

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

Royal Marines Museum Account 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 12 JULY 2006

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Contents

	Page
Trustees report	2
Remuneration report	10
Statement of Board of Trustees' and Director's responsibilities	12
Statement on Internal Control	13
The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament	15
Statement of financial activities	17
Balance Sheet – Consolidated	19
Balance Sheet – Charity only	20
Cash Flow Statement	21
Notes to the financial statements	22
Accounts Direction	35
Schedules 1 and 2	36

Trustees Annual Report for the year ended 31 March 2006

Reference and Administrative Details of the Museum, its Trustees and Advisers

The Royal Marines Museum is a registered charity, number 259422.

The Museum's business address is: Eastney Esplanade, Southsea, Hampshire, P04 9PX.

The Museum's accounts comply with statutory requirements, the Charity Scheme governing the Museum and the Statement of Recommended Practice for charities. They have been prepared under a direction given by the Secretary of State for Defence with the approval of HM Treasury.

Board of Trustees (2005-06)

Chairman: Lieutenant General Sir Henry Beverley KCB OBE

Nominated Trustees

WO1 (RSM) E Conway RM (Corps RSM)

Councillor P Edgar (Representative, Hampshire County Council from July 2005)

Councillor MS Geddes (Representative, Hampshire County Council to July 2005)

Captain B Gibbs RM Retd (Chief Executive, Royal Marines Association to July 2005)

Councillor M Hancock CBE MP (Representative, Portsmouth City Council)

Colonel JPC Heal (Director Royal Marines)

Brigadier CWP Hobson (Chief Executive, Royal Marines Association from July 2005)

Lt Col AJF Noyes RM Retd (Corps Secretary)

Co-opted Trustees

Col EP Cautley CMG DL RMR

JG Farnhill Esq.

Ms V Harbar

J Kenroy Esq. DL

RC Niddrie Esq. FCA (Deputy Chairman)

JM Phillips Esq.

Mrs S Rhys Jones OBE

G Whitter Esq. FCCA (from November 2005)

Senior members of staff (2005-06)

Museum Director: CJ Newbery, Esq. FMA

Curator and Deputy Director: I Maine Esq.

Estate Manager: Lt Cdr M Churchill RN Retd

Marketing Manager: Miss K Izod

Finance, Personnel and Trading Manager: Miss L Swales

Accountants

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

Auditors

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

Bankers

Lloyds TSB plc
44-46 Elm Grove
Southsea
Hampshire
PO51JD

Solicitors

Blake Laphorn Linnell
1 Barnes Wallis Road
Segensworth
Hampshire
PO15 4UA

Structure, governance and management**Status**

The Museum's current Trust Scheme was approved in March 1999. It is a designated museum under the terms of the National Heritage Act 1983 and it is an Executive Non-Departmental Public Body by virtue of receiving Grant-in-Aid from the Ministry of Defence.

History

The Royal Marines Museum was established in October 1958 in the old Divisional School at Eastney Barracks, Portsmouth and was run initially in a purely private capacity. In 1967 it was officially recognised and supported as a Naval Museum and in 1975, following a successful appeal, it was moved from its original premises to the Barracks Officers' Mess which became available at the time.

Since 1992, the Museum has been further updated. A major new display telling the story of the Royal Marines was opened in 1997; purpose-designed facilities for educational use and for special exhibitions have been created; level access has been provided to all the Museum's public areas; while much work has been done to improve the documentation, conservation and storage of the collections.

Recruitment, appointment and training of trustees

The recruitment and appointment of the ten co-opted Trustees (including the Chairman) is conducted in accordance with guidelines issued by the Commissioner for Public Appointments. There are five nominated trustees: two nominated by the Royal Marines and the other three by Portsmouth City Council, Hampshire County Council and the Royal Marines Association. All new co-opted and nominated trustees receive information as laid down by the Charity Commission. They also visit the Museum for Induction training provided by the Museum Director.

Organisational structure

The Board of Trustees consists of fifteen members and meets twice a year. There is also a Trustees Finance and General Purposes Committee consisting of five members that meets twice a year. It has full delegated powers and acts as the Audit Committee. Decisions taken by this Committee are always reported to the main Board at the earliest opportunity. Trustees are responsible for agreeing the policies and strategic direction of the Museum. Operational matters are delegated to the Director of the Museum.

Relationship with other Royal Navy Museums

There are four Museums that receive Grant-in-Aid from the Ministry of Defence via the Royal Navy: the Royal Marines Museum, the Royal Naval Museum, the RN Submarine Museum and the Fleet Air Arm Museum. The Museums work closely together, for example, their exhibit collecting policies are complementary.

Relationship with the Friends of the RM Museum

The Friends organisation is a registered charity (No.1011038). The object of the Friends is: 'the education of the public and the serving members of the Royal Marines in the history and traditions of the said Corps and the perpetuation of its deeds by the promotion, support, assistance and improvement of the Royal Marines Museum subject to the agreement of the Museum's trustees'. The Executive Council of the Friends has seven members, four of them, including the Chairman, being members of the Museum's staff. Thus the Friends of the RM Museum is a 'controlled charity'.

Trustees' register of interests

A Register of Trustees' interests is maintained by the Museum and can be made available to the public by application to the Museum Director.

Disclosure of relevant information to the Museum's Auditors

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

Objectives and activities

The objects of the charity

These are set out in the Trust Scheme as follows

- 1 To educate the public and members of the Corps in the history and military accomplishments of the Corps and to encourage recruitment by public exhibition of the collection in a museum or museums; or such other public places as trustees may decide; and
- 2 To conserve, restore, repair, re-construct and preserve items in the collection.

Museum mission statement

The Museum's mission is 'The preservation and presentation of all aspects of Royal Marines history for the education and enjoyment of the general public'.

Strategic aims of the Museum

- 1 To develop the collection so that it becomes the definitive record of Royal Marines' history.
- 2 To encourage research and publications relating to the Museum's mission.
- 3 To document and preserve the collection in accordance with national guidelines and standards.
- 4 To promote lifelong learning and social inclusion through displays, special exhibitions and educational activities.
- 5 To maximise physical and intellectual access to the Museum without compromising the preservation of the collections.
- 6 To provide appropriate services through the profitable operation of the Limited Company and to promote the Museum to optimise attendance figures and income.
- 7 To promote the Royal Marines and encourage recruitment.
- 8 To manage the Museum's physical, human and financial resources in an efficient, economical and effective manner.

