

**THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM
(A company limited by guarantee)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

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THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

REFERENCE AND ADMINISTRATIVE DETAILS

Charity number	1097205
Company number	4698817
Principal office	Clock Tower Yard, Temple Meads, Bristol BS1 6QH
Auditors	Winters, 29 Ludgate Hill, London EC4M 7JE
Bankers	Royal Bank of Scotland, 49 Charing Cross, London SW1A 2DX
Solicitors	Stone King, 13 Queen Square Bath BA1 2HJ

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Directors and trustees

The directors of the charitable company (the charity) are its trustees for the purpose of charity law and throughout this report are collectively referred to as the trustees.

The following directors and trustees have held office since 1 January 2005:

Mr John Raisman CBE (Chairman)	
Sir Michael McWilliam KCMG (Deputy Chairman)	
Alderman Marmaduke Alderson	Resigned 28 May 2005
Dr Robert Anderson FRSE	
Mr Nicolas Barker OBE	
Sir Nicholas Barrington KCMG CVO	
Mr Keith Bonham MBE DL	
Professor David Cannadine FBA	
Baroness Jean Corston of St George	
Sir Neil Cossons OBE	Appointed 23 June 2005
Councillor Christopher Davies	Appointed 9 March 2006
Rt Hon Lord Dholakia of Waltham Brooks OBE JP DL	
Mr Francis Greenacre FMA	Appointed 23 June 2005
Sir Jack Hayward OBE	Resigned 23 June 2005
Mr Jack Lambert B.A. B.Arch. RIBA	
Mr John Letts	Resigned 23 June 2005
Professor Wm. Roger Louis	Appointed 23 June 2005
The Hon Sir William McAlpine Bt	
Mrs Laura Marshall	
Professor Peter Marshall	Resigned 23 June 2005
Ms Patsy Robertson	
Mr Nicholas Stanley	Appointed 23 June 2005 and resigned March 2006
HM Lord Lieutenant of Bristol JN Tidmarsh MBE JP	
Mr Philip Taverner	Resigned 23 June 2005
Professor Eric Thomas	Resigned 15 November 2005

The trustees are sad to report that John Letts, one of the founding members of the museum, passed away in March 2006. John was instrumental in establishing The British Empire and Commonwealth Museum, and worked tirelessly on the project from its inception to its opening in 2002 and beyond. In 2005 John resigned as a trustee but in recognition of his contribution to the Museum he was made an Emeritus Trustee.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Structure, governance and management

Governing document

The British Empire & Commonwealth Museum is a company limited by guarantee governed by its Memorandum and Articles of Association dated 14 March 2003. It is registered as a charity with the Charity Commission.

Appointment of trustees

The trustees are appointed or removed by the Board of Trustees on the recommendation of the Nominations Committee

New trustees undergo an orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committee and decision making processes, the business plan and recent financial performance of the charity. During the induction day they meet key employees and other trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

Board committees

The board of trustees which can have between 10 and 20 members, is responsible for the effective administration of the charity. The board meets three times a year and its Finance & General Purposes Committee meets at least six times a year. There are also board sub-committees for Capital Development, Fund Raising, Audit and Nominations that meet as required.

Management

A Museum Director is appointed by the trustees to manage the day to day operations of the charity. Within terms of delegation approved by the trustees, the management function is conducted through the senior management team comprising:

Dr Gareth Griffiths	Museum Director
Judith Egerton	Senior Fundraiser
Brian Frost ACA	Finance Manager
Feisal Khalif	Head of PR & Marketing
Anne Lineen	Exhibitions Floor Manager

Related parties

On 1 January 2004 the charity took over the activities of its subsidiary company, Empire Museum Ltd, from The Museum of Empire and Commonwealth Trust.

Risk assessment

The trustees have given consideration to the major risks to which the company and its subsidiary company are exposed. The major risks, that have been identified, have been reviewed and, where reasonable and practicable, procedures established with a view to mitigating the consequences of those risks.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Objectives and activities

The Mission of the British Empire & Commonwealth Museum is to provide a national forum for preserving, exploring and studying Britain's cultural heritage associated with its former Empire and today's Commonwealth.

