

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

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# Royal Marines Museum Account 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 18 JULY 2005

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## Charity Information

### Addresses of the Charity

Royal Marines Museum  
Eastney  
Portsmouth  
Hampshire  
PO4 9PX

### Names and addresses of other relevant organisations

#### 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

#### Solicitors

Blake Lapthorn Linnell  
New Court  
1 Barnes Wallis Road  
Segensworth  
Fareham  
Hampshire  
PO15 4UA

#### Bankers

Lloyds TSB plc	Royal Bank of Scotland plc
44-46 Elm Grove	3a Edinburgh Road
Southsea	Portsmouth
Hampshire	Hampshire
PO5 1JD	PO1 1DA

# Foreword

## 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.

## Statutory background

The Museum is a Non-Departmental Public Body which has been designated under the terms of the National Heritage Act 1983. It is also a registered charity with a new Trust Deed dating from March 1999. The Museum's Trustees have a wide range of responsibilities which are enshrined in the following mission statement and strategic aims

### **Mission statement**

The preservation and presentation of all aspects of Royal Marines history for the education and enjoyment of the general public.

### **Strategic aims**

- 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, temporary 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; and
- 8 To manage the Museum's physical, human and financial resources in an efficient, economical and effective manner.

## Governing body

The Board of Trustees during the financial year 2004-2005 consisted of

### Chairman

Lieutenant General Sir Henry Beverley KCB OBE

### Nominated

WO1 (RSM) E Conway RM	Corps RSM (from October 2004)
WO1 (RSM) J A Forster RM	Corps RSM (to October 2004)
Councillor M S Geddes	Representative, Hampshire County Council
Captain B Gibbs RM (Retd)	General Secretary–Royal Marines Association
Colonel J PC Heal	Director Royal Marines
Councillor M Hancock CBE MP	Representative, Portsmouth City Council
Lt Col A J F Noyes RM (Retd)	Corps Secretary

### Appointed

Col E P Cautley CMG DL RMR  
J G Farnhill Esq  
Ms V Harbar (from October 2004)  
J Kenroy Esq DL  
R C Niddrie Esq FCA  
J M Phillips Esq  
Prof J R Purvis  
Mrs S Rhys Jones OBE

## Review of activities

The Museum maintained its status with the Museums, Libraries & Archives Council as a Fully Registered Museum. It was successful in being accredited as a Quality Assured Visitor Attraction by Visit Britain for the fourth year running. The Museum is also recognised as an 'Investor in People'.

Visitor numbers totalled 35,543 compared to 35,261 the previous year. The Museum introduced free admission for children aged 16 and under with effect from 1 April 2004. A marketing campaign was linked to this initiative and the number of child visits increased by 164% as at 31 March 2005. Analysis of 263 visitor questionnaires completed in 2004-2005 revealed that 98% of respondents rated their visit as good or excellent, while 78% rated their visit as excellent.

During the year, the Museum's public services were improved in a number of ways, including enhancements to the website, publication of a revised souvenir brochure and completion of a new Heritage Centre at Lympstone in Devon – a joint venture with the Commando Training Centre Royal Marines. Progress was made in restoring the Museum's Victorian fort and guided tours were provided during the summer and autumn 2004. The Museum's trading company performed sufficiently well for £17,000 to be Gift-Aided to the Trust, the same amount as the previous year.

## Future developments

The Museum's Strategic Development Plan was approved by Trustees in October 2001. The current priorities are as follows: completion of the restoration of Eastney Fort East; enhancements to the displays and public facilities in the Museum's North Wing and completion of Phase 2 of the project to improve the Museum's external entrance area. A fundraising strategy has been approved by Trustees and a full time fundraiser appointed in order to facilitate these objectives.

### 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 87.8% of bills were paid within 30 days or in accordance with the suppliers terms of business.

### 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 is developing an Equal Opportunities Policy, and aims to monitor staff and applicants' disability status, as well as their age, ethnic background and marital status.