Main objectives in 2005-2006

To increase the number of visitors

The strategy adopted to achieve this objective was threefold: create new displays and special exhibitions, provide a wide range of public events (including educational activities), and carry out effective marketing.

To implement a programme promoting the Royal Marines and encouraging recruitment

The strategy adopted to achieve this objective was threefold: to keep 'The Royal Navy Today' display up-to-date, to provide events featuring the Corps, and to maintain careers information.

To maintain compliance with relevant national standards

The strategy to achieve this objective was threefold: to ensure that the Museum continued to comply with the standards of the Museums, Libraries and Archives Council's Registration of Museums Scheme; to ensure that the Museum achieved the standards laid down by VisitBritain for its Visitor Attraction Quality Assurance Scheme, and to ensure that the Museum did nothing to compromise its status as an Investor in People.

To increase the Museum's income

The strategy adopted to achieve this objective was threefold: to carry out an effective fundraising campaign, to maximise income from admission charges (including Gift Aid derived from these charges), and to maximise income from the Museum's Limited Company.

Significant activities in 2005-06

Galleries and exhibitions

The permanent galleries telling the story of the Corps have been enhanced through a new display about Victorian barracks. This display was funded by a donation from the Friends of the Royal Marines Museum. 'The Royal Navy Today' display was completely refurbished by Defence Public Relations (Navy), working in close collaboration with Museum staff. Finally, a special exhibition was created in the John Owen Gallery titled 'Britain's Sea Soldiers'. This exhibition provided an opportunity to show a selection from the Museum's fine collection of paintings and photographs.

Curatorial activities

The acquisition of exhibits was achieved through generous donations and bequests together with a small number of judicious purchases. Significant examples of the latter included a medal group belonging to Lieutenant General Picton Phillipps CMG MVO, the last Commandant of the Royal Marine Artillery; the adjutant's letter book of the Chatham Division for 1802-03; a shoulder belt plate for other ranks, circa 1790-1815, and a series of watercolours executed by Major WGR Masters RMLI in the 1850s.

A major development was the decision to invest in a new computerised documentation system known as CALM (Collections for Archives, Libraries and Museums). Data entry commenced during the year and will continue in 2006-2007. When this labour-intensive process is completed, access to information about the collections will be revolutionised.

Preventative and remedial conservation work included improvements to the storage of pictures, the conservation of a Turkish flag captured during the Gallipoli Campaign and the conservation of some pictures that were displayed in "Britain's Sea Soldiers". A specialist report on the conservation of oil paintings was also commissioned.

Curatorial staff assisted with a number of publications including 'Voices From Eastney – A Spoken History' edited by Sharon Lee and John Stedman of Portsmouth Museums and Record Office. This book featured material from the RM Museum's oral history archive together with many photographs from our collection relating to Eastney Barracks.

The number of historical and collection-related public enquiries answered by curatorial staff continued to be significant. However, researchers also benefited from the increasing amount of information that is available on the Museum's web site.

Education

The Museum collaborated with the Ministry of Defence Schools Presentation Team in order to stage citizenship workshops for local schools. Links have also been established with the Education Business Partnership and they held two events at the Museum. A wide range of community education events was organised to connect with the 'Trafalgar 200' commemorations. Particularly successful was the HMS Victory Collage educational activity that received good press coverage.

Education outreach work included over 20 talks given to community groups, while a display about the Museum was mounted at Havant Library during November.

Collaboration with the University of Portsmouth was a notable feature of the year. A jointly organised conference to mark the 90th anniversary of the Gallipoli Campaign was held at the Museum on 28 April and received wide acclaim. In addition, the Museum's Director continued to act as a guest lecturer on the University's Museum Studies programme and students visited the Museum.

Achievements and performance

Review of achievements against previously stated objectives

Visitors to the Museum at Eastney totalled 36,144 compared to 35,335 the previous year, representing a 2.2 per cent increase. This can be attributed to a number of factors including the Museum's special exhibition and the success of the Commando Association's Stand-Down Parade. In fact, the increase in visitor numbers would have been even greater if the annual open-air concert had not been adversely affected by bad weather.

The numbers of off-site visitors should also be highlighted. An estimated 2,800 visitors experienced the new Heritage Centre (a Museum out-station) at the Royal Marines Commando Training Centre in Lympstone, Devon. Furthermore, some 2,500 people attended the Museum's stand at the International Festival of the Sea in Portsmouth Naval Base, while 85,000 people visited the 'VE/VJ 60' Living History Museum in St James's Park, London, where we had created a major exhibit with the other museums of the Royal Navy.

With regard to promoting the Royal Marines and encouraging recruitment, this was achieved through up-dating 'The Royal Navy Today' display, showcasing the Corps by having events that involved the RM Band Service and the RM Chefs Display Team, and by providing careers information through literature and a touch-screen database.

Relevant national standards were maintained by continuing to be a Fully Registered Museum, by being re-accredited as a Quality Assured Visitor Attraction (as a result of an annual inspection), and by continuing to have the status of an Investor in People.

So far as increasing income was concerned, the Museum's new fundraiser laid the foundations for a successful campaign, while the Museum's Limited Company had its best ever trading results, the profitability of Corporate Hospitality being the key factor. Disappointingly, receipts from admission fees were £1,256 lower than in 2004-2005.

Risk assessment

The Museum maintains a Risk Register that is structured according to the Museum's aims and objectives. This is reviewed on a regular basis. Trustees have ensured that risks are minimised through the receipt of annual reports about Health and Safety and Disaster Planning that incorporate detailed action plans. Trustees are also aware of necessary improvements to some aspects of collection management and these issues are being addressed. Overall, the Museum is in a stable position and has achieved the relevant national standards in all the key areas of its operation.

Financial review

Investment and reserves policy

This policy is reviewed annually by Trustees and currently reads as follows

"The Trustees continually monitor the levels of the Charity's funds expendable at their discretion, defined for the purpose of this policy as the aggregate of the amounts shown as 'Investments' and 'net current assets' in the accounts of the Charity and which are attributable to Unrestricted Funds.

Available funds are invested in the Charities Aid Foundation Equity Growth Fund or held in bank or building society deposit.

The amounts and terms of the investment are based on the Trustees' opinion of the immediate and future needs of the Museum by identifying the requirements for continuing operations and setting aside sufficient to enable medium to long term development and expansion.