The Museum is located at Temple Meads, Bristol, in the original GWR terminus designed by Isambard Kingdom Brunel. It was opened in 2002 after an extensive restoration programme funded by private benefactors and trusts. The sixteen galleries give a representative presentation of the collections covering three historical phases: Building an Empire 1490-1800; Victoria's Empire 1800 – 1900; From Colonialism to Commonwealth 1900- present day. There is a separate gallery for special exhibitions.

The Museum delivers its mission through three main activities –

- i. Public information, instruction and entertainment delivered by displays in the permanent galleries, special events and exhibitions;
- ii. Conservation and research of the collections of materials, images and archives that have been donated to the Museum, carried out by curatorial staff and by research links with universities;
- iii. Primary and secondary school education programmes delivered at the Museum and through the distribution of special course materials that address elements of the national curriculum and wider citizenship issues. Following closure of the Commonwealth Institute in 2002, the Museum is the only institution in Britain that is dedicated to explaining and educating about the Commonwealth through school programmes and through its gallery displays.

Achievements and performance

A review of the Museum's operations was undertaken early in 2005, with a view to reducing costs and also to increasing the earnings potential of its activities. A new department of Commercial Archives was established, with support from two foundations, with the aim of digitising progressively the image and film collections in order to create an on-line library. Apart from conservation benefits, a significant income stream is anticipated from this development. The internal reorganisation was somewhat disruptive in the short term, but year on year costs were reduced as intended. A new software package was purchased to improve the management of functions and education bookings. Decisions were taken to strengthen the fund raising department.

The special exhibition Pow Wow on the Indians of North America continued during the year. Preparatory research was initiated for a special exhibition to mark the 200th anniversary of the abolition of the slave trade, to open in 2007. The Museum also prepared to collaborate in the celebration of the 200th anniversary of the birth of Brunel in 2006.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Financial review

Income from charitable activities increased from £630k to £705k. New grants and donations at £914k were slightly higher than the amount of £908k received in 2004. Total expenditure at £1,676k was above the previous year's total of £1,615k. After allowing for grants applied to capital improvements that are written off as incurred, the outcome for the year showed net outgoing resources of £57k, compared with net outgoing resources of £78k in 2004. The cumulative deficit of £961k is financed by bank borrowing against the security of the property. During the year these facilities were restructured by the conversion of a previous overdraft facility and loan into a £1 million term loan repayable over 20 years, with the interest rate fixed for the first 10 years.

The Museum's business model is to finance its operations from three streams of revenue –

- i. Property income from space that is not required for museum purposes, comprising car parking, a nursery school lease, and function lettings.
- ii. Income generated from museum activities and services, comprising entrance fees, shop and café revenue, fees charged by the education and commercial archives departments.
- iii. Income donated by individuals, trusts and companies in support of the Museum's activities, and organised by the Development Office.

In 2005 the relative contributions were property income 30 percent, museum activities 22 percent and donations 48 percent.

The annual budget is prepared with the involvement of all departmental heads and the Senior Management Team. It is then reviewed and approved (subject to amendments) by the Finance & General Purposes Committee. Departmental heads have the responsibility to deliver their budgets. Procedures are in place to control expenditure and to monitor results.

Principal donors in 2005 included – British American Tobacco, Denman Charitable Trust, John Ellerman Foundation, Esmée Fairbairn Foundation, Getty Foundation (USA), Sir Jack Hayward, The Linbury Trust, Railway Heritage Trust, The Rayne Foundation.

Plans for future periods

In 2005 self-generated revenues from property and museum activities contributed 52 percent of total resources and donations contributed 48 percent. The Business Plan aims to increase progressively the contribution from self-generated revenues. Meanwhile steps have been taken to strengthen the Development Office so that it is better equipped to deliver a sustainable flow of donations revenue from a diversity of supporters, as well as funding special exhibitions and capital projects.