*CJ Newberry FMA*

Trustees and Director of the Royal Marines Museum

## 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 2005 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

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

The Royal Marines Museum has a reciprocal agreement with the Royal Navy Submarine Museum and the Royal Naval Museum to conduct an annual internal audit of each other, which operates to standards defined in the Government Internal Audit Manual. This internal audit work is informed by an analysis of the risks to which the Royal Marines Museum is exposed, and annual audit plans are based on this analysis. We are provided with a report on internal audit activity at the Museum annually. This report includes an independent opinion on the adequacy and effectiveness of the Museum's internal controls.



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 our view, the information received was sufficient to enable us 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 2005

*C J Newbery FMA*  
Accounting Officer  
5 July 2005

## 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'.

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

I have audited the financial statements on pages 11 to 26 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 15 to 17.

## Respective responsibilities of the Board of Trustees, the Director and the Auditor

As described on page 8, the Board of Trustees and the Director are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded by Parliamentary grant (Grant in Aid). The Board of Trustees and the Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and directions made by the Secretary of State for Defence thereunder, and 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 if, in my opinion, the other contents of the Foreword are not consistent with the financial statements, if the Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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.

I review whether the statement on pages 6 and 7 reflects the Museum's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

## Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum 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 are free from material misstatement, whether caused by error or by fraud or other irregularity and that, in all material respects, the expenditure, income and resources 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.

## Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Royal Marines Museum and the group as at 31 March 2005 and of the incoming resources and application of resources of the group for the year then ended and have been properly prepared in accordance with the Charities Act 1993, and the directions made by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources 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

13 July 2005

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

## Consolidated Statement of Financial Activities

	Notes	Unrestricted Funds £	Restricted Grant in Aid £	Total Other Funds £	<b>Total Funds 2005 £</b>	Funds 2004 £
<b>Incoming resources</b>						
Grant in Aid (operating)	5	0	686,604	0	<b>686,604</b>	671,261
Grant in Aid (purchases)	5	0	17,000	0	<b>17,000</b>	16,750
Other donations and grants	5	19,775	0	0	<b>19,775</b>	70,208
Investment income		2,904	0	0	<b>2,904</b>	3,374
Museum admissions		34,671	0	0	<b>34,671</b>	31,711
Income from charitable subsidiary	2	12,345	0	0	<b>12,345</b>	10,856
Income of trading company	2	169,028	0	0	<b>169,028</b>	175,218
Other income		16,399	0	654	<b>17,053</b>	27,253
<b>Total incoming resources</b>		<b>255,122</b>	<b>703,604</b>	<b>654</b>	<b>959,380</b>	<b>1,006,631</b>
<b>Resources expended</b>						
Costs of generating funds						
Fundraising and publicity	3	46,780	60,723	0	<b>107,503</b>	95,703
Expenses of charitable subsidiary	2	7,026	0	0	<b>7,026</b>	6,404
Expenses of trading company	2	141,516	0	0	<b>141,516</b>	156,641
		<b>195,322</b>	<b>60,723</b>	<b>0</b>	<b>256,045</b>	<b>258,748</b>
<b>Net incoming resources available for charitable application</b>		59,800	642,881	654	<b>703,335</b>	747,883
<b>Charitable expenditure</b>						
Direct charitable expenditure	3	72,181	629,869	58,349	<b>760,399</b>	737,453
Management and administration	3	2,153	74,514	0	<b>76,667</b>	66,989
Notional charges	4	0	126,070	0	<b>126,070</b>	123,845
		<b>74,334</b>	<b>830,453</b>	<b>58,349</b>	<b>963,136</b>	<b>928,287</b>
<b>Total resources expended</b>		<b>269,656</b>	<b>891,176</b>	<b>58,349</b>	<b>1,219,181</b>	<b>1,187,035</b>
<b>Net incoming/(outgoing) resources before transfers</b>		(14,534)	(187,572)	(57,695)	<b>(259,801)</b>	(180,404)
Adjustment for notional charges	4	0	126,070	0	<b>126,070</b>	123,845
Transfers between funds		0	0	0	<b>0</b>	0
<b>Net incoming/(outgoing) resources</b>		(14,534)	(61,502)	(57,695)	<b>(133,731)</b>	(56,559)
<b>Other recognised gains (losses)</b>						
Realised gains/(losses)						
Unrealised gains/(losses)						
Revaluation of investments		12,300	0	0	<b>12,300</b>	18,853
Revaluation of fixed assets		49,992	134,138	14,426	<b>198,556</b>	211,464
<b>Net movement in funds</b>		<b>47,758</b>	<b>72,636</b>	<b>(43,269)</b>	<b>77,125</b>	<b>173,758</b>
Fund balances brought forward at 1 April 2004		1,690,719	3,565,352	485,144	<b>5,741,215</b>	5,567,457
<b>Fund balances carried forward at 31 March 2005</b>		<b>1,738,477</b>	<b>3,637,988</b>	<b>441,875</b>	<b>5,818,340</b>	<b>5,741,215</b>