Currently, plans are being prepared for new displays, further improvements to the Museum frontage and expenditure on the development of Eastney Fort East. There are also considerable funding requirements for the documentation and conservation of artefacts arising from the Museum's commitment to comply with national standards and to maximise public access to the Collections."

Principal funding sources

The Museum's main source of funds is Grant-in-Aid from the Ministry of Defence. The ways in which this money can be spent is defined in the Financial Memorandum that has been agreed with the Museum's Sponsor Department. Other funds are derived from admission charges, donations, grants, and profits from the Museum's Limited Company that are given to the Trust in the form of Gift Aid. A list of donations in excess of £200 in aggregate can be found in Note 3 to the accounts.

All this money supports the activities of the Museum as previously described.

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 30 days or in accordance with the supplier's terms of business. The Museum's actual payment performance during the year was that 88.1% of bills were paid within 30 days or in accordance with the suppliers terms of business.

Pension liabilities

The treatment of pension liabilities is covered in accounting policy note 1.14 and in the remuneration report on pages 10 and 11.

Plans for future periods

The Museum is planning to create a permanent exhibition titled 'The Making of a Royal Marine Commando' in 2007. To mark the 50th anniversary of the Museum's foundation, the Museum is aiming to complete the restoration of its Victorian Fort in 2008. By 2010, it is envisaged that the Museum will form a constituent part of the proposed National Museum of the Royal Navy.

Operating and financial review

Overview

The Museum's aims, objectives, achievements, risks and future plans have already been described in this report. While the Museum is currently in a stable financial position, Trustees have examined a cash flow forecast to 2011 which shows that very little money will be available to develop the Museum by that stage, unless extra income is obtained. A strategy is being formulated to address this issue. The implications of the creation of a National Museum of the Royal Navy will have a bearing on this strategy.

Policy development

During the course of the year, Trustees reviewed and amended as necessary a number of policies, including the Acquisition & Disposal Policy (relating to exhibits) and the Disability Policy and Action Plan. A new Environmental Policy was also drafted.

Disabled persons and employee involvement

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

Key performance indicators

	2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Total number of visitors	39,250	36,267	35,261	35,335	36,144
Adults, including students (Number and % of total)	31,222 79.5%	29,013 81.1%	28,965 82.1%	26,311 74.5%	27,991 77.4%
Senior citizens (Number and % of total)	3,642 9.3%	3,368 8.8%	2,961 8.4%	3,006 8.5%	2,988 8.3%
Children, including Cadets (Number and % of total)	2,842 7.2%	2,605 6.8%	2,149 6.1%	5,789 16.4%	4,964 13.7%
Disabled visitors (Number and % of total)	268 0.7%	239 0.6%	276 0.8%	229 0.6%	201 0.6%
Family groups (Number and % of total)	1,276 3.3%	1,042 2.7%	910 2.6%	DNA ³	DNA³
Website users – number of hits		1,202,567	1,600,692	2,290,368	3,153,174
Website usage – estimated number of pages viewed per person		5	8	8.7	8.7
Enquiries for research purposes, showing number of replies to letters/ faxes/e-mail messages		1,370	1,556	1,726	1,936
Enquiries for research purposes, showing number of personal visits to the Museum library/archive	319	239	81 ²	128	122
Grant-in-Aid ¹ per visitor (including organised school groups)	£15.76	£18.18	£19.51	£19.91	£20.12
Grant-in-Aid ¹ per visitor (excluding organised school groups)	£17.31	£18.47	£19.68	£20.09	£20.55
Grant-in-Aid ¹ as a proportion of total operating spend	77.5	74.5	90.9	90.7	85.1
Total net income from all internal revenue generating activities	108,479	84,963	154,451	107,234	102,275
Net income as a proportion of total operating spend	13	9.8	20.6	14	12
% of visitors 'satisfied' or 'very satisfied'	98.9%	99.2%	98.9%	98.5%	98.5%
Total number of pre-booked educational parties visiting the Museum	25	24	8	13	18
Primary schools visiting the Museum – the number of groups and total estimated number of participants	16 671	9 226	1 44	6 140	6 311
Secondary schools visiting the Museum – the number of groups and total estimated number of participants	7 299	14 355	7 253	7 320	8 410
Further and higher education institutions visiting the Museum – the number of groups and total estimated number of participants	2 14	7 74	2 28	2 19	4 45

1 Excluding STP capital allocations

2 There was reduced public access to the library research room during 2003-2004

3 Data not available due to introduction of 'Kids Go Free'

Remuneration Report

The Remuneration Report is set out on pages 10 and 11.

Lieutenant General Sir Henry Beverley KCB OBE
On behalf of the Board of Trustees
5 July 2006

C J Newbery FMA
Accounting Officer
5 July 2006

Remuneration Report

Remuneration policy

The Director of the Royal Marines Museum is employed by the Trustees of the Museum on terms and conditions that are similar to MOD civil servants. He is on pay band B2 and receives an annual pay increase in accordance with nationally agreed pay awards.

Salary and pension entitlements

The director, Chris Newbery, had a basic salary during the year ended 31 March 2006 of £52,453 per annum. The director is aged 56, his pension (net of inflation) rose by £374 in the year, with his total accrued pension now being £5,409 as an ordinary member of the Principal Civil Service Pension Scheme. Although the Museum has attempted to provide full disclosure for the Director's CETV as at 31 March 2006, the Museum has been unable to complete this exercise for the 2005-2006 accounts. Where full disclosure has not been possible this year, steps have been taken to ensure that the information will be ready for the 2006-2007 accounts.

No Trustees received remuneration during the year (2005: £Nil). Two trustees were reimbursed for travel expenses totalling £558 (2005: £556).

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

The Director did not receive any Benefits in Kind.

For 2005-2006, employers' contributions for the Museum as a whole of £47,937 were payable (2004-2005 £33,484) at rates in the range 16.2 to 24.6 percent of pensionable pay, based on salary bands. Employer contributions for PCSPS were reviewed in 2004-2005. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the schemes.

