

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 Navy Submarine Museum Account 2007-2008

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Royal Navy Submarine Museum Account 2007-2008

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 17 JULY 2008

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Contents

	Page
Trustees' Annual Report	2
Report of the Director	9
Remuneration Report	12
Statement of Board of Trustees' and Director's responsibilities	14
Statement on Internal Control	15
The Certificate and Report of the Comptroller and Auditor General	17
Consolidated Statement of Financial Activities	19
Consolidated Balance sheet	20
Balance sheet – Charity	21
Cash Flow Statement	22
Notes to the financial statements	23
Accounts Direction	35
Schedules 1 and 2	36

Trustees' Annual Report

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

The Royal Navy Submarine Museum is a registered charity, number 1068419

The Museum's business address is: Haslar Jetty Road, Gosport, Hampshire PO12 2AS.

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

The following served as Museum Trustees during 2007-2008

Rear Admiral RC Lane-Nott CB	Chairman
Rear Admiral D Cooke MBE	Nominated/Vice Chairman
Rear Admiral AP Hoddinott CB OBE	
Mr RM Webb (until October 2007)	
Dr MC Copp	
Mr T Schadla-Hall	
Mr L Shurmer-Smith OBE	
Mrs LM O'Sullivan	
Councillor P Edgar	Nominated/Hampshire CC
Councillor HG Burgess	Nominated/Gosport BC
Mr R Dixon	Nominated/Submariners Ass

Senior members of staff

Museum Director	Commander JJ Tall OBE RN (Rtd) (retired 4 April 2008)
	Mrs Marion Budgett (appointed 1 April 2008)
Curator and Deputy Director	Mr R Mealings AMA

Accountants

Mazars LLP
Regency House
3 Grosvenor Square
Southampton
SO15 2BE

Auditors

Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria
London
SW1W 9SS

Bankers

Lloyds TSB
Gosport Branch
20 High Street
Gosport
Hampshire
PO12 1DE

Solicitors

Blake Lapthorn Tarlo Lyons
1 Barnes Wallis Road
Segensworth
Hampshire
PO15 4UA

Structure, Governance and Management**Status**

The governing document of the body is the Trust Deed of 23 January 1998; the Museum's Trustees are incorporated as a body. 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 Navy Submarine Museum was formed as a modest 'Submarine Branch Collection' under a Deed of Trust dated 11 September 1963. It was registered as a charity on 12 February 1970. Three small rooms were made available for the collection in the submarine base at *HMS Dolphin*.

In 1982 it moved to premises outside the security gates of the submarine base where, following an appeal, a dedicated museum building was erected and *HMS Alliance* (1945) was established on concrete cradles and put on display. In the same year *Holland 1* (1901), the Royal Navy's first ever submarine, was recovered from the sea-bed by Royal Navy divers and also put on display.

The layouts of the two galleries were revised in 1991-92 with the help of a grant from the Museums and Galleries Commission. This enabled the periscopes and Captain's cabin of the Nuclear powered Submarine *HMS Conqueror* to be installed in the Museum.

In late 1993, it was found that the initial preservation of the *Holland* Submarine had failed to prevent the onset of metal corrosion. After a thorough survey, a major conservation programme was started with considerable financial and technical support from Hampshire County Council and a grant from the Science Museum. A further grant from VSEL, Barrow and a significant injection of the Museum's own funds completed the financial package that enabled the conservation project to proceed in 1995. This meant that the submarine had to be withdrawn from display whilst the conservation programme took place. The process took five years to complete, after which time the Heritage Lottery Fund supported the construction of an environmentally controlled dedicated exhibition building which was opened in 2001, the Centenary Year of the Royal Navy Submarine Service. The Museum, in partnership with its conservator, Ian Clark, won the coveted *Pilgrim Trust Conservation Award* for the *Holland 1* project in 2002.

In November 2000 it was confirmed that *HMS Alliance* and *Holland 1* were included in the prestigious *National Core Collection* drawn up by the National Historic Ships Committee. Only 50 vessels throughout the land have been accorded this pre-eminent status. *HMS X24*, the Museum's other historic submarine, although not meeting the criteria for weight (40 tons), was confirmed as a member of the *Historic Fleet*.

In 1998 an appeal was launched to raise funds for the development of the Museum entitled 'The Submarine Centennial Appeal' with a target of £1m.

Between 1998 and 2001 the Museum acquired the use of a number of redundant buildings within Fort Blockhouse that enabled it to create displays of its weapons collection, including a Polaris Missile, in a suitable environment for large metallic objects. This was a major step forward in the care of artefacts previously at risk from the elements.

In December 2003 the Museum was awarded a Stage II pass by the Heritage Lottery Fund for its John Fieldhouse Building (JFB) project with a grant of £1.95m. On 1 March 2004 the selected building contractor, Henry Jones, began work on-site. On 7 July 2004 work restarted on the building after a three-month delay caused by the discovery of diesel contamination beneath the construction site.

On 1 August 2005 JFB opened to the general public and on 9 September 2005 JFB was officially opened by HRH The Princess Royal.

In addition to the major projects, identified above, purpose-designed facilities for educational use and for special exhibitions have been created, the Museum has been made disabled-friendly, and much work has been done to improve IT and the documentation, conservation and storage of the collections.

In September 2006 the museum acquired a major artefact, a one-fifth scale model of *HMS Vanguard*, a nuclear submarine. An appeal to house this unique model and rebuild the weapons gallery is in the course of preparation.

In December 2006 an application for grant for the conservation and preservation of the historic submarine *HMS Alliance* was made to the Heritage Lottery Fund (HLF). This was withdrawn in June 2007 in anticipation of a resubmission in August 2008. In the meantime HLF awarded a Project Planning Grant to assist in the preparation of that submission.

Recruitment, appointment and training of trustees

The recruitment and appointment of Trustees (including the Chairman) is conducted in accordance with guidelines issued by the Commissioner for Public Appointments. There are four nominated trustees: Rear Admiral Submarines as Vice Chairman, one nominated by the Submariners Association, and the other two by Gosport Borough Council and Hampshire County Council. 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 eleven members and meets four times a year. There is also a Trustees' Audit Committee consisting of two Trustees, an independent member, who is also a Director of RNSM Enterprises Limited, and the Museum Director that meets four times a year. 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 the responsibility of the Director of the Museum.