All transactions are derived from continuing activities.

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

## Consolidated Balance Sheet - Group as at 31 March 2005

	Notes	2005		2004	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6		<b>5,438,627</b>		5,378,385
Investments	7		<b>114,166</b>		101,866
			<b>5,552,793</b>		5,480,251
<b>Current assets</b>					
Stocks	8	<b>26,724</b>		24,434	
Debtors	9	<b>12,688</b>		10,309	
Cash at bank and in hand	10	<b>268,560</b>		255,570	
		<b>307,972</b>		290,313	
<b>Creditors (amounts falling due within one year)</b>	11	<b>(42,425)</b>		(29,349)	
<b>Net current assets</b>			<b>265,547</b>		260,964
<b>Total assets less all liabilities</b>			<b>5,818,340</b>		5,741,215
<b>Funds</b>					
Unrestricted funds			<b>1,728,151</b>		1,682,955
Restricted funds	12				
Grant in Aid (operating)			<b>3,516,377</b>		3,460,741
Grant in Aid (purchases)			<b>121,611</b>		104,611
Other restricted funds			<b>441,875</b>		485,144
Charitable subsidiary funds			<b>7,955</b>		5,636
Non charitable trading funds			<b>2,371</b>		2,128
<b>Total funds</b>			<b>5,818,340</b>		5,741,215

Approved by the Board of Trustees on 5 July 2005

*JR Kenroy*  
On behalf of the Board of Trustees

*CJ Newbery*  
Accounting Officer

## Balance Sheet Charity only as at 31 March 2005

	Notes	2005		2004	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	6	<b>5,437,329</b>		5,376,849	
Investments	7	<b>114,166</b>		101,866	
		<b>5,551,495</b>		<b>5,478,715</b>	
<b>Current assets</b>					
Debtors	9	<b>37,552</b>		33,935	
Amounts falling due in more than 1 year	9	<b>17,200</b>		21,500	
Cash at bank and in hand	10	<b>235,398</b>		220,340	
		<b>290,150</b>		275,775	
<b>Creditors (amounts falling due within one year)</b>	11	<b>(33,631)</b>		(21,039)	
<b>Net current assets</b>		<b>256,519</b>		254,736	
<b>Total assets less all liabilities</b>		<b>5,808,014</b>		<b>5,733,451</b>	
<b>Funds</b>					
Unrestricted funds:		<b>1,728,151</b>		1,682,955	
Restricted funds:	12				
Grant in Aid (operating)		<b>3,516,377</b>		3,460,741	
Grant in Aid (purchases)		<b>121,611</b>		104,611	
Other restricted funds		<b>441,875</b>		485,144	
<b>Total funds</b>		<b>5,808,014</b>		<b>5,733,451</b>	