Pension benefits

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

Principal Civil Service Pension Scheme (PCSPPS)

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

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

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

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

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2003-2004 the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the CSP arrangements and for which the CS Vote has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Lieutenant General Sir Henry Beverley KCB OBE
On behalf of the Board of Trustees
5 July 2006

C J Newbery FMA
Accounting Officer
5 July 2006

Statement of Board of Trustees' and Director's responsibilities

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

In preparing financial statements giving a true and fair view, the Board of Trustees is required to

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

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

The Secretary of State has appointed me, the senior full time official, the Director, as the Accounting Officer for the Royal Marines Museum. My relevant responsibilities as Accounting Officer, including my responsibility for the propriety and regularity of expenditure from Grant-in-Aid provided by Parliament and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer's Memorandum issued by the Treasury and published in 'Government Accounting'.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Marines Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and for ensuring compliance with the requirements of the Royal Marines Museum's Financial Memorandum.

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Royal Marines Museum, am responsible for confirming that a sound system of internal control is maintained within the Museum and that the major risks, to which the charity is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Royal Marines Museum's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the Royal Marines Museum for the year ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A comprehensive Risk Register is in use, which identifies the risks relevant to the successful continuation of the Museum's current operations and its future development. Risk Management is an integral part of the Museum's corporate planning, with the risk of failure and severity of failure being applied to key activities.

The risk and control framework

The management of risk is exercised through the Museum's Senior Management Team who review on a regular basis the Museum's principal activities and events, with associated risks. The Board of Trustees and its Finance and General Purposes Committee receive periodic reports on the principal risks and the steps being taken to manage them effectively.

Review of effectiveness

I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the internal audit function (described below), and the executive managers within the Museum who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Royal Marines Museum has a reciprocal agreement with the Royal Navy Submarine Museum and the Royal Naval Museum to conduct an annual audit of each other, which operates to standards defined in the Government Internal Audit Manual. However, it was agreed by all three Museum's Trustee bodies that to ensure that the audit remained fresh and rigorous that if possible an external auditor with knowledge of the Museums' operations be used for 2005-2006.

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

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

The review of the effectiveness of the system of internal controls is exercised through the Finance and General Purposes Committee (Audit Committee) of the Board of Trustees. This sub-group, which meets bi-annually, is chaired by a Trustee and membership includes an additional four of the Museum's Trustees, with Museum officers in attendance, as required. The Audit Committee reports directly to the Board of Trustees. This Audit Committee has visibility across the whole sphere of Museum internal management and is well placed to assess the effectiveness of internal controls and management of risk.

In my view, the information received was sufficient to enable me to review and confirm the effectiveness of the Royal Marines Museum's system of internal control in accordance with Treasury guidance and recommendations.

Lieutenant General Sir Henry Beverley KCB OBE
On behalf of the Board of Trustees
5 July 2006

C J Newbery FMA
Accounting Officer
5 July 2006

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

I have audited the financial statements of the Royal Marines Museum for the year ended 31 March 2006 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Statement of Financial Activities, the Balance Sheet, the Cashflow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Royal Marines Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 13 and 14 reflects the entity's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Royal Marines Museum's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the Royal Marines Museum's and the group's affairs as at 31 March 2006 and of the incoming resources and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

10 July 2006

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

Statement of Financial Activities for the year ended 31 March 2006

	Notes	Unrestricted funds £	Restricted funds £	Other restricted funds £	2006 Total £	Restated ¹ 2005 Total £
Incoming resources						
Incoming resources from generated funds						
Grant in Aid (operating)	3	0	765,752	0	765,752	686,604
Grant in Aid (capital)	3	0	17,500	0	17,500	17,000
Other donations and grants	3	33,913	0	0	33,913	19,775
Income of trading company	2	179,273	0	0	179,273	169,028
Income of charitable subsidiary	2	10,433	0	0	10,433	12,345
Investment income	4	2,904	0	0	2,904	2,904
Incoming resources from charitable activities						
Admissions	5	33,415	0	0	33,415	34,671
Other incoming resources	6	18,039	15,747	0	33,786	17,053
Total incoming resources		277,977	798,999	0	1,076,976	959,380
Resources expended						
Cost of generating funds						
Fundraising and publicity	7	(53,596)	(84,586)	0	(138,182)	(107,503)
Expenses of trading company		(155,133)	0	0	(155,133)	(141,516)
Expenses of charitable subsidiary		(7,827)	0	0	(7,827)	(7,026)
Charitable expenditure						
Museum and visitor operations	9	(60,759)	(700,037)	(59,495)	(820,291)	(762,016)
Governance costs	10	(17,979)	(49,094)	0	(67,073)	(75,050)
Notional charges		0	(128,780)	0	(128,780)	(126,070)
Total resources expended		(295,294)	(962,497)	(59,495)	(1,317,286)	(1,219,181)
Net incoming resources before transfers		(17,317)	(163,498)	(59,495)	(240,310)	(259,801)
Adjustment for notional charges		0	128,780	0	128,780	126,070
Net incoming resources before gains and losses on revaluations and disposals		(17,317)	(34,718)	(59,495)	(111,530)	(133,731)
Other recognised gains and losses						
Realised gains/(losses)						
Net gain on sale of investments		0	0	0	0	0
Unrealised gains/(losses)						
Revaluation of investments		26,950	0	0	26,950	12,300
Revaluation of fixed assets		42,917	117,248	12,159	172,324	198,556
Net movement in funds		52,550	82,530	(47,336)	87,744	77,125
Total funds brought forward		1,738,477	3,637,988	441,875	5,818,340	5,741,215
Total funds carried forward		1,791,027	3,720,518	394,539	5,906,084	5,818,340

All recognised gains and losses are included in the Statement of Financial Activities.

All transactions are derived from continuing activities.