Board Meetings were held in July and October 2007 and February and March 2008.

Major matters discussed included: Management Plan and Budget; approval of Annual Report and Accounts; appointment of Trustees; management of RNSM Enterprises Limited; application for Lottery Funding for *HMS Alliance*; future plans for Museum Development; staff salaries and conditions of service; the Health & Safety plan; the Risk Management Plan; the Collections Management Plan; the Education Plan; and the Information Computer Technology Plan.

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 Royal Navy Submarine Museum and the Fleet Air Arm Museum. The Museums work closely together, for example, their Collecting Policies are complementary.

In addition it is intended, in the medium term, to create a National Museum of the Royal Navy, which will bring all four Naval Service Museums under a single Management Board. In the shorter term, the Museum has been launched in a virtual form (June 2007).

Relationship with the Society of Friends of the Royal Navy Submarine Museum

The Friends organisation is a registered charity (No.1046251). The object of the Friends is to 'be an active involved society working to preserve the heritage of the Submarine Service through its Museum. Care is taken that the members' generosity is focused on specific projects to improve the Museum and its collection's. The Society is governed entirely separately from the Museum, with application for grants being made formally by the Director of the Museum to the Friends' Board of Trustees.

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 she ought to have taken to make herself aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

Objectives and activities

Mission

The Mission of the Museum, which is in accordance with that agreed for the four Naval Service Museums sponsored by the Ministry of Defence, and which is given formal basis in a Defence Council Instruction, is

- 1 To provide an effective and accessible repository, both now and in the future for the heritage of the Submarine Branch of the Royal Navy and raise public awareness of the Royal Navy Submarine Service.
- 2 To encourage scholarship and research into the history of the Royal Navy Submarine Service, and make the product of this scholarship available through publications and lectures as a means of nurturing the ethos of the Service.
- 3 To provide an educational resource for the community, with particular reference to children in relation to the National Curriculum.

In pursuit of their aims the Trustees act in accordance with a Code of Conduct based on guidance given by the Committee on Standards in Public Life and the seven principles endorsed by HM Government.

Objectives of the Museum

The Declaration of Trust declares that the Museum exists for the benefit of the public and for the purpose of educating the public in naval and social history and other matters relating to the defence of the realm and in particular

- 1 To maintain and manage a public museum and library of all aspects of Submarine endeavour.
- 2 To preserve, promote and assist in the display, understanding and education of the public of the Submarine Collection and all other property, objects, artefacts and others having relevance to the history of the Submarine Service of the Royal Navy forming the contents of the Museum from time to time.
- 3 To uphold the traditions of the Submarine Service of the Royal Navy; to perpetuate and commemorate its deeds; to honour and preserve the memory of those who participated in the service and to act as keeper of the Regimental Heritage of the Submarine Service.
- 4 To relieve distress or need among past and present members of the Submarine Branch of the Royal Navy and their dependants.

Strategic aims of the Museum

The following are the strategic aims of the Museum

- 1 to develop a Museum that attracts an increasing number of visitors and provides those visitors with a positive recreational experience through the execution of the Development Plan, Education Policy, and Marketing/ PR policies.
- 2 To make as much of the collection as accessible as possible to all.
- 3 To enhance the collection through the mechanisms set out in the Trustees Collecting Policy.
- 4 Through quality and effectiveness of performance, to continue to attract and justify the highest possible level of Grant-in-Aid and external financial support.
- 5 To increase revenue levels and maintain an adequate cash reserve in accordance with the Business Plan.
- 6 To provide funds for the relief of hardship among past and present submariners and their families.

Achievements and performance

Main Objective in 2007-2008

To prepare an application for grant to the Heritage Lottery Fund for HMS Alliance

This is underway with the help of a Project Planning Grant from HLF (Dec 07). An Appeals Committee was established to further the application.

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 & 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

The Museum is showing net outgoing resources of £174,486. The revaluation of fixed assets in the year has resulted in a net deficit in 2008 of £26,758. An annual depreciation charge of £220,702 has been the major contributing factor of this net deficit. Much of this charge relates to land and buildings which were revalued in 2007 and are being written down over the life of the lease, a much shorter period than when the last valuation was performed.

Policy on reserves

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. As at 31 March 2008, the level of the Museum's Free Reserves stood at £575,266 (31 March 2007 £617,894).

A percentage of Museum funds (restricted and unrestricted) have been amalgamated into a single bank account in order to attract the highest level of interest compatible with security of capital. A strict internal audit trail is maintained in order to differentiate between the provenance of those individual elements.

The amounts and term of the investment of the reserves 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 funds to enable medium to long term development and expansion.

The Museum needs to retain a viable reserve in order to

- a Cover liabilities
- b Cover any annual deficits
- c Provide income
- d Fund development
- e To ensure adequacy of working capital

Scope

Liabilities

The nature of major liabilities faced by the Museum centre around the care of the five Historic Ships and the Collection. Four out of the five ships are now under cover and in relatively stable conditions, leaving the ship of primary concern to be *HMS Alliance* (a member of the National Core Collection). Even after a planned rolling extensive refit, the fact that she remains exposed to the elements and sitting on concrete blocks in a tidal way implies that she is capable of producing surprises that will have to be dealt with at short notice. Given the importance of *HMS Alliance* to the Museum, an appropriate level of reserve must be maintained to cater for any crisis.

Provide income

The Museum operates on relatively slim surplus margins, so accrued interest is a welcome boost to income.

Development

With the completion of the Fieldhouse Building project, the Museum has completed three out of its five development phases. The Trustees now need to build up funds to a level appropriate for the next phase of development, namely replacing the Weapons Gallery, accommodating the HMS Vanguard model and enhancing the Museum entrance and its surrounds.

Working capital

The Museum needs to maintain adequate levels of working capital to ensure it can continue with its daily activities.

Investment Policy

The present investment policy reflects the need for relatively easy access to reserves by maintaining them in cash, and accepting a lower rate of return than may be achieved through a stock market based investment fund, but without the attendant risks.