Approved by the Board of Trustees on 5 July 2005

*JR Kenroy*  
On behalf of the Board of Trustees

*C J Newbery*  
Accounting Officer

## Consolidated Cashflow Statement for the year ended 31 March 2005

	Non public Funds £	Restricted Grant in Aid £	Charity Funds 2005 £	Group 2005 £	Group 2004 £
<b>Net cashflow/(outflow) from operating activities</b>	18,841	18,901	<b>37,742</b>	<b>41,363</b>	82,041
<b>Return on investments and servicing of finance</b>					
Bank interest received	6,145	0	<b>6,145</b>	<b>6,145</b>	4,820
Dividends received	2,904	0	<b>2,904</b>	<b>2,904</b>	3,374
Loan interest received	1,389	0	<b>1,389</b>	<b>0</b>	0
<b>Taxation</b>	0	0	<b>0</b>	<b>0</b>	0
<b>Capital expenditure and financial investment</b>					
Purchase of fixed assets	(18,054)	(19,368)	<b>(37,422)</b>	<b>(37,422)</b>	(88,754)
Repayment of Limited Company Loan	4,300	0	<b>4,300</b>	<b>0</b>	0
<b>Increase/(decrease) in cash</b>	<u>15,525</u>	<u>(467)</u>	<u><b>15,058</b></u>	<u><b>12,990</b></u>	<u>1,481</u>
<b>Reconciliation of changes in resources to net cashflow from operating activities</b>					
Net incoming/(outgoing) resources for year	(74,791)	(61,502)	<b>(136,293)</b>	<b>(133,731)</b>	(56,559)
Depreciation	95,829	79,669	<b>175,498</b>	<b>175,736</b>	149,779
Investment income, bank and loan interest received	(10,438)	0	<b>(10,438)</b>	<b>(9,049)</b>	(8,194)
Increase/(decrease) in creditors	3,785	8,807	<b>12,592</b>	<b>13,076</b>	(278)
(Increase)/decrease in stocks	0	0	<b>0</b>	<b>(2,290)</b>	(1,553)
(Increase)/decrease in debtors	4,456	(8,073)	<b>(3,617)</b>	<b>(2,379)</b>	(1,154)
Net cash inflow/(outflow) from operating activities	<u>18,841</u>	<u>18,901</u>	<u><b>37,742</b></u>	<u><b>41,363</b></u>	<u>82,041</u>



# Notes to the Consolidated Financial Statements

## 1 Accounting policies

### *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 2000 and guidance issued by HM Treasury.

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

Consolidated financial statements have been prepared in respect of the charitable trust, its wholly owned subsidiaries, RM Museum Limited and The Friends of The Royal Marines Museum, (the Friends). The results of RM Museum Limited and the Friends, have been consolidated into the Statement of Financial Activities on the basis of gross income and gross expenditure before transfers to the Royal Marines Museum. The consolidated balance sheet includes the net assets of RM Museum Limited and the Friends on a line by line basis.

### *Incoming resources*

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

### *Land and buildings*

The Museum holds both Freehold and Long leasehold property. Both 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 to reflect the change in value in the intervening years.

### *Fixtures, fittings and display equipment*

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

### *Computer equipment*

Computer and 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. Computer and office equipment is depreciated over its expected life of four years.

### *Assets held by RM Museum Limited*

The tangible fixed assets of the RM 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 Fittings and Displays	20% on reducing balance
--------------------------------	-------------------------

### *Basis of cost allocation*

Fundraising expenditure comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work.

Expenditure on management and administration of the charity includes staff costs, other direct costs and related overheads incurred in complying with constitutional and statutory requirements and any other expenditure not directly relating to the objects of the charity.

Costs shared by more than one function have been apportioned on the basis of relative consumption.

#### *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.

#### *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*

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes generally and not for specified purposes laid down by any donor.

#### *Notional charges*

In accordance with Treasury guidance the following items are charged to the Statement of Financial Activities

Notional interest at 3.5% of the average cost of capital employed

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

#### *Leased assets*

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

#### *Investments*

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

#### *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.

#### *Collection assets*

Artefacts held in trust together with photographs and books have not been included in the financial statements due to their historic nature, covering the history of the Royal Marines from 1664 to the present day.

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.

*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 2004-2005 were as follows

## Non industrial staff

Band one £17,000 and under	12.0%
Band two £17,001 - £36,000	13.5%
Band three £36,001 - £62,000	16.5%
Band four £62,001 and over	18.5%

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.civilservicepensions.gov.uk](http://www.civilservicepensions.gov.uk)).