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

Balance Sheet Consolidated as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12		5,309,372		5,285,437
Heritage assets	12		182,773		153,190
Investments	13		141,116		114,166
			<u>5,633,261</u>		<u>5,552,793</u>
Current assets					
Stocks	14	27,434		26,724	
Debtors	15	11,097		12,688	
Cash at bank and in hand	16	284,607		268,560	
			<u>323,138</u>		<u>307,972</u>
Creditors: amounts falling due within one year	17	(50,315)		(42,425)	
Net current assets			<u>272,823</u>		<u>265,547</u>
Net assets			<u>5,906,084</u>		<u>5,818,340</u>
Funds					
Unrestricted funds			1,771,156		1,728,151
Restricted funds	18				
Grant in Aid (operating)			3,582,272		3,516,377
Grant in Aid (purchases)			138,246		121,611
Other restricted funds			394,539		441,875
Charitable subsidiary funds			7,561		7,955
Non charitable trading funds			12,310		2,371
			<u>5,906,084</u>		<u>5,818,340</u>

The financial statements were approved by the Trustees on 5 July 2006 and signed on its behalf by

Lieutenant General Sir Henry Beverley KCB OBE
On behalf of the Board of Trustees

C J Newbery FMA
Accounting Officer

Balance sheet – Charity only as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12	5,308,281		5,284,139	
Heritage assets	12	182,773		153,190	
Investments	13	141,118		114,166	
		5,632,172		5,551,495	
Current assets					
Debtors: within one year	15	32,289		37,552	
Debtors: over one year	15	12,900		17,200	
Cash at bank and in hand	16	250,966		235,398	
		296,155		290,150	
Creditors: amounts falling due within one year	17	(42,114)		(33,631)	
Net current assets			254,041		256,519
Net assets			5,886,213		5,808,014
Funds					
Unrestricted funds			1,771,156		1,728,151
Restricted funds	18				
Grant in Aid (operating)			3,582,272		3,516,377
Grant in Aid (purchases)			138,246		121,611
Other restricted funds			394,539		441,875
			5,886,213		5,808,014

The financial statements were approved by the Trustees on 5 July 2006 and signed on its behalf by

Lieutenant General Sir Henry Beverley KCB OBE
On behalf of the Board of Trustees

C J Newbery FMA
Accounting Officer

Cash flow statement for the year ended 31 March 2006

	Non public Funds £	Restricted Grant in Aid £	Charity Funds 2006 £	Group 2006 £	Group 2005 £
Net cashflow/(outflow) from operating activities	(2,679)	56,415	53,736	58,515	41,363
Return on investments and servicing of finance					
Bank interest received	6,047	0	6,047	6,047	6,145
Dividends received	2,904	0	2,904	2,904	2,904
Capital expenditure and financial investment					
Purchase of fixed assets	(20,994)	(30,425)	(51,419)	(51,419)	(37,422)
Repayment of Limited Company loan	4,300	0	4,300	0	0
Increase/(decrease) in cash	(10,422)	25,990	15,568	16,047	12,990
Opening cash balances	220,517	14,881	235,398	268,560	255,570
Closing cash balances	210,095	40,871	250,966	284,607	268,560
Reconciliation of changes in resources to net cashflow from operating activities					
Net incoming/(outgoing) resources for year	(86,359)	(34,718)	(121,077)	(111,530)	(133,731)
Depreciation	89,460	80,558	170,018	170,226	175,736
Investment income and interest received	(8,951)	0	(8,951)	(8,951)	(9,049)
Increase/(decrease) in creditors	(5,392)	13,875	8,483	7,890	13,076
(Increase)/decrease in stocks	0	0	0	(711)	(2,290)
(Increase)/decrease in debtors	8,563	(3,300)	5,263	1,591	(2,379)
Net cash inflow/(outflow) from operating activities	(2,679)	56,415	53,736	58,515	41,363

Notes to the Financial Statements

1 Accounting policies

1.1 Basis of preparation of financial statements

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

The financial statements are prepared under the historical cost convention modified to include fixed assets at their value to the business by reference to current costs.

Consolidated financial statements have been prepared in respect of the charitable trust, its wholly owned subsidiary, R M Museum Limited. The Consolidated Statement of Financial Activities includes the results of the R M Museum Limited as single line items. The consolidated balance sheet includes the net assets of R M Museum Limited, on a line by line basis.

1.2 Incoming resources

Voluntary income and donations are accounted for as received by the charity. No permanent endowments have been received in the year.

Grants, including grants for the purchase of fixed assets, are recognised in full in the Statement of Financial Activities in the year in which they are receivable.

Income from investments is included in the year in which it is receivable.

1.3 Land and buildings

Land and buildings are stated at a valuation of depreciated replacement cost and depreciated over the lease term. A professional valuation is obtained at least every five years and indices used reflect the change in value in the intervening years.

1.4 Office equipment

Office equipment with a cost or value greater than £750 and a useful life exceeding one year is capitalised at historic cost and revalued annually using Ministry of Defence derived indices. Office equipment is depreciated over its expected useful life of 4 years.

1.5 Fixtures and fittings

Fixtures and fittings with a cost or value greater than £750 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices. Fixtures and fittings are depreciated over their expected useful lives of twenty years.

1.6 Assets held by R M Museum Limited

The tangible fixed assets of the R M Museum Limited are stated in the Museum's group accounts at historic cost less accumulated depreciation. Depreciation has been provided at rates calculated to spread the cost of each asset over its expected useful life as follows

Fixtures and fittings	– 20% on reducing balance
-----------------------	---------------------------

1.7 Basis of allocation

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

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

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

	%
Galleries and Exhibitions	55
Curatorial	40
Education	5
	<u>100</u>

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

1.8 Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable, unless they relate to a specified future period, in which case they are deferred.

Grants for the purchase of fixed assets are credited to restricted incoming resources when receivable. Depreciation on the fixed assets purchased with such grants is charged against the restricted fund.

1.9 Restricted funds

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

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

1.10 Notional charges

In accordance with Treasury guidance the following item is charged to the Statement of Financial Activities:

Notional interest at 3.5% (2005: 3.5%) of the average cost of capital employed in respect of Grant in Aid funds

This notional charge is not an actual cost to the Museum and a corresponding credit entry is also reflected on the Statement of Financial Activities.

1.11 Leased assets

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

1.12 Investments

Investments are revalued at the market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

1.13 Stocks

Stocks are valued at the lower of cost, (or at net current replacement cost, if materially different), and net realisable value after making due allowance for obsolescence and slow moving items.

1.14 Pensions

The employees of the Museum are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which provides benefits based on the final pensionable pay. The contributions payable under the PCSPS are paid to the Paymaster General at rates determined from time to time by the Government Actuary, which for 2005-2006 were as follows

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

The PCSPS is an unfunded multi employer defined benefit scheme but the Royal Marines Museum is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2003. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2005-2006, employers' contributions of £47,937 were payable to the PCSPS (2004-2005 £33,484) at one of four rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

1.15 Heritage assets

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to their historic nature, covering the history of the Royal Marine Service.

With effect from 1 April 2000, additions to the collection with a cost in excess of £750, have been capitalised. In accordance with guidance issued by HM Treasury these assets are not revalued or depreciated.

