

NATIONAL ARMY MUSEUM
REGISTERED CHARITY NUMBER 237902
CONSOLIDATED FINANCIAL STATEMENTS
31ST MARCH 2015



National Audit Office

**NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31 MARCH 2015**

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NATIONAL ARMY MUSEUM
FOREWORD AND REPORT OF COUNCIL
YEAR ENDED 31 MARCH 2015

REFERENCE AND ADMINISTRATIVE INFORMATION

Introduction

The accounts of the National Army Museum (NAM) are presented for the financial year ended 31 March 2015. 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 NAM is a charity registered with the Charity Commission (reference no. 237902) and a Non-Departmental Public Body, sponsored by the Ministry of Defence.

Address and principal office of Museum

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

Following the closure of the Museum the NAM's operations were temporarily relocated to Ergon House, Horseferry Road, London, SW1P 2AL.

Subsidiary Company

The Museum undertakes trading activities through its wholly owned subsidiary, National Army Museum Trading Limited (company number 06707366) (NAMTL).

Professional Advisers



Lloyds Bank Plc
25 Gresham Street
London
EC2V 7HN

Solicitors

Charles Russell LLP
5 Fleet Place
London
EC4M 7RD

Auditors

The Comptroller and Auditor General
157 – 197 Buckingham Palace Road
London
SW1W 9SP

Internal Auditors

Moore Stephens LLP
150 Aldersgate Street
London
EC1A 4AB

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STRUCTURE, GOVERNANCE AND MANAGEMENT

Background Information

The National Army Museum (NAM) was established by Royal Charter in 1960 to collect, preserve, and exhibit objects and records relating to the Regular and Auxiliary forces of the British Army and of the Commonwealth, and to encourage research into their history and traditions. Devolved status was accorded to the Museum under the terms of the National Heritage Act 1983. The annual Grant-in-Aid, made through the Ministry of Defence (MOD), is administered by the Director General 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 KCB CBE stood down as Chairman of Council at the 150th Meeting on 17 July 2014. General Sir Richard Shirreff KCB CBE joined Council in May and was elected to succeed General Deverell as Chairman of Council at the 150th Meeting on 17 July 2014. The Museum's Royal Charter was revised with effect from 8 July 2009. The relevant clause relating to the appointment of Members of Council is as follows: "7(1) The Membership of the Council shall be such number of persons as the Council shall from time to time determine being not more than twelve nor fewer than five".

The Council has chosen to subscribe to the Commissioner for Public Appointments Code of Practice for Public Appointments Procedures. In particular, members of the Council have affirmed their commitment to the 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 General.

Members of Council

General Sir Jack Deverell KCB OBE (Chair until 17 July 2014)
General Sir Richard Shirreff KCB CBE (from May 2014 & Chair from 17 July 2014)
Mr Keith Baldwin
Mr Patrick Bradley
Mr Algy Cluff (until March 2015)
Brigadier Douglas Erskine Crum
The Rt Hon The Lord Hamilton of Epsom
Professor William Philpott
Major General Charles G C Vyvyan CB CBE MA MSc (until July 2014)
Lieutenant General Sir Barney W B White-Spunner KCB CBE
Ms Caroline Wyatt (from May 2014)
Mrs Deborah Younger

Recruitment, Appointment and Training of Trustees

New members of Council are sought through national channels with applicants being interviewed by members of Council assisted by external assessors. The Army Board then approves appointments. All new members receive information as laid down by the Charity Commission. They also visit the Museum for induction training provided by the Director General and other members of staff.

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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 twelve members who serve for a period of three years from the date of their nomination. The Committees of Council, with their membership during the year, were:

| | |
|--|--|
| <u>Acquisition & Disposal</u> | Professor William Philpott (Chair) Mr Mihir Bose (until October 2014) Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI (nominated member) Ms Caroline Wyatt (from November 2014) |
| <u>Audit & Risk Assurance</u> | Mrs Deborah Younger (Chair) Mr Jeremy Archer (nominated member) Mr Keith Baldwin |
| <u>Building for the Future</u> | Brigadier Douglas Erskine Crum (Chair) Mr Keith Baldwin General Sir Jack Deverell KCB OBE (until July 2014) The Rt Hon The Lord Hamilton of Epsom General Sir Richard Shirreff KCB CBE (from August 2014) Lt Gen Sir Barney W B White-Spunner KCB CBE |
| <u>Remuneration & Appointments</u> | General Sir Jack Deverell KCB OBE (Chair until July 2014) General Sir Richard Shirreff KCB CBE (Chair from August 2014) Mr Keith Baldwin Professor William Philpott |

The Remuneration & Appointments Committee was formerly known as Nominations and was formed for the specific purpose of seeking new Members of Council and appointing a new Director General of the Museum. However, subsequently its Terms of Reference have been amended effective from April 2015 to also recommend the Director General's remuneration.

The Director General of the NAM controls the day-to-day operations with the assistance of the Management Team. The following were the members of the Management Team during the year:

| | |
|-----------------------|--|
| Mrs Janice Murray | Director General |
| Mr Mike O'Connor | Museum Director |
| Mr David Bownes | Assistant Director (Collections) |
| Miss Genevieve Adkins | Assistant Director (Public Programmes) |
| Ms Rosemary Gilbert | Assistant Director (Development) |
| Miss Teresa Scott | Assistant Director (Human Resources) |

Regular meetings of the Management Team take place, together with meetings involving Heads of Department, Team Leaders and subject specialists, to ensure the smooth running of the NAM, with reference to the Museum's Mission Statement and Purpose 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.

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PUBLIC BENEFIT

The Council of the Museum recognises its responsibilities with regard to public benefit and pays due regard to the Charity Commission guidance in particular PB1, PB2 and PB3. The following sections of these accounts show how this guidance has been complied with.

OBJECTIVES AND ACTIVITIES

The National Army Museum's objectives were set out in its Royal Charter, first granted in 1960. Its preamble states that the National Army Museum was established 'for the purpose of collecting, preserving and exhibiting objects and records relating to the history of Our Army so that the achievements, history and traditions of Our Army should be better made known'.

'Our Army' is defined by Her Majesty The Queen in Council as including 'the Standing Army, Militia, Yeomanry, Volunteers, Territorial Army of the British Islands, Territorial Army and Volunteer Reserve of the United Kingdom, Our Predecessors' Army in India and the Armies of the East India Company and the Land Forces of Our and Our Predecessors' possessions beyond the seas'.

In July 2011 the Museum adopted a new Strategic Plan, which adopted the following Vision, Mission and Core Values:

Vision:

To be the leading authority on the history of the British Army and a first class museum that moves, inspires, challenges, educates and entertains'.

Mission:

To gather, maintain and make known the story of the British Army and its role and impact in world history. To provide a museum experience that meets the widest range of public need and connects the British public with its Army'.

Core Values:

Relevance, Insight, Quality, Enjoyment, Access, Learning.

The Plan includes five Key Strategic Objectives:

- Create memorable, relevant and accessible activities aligned to audience need in order to maximise audiences and generate footfall.
- Establish the NAM, nationally and internationally, as the first choice for the history and life of the British Army.
- Maximise financial resilience, organisational efficiency and sustainability.
- Safeguard and make accessible the collections and associated knowledge.
- Develop a national footprint by establishing a network of partnerships, linkages and working relationships.

The Plan aims to achieve growth of 30% in visitor numbers and 20% in learning audiences while ensuring visitor satisfaction levels do not fall below 96%; an increase in commercial income of 150% and aims to raise £20.25million in external funding over the Plan period of which £18.9 million has been received or pledged to NAM at 31 March 2015 (2011-2016).

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ACHIEVEMENTS AND PERFORMANCE

2014-15: A Year at the National Army Museum

Chelsea Re-Development

Following the Museum's exciting news that its transformation could go ahead, NAM closed its doors on the 30 April 2014. The Collections Division assisted by staff from across the Museum then completed the decant of over 500,000 collection items.

The majority of artefacts, ranging in size from campaign medals to field guns, were rehoused at the Museum's state-of-the-art, climate-controlled Hertfordshire warehouse. Our in-house Collections Care team meticulously led the work of packing and documenting the move, with assistance from across the Museum and the use of external expertise for specialist and large collection item movement. The latter included preparing the skeleton of Napoleon's horse, Marengo, for its air ride journey for conservation. Other moves provided equally unique challenges, such as packing up the delicate 120-square-metre model of the Battle of Waterloo (complete with 70,000 figures), or palletising reinforced concrete fragments of the Berlin Wall. Items were efficiently and swiftly tracked and located to storage utilising the Museum's pioneering use of iPads, barcodes and scanners.

Despite the temporary closure of the Museum's main Chelsea site, NAM continued to educate and inspire across the UK and abroad. This outreach programme provided 61 projects, which were successfully, completed in over 30 locations across the world.

Our curators were also busy working up the ambitious gallery exhibitions with our interpretative designers, Event. Gallery teams are involved in the extensive work of developing content, preparing 2,500 artefacts for display as part of the transformation of the Museum into a 21st century Visitor Experience.

Access and Audience Development

The Council of the National Army Museum continues to believe that the most important objective for the Museum is to provide the widest possible access to its Collection and to the professional expertise of its staff. This is achieved in a variety of ways; access is provided through public events, outreaching to wider audiences, the loan of objects to other museums, assisting researchers in the Templer Study Centre, answering enquiries, providing formal learning sessions, digitising material and the website.

Education that Informs, Entertains and Inspires

The provision of learning opportunities for all is at the heart of the Museum's mission. Despite the Museum being closed the Learning Team delivered an ambitious outreach programme reaching 6,499 school children, 1,334 soldiers and 1,124 attendees of lunchtime lectures. These were delivered locally in London, nationwide in collaboration with Regimental & Corps Museums and at various Army bases.

During the year 2014-2015, the Museum suspended its enquiry services between 1 May and the 31 August 2014, while all staff worked on the decant of the Chelsea building. During the months the services were active, the Museum answered 2,998 written enquiries (2013-14: 4,067). The Collections Division answered an additional 1,446 research enquiries by telephone (2013-14: 2,553). Enquiries covered many topics but the bulk of questions were about the Museum's Collection, family history and general military history.

The Museum's Templer Study Centre reopened for researchers on the 1 September 2014. In order to provide access for them during the closure period two temporary sites – the Museum's store at Stevenage and at the London Metropolitan Archives – were made available on an appointment basis to allow researchers to continue their studies.



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Reaching out to People and Museums

As well as enabling its staff to have greater access to research the Collection when preparing new exhibitions, writing new educational tools or cataloguing objects, the Museum helps the research of people around the world.

Assistance to other museums and regional support

In the spirit of professional cooperation the Museum provides assistance, where possible, to other institutions.

The decant of the Collection provided an excellent opportunity for surplus gallery figures, display cases and shop units to be given to over 50 regimental museums.

The Museum continued to provide strong support to the regimental museum community. A firearms course was run in successful collaboration with the Royal Armouries. In addition, two Regimental Curators' Courses were held in London and York which were attended by over 30 members of the regimental museum community.

Across the Country

The Museum's Outreach team were busier than ever and NAM featured at many events including English Heritage's *Wrest at War* and *History Live!*, Chalke Valley History Festival and Tankfest. Over 500,000 people saw NAM's recreation of a First World War Sikh Platoon at the Lord Mayor's Parade.

First World War and Waterloo Commemorations

As part of NAM's *Outbreak 2014* HLF activity, NAM loaned 42 First World War items to six regimental museums, which included the Royal Engineers and the Museum of Lancashire.