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 wholly owned subsidiary, RNSM Enterprises Limited, that are given to the Trust in the form of Gift Aid. A list of donations in excess of £500 in aggregate can be found in Note 2 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 agreed terms of business. The Museum's actual payment performance during the year was that all bills were paid within 30 days or in accordance with the suppliers' terms of business.

Staff matters

Consultation with Employees

Senior management communicate with staff through weekly staff briefings as well as through departmental staff briefings, informal meetings and internal memoranda.

Equal opportunities

The Museum has an Equal Opportunities Policy and 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.

Plans for future periods

Investment for the future

Recognising its responsibilities for its collection care and being a public face of the Royal Navy the Museum is currently undertaking the following projects

- *The HMS Alliance Project.* This National Historic Ships Committee 'Core Collection' submarine is in need of a refit after being on display in an hostile marine environment for over twenty five years. In essence the hull remains in excellent shape; however the less robust casing and control surfaces are in need of long term preservation. The Museum engaged the International Consultant Engineers, Scott Wilson and ship-repair consultants Fraser Nash, to work up a remedial programme of work and develop a long term conservation plan before applying to the HLF for financial support for the project (December 2006). The methodology of repair identified in the initial application, which included large elements of fabric replacement with non-traditional material, did not find favour with the HLF, and the Museum was invited to re-examine the bid. This work is now underway, financed in the main by a Project Planning Grant (£40,000) from the HLF. The estimated cost of the project is in the region of £3.5m, although this may vary once the project is better defined. An Appeal has been launched to help fund the project.
- *Programme of Works.* The Museum has identified a further five high impact projects which involve care of its collection and improving access (e.g. displaying the Trafalgar propeller vertically, conserving LR3 (Submarine Rescue Vessel), repair and interpretation of the one-fifth scale model of *HMS Vanguard*, and replacing the Weapons Gallery). Given the costs involved to complete this work, the Appeal objectives will also address these issues.

Post Balance Sheet Events

There have been no post balance sheet events up to and including the date of signature of these accounts, which might affect the reader's understanding of the financial statements.

Auditors

The accounts are audited by the Comptroller and Auditor General in accordance with the Government and Resources Accounts Act 2000 (Audit of Public Bodies) Order 2003.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
3 July 2008

Mrs Marion Budgett AMA MIMgt
Accounting Officer
3 July 2008

Report of the Director

Grant in Aid

GiA was increased to £587,358 which represented an enhancement of 4.5 per cent. This included an additional grant of £11,285 towards refurbishment work in 2008.

Performance

Visitor numbers were 54,465 (down from 58,723 last year), although gate income increased to £152,470 (from £150,730 last year). This represents an average 'income per visitor' of £2.80 compared with £2.57 last year. The improvement in gate income was achieved by a modest increase in ticket prices last April, but is influenced by the 'mix' of visitors.

The numbers were disappointing but can be accounted for by the facts that (a) we received very few 'cross harbour' visitors because the Waterbus service did not run (b) our sister Gosport attraction *Explosion!* ceased to operate on a full time basis thereby generating very little business through joint promotion. Both these issues are being addressed by their respective operating authorities and it is to be hoped that equilibrium will be established during the forthcoming year.

No marketing benefit has yet to accrue from the National Museum of the Royal Navy.

Admission charges were reviewed from April 2008 in order to improve 'income per visitor' to over £3, which should allow the Museum to at least break even whilst continuing to provide free entry to approximately 30 per cent of its visitor base (school children, youth groups, charity prizes), and to recognise increasing costs.

Secondary income

Both the retail arm and corporate entertainment arms of RNSM Enterprises Limited have performed well thanks to the sterling efforts of the respective managers and their support staff. As a result, RNSM Enterprises has donated £23,970 of its profits for the year to the Museum through a gift aid donation.

Visitor satisfaction

Judging from the comments written in the Visitors Book, and visitor survey sheets that are posted in a locked box in the Diving Gallery, we continue to offer excellent service and a great day out for all the family. These results confirm the conclusions of the HLF survey conducted last year.

The contribution of the Society of Friends

Grants totalling £29,000 were awarded by the Society of Friends. These funds will be applied in three separate areas (a) the schools bussing-in project (b) the medal collection (c) improvement of the Museum's entrance. As ever the Museum is extremely grateful for the wonderful support it has received from this generous body, whose activities over the years have enhanced the Museum in many different ways.

Financial outlook

If all assumptions are correct, and excluding non-cash transactions such as depreciation and amortisation charges, it is anticipated that the Museum will make a small surplus in the next financial year.

A new Appeal

A new appeal to raise funds for the Museum's projects has been launched under the chairmanship of Vice Admiral Sir Tim McClement KCB OBE. The target amount for the Appeal is £2m.

The primary target for the Appeal is the conservation and preservation of *HMS Alliance*, our WWII vintage patrol submarine. As well as being a member of the National Historic Ship's Register 'Core Collection' in her own right (giving her the same pre-eminent status in maritime heritage terms as *HMS Victory*, *Mary Rose*, *Cutty Sark*, and *SS Great Britain*), she also represents the diesel-electric era of the Royal Navy Submarine Service that spanned the years between 1910 and 1963 when nuclear power was introduced. In peacetime and during two World Wars submariners paid an exorbitant price in the sacrifice of lives and endeavour, and this is reflected by the fact that she is designated as the Memorial Submarine of the Service. This gives her a real relevance in the nation's maritime heritage fabric, and is worthy of the highest level of support.

Temporary exhibition

The Museum mounted a Temporary Exhibition in the Neptune Gallery entitled 'Fantastic Voyages'. Using Jules Verne's *20,000 Leagues under the Sea* and the Beatles *Yellow Submarine* as basic themes, the younger visitor was entertained in a number of educational ways about life below the waves. It proved to be extremely popular. The exhibition was officially opened by Michael Rosen, the Children's Laureate.

Area of Remembrance enhancements

Two major enhancements are being made to the Area of Remembrance in anticipation of a VIP opening later in the year. The first is a display of bars and doors from the notorious Changi Jail in Singapore; the second is a display of a Cold War panel, beautifully crafted by Frank Grenier in blue glass. This panel is a twin to a panel in the Cold War Memorial garden in Charleston, South Carolina. Both panels were funded by donations from members of the Submarine Officers Associations.