2 Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary which is incorporated in the United Kingdom. R M Museum Limited provides a corporate hospitality service and operates a giftshop and tearoom within the Museum. The company transfers its taxable profits to the Royal Marines Museum by way of Gift Aid. A summary of its trading results is shown below. Audited accounts have been filed with Registrar of Companies.

Profit and loss account year ended 31 March 2005

	2006	2005
	£	£
Turnover	179,083	169,029
Cost of sales	(63,342)	(71,323)
Gross profit	115,741	97,706
Sundry income	189	0
Tearoom	(13,627)	(12,953)
Corporate hospitality	(39,477)	(27,665)
Giftshop	(38,685)	(38,454)
Interest payable	(1,201)	(1,389)
Net profit/(loss) before tax and transfers	22,940	17,245
Tax on ordinary activities	0	0
Net profit/(loss) after tax and before transfers	22,940	17,245
Amount gifted to Royal Marines Museum	0	(17,000)
Profit/(loss) for year	22,940	245
Retained profit/(deficit) brought forward	2,371	2,126
Retained profit/(deficit) carried forward	25,311	2,371
Called up Share Capital	2	2
Capital and reserves	25,313	2,373

Activities of charitable subsidiary

The accounts of the Friends of The Royal Marines Museum have been recognised in the consolidated financial statements on the basis that officers of the Museum hold the majority of the positions on the Association's governing Council.

The Association's object is to promote, support, assist and improve the Royal Marines Museum. Accounts are prepared annually to 31 December and no material difference arises from using accounts prepared to this date. Accordingly, no adjustment has been made when consolidating these accounts. A summary of the Association's Income and Expenditure account for the year ended 31 December 2005 is shown below

	2006	2005
	£	£
Income	10,433	12,345
Expenditure	(7,827)	(7,026)
Donation to the Museum	(3,000)	(3,000)
Surplus/(deficit) for the year	(394)	2,319
Funds brought forward	7,955	5,636
Funds carried forward	7,561	7,955

Related party transactions

R M Museum Limited is a related party of the Royal Marines Museum and, in addition to the above transaction, pays interest to the Museum on the outstanding loan, as detailed below

Amount paid in Loan interest	1,201	1,389
------------------------------	-------	-------

No amounts have been written off by The Royal Marines Museum during the year.

The Friends of The Royal Marines Museum are a related party of the Royal Marines Museum. During the year £3,000 was donated to the Museum.

3 Donations

During the year the following grants and donations were received:

Grants received from Ministry of Defence Vote, Request for Resources 1:

	Unrestricted funds £	Restricted Grant in Aid £	Restricted Other Funds £	2006 £	2005 £
Operations	0	765,752	0	765,752	686,604
Purchase of exhibits	0	17,500	0	17,500	17,000
	0	783,252	0	783,252	703,604
Other grants and donations					
Band Concert	0	0	0	0	943
N Drysdale	2,005	0	0	2,005	0
HCC Grant	0	0	0	0	500
L Inglis	500	0	0	500	0
FE Raven	5,000	0	0	5,000	0
The Trustees of RE Rendle	0	0	0	0	500
SS Richardson	10,000	0	0	10,000	0
Royal Marine Corps	10,000	0	0	10,000	10,000
The Trustees of BM Vickery	4,364	0	0	4,364	3,641
Miscellaneous donations	2,044	0	0	2,044	4,191
	33,913	0	0	33,913	19,775

4 Investment income

	Unrestricted funds £	2006 £	2005 £
Dividends received	2,904	2,904	2,904
	2,904	2,904	2,904

5 Activities for generating funds

	Unrestricted funds £	2006 £	2005 £
Museum admissions	33,415	33,415	34,671
	<u>33,415</u>	<u>33,415</u>	<u>34,671</u>

6 Other incoming resources

	Unrestricted funds £	Restricted funds £	2006 £	2005 £
Sundry income	18,039	15,747	33,786	26,322
	<u>18,039</u>	<u>15,747</u>	<u>33,786</u>	<u>26,322</u>

7 Cost of generating funds

	Fundraising and publicity £	2006 £	Restated ¹ 2005 £
Staff costs	66,272	66,272	44,165
Administration costs	5,831	5,831	3,137
Event expenditure	1,743	1,743	0
Utilities	3,637	3,637	4,654
Advertising	50,504	50,504	46,780
Travelling	505	505	475
Security costs	8,515	8,515	7,842
Other costs	1,175	1,175	450
	<u>138,182</u>	<u>138,182</u>	<u>107,503</u>

8 Support costs

	Museum and visitor centre operations £	Governance costs £	Restated ¹ 2006 £	2005 £
Administration costs	12,500	4,935	17,435	21,295
Utilities	15,767	4,851	20,618	26,375
Insurance	12,747	0	12,747	10,975
Maintenance and stores	38,916	0	38,916	25,797
Computer consumables	11,156	0	11,156	5,003
Website expenses	0	0	0	2,340
Travelling	1,515	3,030	4,545	4,275
Education costs	5,086	3,391	8,477	7,115
Security costs	36,917	11,353	48,270	44,440
Entertainment	2,054	0	2,054	1,225
Bank charges	321	0	321	392
Gardens and landscaping	12,770	0	12,770	17,502
Other costs	7,476	392	7,868	12,114
	<u>157,225</u>	<u>27,952</u>	<u>185,177</u>	<u>178,848</u>

9 Museum and visitor operations

	Galleries and Exhibitions	Curatorial	Education	Total 2006	Restated ¹ Total 2005
Staff costs	245,957	182,439	34,401	462,797	423,998
Purchase of exhibits	476	346	43	865	0
Rates	3,237	2,354	293	5,884	5,225
Consultancy fees	1,000	0	0	1,000	0
Collection management	0	11,733	0	11,733	12,244
Photographic	0	1,934	0	1,934	1,153
Recruitment	4,859	3,534	442	8,835	4,267
Depreciation	93,510	68,007	8,501	170,018	175,498
Support costs	86,474	62,890	7,861	157,225	139,631
	<u>435,513</u>	<u>333,237</u>	<u>51,541</u>	<u>820,291</u>	<u>762,016</u>

10 Governance costs

	2006	Restated ¹ 2005
Staff costs	19,863	17,508
Legal and professional	1,075	1,283
Accountancy	10,883	10,042
Audit	7,300	7,000
Support costs	27,952	39,217
	<u>67,073</u>	<u>75,050</u>