In June, the NAM launched a website offering a 'one-stop-shop' source of information about the First World War. This portal charts the development of that war all over the world, enabling users to delve deep into the conflict's history at the click of a button. From fact-finding, to the personal accounts of soldiers on the ground, to videos exploring key themes of the conflict and listings highlighting local events of interest, the website is a mine of information to explore in the War's centenary years.

This year also saw the start of the Museum's Waterloo commemorations. As part of this project, 45 star items were loaned to 3 venues, including the National Portrait Gallery and the Musée Wellington in Waterloo. The Museum's Waterloo 200 website also launched.

Publications

Curators submitted articles for *Medal News*. David Bownes and Robert Fleming authored a new book, *Posters of the First World War*.

Loans

As in every year, the Museum is called upon to lend objects to exhibitions around the world: a tribute to the Museum's wide-ranging and diverse Collection. Some exhibitions are international blockbusters, others are smaller affairs but all provide an opportunity for the Museum's artefacts to be seen by a wider public. The Museum loaned out over 100 items during the year including:

Lieutenant-General John Manners, Marquess of Granby (1721-1770), c1763; NAM. 1988-09-10-1. For *The Dawn of Modernity* at Fondazione Roma, April – July 2014.

King George II at Battle of Dettingen, The Reception of the Mysorean Hostage Princes, an acquaintance by J C Stadler and The Battle of Blenheim; NAM. 1961-07-116, 1976-11-86, 1950-11-33-43 & 1975-11-82). For *Hanover's Rulers on the British Throne 1714-1837* at the Lower Saxony State Museum, May – October 2014

Old Bill radiator and mug; NAM. 2005-10-19 & NAM. 2002-06-94. For *Goodbye Piccadilly* at the London Transport Museum, May 2014 – March 2015.

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Vickers Mk1 .303 machine gun with mount and tripod; NAM. 1978-11-57-1 to -3. For First World War display at the Queen's Royal Lancers Museum, June 2014 to June 2016.

Embroidery showing VC winners, 1918; NAM. 1993-02-148. For *British Folk Art* at the Tate Britain, June to August 2014; then Compton Verney Art Gallery, until December 2014.

Ecstasy of Fumbling (Portrait of the Artist in a Gas Alert), 1991; NAM. 1998-04-18. For *The Sensory War* at Manchester Art Gallery, October 2014 – February 2015.

Three contemporary works of art by Julia Midgley; NAM. 2013-11-12, -13 & -15. For *War, Art and Surgery* at the Hunterian Museum, Royal College of Surgeons, September 2014 – February 2015

Section of the Berlin Wall; NAM. 2001-02-473-1. For *Exploring Germany* at The British Museum, October 2014 to January 2015.

A Dynamic, World-Class Collection

Major acquisitions 2014-15

Over the year the Museum continued to add items to its nationally important collections. Through these acquisitions the NAM strengthens its position as the first choice for the history and life of the British Army. This year, the focus was on collecting items for our brand new galleries, whilst also filling gaps in the study collection.

The Museum continued to collect contemporary material from across the world. One of its aims is to collect a snapshot of contemporary material reflecting both the experience of the Army in Afghanistan and also the way that experience has been represented in popular culture. Items collected have included photographs, oral histories, items of personal and military equipment, paintings, textiles, toys, games and souvenirs.

This year the anniversary of the outbreak of the First World War presented excellent opportunities for the NAM to collect material relating to the war. This included an unopened message in a carrier pigeon capsule (NAM. 2014-07-71-1 & -2) and a ceramic figurine of a conscientious objector (NAM. 2014-01-7). In June the NAM was chosen as the keeper of the lasting legacy of an Indian Army regiment's contribution during the First World War - a silver salver honouring the role of the Regiment of the Deccan Horse and Scinde Horse was presented to the Museum (NAM. 2014-10-11).

Finally the Museum focused on collecting artefacts for the new galleries, representing new collecting areas for the Museum, including film posters, protest banners, civilian clothes reflecting military fashion, toys and games. Some key items have included a Burberry civilian trench coat (NAM. 2014-10-1) and a collection of equipment and material relating to former BBC news correspondent Kate Adie (NAM. 2014-12-18 to -25; 2015-01-3).

Purchase Grant

The Museum receives a £126,000 Purchase Grant per annum from the Sponsor Department to purchase important items for its collections. This year £27,162 was spent on over 40 items or groups of items.

Further details of the Museum's collection are available online at www.nam.ac.uk/online-collection.

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Disposal

Disposal of items from the Collections is a key part of the Museum's collections management programme. In combination with continued acquisition, focussed disposals will ensure that the Museum's Collections remain fit to tell the Army's stories. All disposals are processed in line with the Museum's Acquisition & Disposal Policy, along with the Museum Association's Code of Ethics. Destruction is only considered as a last resort or when an item poses a Health and Safety risk to staff or the public.

This year 10 items or groups of items were disposed of: eight items were destroyed as they were a Health & Safety risk and two items were transferred.

The long-term result of the Museum's disposal programme is a leaner, fitter Collection, more focussed on the needs of our visitors and users and better fitted to fulfil the requirements of the Museum's Royal Charter.

Conservation and Collections Care

Following the decant, the Collections Care team were busy assessing and photographing over 2,500 items for display in the new galleries and Collections Care team Conservators also provided expert advice to the public and other institutions around the world.

As part of the Museum's Building For the Future project, the Museum began to implement its Collections Conservation Management Plan to ensure the on-going preservation of the Museum's Collection for the next ten years.

Documentation

Accessions and retrospective cataloguing are entered on the Museum's centralised Collections Database and Network Infrastructure (CABAL). Work has also continued on the important retrospective documentation of all areas of the Collection. New accession numbers issued during 2014-15 totalled 354 (2013-14: 467), plus 127 new accessions to the Printed Books collection. The overall totals for CABAL entries from 1998 to 31 March 2014 are therefore 103,281 data records plus 54,945 book records (last year 54,777), and 440,457 part records (last year 415,274).

People and Resources

Volunteers

The Building For the Future project cannot be realised without the steadfast support and great enthusiasm of volunteers. The Museum, working with military charities, volunteer centres and diverse community groups, continued to build on the huge success of the last few years.

90 volunteers gave a total of over 6,000 hours of their time and supported staff in a whole range of activities: from collections care to learning outreach. Two volunteers were successful in securing paid employment with NAM through open recruitment, their direct volunteering experience with NAM helping to enhance their application. The Museum's Volunteering Strategy has continued to be developed and implemented. By giving up their precious time and skills our volunteers enable us to undertake new and more ambitious projects and activities.

I thoroughly enjoyed it...it was extremely varied, very interesting and I did not feel pressurised or undervalued or unwelcome. Strangely enough, I was also pleasantly surprised at the number of other members of staff at the Museum who were also happy to speak to both Alison and I, who were new and temporary people.

...the project gave me back a lot more interest in the information world and also a broader outlook than just the library world I had last worked in...[the] project has meant that I had the opportunity to learn lots of new skills and in a good atmosphere at a steady pace and not put under pressure...It has certainly been a positive introduction for me to volunteering as well which is a good thing in itself.

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Development Fundraising

In addition to the grant received during the year from HLF of £1,487,498, NAM received a £125,000 grant from the Foyle Education Centre towards the costs of the Museum's new education suite which forms part of its current redevelopment. NAM has also received confirmation of a donation of £1,000,000 from the National Army Museum Development Trust.

Building Improvements

The Museum continued to transform its Stevenage Out-station to ensure its facilities continue to be world-class. Brand new storage was created for our Learning Department's Handling Collection and additional storage was created for our Design and Commercial operations.

Building for the Future (BftF)

After receiving its Heritage Lottery Round Two pass, the Museum continued to progress the Building for the Future project.

To allow the redevelopment of the Chelsea site, the entire staff and entire collection were to be moved from Chelsea. The majority of the collections were moved to the Stevenage site into purpose built accommodation and the staff relocated into temporary accommodation in Westminster.

In September 2014 and after a tender process, Gilbert Ash were appointed as the Management Contractor. They will be responsible along with the previously appointed Project Managers (Focus Consultants), Exhibition and Interpretative designers (Event Communications) for delivering the redevelopment of the Chelsea site. This redevelopment will deliver a 21st century Museum fit for the needs of our audiences.

As part of the design process, RIBA Stage E was achieved in December for the base build and in January for the exhibition and interpretative design. The redevelopment necessitated the radical reconfiguration of the internal structure of the building, this commenced with the demolition of these areas in September.

Future Plans

The current focus of the Museum over the next reporting period is to progress the BftF redevelopment and outreach activities. This along with the review of the project Business and Sustainability Plan, existing Strategic Plan, and Collections Conservation Management Plan will be used to inform the post project Strategic Plan.

ASSESSMENT OF GOING CONCERN

The National Army Museum is a going concern for the foreseeable future. This is evidenced by the support historically received from, and which it continues to receive from the Sponsor Department. The grant of £5m to Museum for the Building for the Future project further evidences the Sponsor's confidence in the Museum.

Additionally, the BftF project is currently receiving 49% support from the Heritage Lottery Fund as part of its £23.25m redevelopment project. The balance of the funding will be achieved from donations/grant and legacies from trusts and individuals. Currently there is a shortfall indicated of approx. £1m but, the Museum has a contingency to cover this gap in funding should it materialise. However, this shortfall does not take into account grant applications that have not been decided on due to approval cycles by the grant making bodies.

The Museum, as part of the BftF project and a requirement of HLF funding, has produced a 10 year Business and Sustainability Plan which details the on-going viability of the Museum. Contained within the plan are the projections for commercial income via the Museum's trading arm (National Army Museum Trading Limited).

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FINANCIAL REVIEW

Consolidated Results for the Year ended 31 March 2015

Total incoming resources for the Museum in 2014-15 amounted to £13,727,805 (2013-14 £7,497,904). The principal funding source of the Museum is Grant-in-Aid funding received from the Ministry of Defence. In 2014-15 this was £10,865,523 which included a one off grant of £5,000,000 towards the Museum's redevelopment (2013-14 £6,140,131). Total resources expended amounted to £5,948,002 (2013-14 £11,315,080). The 2013-14 resources expended included an exceptional item in relation to the impairment of tangible fixed assets of £4,099,142. After adjustment for 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 £8,381,823 (2013-14 decrease of £1,082,134).

The Museum's net assets as at 31 March 2015 amounted to £96,184,445 (31 March 2014 £87,802,622).

Changes in Tangible Fixed Assets

Movements in tangible fixed assets are shown in note 8 to the accounts. The Museum had its leasehold property independently revalued at 31 March 2014 and details of this revaluation are also shown in note 8.

During the year the Museum spent £2,313,170 on additions to tangible fixed assets. The vast majority of this expenditure was in relation to the ongoing redevelopment of the Museum.

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 2015, the level of the Museum's reserves stood at £823,294 (31 March 2014 £866,259).

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

As indicated previously on page 10 of these Accounts, the NAM Council are content that the level of expenditure and cash flow, which is monitored at the monthly meetings of the Management Team via Management Accounts and regular meetings of the A&RA Committee are sufficient to meet the needs of the Museum.

Furthermore, the Museum maintains its unrestricted funds at sufficient level to deal with any matters that arise that are not covered by Grant-in-Aid.

Currently the focus of the Museum is the funding for the redevelopment project but going forward the Museum in its next Strategic Plan will produce a more formalised Reserves Policy taking into account the projected needs of the redeveloped Museum. This will be in accordance with guidance of the Charity Commission.

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.

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 and 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.

