0</u>	<u>291,627</u>	<u>296,975</u>	<u>132,685</u>
	<u>59,246</u>	<u>0</u>	<u>3,384,680</u>	<u>3,443,926</u>	<u>3,234,450</u>

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

	2007-2008	2006-2007
£60,001 – £70,000	1	1
The average number of senior management and staff was		
Collections and exhibitions	48	53
Curatorial	24	21
Education	4	5
Publicity	3	4
Trading	5	4
Fundraising	<u>1</u>	<u>1</u>
	<u>85</u>	<u>88</u>

8 Tangible fixed assets

	Long leasehold land and buildings £	Computer equipment £	Fixtures and fittings £	Total £
Valuation				
At commencement of year	20,840,000	248,516	2,066,305	23,154,821
Additions at cost	15,676	34,042	87,876	137,594
On revaluation	764,570	(9,120)	29,612	785,062
Disposals	0	(3,073)	(81,531)	(84,604)
At end of year	<u>21,620,246</u>	<u>270,365</u>	<u>2,102,262</u>	<u>23,992,873</u>
Depreciation				
At commencement of year	0	196,992	1,435,065	1,632,057
Charge for year	585,818	29,587	142,663	758,068
On revaluation	0	(4,251)	13,341	9,090
Disposals	0	(3,073)	(63,751)	(66,824)
At end of year	<u>585,818</u>	<u>219,255</u>	<u>1,527,318</u>	<u>2,332,391</u>
Net book value				
At 31 March 2008	<u>21,034,428</u>	<u>51,110</u>	<u>574,944</u>	<u>21,660,482</u>
At 31 March 2007	<u>20,840,000</u>	<u>51,524</u>	<u>631,240</u>	<u>21,522,764</u>

Included in land and buildings is a sum of £6,132,246 (2006-2007 £5,730,000) for land, which has not been depreciated.

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

The valuation apportioned the total land and buildings as follows

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

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

9 Heritage assets

	Museum collection £
Cost	
At commencement of year	1,530,552
Additions	44,320
Disposals	0
At end of year	<u>1,574,872</u>
Net book value 31 March 2008	<u>1,574,872</u>
Net book value 31 March 2007	<u>1,530,552</u>

During the year the Museum received grants towards the purchase of items for its collection of £190,000. The balance of these grants will be used to fund future acquisitions.

10 Unlisted investments

	2008 £	2007 £
Market value at beginning of year	214,747	228,177
Add acquisitions at cost	0	0
Less disposals	0	(23,993)
Net unrealised investment(loss)/ gain	(32,636)	10,563
Market value at end of year	<u>182,111</u>	<u>214,747</u>
Cost at end of year	<u>111,114</u>	<u>111,114</u>

11 Debtors

Trade debtors	44,616	56,971
VAT debtor	67,956	78,878
Prepayments	207,591	77,163
	<u>320,163</u>	<u>213,012</u>

12 Cash

Unrestricted funds	1,037,255	863,035
Restricted funds	506,868	455,682
Grant-In-Aid operating account	75,869	58,930
Grant-In-Aid exhibits reserve	78,374	7,038
	<u>1,698,366</u>	<u>1,384,685</u>

13 Creditors: amounts falling due within one year

Trade creditors	15,118	2,436
Other creditors	17,609	8,931
Accruals	67,463	127,088
	<u>100,190</u>	<u>138,455</u>

14 Restricted funds

	Balance	Movement in resources		Balance
	1 April 2007 £	Incoming £	Outgoing £	31 March 2008 £
NAM Land and Buildings	20,524,513	756,589	579,035	20,702,067
Leinster Regiment Museum Fund	5,127	0	0	5,127
Indian Divisions Memorial Fund	14,796	226	64	14,958
Middlesex Regiment Account	139,688	2,675	7,881	134,482
CCP Lawson Bequest	118,693	3,621	24,582	97,732
WRAC Association Account	13,483	385	109	13,759
Exhibition – Crete	41,003	1,694	0	42,697
Exhibition – Veterans of No 1 Commando	1,360	56	0	1,416
Exhibition – Korean War	24,973	1,032	0	26,005
Exhibition – Falklands	372	16	0	388
Exhibition – Teenagers War	1,579	65	0	1,644
Exhibition – 1st Battalion Malaysia Rangers	689	28	0	717
Exhibition – British Army in Berlin	193	8	0	201
Exhibition – Soldiers of the Raj	3,365	134	0	3,499
Exhibition – British Army in South Africa	6,060	250	0	6,310
NAM Building Appeal Fund	6,518	269	0	6,787
Bufs' Collection Fund	128,906	5,382	0	134,288
War Memorial Fund	29,025	368	450	28,943
Restricted Grants and Donations	644,671	100,657	14,237	731,091
	<u>21,705,014</u>	<u>873,455</u>	<u>626,358</u>	<u>21,952,111</u>

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

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

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

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

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

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

All Exhibition amounts are held for future displays.