Education

The schools bussing-in scheme has again attracted very favourable comment, with teachers not only commending the teaching package for children, but also appreciating that they would not have been able to give their children the learning and social experience without the scheme.

We are most grateful to the Society of Friends for providing a grant that will allow us to continue the scheme next year.

The Museum also participated in the 'Inspiring Science' project for schools with the Gosport *Search* Museum.

Cataloguing in Archives, Libraries and Museums (CALM)

The documentation project continues apace.

National Museum of the Royal Navy (NMRN)

The present position is that the former Strategy Committee of the NMRN has been disbanded and replaced by the Management Board of NMRN consisting of the Chairmen of the Naval Service Museums (NSM). Captain John Rees RN, who created the overarching Royal Naval Charity from many disparate smaller charities, has established an NMRN charitable framework that will enable NSMs to be part of a larger institution whilst retaining as much autonomy as individual Boards of Trustees see fit.

Publications

The Museum funded and produced two major publications during the year. The first was 'Queenie and Billikins Deliver the Goods' by David Wixon and is an attempt to alleviate 'sea blindness' within the younger generation by reminding them of this country's dependence on the sea for its well-being. It received an excellent review from a seven-year-old reader of a well-established maritime journal. The second was a Guide Book, the first ever produced by the Museum.

Regimental Secretary

The outgoing Director has been invited by Rear Admiral Submarines (Rear Admiral David Cooke MBE) to become Honorary Regimental Secretary for the Service with the prime purpose of *keeping alive the vital link between all 'badge wearers' (serving and retired) and their heritage*. The incoming Director (Mrs Marion Budgett) welcomes the move, and has offered the necessary level of administrative effort to enable, amongst other things yet to be defined, the continuation of organising reunions and producing newsletters.

Recent acquisitions

A wide range of relevant artefacts has been added during the year either from our limited resources or by gift, and includes among many others

Asset reference	Asset type	Description
2007.13.1	periscope	Periscope from <i>HMS Tally Ho</i> , Type CK12
2007.25.1	coin	Gold sovereign presented to <i>HMS Sovereign</i>
2007.26.1	flag	Last commissioning pennant from <i>HMS Alliance</i>
2007.30.1	medals	Medals awarded to Stoker (1st Class) James Gallagher (HMS X1)
2007.31.1	flag	Jolly Roger from <i>HMS Utmost</i>
2007.40.1	medals	Medals awarded to Chief Petty Officer 1st Class Edwin Walter Heasman (HMS B6)
2007.48.1	medals	Medals awarded to Lieutenant Joel Clifford Edgcome Blamey (<i>HMS Porpoise, Seahorse, Strongbow, Sidon, Taciturn, Graph</i>)
2008.3.1	window frame and bars	Shutters and bars from Changi Prison
2008.3.2	bars	Window bars from Changi prison
2008.8.1	flag	British White ensign given to the <i>USS Mariano G Vallejo</i> SSBN 658 by crew of <i>HMS Conqueror</i>
2008.19.1	barometer	Barometer from <i>HMS Sceptre</i>
2008.21.4	map	Silk escape map of the Andaman Islands
2008.27.1	flag	Pennant of 5th Submarine Squadron, <i>HMS Dolphin</i>

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
3 July 2008

Mrs Marion Budgett AMA MIMgt
Accounting Officer
3 July 2008

Remuneration report

The Remuneration Policy of the Royal Navy Submarine Museum is determined by the Remuneration Committee of the Board of Trustees.

The Director of the Royal Navy Submarine Museum is employed by the Trustees of the Museum on terms and conditions determined by a local contract which are unrelated to Ministry of Defence equivalences. Like all other members of staff, the Director was awarded an increase in salary of 3.5 per cent for the year ending 31 March 2008.

Salary and Pension Entitlements

The Director, Commander Jeff Tall OBE RN (Rtd), had a basic salary during the year ended 31 March 2008 of £48,822 per annum (2007: £46,647). The Director is aged 65 and has been in post almost 14 years. He retired on 4 April 2008. The Museum made contributions to the Director's share of the Group Pension Plan of £6,103 (2007: £5,812) during the year.

Salary refers to gross salary. The Director did not claim overtime or any other form of performance pay or bonus, nor did he receive any Benefits in Kind.

No Trustees received remuneration during the year (2007: £Nil). Two Trustees were reimbursed for travel expenses totalling £1,680 (2007: four Trustees totalling £1,150)

Individual pension plans for entitled employees are administered by Scottish Equitable plc under a group personal pension plan in order to save administrative charges. Like all with-profits pensions, the performance of these plans has been disappointing. The Museum does not have any long-term contingency liabilities for pensions. For 2007-2008, employers' contributions for the Museum as a whole of £32,287 were payable (2007: £30,075) at a fixed rate of 12.5 per cent of pensionable pay.

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a 'final salary' schemes (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). Classic, premium and classic plus are now closed to new members. These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under nuvos, classic, premium, and classic plus are increased annually in line with changes in the Retail Prices Index (RPI). Recent entrants to premium (after 1 October 2002) and nuvos (from 30 July 2007) may choose between membership of the scheme or joining a good quality 'money purchase' stakeholder pension with a significant employer contribution (partnership pension account). The accrued pensions quoted above are the pensions the members are entitled to receive when they reach 60 (nuvos 65), or immediately on ceasing to be an active member of the scheme if they are already 60 (nuvos 65).

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings 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. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in Premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

One part time member of staff is covered by the Civil Service pension arrangements. For this year, employer's contributions of £2,074 were payable at a rate which is within the range accepted of 17.1 to 26.5 percent of pensionable pay, based on salary bands.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
3 July 2008

Mrs Marion Budgett AMA MIMgt
Accounting Officer
3 July 2008

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 Navy Submarine 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 Navy Submarine 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*.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
3 July 2008

Mrs Marion Budgett AMA MIMgt
Accounting Officer
3 July 2008

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 Navy Submarine 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 Navy Submarine 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 Navy Submarine 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 Navy Submarine Museum for the year ended 31 March 2008 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 Audit Committee receive periodic reports on the main 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.

An in-depth independent audit was carried out by DIA in March 2008, and no major issues were identified.