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Trading activities

NAM undertakes the majority of its trading activities through NAMTL which supports NAM by gift aiding its profits. As a result of the closure of the Museum trading activities were significantly reduced with total trading income of £79,067 compared to £559,579 for the previous year resulting in a trading loss of £72,820 (2014: profit £62,336).

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 aims to settle all undisputed invoices within thirty days or in accordance with suppliers' terms of business.

The Museum's actual payment performance during the year was that 100% (2013/14 100%) of bills were paid within the thirty day target.

Equality, Diversity & Access

The National Army Museum (NAM) is an Equal Opportunities Employer.

The NAM is committed to providing a working environment in which members of staff are able to realise their full potential and contribute to the Museum's success. The NAM will also take all reasonable steps to provide a work environment in which all workers are treated with respect and dignity and that is free of harassment. In order to create conditions, in which this goal can be realised, the NAM is committed to identifying and eliminating barriers, discriminatory practices, procedures, and attitudes throughout the Museum. Members of staff are expected and required to support this commitment, assisting in its realisation in all possible ways.

It is the NAM's policy not to discriminate against its workers on the basis of their gender, sexual orientation, marital or civil partnership status, any gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy or trade union membership or employment status. The NAM will not condone any form of harassment, whether engaged in by workers or by third parties such as clients, customers, contractors and suppliers. Our workers and applicants for employment shall not be disadvantaged by any policies or conditions of service, which cannot be justified as necessary for operational purposes. The NAM shall, at all times, strive to work within legislative requirements as well as promoting best practice, and is committed to the development of a diverse workforce. The Museum has issued an Equal Opportunities Policy Statement, and undertakes equal opportunities monitoring.

Employee Consultation and Involvement

The Director General and Senior Management Team consult with the staff through the NAM's Staff/Management Forum, which was set up to encourage increased levels of communication and consultation across the whole of the Museum, and in shifting to a different and more progressive, delivery-focussed culture of working, exchanging views and ideas, discussing problems and planning for the future.

Communication and involvement with the staff is also maintained through various committees/groups, which include the Health & Safety Committee, regular Departmental and Divisional meetings, one-to-ones, monthly staff briefings and internal memoranda.

Sickness Absence Data

The National Army Museum employed 65 members of staff at 31 March 2015 (58 full-time and 7 part-time) and monitored sick absence as part of its commitment in promoting the health, safety and welfare of all members of staff. Information collated from the Department of Human Resources is available to the Museum's Management Team who are responsible for identifying potential risks arising from any patterns that may occur and also made available to NAM Council. During 2014-15, there were 340.5 (full time equivalent) days lost to sick absence compared to 444.5 days lost in 2013-14.

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During the period, the average number of days' sickness absence per employee was 5.2 (long-term incidents of sickness absence have been excluded to give a more accurate picture of sickness absence at NAM). This equates to 2.5% of time lost to sickness (2013-14 3%).

A policy on the management of attendance is in place to promote arrangements for dealing with sickness absence in a manner, which is fair and sensitive to staff, as well as minimising the effect of absences on operational requirements.

Environmental Policy

The NAM carries out all its activities with the environment in mind. It has a written environmental policy which is briefed to all staff and is available on the Museum's intranet. Where applicable, all companies that carry out "works" on the NAM estate are required to submit copies of their environmental policies prior to any contract being awarded. The NAM has a recycling programme in place and currently recycles all paper, card, batteries, metal and lamps. As part of its HLF application the Museum has placed a requirement on the Architects and Designers employed on the Building for the Future (BtF) project that will ensure that when it is completed, the BtF project will achieve a "Very Good" BREEAM Standard. To achieve this standard the designs will include measures to reduce the consumption of electricity, water and gas. In addition to the above, the Museum offers shower and changing facilities for staff which helps encourage a cycle to work ethic.

Personal Data Loss

The Museum has identified no personal data related incidents during 2014-15. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Social and Community Issues

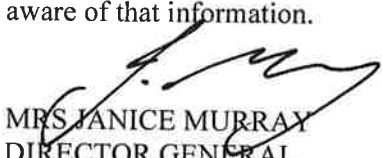
The NAM consults regularly with its stakeholders and local users. It is part of its HLF submission and it is actively working with groups both locally and nationally to maximise inclusivity. It has established an Access and Outreach Department which is engaging with all areas of the NAM audience as well as looking at ways to extend that audience.

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.

The cost of the audit of the Museum and its trading company for 2014-15 is £25,000 (2013-14: £23,525) of which £18,000 relates to this year's audit of the Museum, £3,500 additional costs relating to last year's audit of the Museum and £3,500 to the audit of NAMTL.

So far as the Accounting Officer (AO) and Council Members are aware, there is no relevant audit information of which the Museum's auditors are unaware. Furthermore, the AO and Council Members have taken all the necessary steps to make sure they are aware of any relevant information and to establish that the Museum's auditors are also aware of that information.


MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER


GENERAL SIR RICHARD SHIRREFF
CHAIRMAN, ON BEHALF OF
COUNCIL

16th July 2015

National Army Museum
16th July 2015

**NATIONAL ARMY MUSEUM
REMUNERATION REPORT
YEAR ENDED 31ST MARCH 2015**

REMUNERATION POLICY

The Director General of the National Army Museum is employed by the Council of the Museum on terms and conditions that are similar to MOD civil servants. She holds an open ended appointment and her salary is set on an annual basis by the Audit and Risk Assurance 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 Department by reference to strict MOD guidelines and approved by the Director General.

The NAM operates a performance appraisal review (PAR) system, which broadly follows the guidelines of the MOD civilian system. The marking system is based on agreed aims and objectives between the Line Manager (LM) and the member of staff. The PARs are completed and brought to the PAR Award group where the marking is assessed against peer groups so as to eliminate any under/over marking and anomalies. Dependent on whether MOD is paying performance award in year, the group would then assign a value to marks in line with the MOD levels of award. The findings of the Group are then passed to the A&RA Committee for a further check before being passed to the Council for approval.

SALARY AND PENSION ENTITLEMENTS

The salary and pension entitlements of the Management Team of the Museum as detailed on page 4 were as follows (with comparative salary disclosures for 2013/14).

| | Mrs J Murray £'000 | Mr M O'Connor £'000 | Miss T Scott £'000 | Mr D Bownes £'000 | Miss G Adkins £'000 | Mrs R Gilbert £'000 |
|---|-----------------------------------|------------------------------------|-----------------------------------|----------------------------------|------------------------------------|------------------------------------|
| Salary 2014/15 | 105-110 | 65-70 | 60-65 | 60-65 | 60-65 | 65-70 |
| Performance pay 2014/15 | 5-10 | N/A | N/A | N/A | N/A | N/A |
| Salary 2013/14 | 100-105 | 65-70 | 60-65 | 60-65 | 30-35 | 65-70 |
| Performance pay 2013/14 | 5-10 | N/A | N/A | N/A | N/A | N/A |
| Value of pension benefits for single total figure of remuneration | | | | | | |
| 2014-15 | 30 | 16 | 14 | 24 | 23 | N/A |
| 2013-14 (restated) | 29 | 20 | 6 | 23 | 13 | N/A |
| Real increase in pension and related lump sum at 60 | 0-2.5 plus N/A lump sum | 0-2.5 plus N/A lump sum | 0-2.5 plus 0-2.5 lump sum | 0-2.5 plus N/A lump sum | 0-2.5 plus N/A lump sum | 0-2.5 plus N/A lump sum |
| Total accrued pension at 60 as at 31 March 2015 and related lump sum | 5-10 plus N/A lump sum | 10-15 plus N/A lump sum | 10-15 plus 40-45 lump sum | 0-5 plus N/A lump sum | 0-5 plus N/A lump sum | 0-5 plus N/A lump sum |
| Cash equivalent transfer value as at 31 st March 2015 | 150 | 274 | 190 | 46 | 23 | N/A |
| Cash equivalent transfer value as at 31 st March 2014 (restated) | 109 | 243 | 173 | 30 | 8 | N/A |
| Real increase in cash equivalent transfer value as funded by employer | 27 | 14 | 6 | 10 | 9 | N/A |
| Annual pension receivable as at 31 st March 2015 based on this being last day of service | £8,248 | £14,707 | £14,641 | £4,436 | £2,261 | N/A |

**NATIONAL ARMY MUSEUM
REMUNERATION REPORT
YEAR ENDED 31ST MARCH 2015**

Comparatives have been restated for 2013-14 to reflect updated information and to exclude accrued benefits from previous civil service related employments.

The annual equivalent figures for members of the Management Team who joined in the year 2013/14 for that year were for Miss G Adkins a salary of £60,000 to £65,000 and real increase in pension of £0 to £2,500.

| | 2014-15 | 2013-14 |
|--|---------|---------|
| Band of highest paid director's total remuneration (£'000) | 110-115 | 110-115 |
| Median total remuneration | 33,911 | 33,432 |
| Remuneration ratio | 3.3 | 3.4 |

Median total remuneration is calculated by excluding the remuneration of the highest paid director and by including full time equivalent remuneration for all staff.

The table above has been subject to audit.

The opening cash equivalent transfer value (CETV) figures as at 31 March 2015 may be different from the closing figures in last year's accounts. This is due to the CETV factors being updated to comply with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008.

None of the above received any benefits in kind during the year (2013/14 £Nil).

No members of the Council received any remuneration during the year (2013/14 £Nil). During the year reimbursements were made to members of the Council totalling £1,713 (2013/14 £436) for travel and subsistence and £1 (2013/14 £273) for hospitality.

2014-15 employers' pension contributions for the Museum of £353,575 were payable to the PCSPS (2013-14 £309,607) at rates based on salary bands as follows:

| | | | |
|------------|---|-------------------|-------|
| Band one | - | £22,000 and under | 16.7% |
| Band two | - | £22,001 - £44,500 | 18.8% |
| Band three | - | £44,501 - £74,500 | 21.8% |
| Band four | - | £74,501 and over | 24.3% |

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.

Members of staff not eligible to join the PCSPS are automatically enrolled in the National Employment Savings Trust (NEST) with employer pensions contributions of 1 percent except in the case of senior staff where this rate is increased to 3 percent.

Salary

"Salary" includes gross salary, 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 and 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 scheme 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 2012. Details can be found in the resource accounts for these schemes, which are published and laid before the House of Commons.



**NATIONAL ARMY MUSEUM
REMUNERATION REPORT
YEAR ENDED 31ST MARCH 2015**

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). From 30 July 2007 this also includes Nuvos and from 1 April 2015 Alpha. Further details about the new Alpha scheme can be found at www.civilservicepensionscheme.org.uk. 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 changes in the Pensions Increase Legislation. New entrants after 30 July 2007 may choose between membership of Nuvos (1 April 2015 Alpha) or joining a good quality 'money purchase' stakeholder based arrangement with a significant employer contribution (partnership pension account).

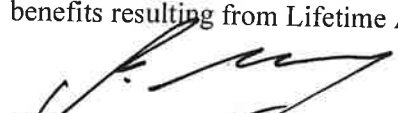
Employee contributions are set between 1.5% and 8.25% dependent on which scheme the individual belongs to i.e. Classic, Classic Plus, Premium or Nuvos. Benefits in classic accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension 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. For Nuvos, pension builds up each scheme year, at the rate of 2.3% of pensionable earnings, there is no automatic lump sum (but members have an option to take a tax free lump sum in exchange for part of their pension). Whilst Alpha will provide a defined benefit based on a career average salary.