For 2004-2005, employers' contributions of £33,484 were payable to the PCSPS (2003-2004 £39,182) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

## 2 Net income from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary which is incorporated in the United Kingdom. The RM Museum Limited operates a souvenir shop and cafeteria within the museum and provides corporate entertaining facilities.

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 the Registrar of Companies.

### Profit and Loss Account year ended 31 March 2004

	2005 £	2004 £
Turnover	<b>169,028</b>	175,218
Cost of sales	<b>(71,323)</b>	(75,007)
Gross profit	<b>97,705</b>	100,211
Restaurant expenses	<b>(12,953)</b>	(11,440)
Corporate entertaining	<b>(27,665)</b>	(28,481)
Administration	<b>(38,455)</b>	(41,713)
Interest payable	<b>(1,389)</b>	(1,905)
Other income	<b>0</b>	0
Net profit/(loss) before tax and transfers	<b>17,243</b>	16,672
Tax on ordinary activities	<b>0</b>	0
Net profit/(loss) after tax and before transfers	<b>17,243</b>	16,672
Amount gifted to Royal Marines Museum	<b>(17,000)</b>	(17,000)
Profit/(loss) for year	<b>243</b>	(328)
Retained profit/(deficit) brought forward	<b>2,126</b>	2,454
Retained profit/(deficit) carried forward	<b>2,369</b>	2,126
Called up share capital	<b>2</b>	2
Non charitable trading funds	<b>2,371</b>	2,128

*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 2004 is shown below

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Income	<b>12,345</b>	10,856
Expenditure	<b>(7,026)</b>	(6,404)
Donation to the Museum	<b>(3,000)</b>	(3,000)
Surplus/(deficit) for the year	<b>2,319</b>	1,452
Funds brought forward	<b>5,636</b>	4,184
Funds carried forward	<b>7,955</b>	5,636

*Related party transactions*

RM Museum Limited is a related party of the Royal Marines Museum and, in addition to the Gift Aid payment, the Museum receives interest on the loan to RM Museum Limited.

	<b>2004</b>	<b>2003</b>
	<b>£</b>	<b>£</b>
Amounts received in loan interest	<b>1,389</b>	1,905

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 and the following costs were charged by the Museum to the Friends

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Postage, Stationery, Photocopying and Facsimile	<b>1,121</b>	1,676

### 3 Analysis of expenditure

	Direct Charitable	Fundraising and Publicity	Manage- ment and Admin	Total 2005	Total 2004
	£	£	£	£	£
Staff costs	423,998	44,165	17,508	<b>485,671</b>	478,492
Utilities	20,169	4,654	6,206	<b>31,029</b>	22,310
Rates and refuse	5,225	0	0	<b>5,225</b>	4,805
Collection management	12,244	0	0	<b>12,244</b>	9,374
Photographic	1,153	0	0	<b>1,153</b>	3,511
Gardens and landscaping	17,502	0	0	<b>17,502</b>	12,960
Education costs	5,716	0	1,399	<b>7,115</b>	5,464
Recruitment	4,267	0	0	<b>4,267</b>	3,117
Security costs	33,984	7,842	10,456	<b>52,282</b>	50,289
Maintenance and stores	25,797	0	0	<b>25,797</b>	58,297
Administration costs	12,440	3,137	8,855	<b>24,432</b>	24,119
Insurance	10,975	0	0	<b>10,975</b>	10,489
Travelling expenses	1,425	475	2,850	<b>4,750</b>	4,073
Computer consumables	5,003	0	0	<b>5,003</b>	2,398
Other costs	2,663	450	9,451	<b>12,564</b>	9,926
Depreciation	175,498	0	0	<b>175,498</b>	149,504
Website expenses	2,340	0	0	<b>2,340</b>	656
Appeal and marketing	0	46,780	0	<b>46,780</b>	32,842
Entertaining	0	0	1,225	<b>1,225</b>	2,510
Bank charges	0	0	392	<b>392</b>	279
Accountancy fees	0	0	10,042	<b>10,042</b>	6,665
Audit fees	0	0	7,000	<b>7,000</b>	8,065
Legal and professional	0	0	1,283	<b>1,283</b>	0
	<u>760,399</u>	<u>107,503</u>	<u>76,667</u>	<b><u>944,569</u></b>	<u>900,145</u>