The Trustees set up a Strategy Panel early in 2005 to review priorities for the Museum in relation to its three guiding themes of public information, instruction and entertainment; conservation and research; and education programmes. With regard to premises, plans have been prepared to bring more space into gallery use without prejudice to functions earning capacity, preparatory to seeking major funding support. Meanwhile a dialogue is maintained with the Regional Development Agency and Bristol City Council over development plans in the neighbourhood that are significant for access to the Museum and its own future configuration. Enhancing partnership relationships with Bristol City Council is an important objective. The Museum already benefits greatly from academic advisory groups in planning exhibitions and reviewing gallery displays, and it is planned to deepen this collaboration in order to prioritise research areas and future exhibitions, and also to develop additional degree programmes with universities. The Panel also identified further scope to extend the schools education offerings.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

DIRECTORS' AND TRUSTEES' REPORT FOR THE YEAR ENDED 31 DECEMBER 2005

Trustees' responsibilities

The trustees are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group and the incoming resources and application of resources, including the net income and expenditure, of the group for that year. In preparing those financial statements the trustees are required to:-

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

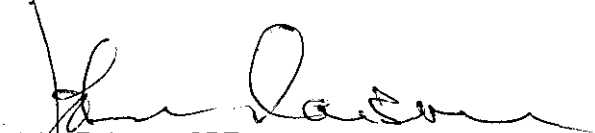
The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Winters, are willing to be reappointed in accordance with section 385 of the Companies Act 1985.

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

By order of the board



John Raisman CBE
Chairman
22 June 2006

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

We have audited the financial statements of The British Empire and Commonwealth Museum Limited on pages 9 to 20 for the year ended 31 December 2005. These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described in the statement of trustees' responsibilities on page 6 the company's trustees' are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the company is not disclosed.

We read the other information contained in the trustees' report and consider whether it is consistent with the audited financial statements. We consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of opinion

We conducted our audit in accordance with *International Standards on Auditing (UK and Ireland)* issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty

In forming our opinion, we have considered the adequacy of the disclosures made in note 1.3 concerning the preparation of the financial statements on a going concern basis. The validity of this basis is dependent upon the continuing support of the group's bankers and its supporters. The financial statements do not include any adjustments that would be necessary if this basis is inappropriate. Our opinion is not qualified in this respect.

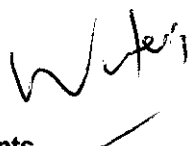
THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's and group's affairs as at 31 December 2005 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Winters
Chartered Accountants
Registered Auditors
29 Ludgate Hill
London
EC4M 7JE

22 June 2006

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Consolidated Income and Expenditure Account) FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	Unrestricted funds £	Designated fund £	Total funds 2005 £	Total funds 2004 £
Incoming resources					
Voluntary income	2	688,480	225,406	913,886	907,532
Incoming resources from charitable activities	3	<u>705,355</u>	<u>-</u>	<u>705,355</u>	<u>629,651</u>
Total incoming resources		<u>1,393,835</u>	<u>225,406</u>	<u>1,619,241</u>	<u>1,537,183</u>
Resources expended					
Costs of generating voluntary income	4	83,053	-	83,053	98,259
Charitable activities	5	1,214,282	127,670	1,341,952	1,293,823
Governance costs	6	166,911	-	166,911	169,295
Bank interest and charges		<u>84,261</u>	<u>-</u>	<u>84,261</u>	<u>53,470</u>
Total resources expended		<u>1,548,507</u>	<u>127,670</u>	<u>1,676,177</u>	<u>1,614,847</u>
Net (outgoing)/incoming resources for the year		(154,672)	97,736	(56,936)	(77,664)
Balance brought forward		(805,998)	-	(805,998)	(728,334)
Balance carried forward		<u>(960,670)</u>	<u>97,736</u>	<u>(862,934)</u>	<u>(805,998)</u>

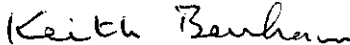
THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM


CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	£	2005 £	£	2004 £
Fixed assets					
Tangible assets	9		2,733,609		2,724,228
Current assets					
Stocks		41,096		32,706	
Debtors	11	134,092		156,322	
Cash at bank and in hand		<u>96,284</u>		<u>1,224</u>	
		271,472		190,252	
Creditors: amounts falling due within one year	12	<u>(164,406)</u>		<u>(796,250)</u>	
Net current assets/(liabilities)			<u>107,066</u>		<u>(605,998)</u>
			2,840,675		2,118,230
Creditors: amounts falling due after more than one year	13		<u>(970,000)</u>		<u>(200,000)</u>
			<u>1,870,675</u>		<u>1,918,230</u>
Accumulated funds					
Unrestricted funds					
Income and expenditure account			(960,670)		(805,998)
Capital reserve	14		2,733,609		2,724,228
Designated fund	15		<u>97,736</u>		<u>-</u>
			<u>1,870,675</u>		<u>1,918,230</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the board on 22 June 2006.


Keith Bonham FCA
Director


John Raisman
Chairman

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

BALANCE SHEET AS AT 31 DECEMBER 2005

	Notes	2005 £	2004 £
Current assets			
Debtors	11	36,662	43,371
Cash at bank		<u>25</u>	<u>-</u>
Net assets		<u>36,687</u>	<u>43,371</u>
Accumulated funds			
Unrestricted funds		<u>36,687</u>	<u>43,371</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective January 2005).

The financial statements were approved by the board on 22 June 2006.

Keith Bonham

Keith Bonham FCA
Director

John Raisman
John Raisman
Chairman

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

	Notes	2005 £	2004 £
Net cash outflow from operating activities	(a)	(84,868)	(177,942)
Decrease in cash in the year	(b)	(84,868)	(177,942)
Reconciliation of net cash outflow to movement in net debt	(c)	(84,868)	(177,942)
Net debt at 1 January 2005		(838,848)	(660,906)
Net debt at 31 December 2005	(c)	(923,716)	(838,848)

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

(a) Reconciliation of changes in resources to operating cash flows

	2005 £	2004 £
Net outgoing resources	(56,936)	(77,664)
Increase in stock	(8,390)	5,766
Decrease in debtors	22,230	(72,672)
Decrease in creditors	(41,772)	(33,372)
	<u> </u>	<u> </u>
Net cash outflow from operating activities	(84,868)	(177,942)
	<u> </u>	<u> </u>

(b) Analysis of cash flows for headings netted in the cash flow statement

	2005 £	2004 £
Capital expenditure		
Purchase of tangible fixed assets	127,670	(115,147)
Capital grants received	(127,670)	(115,147)
	<u> </u>	<u> </u>
Net cash flow from capital items	-	-
	<u> </u>	<u> </u>

(c) Analysis of net debt

	1 January 2005	Cash flow	Other movements	31 December 2005
Cash at bank and in hand	1,224	95,060	-	96,284
Bank overdraft and loans	(840,072)	(179,928)	-	(1,020,000)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	(838,848)	(84,868)	-	(923,716)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

1 Accounting policies

1.1 Accounting convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) and the Financial Reporting Standard for Smaller Entities (effective January 2005).

The format of the income and expenditure accounts has been adjusted from the format specified within Schedule 4 of the Companies Act 1985 and within SORP 2005 to include headings which are relevant to its activities and to enable it to show a true and fair view.

1.2 Financial statements of the group

The consolidated financial statements include the financial statements of the company and its wholly owned subsidiary undertaking, Empire Museum Limited.

A separate income and expenditure account dealing with the results of the parent company only has not been presented as permitted by Section 228(7) of the Companies Act 1985.

1.3 Going concern

The financial statements have been prepared on a going concern basis which assumes that the group will continue to trade. The validity of this assumption is dependent upon the continuing support of the group's bankers and its supporters. In turn, this support is dependent upon the ability of both the company and its subsidiary undertaking to secure adequate financing to ensure the successful operation of the museum. In the event of the company ceasing to trade, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities that may arise, and to reclassify fixed assets as current assets.

1.4 Grants and donations

Grants and donations comprise both capital and revenue grants. Capital grants for leasehold property and improvements are credited to the capital reserve, whilst those for other fixed assets are shown as a deduction from the cost of fixed assets. Revenue grants are credited to the income and expenditure account to match the costs being financed.