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

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

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

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


MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER


GENERAL SIR RICHARD SHIRREFF
CHAIRMAN, ON BEHALF OF
COUNCIL

16th July 2015

National Army Museum
16th July 2015

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

STATEMENT OF COUNCIL'S AND DIRECTOR GENERAL'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:

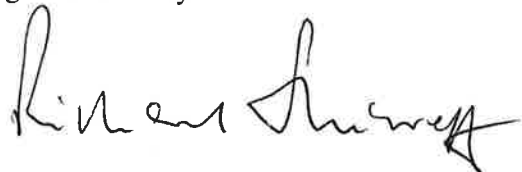
- Observe the accounts direction issued by the Secretary of State in compliance with Charity Law, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 General, the senior full time Museum official, as the Accounting Officer for the National Army Museum. Her relevant responsibilities as Accounting Officer, including her responsibility for the propriety and regularity of Parliamentary funded (Grant in Aid) finances for which she 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'.



MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

16th July 2015

16th July 2015

NATIONAL ARMY MUSEUM

GOVERNANCE STATEMENT

YEAR ENDED 31ST MARCH 2015

This Governance Statement sets out the arrangements for the governance of the NAM, including the Council and Committee structure for the Members. It specifically shows how the organisation identifies and manages key risks and provides the assurance from the Chairman of the NAM Council and Accounting Officer previously contained in the Statement on Internal Control.

The Governance Framework

The NAM is a charity registered with the Charity Commission (registration number 237902) governed in accordance with its Royal Charter.

The Museum is an accredited national museum and Executive Non-Departmental Public Body (ENDPB) obliged to comply with HM Treasury financial reporting requirements set out in the Financial Reporting Manual and the guidance contained in Managing Public Money. There is a Financial Framework document in place that defines the arrangements between the Museum and its Sponsor Department - the Ministry of Defence, relating to the receipt of Grant-in-Aid and the conditions for its expenditure. This Framework was revised in February 2015.

The NAM Council and the Committee Structure

The NAM was governed by the NAM Council under the chairmanship of General Sir Jack Deverell KCB OBE until July 2014 and latterly by General Sir Richard Shirreff KCB CBE who took over in July 2014. The Charities Act 2011 requires the Council Members to exercise proper stewardship over the Museum and to take care of its collections.

The Director General of the Museum is the Accounting Officer responsible to Parliament for the day-to-day management of the Museum as set out in Chapter 3 of Managing Public Money.

Council Members are appointed by the NAM Council and approved by the Army Board. They are appointed for a term of three years and can be appointed for further terms of equivalent length. The NAM Council may appoint nominated external members to serve on specific sub committees to supplement the experience of Main Council Members. The nominated external members offer a level of expertise and independence that the Council members may not have.

The NAM Council Members receive induction training under the direction of the Director General and are encouraged to familiarise themselves with the Museum's operations through work in committees where they are supported by the Museum's divisional Directors.

The NAM Council met on four occasions during 2014-15 to discuss the Museum's business which included governance, membership, finance and the Building for the Future project. In addition to these meetings the Council received a BfF project briefing outside of the "normal" schedule of meetings. Listed below are the Council Members and their attendance at Council meetings:

| Post | Name | Attendance |
|---------|--|------------|
| Chair | General Sir Jack Deverell KCB OBE Resigned July 2014 | 2 |
| | General Sir Richard Shirreff KCB CBE Appt'd July 2014 | 4* |
| Members | Mr Keith Baldwin | 4* |
| | Mr Patrick Bradley | 5* |
| | Mr Algy Cluff Until March 2015 | 4* |

**NATIONAL ARMY MUSEUM
GOVERNANCE STATEMENT
YEAR ENDED 31ST MARCH 2015**

| | | |
|--|---|-----|
| | Brigadier Douglas Erskine Crum | 5* |
| | The Rt The Hon Lord Hamilton of Epsom | 5* |
| | Lieutenant General Sir Barney WB White-Spunner KCB CBE | 3 |
| | Professor William Philpott | 2 |
| | Ms Caroline Wyatt Appt'd July 2014 | 1 |
| | Mrs Deborah Younger | 3** |
| | Major General Charles G C Vyvyan CB CBE MA MSc Until July 2014 | 2 |

* includes attendance at additional briefing meeting
** via telephone

minutes of all NAM Council and Committee meetings are maintained and the attendance of Council Members are recorded therein. Copies of NAM Council meetings are published on the NAM website.

Register of Interests

A register of Members' relevant interests is maintained and is the first item on the Agenda at all meetings of the Council and all committees meetings. Members are required to declare the fact that if they have an interest, pecuniary or otherwise, in any matter being considered by the Council. In this period no such interests were declared.

NAM Council Committees

The NAM Council Members have established a number of committees for specific purposes and to ensure the effective conduct of business. These committees are Audit & Risk Assurance, Acquisition & Disposal, Building for the Future and Remuneration & Appointments (formerly Nominations).

The full Council has approved the terms of reference of each of these committees and, where it is practical, members do not sit on more than two committees.

Audit and Risk Assurance Committee

During 2014-15 the Audit and Risk Assurance Committee met three times. The Committee members and their attendance at the meetings are listed below:

| Post | Name | Attendance |
|------------------|---------------------|------------|
| Chair | Mrs Deborah Younger | 3 |
| Member | Mr Keith Baldwin | 3 |
| Nominated Member | Mr Jeremy Archer | 2 |

**NATIONAL ARMY MUSEUM
GOVERNANCE STATEMENT
YEAR ENDED 31ST MARCH 2015**

The Committee were briefed at their October meeting on Performance Awards for the previous reporting period, which were in line with MoD guidance.

Acquisition and Disposal Committee

The Acquisition and Disposal Committee met twice during 2014-15. Listed below are the members of the Committee and their attendance at the meetings:

| Post | Name | Attendance |
|------------------|--|------------|
| Chair | Professor William Philpott | 2 |
| Members | Mr Mihir Bose until October 2014 | 1 |
| | Ms Caroline Wyatt Appt'd November 2014 | 0 |
| Nominated Member | Professor Brian Holden Reid MA PhD FRHistS FRGS FRUSI | 2 |

Building for the Future Committee

The NAM Council established in 2013 the Building for the Future Committee to oversee the redevelopment project. This Committee met seven times in this period and below are the members of the Committee and attendance at the meetings:

| Post | Name | Attendance |
|---------|---|------------|
| Chair | Brigadier Douglas Erskine Crum | 7 |
| Members | The Rt Hon The Lord Hamilton of Epsom | 5 |
| | Lieutenant General Sir Barney WB White - Spinner KCB CBE | 6 |
| | General Sir Jack Deverell KCB OBE Resigned July 2014 | 3 |
| | General Sir Richard Shirreff KCB CBE Appt'd August 2014 | 1 |
| | Mr Keith Baldwin | 5 |

Nominations Committee

The former Nominations Committee (now the Remunerations & Appointments Committee since March 2015) met informally on several occasions in 2015 to discuss nominations for NAM Council.

NATIONAL ARMY MUSEUM
GOVERNANCE STATEMENT
YEAR ENDED 31ST MARCH 2015

NAM established the NAM Foundation, which acts as a fundraising body for the NAM and a repository for donations primarily for the Building for the Future project. The NAM Foundation met formally once in 2014.

Full minutes of all NAM Council and Committee meetings are maintained and the attendance of Council Members are recorded therein. Copies of NAM Council meetings are published on the NAM website.

The NAM Council has established a subsidiary company - NAM Trading Ltd (NAMTL), the Board of which includes four Directors. Decisions taken by this company remain the responsibility of the Directors of NAMTL.

The principal achievements of the Museum during the year are highlighted elsewhere in the Financial Statements, NAM Council Minutes and Business Plans and the Director General attends meetings of the Army Heritage Committee where she reports on the plans of the NAM. Additionally, meetings are held with the Command Secretary (Land Forces) (LF), Adjutant General and Heritage Branch. These meetings are reported to the full NAM Council.

NAM Committee minutes are circulated to all Council Members with routine papers for all Council meetings where committee chairs highlight any matters of particular concern for the attention of the full Council.

There is a wide range of information and data (financial and otherwise) routinely available to Council Members, including management accounts. The Director General works closely with the Museum Director and the Head of Finance to refine the financial information supplied to Council ensuring that the information is available both on time and in a format that enables the Members to exercise proper oversight of the Museum.

Review of Effectiveness of Internal Control

To meet the responsibilities above, the NAM has in place a system of internal control. A framework contained within the Financial Procedures Manual, which all members of the Management Team (MT), Heads of Departments and all staff employed at the NAM must sign up to, supports this system of control. In addition, all staff have received training on the Bribery Act and a copy of the policy can be found on the NAM Intranet. Additionally, the MT on a monthly basis reviews budgets and cost centres to ensure that the spend profile is maintained and any anomalies are accounted for. To support the system, additional input is received from independent internal and external audit.

Internal Auditors

The Museum's internal auditors were Daly, Hoggett & Co until January 2015 when after a tender Moore Stephens were appointed in this role. Both companies work to the Public Sector Internal Audit Standards and provide an independent opinion on the matters subject of review through the internal audit programme.

The Museum has a Risk Matrix to support its management of risk in the "normal" operations of the Museum. This Risk Matrix is used to identify the work to be undertaken by the internal auditors. Council's A&RA Committee signs off the work programme and the same committee receives the report of the internal auditors at its end of year meeting.



NATIONAL ARMY MUSEUM

GOVERNANCE STATEMENT

YEAR ENDED 31ST MARCH 2015

The risks contained in the Risk Matrix have also been taken into account in the development of the Museum's strategic direction (through a process of cross-referencing between the specific risks and the principal strategic objectives) thereby mitigating some or all of those risks. The future internal audit programme will look at the remaining risks, which include the sufficiency of funding in the form of Grant-in-Aid. This risk represents a constant challenge to the Museum and, indeed, could put at risk delivery of the standards expected of the Accounting Officer. The Museum Director retains overall responsibility for the key control systems of the Museum and he supports directly the work of the A&RA Committee.

The internal auditors also provide an annual statement of assurance to the Accounting Officer and the NAM Council on the work performed in the year. In respect of the matters covered during the year Internal Audit concluded that there is an adequate and effective system of governance, risk management and internal control in place to address the risk that management's objectives are not fully achieved.

External Auditors

The external auditor of the Museum is the C&AG. The accounts are consolidated with the accounts of the NAM's trading subsidiary (NAMTL) who are audited by Spofforths LLP. The NAO is invited to attend the regular meetings of the A&RA Committee which includes the "end of year" presentation of the Consolidated Accounts to the A&RA Committee at its June Meeting, where it discusses their findings with the Committee and there is an opportunity to discuss the report without NAM staff being present.

Risk Management

A Risk Management Statement has been drawn up with reference to the HM Treasury publication *Management of Risk - Strategic Overview* (January 2001), the Adjutant-General's 'Corporate Governance & Risk Management Policy Statement' (13 July 2001), and the Cabinet Office & HM Treasury publication, *Your Delivery Strategy* (September 2001).

The NAM Council affirms that in all situations where MOD Grant-in-Aid is concerned, the appetite for risk is conservative. The need to pay the staff, fund the provision of utilities, ensure compliance with Health & Safety at Work and other legislation/mandatory requirements, attend to the well-attested structural and engineering defects at NAM Chelsea, curate the Collections and open the Museum daily to the public leaves no room for the assumption of more extreme risks. In all other instances, Council's risk assessment is made on a case-by-case basis, and is reviewed by Council at its periodic meetings, having regard to the NAM's Strategic Plan, Business Plan and investment and other professional advice taken by Council and the Director General of the Museum, who reports to Council.