The review of the effectiveness of the system of internal controls is exercised through the Audit Committee of the Board of Trustees. This sub-group, which meets four times a year, is chaired by a Trustee and membership includes an additional Trustee and an independent member, with the Director in attendance. 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 Navy Submarine Museum's system of internal control in accordance with Treasury guidance and recommendations.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
3 July 2008

Mrs Marion Budgett AMA MIMgt
Accounting Officer
3 July 2008

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

I have audited the financial statements of the Royal Navy Submarine Museum for the year ended 31 March 2008 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 Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the 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 by the Secretary of State for Defence and for ensuring the regularity of financial transactions funded by Parliamentary grant (Grant-in-Aid). These responsibilities are set out in the Statement of Board of Trustees' and the Director's responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I report to you whether, in my opinion, certain information given in the Trustees Report, which includes the financial review, is consistent with the financial statements. I also report whether in all material respects the incoming and outgoing resources funded by grant-in-aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Royal Navy Submarine Museum has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Trustees Report, which includes the financial review, 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 opinions

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

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

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence, of the state of the Royal Navy Submarine Museum's and the group's affairs as at 31 March 2008 and of its 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
- information which comprises the financial review included within the Trustees Report is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the incoming and outgoing resources funded by Parliament have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

T J Burr
Comptroller and Auditor General

11 July 2008

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

Consolidated Statement of Financial Activities

	Notes	Unrestricted funds £	Grant in Aid £	Other restricted funds £	2008 Total £	As restated 2007 Total £
Incoming resources						
Incoming resources from generated funds						
<i>Voluntary income</i>						
Grant in Aid (operating)	2	0	557,624	0	557,624	543,997
Grant in Aid (other)	2	0	18,449	0	18,449	18,000
Other Ministry of Defence grants	2	0	0	11,285	11,285	0
Other grants and donations	2	21,636	0	39,547	61,183	19,883
Legacies	3	0	0	0	0	140,875
Activities for generating funds	4	4,368	0	13,957	18,325	0
Income of trading subsidiary	5	114,125	0	0	114,125	106,022
Income from investments	6	28,125	0	751	28,876	25,833
Incoming resources from charitable activities						
Admissions		159,897	0	0	159,897	150,730
Other incoming resources	7	2,267	0	0	2,267	2,449
Total incoming resources		<u>330,418</u>	<u>576,073</u>	<u>65,540</u>	972,031	<u>1,007,789</u>
Resources expended						
Costs of generating funds	8	0	(53,336)	(2,098)	(55,434)	(71,673)
Expenses of trading subsidiary	5	(83,761)	0	0	(83,761)	(96,871)
Costs of activities in furtherance of the objects of the charity						
	9	(281,083)	(507,445)	(177,109)	(965,637)	(897,055)
Governance costs						
Notional charges	10	0	(39,685)	(2,000)	(41,685)	(42,908)
	1	0	(42,432)	0	(42,432)	(39,515)
Total resources expended	12	<u>(364,844)</u>	<u>(642,898)</u>	<u>(181,207)</u>	(1,188,949)	<u>(1,148,022)</u>
Net (outgoing)/incoming resources before transfers						
		(34,426)	(66,825)	(115,667)	(216,918)	(140,234)
Adjustment for notional charges	1	0	42,432	0	42,432	39,515
Transfers	14	(111,274)	126,614	(15,340)	0	0
Net (outgoing)/incoming resources		<u>(145,700)</u>	<u>102,221</u>	<u>(131,007)</u>	(174,486)	<u>(100,719)</u>
Other recognised gains/(losses)						
<i>Unrealised gains</i>						
Revaluation of fixed assets	15	4,041	45,703	98,984	148,728	545,200
Revaluation of investments	16	0	0	(1,000)	(1,000)	4,900
Net movement in funds		<u>(141,659)</u>	<u>147,924</u>	<u>(33,023)</u>	(26,758)	<u>449,381</u>
Total funds brought forward		824,814	1,138,370	4,245,727	6,208,911	5,759,530
Total funds carried forward		<u>683,155</u>	<u>1,286,294</u>	<u>4,212,704</u>	6,182,153	<u>6,208,911</u>

All recognised gains and losses are included in the statement of financial activities

All transactions are derived from continuing activities

The notes on pages 23 to 34 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 March 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	15		5,497,315		5,526,524
Heritage assets	15		100,444		81,828
Total tangible fixed assets	15		5,597,759		5,608,352
Investments	16		20,000		21,000
Total fixed assets			5,617,759		5,629,352
Current assets					
Stocks	17	56,075		34,028	
Debtors	18	42,030		49,840	
Cash at bank and in hand	19	530,498		609,955	
			628,603	693,823	
Creditors: amounts falling due within one year	20	(64,209)		(114,264)	
Net current assets			564,394		579,559
Total assets less current liabilities			6,182,153		6,208,911
Net assets			6,182,153		6,208,911
Funds					
Unrestricted funds			643,987		785,641
Restricted funds	21				
Grant in Aid (operating)			1,196,506		1,085,076
Grant in Aid (purchases)			89,788		53,294
Other restricted funds			4,212,704		4,245,727
Non charitable trading funds			39,168		39,173
	22		6,182,153		6,208,911

The financial statements were approved by the Trustees on 3 July 2008 and signed on its behalf by

Rear Admiral RC Lane-Nott CB
on behalf of the board of Trustees

Mrs Marion Budgett AMA MIMgt
Accounting Officer

The notes on pages 23 to 34 form an integral part of these financial statements.

Balance Sheet – Charity as at 31 March 2008

	Notes	2008 £	2008 £	2007 £	2007 £
Fixed assets					
Tangible assets	15		5,497,001		5,526,099
Heritage assets	15		100,444		81,828
Total tangible fixed assets	15		5,597,445		5,607,927
Investments	16		20,002		21,002
Total fixed assets			5,617,447		5,628,929
Current assets					
Stocks	17	21,394		0	
Debtors	18	66,291		55,991	
Cash at bank and in hand	19	491,111		590,720	
			578,796	646,711	
Creditors: amounts falling due within one year	20	(53,258)		(105,902)	
Net current assets			525,538		540,809
Total assets less current liabilities			6,142,985		6,169,738
Net assets			6,142,985		6,169,738
Funds					
Unrestricted funds			643,987		785,641
Restricted funds	21				
Grant in Aid (operating)			1,196,506		1,085,076
Grant in Aid (purchases)			89,788		53,294
Other restricted funds			4,212,704		4,245,727
	22		6,142,985		6,169,738

The financial statements were approved by the Trustees on 3 July 2008 and signed on its behalf by

Rear Admiral RC Lane-Nott CB
on behalf of the board of Trustees

Mrs Marion Budgett AMA MIMgt
Accounting Officer

The notes on pages 23 to 34 form an integral part of these financial statements.