1.5 Tangible fixed assets and depreciation

The long leasehold property and improvements have been included in the balance sheet on the basis of the valuation carried out in 2002, as augmented by subsequent additions at cost. Following the completion of the construction work, depreciation is provided for on the long leasehold property and improvements over 50 years.

The cost of the permanent gallery was covered by grants receivable and was written off in the year incurred and therefore no provision for depreciation is required.

Depreciation is provided to write off the cost of office equipment and museum exhibits over four years to the extent that expenditure is not covered by grants receivable. Expenditure that is covered by grants is written off in the year incurred.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

1.6 Stock

Stock is valued at the lower of cost and net realisable value and consists of items for resale.

1.7 Incoming resources

Incoming resources are accounted for on a receivable basis.

1.8 Resources expended

Liabilities are recognised as resources expended where there is a legal or constructive obligation committing the group to the expenditure. All expenditure is accounted for on an accruals basis and includes, where applicable, value added tax where this is irrecoverable.

2	Voluntary income	2005 £	2004 £
	New grants and donations for the year	913,886	907,532
		<u> </u>	<u> </u>
3	Incoming resources from charitable activities		
	Rent receivable	102,561	77,107
	Museum entry	137,081	106,406
	Museum shop and café	116,281	87,967
	Commercial archives	10,744	6,397
	Events	<u>338,688</u>	<u>351,774</u>
		705,355	629,651
		<u> </u>	<u> </u>
4	Costs of generating voluntary income		
	Salaries and wages	67,128	71,017
	Promotional costs	<u>15,925</u>	<u>27,242</u>
		83,053	98,259
		<u> </u>	<u> </u>

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

5	Charitable activities	2005 £	2004 £
	Unrestricted funds		
	Salaries and wages	501,438	444,018
	Exhibitions and functions	129,003	220,645
	Education purchases	47,446	135,536
	Shop purchases	83,729	54,232
	Curatorial costs	25,432	43,880
	Special projects	5,042	3,774
	Academic research fees	40,498	19,623
	Insurance	50,174	49,188
	Electricity	24,760	25,082
	Telephone	8,720	8,650
	Building maintenance	57,994	46,928
	Rates	21,249	17,129
	Printing, stationery, publications and advertising	129,837	130,943
	Computer and equipment costs	41,188	31,420
	Travel and entertaining	25,726	40,518
	Office costs	<u>22,046</u>	<u>22,257</u>
		<u>1,214,282</u>	<u>1,293,823</u>
	Designated fund		
	Improvements to the museum	67,440	-
	Development costs and equipment	<u>60,230</u>	<u>-</u>
		<u>127,670</u>	<u>-</u>
	The charitable activities represent the costs of running and developing the museum and its related services.		
6	Governance costs		
	Salaries and wages	142,122	142,357
	Legal and professional fees	13,789	21,788
	Audit	4,000	4,000
	Accountancy	<u>7,000</u>	<u>1,150</u>
		<u>166,911</u>	<u>169,295</u>

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

7	Staff costs	2005 £	2004 £
	Salaries and wages	653,637	604,315
	Social security costs	<u>57,051</u>	<u>53,077</u>
		<u>710,688</u>	<u>657,392</u>

These costs comprise the staff costs referred to in notes 4, 5 and 6.

	No	No
The average weekly number of employees, including part-timers, was	<u>32</u>	<u>33</u>

No expenses were reimbursed to any trustees. Trustees received no remuneration during the year.