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

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

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

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

15 Analysis of net assets between funds

	Tangible and heritage fixed assets £	Investments £	Other net assets £	Total 2008 £	Total 2007 £
Restricted Funds					
NAM Land and Buildings	20,702,067	0	0	20,702,067	20,524,513
Leinster Regiment Museum Fund	0	0	5,127	5,127	5,127
Indian Divisions Memorial Fund	1,882	4,261	8,815	14,958	14,796
Middlesex Regiment Account	16,544	82,994	34,944	134,482	139,688
CCP Lawson Bequest	0	87,593	10,139	97,732	118,693
WRAC Association Account	0	7,263	6,496	13,759	13,483
Exhibition – Crete	0	0	42,697	42,697	41,003
Exhibition – Veterans of No 1 Commando	0	0	1,416	1,416	1,360
Exhibition – Korean War	0	0	26,005	26,005	24,973
Exhibition – Falklands	0	0	388	388	372
Exhibition – Teenagers War	0	0	1,644	1,644	1,579
Exhibition – 1st Battalion					
Malaysia Rangers	0	0	717	717	689
Exhibition – British Army in Berlin	0	0	201	201	193
Exhibition – Soldiers of the Raj	0	0	3,499	3,499	3,365
Exhibition – British Army in South Africa	0	0	6,310	6,310	6,060
NAM Building Appeal Fund	0	0	6,787	6,787	6,518
Bufs' Collection Fund	0	0	134,288	134,288	128,906
War Memorial Fund	0	0	28,943	28,943	29,025
Restricted Grants and Donations	535,653	0	195,438	731,091	644,671
	<u>21,256,146</u>	<u>182,111</u>	<u>513,854</u>	<u>21,952,111</u>	<u>21,705,014</u>
Unrestricted Funds	400,545	0	1,102,832	1,503,377	1,314,397
Restricted Grant-In-Aid Funds	1,578,663	0	354,610	1,933,273	1,764,662
	<u>23,235,354</u>	<u>182,111</u>	<u>1,971,296</u>	<u>25,388,761</u>	<u>24,784,073</u>

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

	2008 £	2007 £
At 1 April 2007	19,752,831	17,266,605
Revaluation in year	794,182	2,503,678
Excess of current cost depreciation over historic cost depreciation	(6,530)	(17,452)
At 31 March 2008	<u>20,540,483</u>	<u>19,752,831</u>

16 Operating lease commitments

At 31 March 2008, the Museum had annual commitments under non-cancellable operating leases as follows

	2008	2007
	£	£
Operating leases expiring		
<i>Land and buildings</i>		
over five years	163,856	163,856
<i>Other</i>		
within one year	13,743	366
between one and five years	5,737	10,165

17 Related party transactions*National Army Museum Development Trust*

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

The funds of the Trust may be applied, at the discretion of the Trust's trustees, to further the charitable purposes of the Museum or other charitable purposes or institutions. The trustees may not, unless they see special reason, make a payment to the Museum without specifying the particular purpose for which it is to be used, being a purpose for which public funds are not expected to be available. The National Army Museum did not receive a grant from the Trust during 2007-2008 (2006-2007 £126,660).

The balance of funds held by the Trust at 31 December 2007 was £2,002,617 (31 December 2006 £1,911,510). The control and administration of these funds remains, at all times, the full responsibility of the Trust's trustees.

Friends of the National Army Museum

During the year the National Army Museum received a grant of £25,000 (2006-2007 £30,000) from the Friends of the National Army Museum, a registered charity number 234325.

Ministry of Defence

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

18 Contingent liabilities

The Museum has a contingent liability in the event of the uninsured loss of exhibit assets loaned to it by third parties. As at 31 March 2008 the aggregate replacement value of inward loans was estimated to be approximately £270,000 (2006-2007 £270,000). The Museum's policy is to reduce this contingent liability by the agreed conversion of loans to gifts or the return of the assets as appropriate and where possible.

19 Post balance sheet events

The annual report and financial statements were authorised for issue by the accounting officer on 29 October 2008.

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DG Ref: 8837

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ISBN 978-0-10-328809-3



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