### 4 Total resources expended

	Staff costs	Other costs	Depreciat- ion	Total 2005	Total 2004
	£	£	£	£	£
Direct charitable expenditure	423,998	160,903	175,498	<b>760,399</b>	737,453
Fundraising and publicity	44,165	63,338	0	<b>107,503</b>	95,703
Management and administration	17,508	59,159	0	<b>76,667</b>	66,989
Notional charges	0	126,070	0	<b>126,070</b>	123,845
Total	<u>485,671</u>	<u>409,470</u>	<u>175,498</u>	<b><u>1,070,639</u></b>	<u>1,023,990</u>

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Staff costs		
Wages and salaries	<b>422,191</b>	411,478
Social security costs	<b>29,996</b>	27,832
Pension costs	<b>33,484</b>	39,182
	<b>485,671</b>	478,492

Excluding pension contributions, no employee, other than the Director, earned £40,000 per annum or more in either the year ended 31 March 2005 or the previous year.

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

	<b>2005</b>	<b>2004</b>
Museum services	<b>15</b>	14
Fundraising and publicity	<b>3</b>	3
Management and administration of the charity	<b>4</b>	4
	<b>22</b>	21

The Director, CJ Newbery, had a basic salary during the year ended 31 March 2005 of £47,961 per annum. The director is aged 55, his pension (net of inflation) rose by £483 in the year, with his total accrued pension now being £4,346 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 2005, the Museum has been unable to complete this exercise for the 2004-2005 accounts. Where full disclosure has not been possible this year, steps have been taken to ensure that the information will be ready for the 2005-2006 accounts.

No Trustees received remuneration during the year (2004 : NIL). Two Trustees were reimbursed for travel expenses totalling £556 (2004 : £432).

## 5 Grants and donations received

During the year the following grants and donations were received

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

	<b>Non-Public</b>	<b>Public</b>	<b>2005 Total</b>	<b>2004 Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operations	0	686,604	<b>686,604</b>	671,261
Purchase of exhibits	0	17,000	<b>17,000</b>	16,750
	<b>0</b>	<b>703,604</b>	<b>703,604</b>	688,011

*Other grants and donations*

	<b>Non- Public</b>	<b>Public</b>	<b>2005 Total</b>	2004 Total
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Restricted funds:</b>				
Heritage Lottery Fund	0	0	<b>0</b>	36,211
National Art Collections Fund	0	0	<b>0</b>	14,937
	<u>0</u>	<u>0</u>	<u><b>0</b></u>	<u>51,148</u>
<b>Unrestricted funds</b>				
The Trustees of BM Vickery	3,641	0	<b>3,641</b>	0
The Trustees of RE Rendle	500	0	<b>500</b>	0
Royal Marines Corps.	10,000	0	<b>10,000</b>	8,000
Band Concert	943	0	<b>943</b>	801
Appeal Covenants	0	0	<b>0</b>	374
HCC Grant	500	0	<b>500</b>	0
In memory of RJ Ashby	0	0	<b>0</b>	2,492
RMA Cambridge	0	0	<b>0</b>	1,000
Carlton Productions	0	0	<b>0</b>	1,410
44 CDO Memorial Fund	0	0	<b>0</b>	1,500
Miscellaneous donations	4,191	0	<b>4,191</b>	3,483
	<u>19,775</u>	<u>0</u>	<u><b>19,775</b></u>	<u>19,060</u>