Cash flow statement for the year ended 31 March 2008

	Non-public Funds £	Restricted Grant in Aid £	Charity Funds 2008 £	Group 2008 £	Group 2007 £
Net cashflow/(outflow) from operating activities	(216,246)	149,142	(67,104)	(47,789)	84,212
Return on investments and servicing of finance					
Bank interest received	28,490	0	28,490	29,327	25,803
Dividends received	386	0	386	386	351
Capital expenditure and financial investment					
Purchase of fixed assets	(30,549)	(30,832)	(61,381)	(61,381)	(104,603)
Increase/(decrease) in cash	(217,919)	118,310	(99,609)	(79,457)	5,763
Opening cash balances	744,876	(154,156)	590,720	609,955	604,192
Closing cash balances	526,957	(35,846)	491,111	530,498	609,955
Reconciliation of Changes in Resources to Net Cashflow From Operating Activities					
Net incoming/(outgoing) resources for year	(276,702)	102,221	(174,481)	(174,486)	(100,719)
Depreciation	155,887	64,704	220,591	220,702	197,917
Investment income and interest received	(28,876)	0	(28,876)	(29,713)	(26,154)
Increase/(decrease) in creditors	(64,555)	11,911	(52,644)	(50,055)	(30,867)
(Increase)/decrease in stocks		(21,394)	(21,394)	(22,047)	6,085
(Increase)/decrease in debtors	(2,000)	(8,300)	(10,300)	7,810	37,950
Net cash inflow/(outflow) from operating activities	(216,246)	149,142	(67,104)	(47,789)	84,212

The notes on pages 23 to 34 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2008

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 and its wholly owned subsidiary, RNSM Enterprises Limited. The Consolidated Statement of Financial Activities includes the results of the RNSM Enterprises Limited as single line items. The consolidated balance sheet includes the net assets of RNSM Enterprises Limited.

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.

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

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

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 are used to reflect the change in value in the intervening years.

1.4 Fixtures, fittings and equipment

Fixtures, fittings and equipment with a cost or value greater than £750 and a useful life exceeding one year are capitalised at historical cost and revalued annually using Ministry of Defence derived indices. Fixtures, fittings and equipment are depreciated over their expected useful lives, of ten years, other than those in the Fieldhouse Building, which was opened in 2005-2006 and are anticipated to have expected useful lives of 25 years.

1.5 Plant and machinery

Plant and machinery with a cost or value greater than £750 and a useful life exceeding one year is capitalised at historical cost and revalued annually using Ministry of Defence derived indices. Plant and machinery is depreciated over its expected useful lives of four years, other than those in the Fieldhouse Building, which was opened in 2005-2006 and are anticipated to have expected useful lives of 25 years.

1.6 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 Navy Submarine 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 Education, Care of Exhibition, Visitor Services and Grant Making 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.

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.

1.7 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.

1.8 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.

1.9 Notional charges

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

Notional interest at 3.5 per cent (2007: 3.5 per cent) 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.

1.10 Leased assets

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

1.11 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.

1.12 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.

1.13 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 Navy Submarine Service.

Additions to the collection with a cost in excess of £750, are capitalised. In accordance with guidance issued by HM Treasury these assets are not revalued or depreciated. Items donated to the collection are not included as additions as it is difficult and costly to attribute a cost or valuation to these items.

1.14 Pensions

The pension cost charge represents contributions payable to a group personal pension plan scheme and the Principal Civil Service Pension Scheme during the accounting period. The latter scheme provides benefits based on final pensionable pay but no liability arises under either scheme other than for the payment of those contributions.

2 Grants and donations

During the year the following grants and donations were received

Grants received from Ministry of Defence

	Unrestricted funds £	Restricted Grant in Aid £	Restricted Other Funds £	2008 £	2007 £
Grant in Aid					
Operating	0	557,624	0	557,624	543,997
Purchases	0	18,449	0	18,449	18,000
Other MOD grants	0	0	11,285	11,285	0
	<u>0</u>	<u>576,073</u>	<u>11,285</u>	<u>587,358</u>	<u>561,997</u>
Other grants and donations					
Society of Friends	0	0	29,000	29,000	10,000
Roake	0	0	5,000	5,000	0
Lady Cobham	13,821	0	0	13,821	0
MLA		0	4,000	4,000	0
X-craft Flotilla	2,000	0	0	2,000	0
Miscellaneous	5,815	0	1,547	7,362	9,883
	<u>21,636</u>	<u>0</u>	<u>39,547</u>	<u>61,183</u>	<u>19,883</u>

3 Legacies

	Unrestricted funds £	2008 £	2007 £
Commodore White	0	0	(2,125)
Sir Michael Cobham	0	0	143,000
	<u>0</u>	<u>0</u>	<u>140,875</u>

4 Activities for generating funds

	Unrestricted funds £	Restricted Other Funds £	2008 £	2007 £
Fundraising events	0	13,957	13,957	0
Café rent	2,250	0	2,250	0
Guidebook	2,118	0	2,118	0
	<u>4,368</u>	<u>13,957</u>	<u>18,325</u>	<u>0</u>

5 Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary, which is incorporated in the United Kingdom. RNSM Enterprises Limited operates a souvenir shop within the Museum and operates the Corporate Hospitality function. The company transfers its taxable profits to the Royal Navy Submarine 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 2008	2008 £	As restated 2007 £
Turnover	113,288	105,701
Interest receivable	837	321
Total income	114,125	106,022
<i>Expenditure</i>		
Cost of sales	(53,661)	(59,439)
Overheads	(30,100)	(37,432)
	(83,761)	(96,871)
<i>Other inter group payments</i>		
Charge for logo	(3,399)	(3,171)
Secretarial services	(3,000)	(3,000)
Gift aid donation	(23,970)	(2,980)
	(30,369)	(9,151)
Retained in subsidiary	(5)	0
Capital and reserves	39,168	39,173

RNSM Enterprises Limited has an issued share capital of 2 ordinary shares of £1 each.