11 Total resources expended (charity only)

	costs £	Staff costs £	Other Depreciation £	Total 2006 £	Restated ¹ Total 2005 £
Charitable expenditure	462,797	187,476	170,018	820,291	762,016
Costs of generating funds	66,272	71,910	0	138,182	107,503
Governance costs	19,863	47,210	0	67,073	75,050
Notional charges	0	128,780	0	128,780	126,070
Total	548,932	435,376	170,018	1,154,326	1,070,639
				2006 £	2005 £
<i>Staff costs</i>					
Wages and salaries				467,203	422,191
Social security costs				33,792	29,996
Pension costs				47,937	33,484
				548,932	485,671

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

Including the Director, the average number of employees, analysed by function, was

	2006	2005
Cost of generating funds	3	3
Charitable expenditure	16	15
Governance costs	4	4
	23	22

The director, Chris Newbery, had a basic salary during the year ended 31 March 2006 of £52,453 per annum. The director is aged 56, his pension (net of inflation) rose by £374 in the year, with his total accrued pension now being £5,409 as an ordinary member of the Principal Civil Service Pension Scheme. Although the Museum has attempted to provide full disclosure for the Director's CETV as at 31 March 2006, the Museum has been unable to complete this exercise for the 2005-2006 accounts. Where full disclosure has not been possible this year, steps have been taken to ensure that the information will be ready for the 2006-2007 accounts.

No Trustees received remuneration during the year (2005: £Nil). Two trustees were reimbursed for travel expenses totalling £558 (2005: £556)

12 Tangible fixed assets - Charity

	Land and buildings £	Office Equipment £	Fixtures and Fittings £	Heritage Assets £	Total £
Cost					
At 1 April 2005	5,424,744	84,635	678,095	153,190	6,340,664
Additions	0	21,836	0	29,583	51,419
On revaluation	180,644	(2,027)	11,545	0	190,162
At 31 March 2006	<u>5,605,388</u>	<u>104,444</u>	<u>689,640</u>	<u>182,773</u>	<u>6,582,245</u>
Depreciation					
At 1 April 2005	249,229	65,246	588,860	0	903,335
On revaluation	8,300	(349)	9,887	0	17,838
Charge for the year	94,802	12,651	62,565	0	170,018
At 31 March 2006	<u>352,331</u>	<u>77,548</u>	<u>661,312</u>	<u>0</u>	<u>1,091,191</u>
Net book values					
At 31 March 2006	<u>5,253,057</u>	<u>26,896</u>	<u>28,328</u>	<u>182,773</u>	<u>5,491,054</u>
At 31 March 2005	<u>5,175,515</u>	<u>19,389</u>	<u>89,235</u>	<u>153,190</u>	<u>5,437,329</u>

Tangible fixed assets - Group

	Land and buildings £	Office Equipment £	Fixtures and Fittings £	Heritage Assets £	Total £
Cost					
Cost or valuation					
At 1 April 2005	5,426,603	84,635	684,151	153,190	6,348,579
Additions	0	21,836	0	29,583	51,419
Revaluation	180,644	(2,027)	11,545	0	190,162
At 1 April 2005					
At 31 March 2006	<u>5,607,247</u>	<u>104,444</u>	<u>695,696</u>	<u>182,773</u>	<u>6,590,160</u>
Depreciation					
At 1 April 2005	250,386	65,246	594,319	0	909,951
Revaluation	8,300	(349)	9,887	0	17,838
Charge for the year	94,891	12,651	62,684	0	170,226
At 1 April 2005					
At 31 March 2006	<u>353,577</u>	<u>77,548</u>	<u>666,890</u>	<u>0</u>	<u>1,098,015</u>
Net book values					
At 31 March 2006	<u>5,253,670</u>	<u>26,896</u>	<u>28,806</u>	<u>182,773</u>	<u>5,492,145</u>
At 31 March 2005	<u>5,176,217</u>	<u>19,389</u>	<u>89,832</u>	<u>153,190</u>	<u>5,438,627</u>

13 Fixed asset investments

	Charity Listed £	Unlisted £	Group Listed £	Unlisted £
Market value or cost at 1 April 2005	114,166	2	114,166	0
Acquisitions at cost	0	0	0	0
Disposals at opening book value	0	0	0	0
Net unrealised gains/(losses)	26,950	0	26,950	0
Market value or cost at 31 March 2006	141,116	2	141,116	0
Historic cost at 31 March 2006	75,000	2	75,000	0
Market value or cost at 31 March 2005	114,166	2	114,166	0
Historic cost at 31 March 2005	75,000	2	75,000	0

The investments held consist wholly of units in the Charities Aid Foundation Balanced Growth Fund. The investment income shown in these Financial Statements represents the total yield during the year.

Unlisted investments represents 100% of the issued share capital of RM Museum Limited.

14 Stocks

	Charity £	2006 Group £	Charity £	2005 Group £
The amounts attributable to the different categories are as follows				
Goods for resale	0	26,609	0	25,851
Friends of the Royal Marines Museum stock	0	825	0	873
	0	27,434	0	26,724

15 Debtors

	Charity £	2006 Group £	Charity £	2005 Group £
<i>Amounts due within 1 year</i>				
Trade debtors	0	54	0	0
Social Security and Other Taxes	9,580	5,634	10,187	6,623
Prepayments	18,409	5,409	23,065	6,065
Amounts owed by R M Museum Limited	4,300	0	4,300	0
	32,289	11,097	37,552	12,688
<i>Due after one year</i>				
Amounts owed by R M Museum Limited	12,900	0	17,200	0
Total debtors	45,189	11,097	54,752	12,688

16 Cash at bank and in hand

	2006	2005
Non-public funds	210,095	220,517
Public funds:		
Grant in Aid (operating)	40,134	186
Grant in Aid (purchases)	737	14,695
Cash at bank and in hand – Charity	250,966	235,398
Trading Subsidiary	24,226	23,778
Charitable Subsidiary	9,415	9,384
Cash at bank and in hand – group	284,607	268,560

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

	£	£
Cash	284,607	268,560
Liquid resources	0	0
	284,607	268,560

17 Creditors: amounts falling due within one year

	Charity £	2006 Group £	Charity £	2005 Group £
Trade creditors	27,302	28,317	15,945	18,133
Other taxes and social security	0	0	0	0
Other creditors	0	2,680	0	2,302
Accruals	14,812	19,318	17,686	21,990
	42,114	50,315	33,631	42,425