8	Net outgoing resources for the year on unrestricted funds	2005 £	2004 £
	Retained by the parent company	(6,684)	43,371
	Dealt with in the financial statements of the subsidiary undertaking	<u>(147,988)</u>	<u>(121,035)</u>
		<u>(154,672)</u>	<u>(77,664)</u>

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

9	Fixed assets	Long leasehold property and improve- ments £	Permanent gallery £	Office equipment £	Museum exhibits £	Total £
	Cost or valuation					
	At 1 January 2005	2,835,513	968,530	179,728	107,388	4,091,159
	Additions	<u>67,440</u>	<u>-</u>	<u>60,230</u>	<u>-</u>	<u>127,670</u>
	At 31 December 2005	<u>2,902,953</u>	<u>968,530</u>	<u>239,958</u>	<u>107,388</u>	<u>4,218,829</u>
	Grants					
	At 1 January 2005	-	968,530	164,924	104,782	1,238,236
	New grants in the year	<u>-</u>	<u>-</u>	<u>60,230</u>	<u>-</u>	<u>60,230</u>
	At 31 December 2005	<u>-</u>	<u>968,530</u>	<u>225,154</u>	<u>104,782</u>	<u>1,298,466</u>
	Depreciation					
	At 1 January 2005	111,285	-	14,804	2,606	128,695
	Charge for the year	<u>58,059</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,059</u>
	At 31 December 2005	<u>169,344</u>	<u>-</u>	<u>14,804</u>	<u>2,606</u>	<u>186,754</u>
	Net book value					
	At 31 December 2005	<u>2,733,609</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,733,609</u>
	At 31 December 2004	<u>2,724,228</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,724,228</u>

The long leasehold property was revalued in February 2002 by KingSturge, chartered surveyors, on the basis of open market value at £1,900,000 and this valuation was included in the accounts. Subsequent additions, at cost, have been included in the balance sheet value at 31 December 2005.

The historical cost of the long leasehold property and improvements at the balance sheet date is £3,317,837.

In October 2004, the directors obtained an indicative valuation of £5.5 million to £6.5 million for the long leasehold property from Hartnell Taylor Cook, chartered surveyors.

THE BRITISH EMPIRE AND COMMONWEALTH MUSEUM

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

10 Fixed asset investments

The company's wholly owned subsidiary is Empire Museum Limited, a company limited by guarantee and registered in England and Wales. The principal activity of Empire Museum Limited is the development and operation of the British Empire and Commonwealth Museum, on behalf of and at the direction of the directors of its parent company.

11 Debtors

	2005		2004	
	Group £	Charity £	Group £	Charity £
Trade debtors	46,282	-	49,181	-
Other debtors	<u>87,810</u>	<u>36,662</u>	<u>107,141</u>	<u>43,371</u>
	134,092	36,662	156,322	43,371

12 Creditors: amounts falling due within one year

	2005		2004	
	Group £	Charity £	Group £	Charity £
Bank loan and overdrafts (secured)	50,000	-	640,072	-
Trade creditors	54,962	-	61,116	-
Other taxes and social security costs	21,092	-	16,556	-
Accruals	<u>38,352</u>	<u>-</u>	<u>78,506</u>	<u>-</u>
	164,406	-	796,250	-

13 Creditors: amounts falling due after more than one year

	2005		2004	
	Group £	Charity £	Group £	Charity £
Bank loan – repayable between 1 and 2 years	50,000	-	16,667	-
Bank loan – repayable between 2 and 5 years	150,000	-	50,000	-
Bank loan – repayable after 5 years	<u>770,000</u>	<u>-</u>	<u>133,333</u>	<u>-</u>
	970,000	-	200,000	-

The bank overdraft and loan are secured on the long leasehold property of the subsidiary company and its associated assets.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2005

	2005 £	2004 £
14 Capital reserve		
At 1 January 2005	2,724,228	2,674,179
Depreciation	(58,059)	(56,710)
New grants in the year	<u>67,440</u>	<u>106,759</u>
At 31 December 2005	<u>2,733,609</u>	<u>2,724,228</u>

The capital reserve represents grants made towards the leasehold property and improvements to it, which the subsidiary company acquired and holds on behalf of and for the charitable purposes of its parent undertaking.

15 Designated fund

This fund represents grants and donations to finance capital expenditure on the museum's development.

16 Company status

The British Empire and Commonwealth Museum is a charitable company limited by guarantee.

Under the Memorandum and Articles of Association, every member promises to contribute up to £1 in the event of the charity being dissolved.