Related party transactions

The charges above in 'other inter group payments' are related party transactions. In 2007 £3,000 of secretarial services were charged by the Museum to RNSM Enterprises Limited. These charges were not included as inter group payments in the 2007 financial statements. The comparative figures have been restated this year.

6 Income from investments

	2008 £	2007 £
Dividends received	386	351
Interest received	28,490	25,482
	28,876	25,833

7 Other incoming resources

	Unrestricted funds £	Restricted funds £	2008 £	2007 £
Sundry income	2,267	0	2,267	2,449
	2,267	0	2,267	2,449

8 Cost of generating funds

	2008	2007
	£	£
Rent and rates	337	299
Insurance	1,200	1,288
Light and heat	950	807
Publicity and public relations	49,492	68,321
Printing, postage and stationery	420	605
Telephone	189	353
Event costs	1,848	0
Guidebooks	748	0
Appeal costs	250	0
	55,434	71,673

9 Costs of activities in furtherance of the objects of the charity

	Notes	Education	Care of	Visitor	Grant		As restated
		£	exhibition	Services	Making	2008	2007
		£	£	£	£	£	£
Staff costs	13	27,921	151,143	233,149	0	412,213	343,800
Grants		0	0	0	5,035	5,035	4,562
Education		6,709	0	0	0	6,709	7,494
Purchase of exhibits		0	3,543	0	0	3,543	2,069
Exhibit maintenance		0	18,490	0	0	18,490	23,355
Photographic		0	5,884	0	0	5,884	4,597
Archives		0	11,276	0	0	11,276	16,362
Functions and visitors		0	0	2,825	0	2,825	4,080
Depreciation		15,441	88,236	116,914	0	220,591	197,898
Support costs	11	25,116	114,419	139,536	0	279,071	292,838
		<u>75,187</u>	<u>392,991</u>	<u>492,424</u>	<u>5,035</u>	965,637	<u>897,055</u>

10 Governance costs

	Notes	2008	2007
		£	£
Staff costs	13	4,724	4,414
Accountancy		8,394	8,080
Audit		7,650	7,650
Travelling		7,285	7,147
Support costs	11	13,632	15,617
		<u>41,685</u>	<u>42,908</u>

11 Support costs

	Note	Museum and visitor centre operations £	Governance costs £	2008 £	2007 £
Staff costs	13	131,614	0	131,614	155,627
Training		9,243	0	9,243	1,850
Health and safety		252	0	252	2,721
Rent and rates		5,721	673	6,394	5,690
Insurance		16,801	6,000	22,801	24,471
Light and heat		16,153	1,900	18,053	15,334
Cleaning and sundry		2,682	0	2,682	0
Repairs and renewals		77,033	0	77,033	66,445
Printing, postage and stationery		5,914	2,101	8,015	11,521
Telephone		2,648	946	3,594	6,708
Bank charges		4,257	0	4,257	4,269
Legal and professional		0	2,012	2,012	5,524
Subscriptions		1,177	0	1,177	832
Equipment rentals		5,576	0	5,576	7,463
		<u>279,071</u>	<u>13,632</u>	<u>292,703</u>	<u>308,455</u>

12 Total resources expended

	Staff costs £	Other costs £	Depreciation £	Total 2008 £	As restated Total 2007 £
Costs of activities in furtherance of the objects of the charity	543,827	201,219	220,591	965,637	897,055
Costs of generating funds	0	55,434	0	55,434	71,673
Governance costs	4,724	36,961	0	41,685	42,908
Notional charges	0	42,432	0	42,432	39,515
Total – charity	<u>548,551</u>	<u>336,046</u>	<u>220,591</u>	<u>1,105,188</u>	<u>1,051,151</u>
Trading subsidiary	21,243	62,407	111	83,761	96,871
Total – group	<u>569,794</u>	<u>398,453</u>	<u>220,702</u>	<u>1,188,949</u>	<u>1,148,022</u>

13 Staff costs

	Note 9 £	Note 10 £	Note 11 £	2008 £	As restated 2007 £
Staff costs					
Wages and salaries				473,709	436,840
Social security costs				40,480	36,926
Pension costs				34,362	30,075
Total – charity	412,213	4,724	131,614	548,551	503,841
Trading Subsidiary				21,423	28,880
Total – group				<u>569,974</u>	<u>532,721</u>

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

The average number of employees, analysed by function, was

	2008	2007
Education	1	3
Care of collections	5	2
Visitor services	15	12
Support	6	6
	27	23

14 Transfers between funds

A total of £111,274 was transferred from unrestricted funds to Grant-in-Aid funds, to reflect that Grant-in-Aid has been spent in full and that the fund values are represented by the net book value of assets attributable to those funds.

15 Tangible fixed assets

Charity	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Heritage assets £	Total £
Cost or valuation					
At 1 April 2007	4,359,000	559,027	923,883	81,828	5,923,738
Additions	0	4,860	37,905	18,616	61,381
Revaluation	121,282	10,424	22,314	0	154,020
At 31 March 2008	4,480,282	574,311	984,102	100,444	6,139,140
Depreciation					
At 1 April 2007	0	91,311	224,500	0	315,811
Revaluation	0	83	5,209	0	5,292
Charge for the year	135,274	25,405	59,912	0	220,591
At 31 March 2008	135,274	116,799	289,621	0	541,694
Net book values					
At 31 March 2008	4,345,008	457,512	694,481	100,444	5,597,445
At 31 March 2007	4,359,000	467,716	699,383	81,828	5,607,927

Group	Land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Heritage assets £	Total £
Cost or valuation					
At 1 April 2007	4,359,000	559,027	934,108	81,828	5,933,963
Additions	0	4,860	37,905	18,616	61,381
Revaluation	121,282	10,424	22,314	0	154,020
At 31 March 2008	4,480,282	574,311	994,327	100,444	6,149,365
Depreciation					
At 1 April 2007	0	91,311	234,300	0	325,611
Revaluation	0	83	5,209	0	5,292
Charge for the year	135,274	25,405	60,023	0	220,702
At 31 March 2008	135,274	116,799	299,532	0	551,605
Net book values					
At 31 March 2008	4,345,008	457,512	694,795	100,444	5,597,759
At 31 March 2007	4,359,000	467,716	699,808	81,828	5,608,352

Land and buildings were valued as at 31 March 2007 on the basis of depreciated replacement cost. This valuation was undertaken by DJH Reddy FRICS MCI Arb of Messrs. Hellier Langston. Each year indices are applied to the brought forward valuations of assets to reflect the annual change in values.