18 Restricted funds

	1 April 2005 £	Incoming £	Outgoing £	Transfers £	31 March 2006 £
Grant in Aid (operating)	3,516,377	1,027,527	(961,632)	0	3,582,272
Grant in Aid (purchases)	121,611	17,500	(865)	0	138,246
Development fund	441,875	12,159	(59,495)	0	394,539
	4,079,863	1,057,186	(1,021,992)	0	4,115,057

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

19 Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net Current Assets £	Total £
Restricted funds				
Grant in Aid (operating)	3,602,786	0	(20,514)	3,582,272
Grant in Aid (purchases)	102,807	0	35,439	138,246
Development Fund	393,885	0	654	394,539
	<u>4,099,478</u>	<u>0</u>	<u>15,579</u>	<u>4,115,057</u>
Unrestricted funds - Charity	1,391,576	141,118	238,462	1,771,156
	<u>5,491,054</u>	<u>141,118</u>	<u>254,041</u>	<u>5,886,213</u>
Charitable subsidiary	1	0	7,560	7,561
Non charitable trading funds	1,090	(2)	11,222	12,310
	<u>5,492,145</u>	<u>141,116</u>	<u>272,823</u>	<u>5,906,084</u>

20 Commitments and contingent liabilities

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

21 Other commitments

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

	Land and buildings 2006 £	Other 2006 £	Land and buildings 2005 £	Other 2005 £
Expiry date				
Within one year	0	0	0	0
Between one and five years	0	3,036	0	3,036
In over five years	0	0	0	0
	<u>0</u>	<u>3,036</u>	<u>0</u>	<u>3,036</u>

22 Other related party transactions

The Royal Marines Museum is a Non-Departmental public body, sponsored by the ministry of Defence (the MOD). The MOD is regarded as a related party. Grant in Aid funding from the MOD is separately disclosed in the Statement of Financial Activities.

The Royal Marines Corps is a related party of the Royal Marines Museum. During the year, the Royal Marines Corps gifted £10,000 (2005 £10,000) to the Museum.

23 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax. The charity's trading subsidiary had a corporation tax liability of £Nil as at 31 March 2006 (2005: £Nil).

24 External performance indicators

Ratio of self-generating income to GiA

Year	Self Generated Income	Grant in Aid Income	Ratio	
2005-2006	104,018	783,252	1:7.53	Actual
2005-2006	94,311	721,175	1:7.65	Budget
2004-2005	83,672	703,604	1:7.95	Actual

Accounts Direction given by the Secretary of State for Defence with the Approval of HM Treasury

- 1 The Royal Marines Museum shall prepare accounts for the financial year ended 31 March 1998 and subsequent financial years comprising
 - a a foreword;
 - b a Statement of Financial Activities (SOFA);
 - c a Balance Sheet;
 - d a Cash Flow Statement; and
 - e notes to the accounts including such notes as may be necessary for the purpose referred to in the following paragraphs.
- 2 If the Museum has subsidiary undertakings, the statements referred to in paragraph 1 shall be prepared on a consolidated basis. In addition, there shall be a balance sheet in respect of the Museum alone, with relevant notes. When preparing the consolidated accounts, the Board of Trustees shall observe all relevant guidance issued by the Treasury and the Ministry of Defence.
- 3 The accounts shall give a true and fair view of the incoming resources and application of resources during the financial year, and the state of the Museum's affairs at the end of the financial year.
- 4 Subject to this requirement the accounts shall be prepared in accordance with:
 - a the Charities Act 1993, the Charities (Accounts and Reports) regulations 1995 and the Statement of Recommended Practice (SORP) 'Accounting by Charities' (the Charities SORP);
 - b generally accepted accounting practice in the United Kingdom (UK GAAP);
 - c requirements contained in 'The Fees and Charges Guide' (in particular those relating to the need for segmental information for services or forms of services provided) and in any other guidance which the Treasury may issue from time to time in respect of accounts which are required to give a true and fair view; and
 - d the accounting and disclosure requirements of 'Government Accounting' and the Treasury's guidance paper 'Executive Non-Departmental Public Bodies – Annual reports and Accounts Guidance' (March 1996), as amended or augmented from time to time, insofar as these are appropriate to the Museum and are in force for the financial year for which the accounts are to be prepared.
- 5 Clarification of the application of the accounting and disclosure requirements of the Charities Act and accounting standards is given in Schedule 1 attached. Additional disclosure requirements are set out in Schedule 2 attached.
- 6 The SOFA and Balance sheet(s) shall be prepared under the historical cost convention modified by the inclusion of
 - a fixed assets at their value to the business by reference to current costs; and
 - b stocks at the lower of net current replacement cost (or historical cost if this is not materially different) and net realisable value.
- 7 This direction shall be reproduced as an appendix to the accounts.

Schedule 1

Application of the accounting and disclosure requirements of the Charities Act and accounting standards

Charities act

- 1 When preparing its Statement of Financial Activities, The Royal Marines Museum shall include under 'Resources Expended' a heading relating to the inclusion of notional charges for insurance (if applicable) and cost of capital, and shall include an additional heading 'Adjustment for the notional cost of capital' after 'Net incoming Resources before Transfers'.
- 2 When preparing its Balance Sheet, the Museum shall have regard to the balance sheet format prescribed in the Charities SORP, save that the balance sheet totals be struck at 'Total assets less current liabilities'.
- 3 The foreword shall be signed by the Accounting Officer of the Museum and the balance sheet shall be signed by the Chairman of the Museum's Trustees on behalf of the Board and the Accounting Officer of the Museum and dated. The Accounting officer shall initial all the other pages of the financial statements.

Accounting standards

- 4 The Museum is not required to include a note showing historical costs profits and losses as described in FRS 3.
- 5 The Financial Reporting Standard for Smaller Entities (FRSSE) should not be adopted unless specifically approved by the Treasury.

Schedule 2

Additional disclosure requirements

- 1 The foreword shall, inter alia
 - a state that the accounts have been prepared in accordance with the directions given by the Secretary of State for Defence with the approval of HM Treasury; and
 - b include a brief history of the Museum and its statutory background.
- 2 The notes to the accounts shall include details of the key corporate financial targets set by the Secretary of State and the Board of Trustees together with an indication of the performance achieved.

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