As mentioned previously, regular reviews are carried out on the Risk Matrix and risks that are identified are addressed but in all cases, the A&RA Committee acting on behalf of the NAM Council, reviews the matrix annually at its autumn meeting.

The identification and evaluation of risk is an integral part of the NAM's performance management. Input into the Risk Matrix is museum-wide and all departments are required to provide input via their Heads of Division. The NAM assesses its risks under the following categories:

- a. Governance;
- b. Finance;
- c. Building;
- d. Security;
- e. Employment;
- f. Collections.

**NATIONAL ARMY MUSEUM
GOVERNANCE STATEMENT
YEAR ENDED 31ST MARCH 2015**

The Museum's Risk Matrix is maintained under the guidance of the A&RA Committee and focuses on the key risks posed to the Museum. These risks are assessed in terms of likelihood of occurrence and their potential impact. Appropriate mitigation activity is identified and recorded. With risks of an inevitable nature, the Museum has developed contingency plans, which are being revised in line with the successful HLF funding application. The A&RA Committee annually request sight of the Risk Matrix at its October meeting.

In addition to the operational risks of the NAM the Building for the Future (BtF) project – the major redevelopment of the Museum brings its own project specific risks. A register of these project risks is a requirement of the Heritage Lottery Fund (HLF) and identifies all risks to the BtF project and is managed by the external Project Manager. This is reported to, and reviewed by, the BtF Committee at their regular meetings and is also reported to the HLF at the regular meetings with the Project Board. The A&RA Committee, which receives, and comments on this register provide an added level of scrutiny.

Information Risk Management

The NAM has established an Information Asset Ownership group comprised of the Senior Information Risk Officer and Information Asset Owners from across the Museum's divisions. The group ensures that the Information Assurance Policy is complied with. The group meets regularly and discusses the management of information held by the NAM.

All staff are required as part of their induction to carry out on-line training in accordance with the National Archives directions. Information Sharing Agreements are in place with bodies that share NAM information.

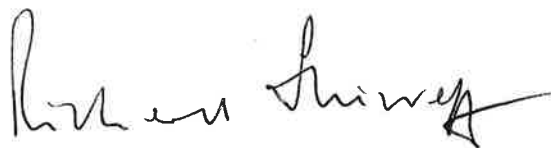
Any information issues that arise are handled by the appropriate IAO/s and referred to the group where necessary. Any incident of data loss or mishandling is handled in accordance with the Information Commissioners guidance and reported to his office as required.

NAM's Statement of Assurance

We have responsibility, on behalf of the full NAM Council, for the overall effectiveness of the Museum's governance arrangements and their compliance with Corporate Governance in Central Government Departments Code of Practice 2011 so far as this may be seen to apply to an 'Arms-Length Body' (as defined in Managing Public Money).



MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER



GENERAL SIR RICHARD SHIRREFF
CHAIRMAN, ON BEHALF OF
COUNCIL

National Army Museum

16th July 2015

16th July 2015

NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE COUNCIL OF THE NATIONAL ARMY MUSEUM

I have audited the financial statements of the National Army Museum for the year ended 31 March 2015 under the Museum's Royal Charter of 1960 as amended in 1988. The financial statements comprise the Consolidated Statement of Financial Activities, the Group and Parent Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, the Accounting Officer and auditor

As explained more fully in the Statement of Council's and Director General's Responsibilities, the Council and the Director General as Accounting Officers are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with the Museum's Royal Charter of 1960 as amended in 1988. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the National Army Museum's and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the National Army Museum; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Foreword and Report of Council, Remuneration Report and the Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on Regularity

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

Opinion on Financial Statements

In my opinion:

- the financial statements give a true and fair view, of the state of the group's and of National Army Museum's affairs as at 31 March 2015 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued thereunder.

**NATIONAL ARMY MUSEUM
FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015**

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Charities Act 2011; and
- the information given in the Foreword and Report of Council for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.



National Audit Office

Amyas C E Morse
Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date

16 July 2015

NATIONAL ARMY MUSEUM
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
YEAR ENDED 31ST MARCH 2015

| | NOTE | Unrestricted Funds | Restricted Funds | Restricted Grant in Aid Funds | Total Funds 2014/15 | Total Funds 2013/14 |
|---|-------|-----------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | | £ | £ | £ | £ | £ |
| INCOMING RESOURCES | | | | | | |
| Incoming resources from generated funds: | | | | | | |
| Voluntary income: | | | | | | |
| Grants and donations | | 12,244 | 2,759,504 | 2,700 | 2,774,448 | 775,190 |
| Activities for generating funds: | | | | | | |
| Commercial trading operation: | 5 | 79,067 | - | - | 79,067 | 559,579 |
| Investment income | 2 | 1,344 | 5,843 | 395 | 7,582 | 7,821 |
| | | <u>92,655</u> | <u>2,765,347</u> | <u>3,095</u> | <u>2,861,097</u> | <u>1,342,590</u> |
| Other incoming Resources | | | | | | |
| Grant-in-aid (operating) | | - | - | 10,739,523 | 10,739,523 | 6,023,131 |
| Grant-in-aid (purchases) | | - | - | 126,000 | 126,000 | 117,000 |
| Sundry income | | 1,185 | - | - | 1,185 | 15,183 |
| TOTAL INCOMING RESOURCES | | 93,840 | 2,765,347 | 10,868,618 | 13,727,805 | 7,497,904 |
| RESOURCES EXPENDED | | | | | | |
| Cost of generating funds: | | | | | | |
| Fundraising costs of grants and donations | 4 | 1,925 | 20,055 | 285,753 | 307,733 | 354,128 |
| Commercial trading operations | 4 & 5 | 78,492 | 1,749 | 71,646 | 151,887 | 497,243 |
| | | <u>80,417</u> | <u>21,804</u> | <u>357,399</u> | <u>459,620</u> | <u>851,371</u> |
| Cost of charitable activities: | | | | | | |
| Collections and exhibitions | 4 | 11,986 | 171,958 | 2,472,609 | 2,656,553 | 6,906,932 |
| Mural | 4 | 7,148 | 83,506 | 954,045 | 1,044,699 | 1,539,241 |
| Learning | 4 | 3,775 | 19,572 | 405,320 | 428,667 | 790,695 |
| Publicity | 4 | 1,337 | 15,622 | 532,681 | 549,640 | 507,428 |
| | | <u>24,246</u> | <u>290,658</u> | <u>4,364,655</u> | <u>4,679,559</u> | <u>9,744,296</u> |
| Governance Costs | 4 | 9,606 | 43,758 | 755,459 | 808,823 | 719,413 |
| TOTAL RESOURCES EXPENDED | 6&7 | 114,269 | 356,220 | 5,477,513 | 5,948,002 | 11,315,080 |
| Net incoming/(outgoing) Resources for the year | 6 | (20,429) | 2,409,127 | 5,391,105 | 7,779,803 | (3,817,176) |
| Unrealised gains/(losses) | | | | | | |
| Investments | | - | 10,353 | - | 10,353 | 13,062 |
| Revaluation of tangible fixed assets | | 22,803 | 510,604 | 58,260 | 591,667 | 2,721,980 |
| NET MOVEMENT IN FUNDS | | 2,374 | 2,930,084 | 5,449,365 | 8,381,823 | (1,082,134) |
| Balances brought forward at 1 April 2014 | | 64,557,296 | 19,910,858 | 3,334,468 | 87,802,622 | 88,884,756 |
| Balances carried forward at 31 March 2015 | | 64,559,670 | 22,840,942 | 8,783,833 | 96,184,445 | 87,802,622 |


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.

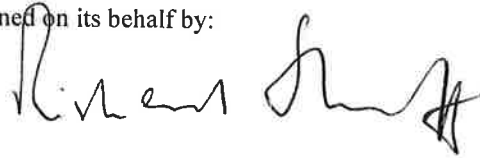
The notes on pages 29 to 46 form a fundamental part of the these financial statements

**NATIONAL ARMY MUSEUM
CONSOLIDATED & CHARITY BALANCE SHEET
YEAR ENDED 31ST MARCH 2015**

| | 2015 | | | | 2014 | | | |
|--|-------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | GROUP | | CHARITY | | GROUP | | CHARITY | |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| FIXED ASSETS | | | | | | | | |
| Tangible assets | 8 | 21,134,681 | 21,134,681 | 18,695,908 | 18,695,908 | 18,695,908 | 18,695,908 | 18,695,908 |
| Heritage Assets | 9 | 66,143,385 | 66,143,385 | 66,116,223 | 66,116,223 | 66,116,223 | 66,116,223 | 66,116,223 |
| Investments | 10 | <u>232,737</u> | <u>232,738</u> | <u>222,384</u> | <u>222,384</u> | <u>222,385</u> | <u>222,385</u> | <u>222,385</u> |
| | | 87,510,803 | 87,510,804 | 85,034,515 | 85,034,515 | 85,034,516 | 85,034,516 | 85,034,516 |
| CURRENT ASSETS | | | | | | | | |
| Stock of finished goods | | 37,148 | - | 44,862 | - | - | - | - |
| Debtors | 11 | 2,220,830 | 2,294,210 | 357,990 | 357,990 | 528,059 | 528,059 | 528,059 |
| Cash | 12 | <u>7,089,953</u> | <u>7,024,412</u> | <u>2,578,495</u> | <u>2,578,495</u> | <u>2,414,593</u> | <u>2,414,593</u> | <u>2,414,593</u> |
| | | 9,347,931 | 9,318,622 | 2,981,347 | 2,981,347 | 2,942,652 | 2,942,652 | 2,942,652 |
| CURRENT LIABILITIES | | | | | | | | |
| CREDITORS: | | | | | | | | |
| Amounts falling due within one year | 13 | <u>674,289</u> | <u>644,981</u> | <u>213,240</u> | <u>213,240</u> | <u>174,545</u> | <u>174,545</u> | <u>174,545</u> |
| NET CURRENT ASSETS | | | | | | | | |
| | | <u>8,673,642</u> | <u>8,673,641</u> | <u>2,768,107</u> | <u>2,768,107</u> | <u>2,768,107</u> | <u>2,768,107</u> | <u>2,768,107</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | | | | | | | |
| | | <u>96,184,445</u> | <u>96,184,445</u> | <u>87,802,622</u> | <u>87,802,622</u> | <u>87,802,623</u> | <u>87,802,623</u> | <u>87,802,623</u> |
| RESERVES | | | | | | | | |
| Unrestricted funds | | 64,559,670 | 64,559,670 | 64,557,296 | 64,557,296 | 64,557,297 | 64,557,297 | 64,557,297 |
| Restricted funds | 14 | 22,840,942 | 22,840,942 | 19,910,858 | 19,910,858 | 19,910,858 | 19,910,858 | 19,910,858 |
| Restricted Grant-in-Aid Funds | | <u>8,783,833</u> | <u>8,783,833</u> | <u>3,334,468</u> | <u>3,334,468</u> | <u>3,334,468</u> | <u>3,334,468</u> | <u>3,334,468</u> |
| | 15 | <u>96,184,445</u> | <u>96,184,445</u> | <u>87,802,622</u> | <u>87,802,622</u> | <u>87,802,623</u> | <u>87,802,623</u> | <u>87,802,623</u> |

The financial statements were approved by the Council on 16 July 2015 and signed on its behalf by:


MRS JANICE MURRAY
DIRECTOR GENERAL
AND ACCOUNTING OFFICER


GENERAL SIR RICHARD SHIRREFF
CHAIRMAN

NATIONAL ARMY MUSEUM
CONSOLIDATED CASH FLOW STATEMENT
YEAR ENDED 31ST MARCH 2015

| | Unrestricted Funds | Restricted Funds | Restricted Grant in Aid Funds | Total Funds 2014/15 | Total Funds 2013/14 |
|--|-----------------------|---------------------|-------------------------------------|---------------------------|---------------------------|
| | £ | £ | £ | £ | £ |
| Net cash inflow from operating activities (see below) | 7,724 | 1,379,913 | 5,445,068 | 6,832,705 | 759,934 |
| <hr/> | | | | | |
| Return on investments and servicing of finance | | | | | |
| Interest received | 1,344 | 207 | 395 | 1,946 | 1,573 |
| Investment income | - | 5,636 | - | 5,636 | 6,248 |
| | 1,344 | 5,843 | 395 | 7,582 | 7,821 |
| <hr/> | | | | | |
| Capital Expenditure | | | | | |
| Payments to acquire: | | | | | |
| Tangible fixed assets | - | (1,129,268) | (1,183,902) | (2,313,170) | (110,478) |
| Heritage assets | - | - | (27,162) | (27,162) | (103,183) |
| Proceeds from sale: | | | | | |
| Tangible fixed assets | - | - | 11,503 | 11,503 | 1,100 |
| | - | (1,129,268) | (1,199,561) | (2,328,829) | (212,561) |
| Increase/(Decrease) in cash | 9,068 | 256,488 | 4,245,902 | 4,511,458 | 555,194 |



National Audit Office

Reconciliation of Changes in Resources to Net Cash Inflow/(Outflow) from Operating Activities

| | | | | | |
|--|--------------|------------------|------------------|------------------|----------------|
| Changes in resources before revaluations | (20,429) | 2,409,127 | 5,391,105 | 7,779,803 | (3,817,176) |
| Investment income | (1,344) | (5,843) | (395) | (7,582) | (7,821) |
| Depreciation | 20,896 | 285,271 | 131,003 | 437,170 | 742,628 |
| Impairment charge | - | - | - | - | 4,099,142 |
| Loss/(Profit) on disposal of tangible fixed assets | - | - | 17,391 | 17,391 | (9,551) |
| Donated heritage assets | - | - | - | - | (467,245) |
| Increase/(Decrease) in creditors | (418) | 38,752 | 422,715 | 461,049 | (33,862) |
| Decrease in stocks | 7,714 | - | - | 7,714 | 25,650 |
| (Increase)/Decrease in debtors | 1,305 | (1,347,394) | (516,751) | (1,862,840) | 209,067 |
| Net cash inflow from operating activities | 7,724 | 1,379,913 | 5,445,068 | 6,832,705 | 759,934 |

The notes on pages 29 to 46 form a fundamental part of these financial statements.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

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 H.M. Treasury.

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

(b) Basis of Consolidation

Consolidated financial statements have been prepared in respect of the charity and its wholly owned subsidiary, National Army Museum Trading Limited.

The Consolidated Statement of Financial Activities includes the result of National Army Museum Trading Limited on a line by line basis. A separate Statement of Financial Activities for the charity itself is not presented as the charity has taken advantage of the exemptions afforded by paragraph 397 of SORP 2005.

The Consolidated Balance Sheet includes the net assets of National Army Museum Trading Limited on a line by line basis.

The financial statements of National Army Museum Trading Limited used in consolidation are those for the period ended 31 March 2015.

(c) Incoming Resources

Incoming resources are included gross without the deduction of expenditure.

(d) Grants Receivable

Grant in Aid is recorded on a received basis. Other revenue grants including Heritage Lottery Fund 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.

(e) Other Voluntary Income

The Museum derives voluntary income from legacies, gifts and monies placed in donation boxes in the Museum. This income is recognised in the statement of financial activities when received. Donated services and facilities are included as income based on management's judgement of their market value.

(f) 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.

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



NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

Publicity costs are those costs that are incurred in promotion of the Museum, specific exhibitions and in support of the off site activities of the NAM.

With the closure of the Museum other non directly attributable costs are allocated based on staff costs as appropriate using the following percentages:

| | Staff Costs Percentage |
|-----------------------------|------------------------------|
| Fundraising costs | 6.65 |
| Trading operations | 0.58 |
| Collections and exhibitions | 38.90 |
| Curatorial | 27.69 |
| Learning | 6.49 |
| Publicity | 5.18 |
| Governance costs | <u>14.51</u> |
| | <u>100.00</u> |

g) Pensions Cost

The majority of Museum staff, 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 Cabinet Office at rates determined from time to time by the Government Actuary's Department. A small number of other staff are also entitled and are paid contributions to National Employment Savings' Trust or personal pension policies.

(h) Taxation

As a Registered Charity, the National Army Museum's 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.

All of the income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. All the taxable profits of the trading subsidiary are distributed to the Charity under Gift Aid. The Corporation Tax liability of the trading subsidiary for the period ending 31 March 2015 was £Nil (2014:£Nil).

(i) 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 | 48 years |
| Fit-out of Buildings | 20 years |
| Plant and Machinery | 21 years |
| Short Leasehold Improvements | 41 years |
| Computer Equipment | 5 years |
| Fixtures and Fittings | 10 years |

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

The useful lives for leasehold buildings, fit-out of buildings and plant and machinery have been updated to reflect those advised as part of the 2014 property revaluation.

Assets under construction are included at cost which includes directly attributable project costs and not depreciated until the asset is complete and brought into use. Assets under construction is a new asset category this year relating to the redevelopment of the Museum. Indices are not used to revalue these assets.

The Museum continuously reviews its fixed assets to ensure they do not fall below recoverable amounts in line with the provisions of FRS11 (the impairment of fixed assets and goodwill). Any asset that falls below its recoverable amount is adjusted to reflect the fall in value or is disposed of.

(j) Heritage Assets

(i) Valuation and Management

The National Army Museum's permanent Collection is reported in the Balance Sheet at valuation, except where the work involved in valuation exceeds the benefit to users of the financial statements.

Heritage assets comprise of approximately one million items. Some have been individually valued by curatorial staff. The remainder of the valuation has been estimated based on the average value of different classes of item.

The Collection was valued at estimated market value at 31 March 2010 as part of the implementation of FRS30. During this reporting period, the total figure for Heritage Assets has been adjusted according to acquisitions and disposals at market value.

For valuation purposes the Collection was divided into two categories. The first category comprised Victoria Crosses, George Crosses, field marshals' batons, oil paintings and other high-value items of fine and decorative art, coatees, rare books, oral history interviews, sound discs and film records. These were valued by expert members of staff, some of them with the assistance of former colleagues. The valuations of the historic military vehicles part of the collection is supported by a third party valuation of the historic military vehicles made in 2008-9 by Julian Shoolheifer Limited (Fine Art Valuers) PO Box 186, Saffron Walden, CB10 9AY.

The remainder of the Collection was valued by expert members of staff on the basis of auction realisations, knowledge of their specialist areas and inflation-adjusted prices paid for exhibits purchased by the Museum.

The Collection will be revalued every three years with the first revaluation being on 31 March 2016 so as to more accurately reflect the value of heritage assets whilst managing available staff time and resources.

(ii) Depreciation

Depreciation is not provided on historic heritage assets due to the fact that they have an indefinite life. The carrying value of individual items is reviewed and written down where required.

(iii) Preservation Costs and Management

Expenditure which, in the Council's view, is required to preserve or clearly prevent further deterioration of individual collection items is written off and recognised in the Statement of Financial Activities when it is incurred.

(iv) Acquisitions and Disposals

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

By definition, the Museum has a long-term purpose and maintains a permanent Collection 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 from the Museum's Collection.

Final approval for the disposal of a heritage asset rests with the Acquisition and Disposal Committee and this authority is devolved from the Museum's Trustees, the Council of the NAM. A curator recommends the object for disposal and relevant paperwork is counter-signed by the head of department concerned and the Assistant Director (Collections).

A copy of the Museum's Full Acquisition & Disposal Policy is available on its website.



NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

(k) 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.

(l) Stocks

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

(m) Liabilities

Where expenditure has been incurred but remains unpaid at the year end a liability is recorded by the Museum. Where amounts have not been invoiced an estimate is made of the amount to be accrued and included as a liability.

(n) Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight-line basis over the period of the lease.

(o) Financial Instruments

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

(p) 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.

2. Investment Income

| | Unrestricted Funds | Restricted Funds | Restricted Grant in Aid Funds | Total Funds 2014/15 | Total Funds 2013/14 |
|-------------------------|-------------------------------|-----------------------------|--|------------------------------------|------------------------------------|
| | £ | £ | £ | £ | £ |
| Interest receivable | 1,344 | 207 | 395 | 1,946 | 1,573 |
| Other investment income | - | 5,636 | - | 5,636 | 6,248 |
| | <u>1,344</u> | <u>5,843</u> | <u>395</u> | <u>7,582</u> | <u>7,821</u> |

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

3. Allocation of support costs

The Museum allocates its support costs as shown in the table below and then further apports 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 | 144,348 | 44,062 | 26,571 | 214,981 |
| Information technology | 98,814 | 9,129 | 18,321 | 126,264 |
| External Audit - Museum | - | - | 21,500 | 21,500 |
| External Audit - Subsidiary | - | - | 3,500 | 3,500 |
| Internal Audit | - | - | 9,748 | 9,748 |
| Legal and other Professional Fees | 134,502 | 12,940 | 26,569 | 174,011 |
| Trustees expenses | - | - | 1,713 | 1,713 |
| TOTAL 2014/15 | 377,664 | 66,131 | 107,922 | 551,717 |
| TOTAL 2013/14 | 966,023 | 37,191 | 90,452 | 1,093,666 |



National Audit Office



NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

4. Resources expended

| | <u>Cost of generating funds:</u> | | <u>Cost of charitable activities:</u> | | | | | <u>Publicity</u> £ | <u>Governance</u> <u>Costs</u> £ | <u>Total</u> <u>2014-15</u> £ | <u>Total</u> <u>2013-14</u> £ |
|---|---|--|---|------------------------|----------------------|----------------|----------------|-----------------------|--|-------------------------------------|-------------------------------------|
| | <u>Fundraising</u> <u>Costs</u> £ | <u>Trading</u> <u>Operations</u> £ | <u>Collections and</u> <u>Exhibitions</u> £ | <u>Curatorial</u> £ | <u>Learning</u> £ | <u>£</u> | <u>£</u> | | | | |
| Staff costs | 186,033 | 119,836 | 1,211,956 | 665,799 | 217,964 | 188,706 | 571,726 | 3,162,020 | 3,563,107 | | |
| Premises costs | 28,971 | 2,527 | 442,790 | 120,641 | 28,277 | 22,570 | 63,218 | 708,994 | 849,499 | | |
| Collections maintenance | - | - | 635,459 | - | 2,099 | - | - | 637,558 | 476,273 | | |
| Educational events | - | - | - | - | 119,905 | - | - | 119,905 | 47,129 | | |
| Advertising and promotion | - | - | - | - | - | 289,989 | - | 289,989 | 196,250 | | |
| Other costs | - | 23,258 | - | - | - | - | - | 23,258 | 212,836 | | |
| Depreciation and profit on disposal | 30,228 | 2,636 | 176,825 | 125,868 | 29,501 | 23,546 | 65,957 | 454,561 | 752,178 | | |
| Exceptional item – impairment of tangible fixed assets (note 6) | - | - | - | - | - | - | - | - | 4,099,142 | | |
| Notional rent | - | - | - | - | - | - | - | - | 25,000 | | |
| Support costs (note 3) | 62,501 | 3,630 | 189,523 | 132,391 | 30,921 | 24,829 | 107,922 | 551,717 | 1,093,666 | | |
| TOTAL 2014/15 | 307,733 | 151,887 | 2,656,553 | 1,044,699 | 428,667 | 549,640 | 808,823 | 5,948,002 | 11,315,080 | | |
| TOTAL 2013/14 | 354,128 | 497,243 | 6,906,932 | 1,539,241 | 790,695 | 507,428 | 719,413 | 11,315,080 | | | |

Notional rent related to the estimated cost for the use of a previously donated facility at RMA Sandhurst based on the Museum renting similar premises on a commercial basis.