**6 Tangible assets****Charity**

	<b>Land and Buildings</b>	<b>Fixtures and Displays</b>	<b>Plant and Computer Equipment</b>	<b>Purchase of Exhibits</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
<b>Cost or valuation</b>					
1 April 2004	5,222,629	660,514	70,746	136,229	6,090,118
Additions	0	6,285	14,176	16,961	37,422
Revaluation in year	202,115	11,296	(287)	0	213,124
31 March 2005	<u>5,424,744</u>	<u>678,095</u>	<u>84,635</u>	<u>153,190</u>	<u>6,340,664</u>
<b>Depreciation</b>					
1 April 2004	151,614	512,444	49,211	0	713,269
Charge for the year	91,747	67,741	16,010	0	175,498
Revaluation	5,868	8,675	25	0	14,568
31 March 2005	<u>249,229</u>	<u>588,860</u>	<u>65,246</u>	<u>0</u>	<u>903,335</u>
<b>Net book value</b>					
<b>31 March 2005</b>	<u><b>5,175,515</b></u>	<u><b>89,235</b></u>	<u><b>19,389</b></u>	<u><b>153,190</b></u>	<u><b>5,437,329</b></u>
31 March 2004	<u>5,071,015</u>	<u>148,070</u>	<u>21,535</u>	<u>136,229</u>	<u>5,376,849</u>



**Group**

	<b>Land and Buildings</b>	<b>Fixtures and Fittings and Displays</b>	<b>Plant and Computer Equipment</b>	<b>Purchase of Exhibits</b>	<b>Total</b>
	£	£	£	£	£
<b>Cost or valuation</b>					
1 April 2004	5,222,628	668,428	70,746	136,229	6,098,031
Additions	-	6,285	14,176	16,961	37,422
Revaluation in year	202,115	11,296	(287)	-	213,124
31 March 2005	<u>5,424,743</u>	<u>686,009</u>	<u>84,635</u>	<u>153,190</u>	<u>6,348,577</u>
<b>Depreciation</b>					
1 April 2004	151,614	518,821	49,211	0	719,646
Charge for the year	91,747	67,979	16,010	0	175,736
Revaluation	5,868	8,675	25	0	14,568
31 March 2005	<u>249,229</u>	<u>595,475</u>	<u>65,246</u>	<u>0</u>	<u>909,950</u>
<b>Net book value</b>					
<b>31 March 2005</b>	<b><u>5,175,514</u></b>	<b><u>90,534</u></b>	<b><u>19,389</u></b>	<b><u>153,190</u></b>	<b><u>5,438,627</u></b>
31 March 2004	<u>5,071,014</u>	<u>149,607</u>	<u>21,535</u>	<u>136,229</u>	<u>5,378,385</u>

The Museum's land and buildings are occupied under long, peppercorn rental leases. They have been valued and included in the accounts as an asset of the Museum in accordance with FRS5: Reporting the Substance of Transactions. The valuation was independently undertaken by DJH Reddy FRICS ACI Arb of Messrs Hellier Langston as at 31 March 2002 on the depreciated replacement cost basis, in accordance with RICS guidance.

All fixed assets held by the charity are used for direct charitable purposes.

**7 Investments**

	<b>Charity</b>	<b>2005 Group</b>	<b>Charity</b>	<b>2004 Group</b>
	£	£	£	£
Opening market value	<b>101,866</b>	<b>101,866</b>	83,013	83,013
Less: Disposals at opening book value	<b>0</b>	<b>0</b>	0	0
Add: Acquisitions at cost	<b>0</b>	<b>0</b>	0	0
Net unrealised gains/(losses)	<b>12,300</b>	<b>12,300</b>	18,853	18,853
Closing market value	<b>114,166</b>	<b>114,166</b>	101,866	101,866
Historic cost as at 31 March	<b>75,000</b>	<b>75,000</b>	75,000	75,000

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 received during the year.

**8 Stocks**

	2005		2004	
	Charity	Group	Charity	Group
	£	£	£	£
The amounts attributable to the different categories are as follows				
Goods for resale	0	25,851	0	23,542
Friends of the Royal Marines Museum stock	0	873	0	892
	<b>0</b>	<b>26,724</b>	0	24,434