Other trading operations costs include £6,480 in respect of the purchase of goods for resale.

The increase in governance costs reflects additional management time spent on the Building for the Future project.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31ST MARCH 2015

5. Commercial Trading Operations

| | Trading Income | Trading Expenditure (Note 4) | Trading Profit and Loss Account | 2013/14 |
|------------------------------------|---------------------------|---|--|----------------|
| | £ | £ | £ | £ |
| Museum Shop Sales | 20,273 | | 20,273 | 237,923 |
| Less: Cost of Sales | | | | |
| Opening Stock | | | 44,862 | 70,512 |
| Purchases | | | 6,480 | 121,371 |
| Closing Stock | | | (37,148) | (44,862) |
| | | 14,194 | 14,194 | 147,021 |
| Shop Gross Profit | | | 6,079 | 90,902 |
| Other Trading Income | 58,794 | | 58,794 | 321,656 |
| Other Trading Expenditure | | 137,693 | 137,693 | 308,075 |
| Trading Operating (Loss)/Profit | | | (72,820) | 104,483 |
| Exceptional item - Impairment | | - | - | 42,147 |
| Totals | 79,067 | 151,887 | (72,820) | 62,336 |

National Audit Office



6. Exceptional Item – Impairment of Tangible Fixed Assets

On 30 April 2014 the NAM temporarily closed to the public in order to undertake major redevelopment works. As a result an impairment review of tangible fixed assets was undertaken for 2013-14 to identify those assets which were to be scrapped or otherwise disposed of during these works. This included obtaining a new valuation of NAM's long leasehold land and buildings.

This revaluation gave rise to an exceptional impairment charge on the NAM's long leasehold land and buildings of £4,008,762. An impairment charge also arose on NAM's fixtures and fittings of £90,380.

There has been no material change to those items originally identified as impaired and no further impairment charge has arisen in respect of these redevelopment works for the current year.

NATIONAL ARMY MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
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| | Unrestricted Funds £ | Restricted Funds £ | Restricted Grant In Aid Funds £ | Total 2014/15 £ | Total 2013/14 £ |
|---|----------------------------|--------------------------|--|-----------------------|-----------------------|
| 7. Total Resources Expended | | | | | |
| Total resources expended is stated after charging the following items: | | | | | |
| Auditors' remuneration | | | | | |
| - audit services | 3,500 | - | 21,500 | 25,000 | 23,525 |
| - non audit services | - | - | - | - | - |
| Staff costs | | | | | |
| - wages and salaries | 45,472 | 49,514 | 2,215,547 | 2,310,533 | 2,428,453 |
| - social security costs | 4,769 | 4,636 | 192,704 | 202,109 | 179,639 |
| - pension costs | 1,200 | 495 | 358,762 | 360,457 | 404,197 |
| - redundancy costs | - | - | 71,269 | 71,269 | - |
| - temporary staff and recruitment costs | 2,767 | - | 214,885 | 217,652 | 550,818 |
| | 54,208 | 54,645 | 3,053,167 | 3,162,020 | 3,563,107 |
| Operating lease costs | | | | | |
| - land and buildings | - | - | 368,029 | 368,029 | 192,391 |
| - other | - | - | 11,606 | 11,606 | 7,849 |
| | - | - | 379,635 | 379,635 | 200,240 |



National Audit Office

Excluding the Director General and members of the management team, no employees received remuneration for 2014-15 excluding pension contributions, greater than £60,000 (2013-14 no employees). Details of the remuneration of the Director General and the management team are shown in the Remuneration Report.

Staff costs – wages and salaries include £Nil (2013/14 £10,000) in respect of an out of court settlement.

The average number of senior management and staff was:

| | 2014/15 | 2013/14 |
|-----------------------------|-----------|-----------|
| Collections and exhibitions | 30 | 32 |
| Curatorial | 23 | 23 |
| Learning | 4 | 5 |
| Publicity | 3 | 3 |
| Trading | 2 | 7 |
| Fundraising | 4 | 4 |
| | <u>66</u> | <u>74</u> |

Of the above staff 16 are employed on short term contracts with all other staff employed on a full time contract. The above includes 6 part time staff members.

Redundancy costs relate to one approved exit package during the year.



NATIONAL ARMY MUSEUM
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8a. Group Tangible Fixed Assets

| | Long Leasehold Land and Buildings £ | Short Leasehold Improvements £ | Assets under construction £ | Computer Equipment £ | Fixtures & Fittings £ | Total £ |
|-------------------------|---|---|-----------------------------------|----------------------------|-----------------------------|-------------|
| VALUATION | | | | | | |
| At commencement of year | 18,241,388 | 681,326 | - | 470,573 | 2,080,228 | 21,473,515 |
| Additions at cost | 2,000 | - | 2,304,629 | 3,736 | 2,805 | 2,313,170 |
| On revaluation | 558,080 | 34,067 | - | 10,747 | 17,842 | 620,736 |
| Disposals | - | - | - | (64,450) | (1,246,770) | (1,311,220) |
| At end of year | 18,801,468 | 715,393 | 2,304,629 | 420,606 | 854,105 | 23,096,201 |
| DEPRECIATION | | | | | | |
| At commencement of year | 631,388 | 38,317 | - | 393,468 | 1,714,434 | 2,777,607 |
| Charge for year | 305,980 | 17,449 | - | 49,603 | 64,138 | 437,170 |
| On revaluation | 13,478 | 831 | - | 7,109 | 7,651 | 29,069 |
| Disposals | - | - | - | (64,450) | (1,217,876) | (1,282,326) |
| At end of year | 950,846 | 56,597 | - | 385,730 | 568,347 | 1,961,520 |
| NET BOOK VALUE | | | | | | |
| At 31 March 2015 | 17,850,622 | 658,796 | 2,304,629 | 34,876 | 285,758 | 21,134,681 |
| At 31 March 2014 | 17,610,000 | 643,009 | - | 77,105 | 365,794 | 18,695,908 |



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NOTES TO THE FINANCIAL STATEMENTS
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8b. Charity Tangible Fixed Assets

| | Long Leasehold Land and Buildings £ | Short Leasehold Improvements £ | Assets under construction £ | Computer Equipment £ | Fixtures & Fittings £ | Total £ |
|-------------------------|---|---|-----------------------------------|----------------------------|-----------------------------|-------------|
| VALUATION | | | | | | |
| At commencement of year | 18,241,388 | 681,326 | - | 470,573 | 2,078,107 | 21,471,394 |
| Additions at cost | 2,000 | - | 2,304,629 | 3,736 | 2,805 | 2,313,170 |
| On revaluation | 558,080 | 34,067 | - | 10,747 | 17,842 | 620,736 |
| Disposals | - | - | - | (64,450) | (1,244,649) | (1,309,099) |
| At end of year | 18,801,468 | 715,393 | 2,304,629 | 420,606 | 854,105 | 23,096,201 |
| DEPRECIATION | | | | | | |
| At commencement of year | 631,388 | 38,317 | - | 393,468 | 1,712,313 | 2,775,486 |
| Charge for year | 305,980 | 17,449 | - | 49,603 | 64,138 | 437,170 |
| On revaluation | 13,478 | 831 | - | 7,109 | 7,651 | 29,069 |
| Disposals | - | - | - | (64,450) | (1,215,755) | (1,280,205) |
| At end of year | 950,846 | 56,597 | - | 385,730 | 568,347 | 1,961,520 |
| NET BOOK VALUE | | | | | | |
| At 31 March 2015 | 17,850,622 | 658,796 | 2,304,629 | 34,876 | 285,758 | 21,134,681 |
| At 31 March 2014 | 17,610,000 | 643,009 | - | 77,105 | 365,794 | 18,695,908 |

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Included in long leasehold land and buildings is a sum of £6,600,000 (2013/14 £6,600,000) for land, which has not been depreciated.

As previously noted an impairment review of tangible fixed assets was undertaken for 2013-14. This included requesting that Gerald Eve, Chartered Surveyors undertake a 31 March 2014 valuation of the long leasehold land and buildings in light of the Museum's plans. 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. This valuation took into account those items that were likely to be scrapped or otherwise disposed of during the re-development.

The valuation apportioned the total land and buildings as follows:

| | £ |
|------------------------|-------------------|
| Land | 6,600,000 |
| Structure of buildings | 9,467,000 |
| Fit-out of buildings | 489,000 |
| Plant and machinery | <u>1,054,000</u> |
| | <u>17,610,000</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 to the history of the Military Forces of Her Majesty and her predecessors etc. All material tangible fixed assets are used in Direct Charitable Activities.



National Audit Office

Heritage Assets

(a) Valuation

| | Museum Collection £ |
|---|------------------------------------|
| At commencement of year | 66,116,223 |
| Additions | <u>27,162</u> |
| At end of year | <u>66,143,385</u> |
| Net Book Value at 31 March 2015 | <u>66,143,385</u> |
| Net Book Value at 31 March 2014 | <u>66,116,223</u> |
| The valuation at 31 March 2015 comprises: | |
| Exhibits | 35,133,903 |
| Fine and decorative arts | 19,356,618 |
| Archives, photographs, film and sound | 10,499,952 |
| Printed books | <u>1,152,912</u> |
| | <u>66,143,385</u> |

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(b) Five year financial summary of heritage asset transactions

| | 2015 | 2014 | 2013 | 2012 | 2011 |
|------------------|---------------|----------------|---------------|---------------|---------------|
| | £ | £ | £ | £ | £ |
| <u>Additions</u> | | | | | |
| Purchases | 27,162 | 103,183 | 21,561 | 44,284 | 14,728 |
| Donations | - | 467,245 | - | 49,615 | 49,270 |
| Total Additions | <u>27,162</u> | <u>570,428</u> | <u>21,561</u> | <u>93,899</u> | <u>63,998</u> |
| <u>Disposals</u> | | | | | |
| Carrying Value | - | 10,651 | 3,035 | 33,242 | 131,982 |
| Sale Proceeds | - | - | 161 | 70,760 | 44,381 |

(c) Grant Received

During the year the Museum received grants towards the purchase of items for its collection of £126,000 (2014 - £117,000). These grants were used to fund the purchase of heritage assets noted above with any unspent grants being carried forward to fund future acquisitions. The total of grants carried forward at 31 March 2015 is £383,233 (2014 - £284,395).



National Audit Office

| 10. Unlisted Investments | Group 2015 £ | Charity 2015 £ | Group 2014 £ | Charity 2014 £ |
|---|-----------------------------|-------------------------------|-----------------------------|-------------------------------|
| Investment in subsidiary undertaking (note 10a) | - | 1 | - | 1 |
| <u>Other investments</u> | | | | |
| Market value at beginning of year | 222,384 | 222,384 | 209,322 | 209,322 |
| Add: acquisitions at cost | - | - | - | - |
| Less: disposals | - | - | - | - |
| Net unrealised investment (loss)/gains | <u>10,353</u> | <u>10,353</u> | <u>13,062</u> | <u>13,062</u> |
| Market value at end of year | <u>232,737</u> | <u>232,737</u> | <u>222,384</u> | <u>222,384</u> |
| Total unlisted investments | <u>232,737</u> | <u>232,738</u> | <u>222,384</u> | <u>222,385</u> |

Other investments consist of investments in collective investment schemes. The historic cost of these investments was £111,114 (2014 - £111,114).

10a. Investment in Subsidiary Undertaking

Investment in subsidiary undertakings represents the charity's interest in 100% of the issued share capital of National Army Museum Trading Limited which is incorporated in England and Wales and operates a souvenir shop and other trading activities for the Museum. The company's aggregate capital and reserves were as follows:

NATIONAL ARMY MUSEUM
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The assets and liabilities of the subsidiary were:

| | 2015 | 2014 |
|--|-------------|-------------|
| | £ | £ |
| Fixed assets | - | - |
| Current assets | 117,506 | 219,385 |
| Creditors: amounts falling due within one year | (117,505) | (219,384) |
| | 1 | 1 |
| | 2015 | 2014 |
| | £ | £ |
| Share capital | 1 | 1 |
| Profit retained in subsidiary | - | - |
| | 1 | 1 |

A summary of the Company's trading results is shown in note 10b. Audited accounts will be filed with the Registrar of Companies.

10b. Income from Trading Company

The Consolidated Statement of Financial Activities includes the result of the trading subsidiary as follows:

National Army Museum Trading Limited

| | 2015 | 2014 |
|---|-------------|-------------|
| | £ | £ |
| Turnover | 78,360 | 554,613 |
| Cost of sales and administrative expenses | (52,824) | (422,132) |
| Interest receivable | 59 | 55 |
| Charitable contribution under Gift Aid | (25,595) | (134,020) |
| Net (loss)/profit | - | (1,484) |



National Audit Office

11. Debtors

| | Group | Charity | Group | Charity |
|--|--------------|----------------|--------------|----------------|
| | 2015 | 2015 | 2014 | 2014 |
| | £ | £ | £ | £ |
| Trade Debtors | 4,943 | 2,301 | 16,531 | 9,943 |
| VAT Debtor | 317,168 | 319,815 | 125,649 | 128,794 |
| Prepayments and accrued income | 208,108 | 207,030 | 206,180 | 205,273 |
| Amounts Due From Subsidiary Undertaking | - | 52,155 | - | 43,526 |
| Gift Aid Payment Due from Subsidiary Undertaking | - | 25,595 | - | 134,020 |
| Other Debtors | 1,690,611 | 1,687,314 | 9,630 | 6,503 |
| | 2,220,830 | 2,294,210 | 357,990 | 528,059 |
| Debtors Comprise: | | | | |
| Other Central Government Bodies | 317,176 | 319,815 | 125,657 | 128,794 |
| Local Authorities | 16,466 | 16,466 | 128,972 | 128,972 |
| Public Corporations | 229 | 229 | 648 | 648 |
| Bodies External to Government | 1,886,959 | 1,957,700 | 102,713 | 269,645 |
| | 2,220,830 | 2,294,210 | 357,990 | 528,059 |

Other debtors includes £1,000,000 from the National Army Museum Development Trust (see note 17).

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| 12. Cash | Group 2015 £ | Charity 2015 £ | Group 2014 £ | Charity 2014 £ |
|--------------------------------|--------------------|----------------------|--------------------|----------------------|
| Unrestricted Funds | 1,167,421 | 1,101,880 | 1,158,353 | 994,451 |
| Restricted Funds | 995,843 | 995,843 | 739,355 | 739,355 |
| Grant-In-Aid operating account | 4,539,274 | 4,539,274 | 395,387 | 395,387 |
| Grant-In-Aid exhibits reserve | 387,415 | 387,415 | 285,400 | 285,400 |
| | <u>7,089,953</u> | <u>7,024,412</u> | <u>2,578,495</u> | <u>2,414,593</u> |

| 13. Creditors: Amounts falling due within one year | Group 2015 £ | Charity 2015 £ | Group 2014 £ | Charity 2014 £ |
|--|--------------------|----------------------|--------------------|----------------------|
| Trade Creditors | 297,625 | 297,062 | 21,672 | 21,030 |
| Other Creditors | - | 7,800 | - | - |
| Accruals and deferred income | 376,664 | 340,119 | 191,568 | 153,515 |
| | <u>674,289</u> | <u>644,981</u> | <u>213,240</u> | <u>174,545</u> |

Creditors Comprise:

Public Corporations

Bodies External to Government

| | | | |
|----------------|----------------|----------------|----------------|
| 36 | 36 | 296 | 296 |
| <u>674,253</u> | <u>644,945</u> | <u>212,944</u> | <u>174,249</u> |

| | | | |
|----------------|----------------|----------------|----------------|
| <u>674,289</u> | <u>644,981</u> | <u>213,240</u> | <u>174,545</u> |
|----------------|----------------|----------------|----------------|

14. Restricted Funds

| | Balance 1 April 2014 £ | Movement in Resources | | Balance 31 March 2015 £ |
|---------------------------------------|---------------------------------|-----------------------|------------------|----------------------------------|
| | | Incoming £ | Outgoing £ | |
| NAM Land and Buildings | 16,953,488 | 510,604 | (300,498) | 17,163,594 |
| Leinster Regiment Museum Fund | 5,759 | - | - | 5,759 |
| Indian Divisions Memorial Fund | 16,060 | 212 | - | 16,272 |
| Middlesex Regiment Account | 159,103 | 8,823 | - | 167,926 |
| CCP Lawson Bequest | 146,246 | 6,591 | - | 152,837 |
| WRAC Association Account | 15,645 | 363 | - | 16,008 |
| NAM Building Appeal Fund | 8,010 | - | - | 8,010 |
| Bufs' Collection Fund | 107,654 | 189 | - | 107,843 |
| War Memorial Fund | 29,277 | 19 | - | 29,296 |
| Other Restricted Grants and Donations | 1,732,536 | - | - | 1,732,536 |
| NAM Building for the Future Fund | 736,931 | 2,659,465 | - | 3,396,396 |
| Waterloo Bicentenary | 149 | 30,251 | (30,251) | 149 |
| Brothers in Arms (Esmée Fairbairn) | - | 69,787 | (25,471) | 44,316 |
| | <u>19,910,858</u> | <u>3,286,304</u> | <u>(356,220)</u> | <u>22,840,942</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.

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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.

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

The Buffs' Collection Fund is to be used for the maintenance and display of Buffs' collection.

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 represent amounts received from the National Army Museum Development Trust and other parties in connection with grants for capital expenditure.

NAM Building for the Future Fund represents monies allocated for capital expenditure and redevelopment of the Museum's buildings.

The Brothers in Arms Esmée Fairbairn Fund is to be used to research the NAM's Indian Army collection, and to digitise related objects within the collection.

The Waterloo Bicentenary digital legacy creation is a joint project with Waterloo 200 and Culture24 and is funded by the Heritage Lottery Fund.



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15. Analysis of Net Assets Between Funds

| Group | Tangible and Heritage Fixed Assets £ | Investments £ | Other Net Assets £ | Total 2015 £ | Total 2014 £ |
|---------------------------------------|---|------------------|--------------------------|--------------------|--------------------|
| Restricted Funds | | | | | |
| NAM Land and Buildings | 17,163,594 | - | - | 17,163,594 | 16,953,488 |
| Leinster Regiment Museum Fund | - | - | 5,759 | 5,759 | 5,759 |
| Indian Divisions Memorial Fund | 1,882 | 4,469 | 9,921 | 16,272 | 16,060 |
| Middlesex Regiment Account | 16,544 | 98,131 | 53,251 | 167,926 | 159,103 |
| CCP Lawson Bequest | - | 122,520 | 30,317 | 152,837 | 146,246 |
| WRAC Association Account | - | 7,617 | 8,391 | 16,008 | 15,645 |
| NAM Building Appeal Fund | - | - | 8,010 | 8,010 | 8,010 |
| Bufs' Collection Fund | 16,186 | - | 91,657 | 107,843 | 107,654 |
| War Memorial Fund | - | - | 29,296 | 29,296 | 29,277 |
| Other Restricted Grants and Donations | 1,634,086 | - | 98,450 | 1,732,536 | 1,732,536 |
| NAM Building for the Future Fund | 1,129,268 | - | 2,267,128 | 3,396,396 | 736,931 |
| Waterloo Bicentenary | - | - | 149 | 149 | 149 |
| Brothers in Arms (Esmée Fairbairn) | - | - | 44,316 | 44,316 | - |
| | 19,961,560 | 232,737 | 2,646,645 | 22,840,942 | 19,910,858 |
| Unrestricted Funds | 63,736,376 | - | 823,294 | 64,559,670 | 64,557,296 |
| Restricted Grant-In-Aid Funds | 3,580,130 | - | 5,203,703 | 8,783,833 | 3,334,468 |
| | <u>87,278,066</u> | <u>232,737</u> | <u>8,673,642</u> | <u>96,184,445</u> | <u>87,802,622</u> |



National Audit Office

Charity

For the Charity the analysis of restricted funds is as for the group above.
 Unrestricted funds comprises:

| | |
|------------------------------------|-------------------|
| | £ |
| Tangible and heritage fixed assets | 63,736,376 |
| Investments | 1 |
| Other net assets | <u>823,293</u> |
| | <u>64,559,670</u> |

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16. Operating Lease Commitments

At 31 March 2015, the Museum had annual commitments under non-cancellable operating leases as follows:

| | 2015 | 2014 |
|----------------------------|---------|---------|
| | £ | £ |
| Operating leases expiring: | | |
| Land and buildings: | | |
| within one year | 119,789 | - |
| over five years | 192,391 | 192,391 |
| Other: | | |
| within one year | - | 983 |
| within one to five years | 11,606 | 3,917 |

The land and buildings commitment expiring within one year relates to the Museum's temporary accommodation at Ergon House.

17. Related Party Transactions

National Army Museum Trading Limited

The relationship of the Museum to the Company is disclosed in note 10a, and the balances due from the Company at the year end are disclosed in note 11. Mrs Murray and Mr Bradley are directors of National Army Museum Trading Limited and also Members of Council or the Management Team of the Museum.

National Army Museum Foundation

The National Army Museum Foundation was incorporated under the Companies Act 2006 as a private company limited by guarantee on 6 February 2013, number 8191033. The Foundation is charged with raising funds to support the development of the National Army Museum. There were no transactions between the National Army Museum and the National Army Museum Foundation during 2014/15.

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 was awarded a grant from the Trust during 2014/15 for the Museum's Building for the Future Fund of £1,000,000 (2013/14 £Nil). This grant had not been received at 31 March 2015 and is included in other debtors in these financial statements.

The balance of funds held by the Trust at 31 December 2014 was £1,466,182 (31 December 2013 £1,442,655). 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 £Nil (2013/14 £50,000) from the Friends of the National Army Museum, a registered charity number 234325. The control and administration of these funds remains, at all times, the full responsibility of the Friends' trustees.



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Ministry of Defence

The National Army Museum is classified for administrative purposes by the Ministry of Defence (“the MOD”) as an Executive Non-Departmental Public Body which it sponsors. 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. Capital Commitments

| | 2015 | 2014 |
|--|------------|------------|
| | £ | £ |
| Authorised and contracted for at 31 st March 2015 | 13,500,000 | - |
| Authorised at 31 st March 2015 but not contracted for | 5,300,000 | 19,000,000 |

The above commitments relate to building work to be undertaken as part of the Building for the Future.

19. Post Balance Sheet Events

The annual report and financial statements were authorised for issue by the Accounting Officer on the date that the audit certificate was signed by the Comptroller and Auditor General.



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