**9 Debtors**

	2005		2004	
	Charity	Group	Charity	Group
	£	£	£	£
<b>Amounts due within one year</b>				
Trade debtors	0	0	0	1,597
Social security and other taxes	10,187	6,623	7,840	3,883
Other debtors	0	0	0	34
Prepayments and accrued income	23,065	6,065	21,795	4,795
RM Museum Limited Loan	4,300	0	4,300	0
	<b>37,552</b>	<b>12,688</b>	33,935	10,309
<b>Due after one year</b>				
RM Museum Limited Loan	17,200	0	21,500	0
Total debtors	<b>54,752</b>	<b>12,688</b>	55,435	10,309

**10 Cash at bank and in hand**

	2005	2004
Non-public funds	220,517	204,992
Public funds	14,881	15,348
Cash at bank and in hand - Charity	235,398	220,340
Trading subsidiary	23,778	27,812
Charitable subsidiary	9,384	7,418
Cash at bank and in hand - Group	<b>268,560</b>	255,570

**11 Creditors**

	2005		2004	
	Charity	Group	Charity	Group
	£	£	£	£
<b>amounts falling due within one year</b>				
Trade creditors	15,945	18,133	993	3,457
Other taxes and social security	0	0	2,307	2,307
Other creditors	0	2,302	0	2,708
Accruals	17,686	21,990	17,739	20,877
	<b>33,631</b>	<b>42,425</b>	21,039	29,349

**12 Restricted funds**

	Balance at 1 April 2004	Incoming resources	Expenditure	Transfers	<b>Balance at 31 March 2005</b>
	£	£	£	£	£
Grant in Aid (operating)	3,460,741	946,812	(891,176)	0	<b>3,516,377</b>
Grant in Aid (purchases)	104,611	17,000	0	0	<b>121,611</b>
Development fund	485,144	15,080	(58,349)	0	<b>441,875</b>
	<u>4,050,496</u>	<u>978,892</u>	<u>(949,525)</u>	<u>0</u>	<u><b>4,079,863</b></u>

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

The Development Fund represents the income raised by donations, grants and specific fundraising and the expenditure of these funds in the furtherance of the Development Project.

The Grant in Aid (operating) reserve includes the revaluation reserve relating to public funds.

**13 Analysis of net assets between funds**

	Tangible Fixed Assets	Investments	Net Current Assets	<b>Total</b>
	£	£	£	£
Restricted Funds				
Public Funds				
Grant in Aid (operating)	3,536,436	0	(20,059)	<b>3,516,377</b>
Grant in Aid (purchases)	102,042	0	19,569	<b>121,611</b>
Development project	441,221	0	654	<b>441,875</b>
	<u>4,079,699</u>	<u>0</u>	<u>164</u>	<u><b>4,079,863</b></u>
Unrestricted funds - Charity	1,357,630	114,166	256,355	<b>1,728,151</b>
Charitable funds	5,437,329	114,166	256,519	<b>5,808,014</b>
Charitable subsidiary funds	0	0	7,955	<b>7,955</b>
Non charitable trading funds	1,298	0	1,073	<b>2,371</b>
Total net assets - Group	<u>5,438,627</u>	<u>114,166</u>	<u>265,547</u>	<u><b>5,818,340</b></u>

**14 Commitments and contingent liabilities**

The charity or group had no capital commitments or contingent liabilities at 31 March 2005 or at 31 March 2004.

**15 Other commitments**

At the year end the charity had annual commitments under non cancellable operating leases as follows

	<b>Land and Buildings 2005 £</b>	<b>Other 2005 £</b>	Land and Buildings 2004 £	Other 2004 £
Expiry date				
Within one year	<b>0</b>	<b>0</b>	0	0
Over one year				
Between two and five years	<b>0</b>	<b>3,036</b>	0	3,036
In more than five years	<b>0</b>	<b>0</b>	0	0

**16 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 (2004 £8,000) to the Museum.

**17 Taxation**

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from Corporation Tax. The Corporation Tax liability of the charity's trading subsidiary is £NIL (2004: £NIL).

**18 Performance indicators**

Ratio of self generated income to Grant in Aid

	Self generated Income £	GIA Income £	Ratio
2004-2005 Actual	83,672	703,604	1:7.95
2004-2005 Target	99,475	705,266	1:6.56
2003-2004 Actual	86,303	688,011	1:7.97

## 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 direction 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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