16 Investments

	Charity		Group	
	Listed £	Unlisted £	Listed £	Unlisted £
Market value or cost at 1 April 2007	21,000	2	21,000	0
Net unrealised gains / (losses)	(1,000)	0	(1,000)	0
Market value or cost at 31 March 2008	20,000	2	20,000	0
Historical cost at 31 March 2008	11,230	2	11,230	0
Market value or cost at 31 March 2007	21,000	2	21,000	0
Historical cost at 31 March 2007	11,230	2	11,230	0

All listed investments are listed on the United Kingdom Stock Exchange. All investment income is generated from listed investments. All listed investments were donated to the Museum in 2002.

Unlisted investments represents 100% of the issued share capital of RNSM Enterprises Limited.

17 Stocks

	2008 Charity £	Group £	2007 Charity £	Group £
	<i>The amounts attributable to the different categories are as follows</i>			
Goods for Resale	21,394	56,075	0	34,028

18 Debtors

	2008		2007	
	Charity	Group	Charity	Group
	£	£	£	£
Amounts due within one year				
Social Security and other taxes	1,093	1,093	1,581	1,581
Prepayments and accrued income	40,937	40,937	48,259	48,259
Amounts owed by RNSM Enterprises Ltd	24,261	0	6,151	0
	66,291	42,030	55,991	49,840

19 Cash at bank and in hand

	2008	2007
	£	£
Unrestricted funds	454,408	621,027
Centennial fund	10,177	9,270
Development fund	43,372	114,579
Other restricted funds	19,000	0
Non-public funds	526,957	744,876
Public funds	(35,846)	(154,156)
Cash at bank and in hand – charity	491,111	590,720
Trading Subsidiary	39,387	19,235
Cash at bank and in hand – group	530,498	609,955

20 Creditors: amounts falling due within one year

	2008		2007	
	Charity	Group	Charity	Group
	£	£	£	£
Trade creditors	13,150	13,094	5,051	5,051
Other taxes and social security	11,094	13,938	11,279	13,051
Other creditors	2,763	2,763	2,693	2,693
Accruals	26,251	29,222	86,879	90,585
Deferred income	0	5,192	0	2,884
	53,258	64,209	105,902	114,264

21 Restricted funds – Charity

	1 April 2007	Incoming	Outgoing	Transfers	31 March 2008
	£	£	£	£	£
Grant in Aid (operating)	1,085,076	603,327	(596,923)	105,026	1,196,506
Grant in Aid (purchases)	53,294	18,449	(3,543)	21,588	89,788
Ministry of Defence (refurbishment)	0	11,285	(8,945)	(2,340)	0
Centennial Project	107,213	1,609	(5,346)	0	103,476
Development Fund	4,138,514	112,630	(162,916)	0	4,088,228
Medal Collection Fund	0	11,000	0	0	11,000
Vanguard Model Fund	0	13,000	0	(13,000)	0
School Buses Fund	0	10,000	0	0	10,000
Exhibition Fund	0	2,000	(2,000)	0	0
Travel Fund	0	2,000	(2,000)	0	0
	5,384,097	785,300	(781,673)	111,274	5,498,998

The Grant in Aid (Operating) Fund consists of funding received from the Ministry of Defence as a contribution towards operating costs.

The Grant in Aid (Purchases) Fund consists of funding received from the Ministry of Defence for purchasing exhibits.

The Ministry of Defence (Refurbishment) Fund consists of specific funding from the Ministry of Defence towards refurbishment costs of the Museum.

The Centennial Project Fund was created to mark the anniversary of Holland I and is to be used for improving buildings on the Museum site.

The Development Fund consists of funding received for the improvement and construction of buildings housing exhibits.

The Medal Collection Fund is for improving displays of medals.

The Vanguard Model Fund is for creating and maintaining a display for the Vanguard Model.

The School Buses Fund is for transporting children from local schools to the Museum.

The Exhibition Fund consists of funding received for the creation of the 'Fantastic Voyages' exhibition in the Neptune Gallery.

The Travel Fund consists of funding received for attendance at a world exhibition in Chicago.

22 Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net Current Assets £	31 March 2008 Total £	31 March 2007 Total £
Restricted funds					
Grant in Aid (operating)	1,196,506	0	0	1,196,506	1,085,076
Grant in Aid (purchases)	89,788	0	0	89,788	53,294
Centennial Fund	73,299	20,000	10,177	103,476	107,213
Development Fund	4,044,857	0	43,371	4,088,228	4,138,514
Medal collection fund	0	0	11,000	11,000	0
School buses fund	0	0	10,000	10,000	0
	<u>5,404,450</u>	<u>20,000</u>	<u>74,548</u>	<u>5,498,998</u>	<u>5,384,097</u>
Unrestricted funds – Charity	192,995	2	450,990	643,987	785,641
	<u>5,597,445</u>	<u>20,002</u>	<u>525,538</u>	<u>6,142,985</u>	<u>6,169,738</u>
Non charitable trading funds	314	(2)	38,856	39,168	39,173
Total net assets – Group	<u>5,597,759</u>	<u>20,000</u>	<u>564,394</u>	<u>6,182,153</u>	<u>6,208,911</u>

23 Commitments and contingent liabilities

The charity had no capital commitments at 31 March 2008 or 31 March 2007.

Contingent liabilities

The charity had no contingent liabilities at 31 March 2008 or 31 March 2007.

24 Other commitments

At 31 March 2008 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2009

	Land and buildings 2008	Other 2008	Land and buildings 2007	Other 2007
	£	£	£	£
<i>Expiry date</i>				
Within one year	0	0	0	0
Over one year				
Between two and five years	0	5,432	0	5,432
In more than five years	0	0	0	0
	<u>0</u>	<u>5,432</u>	<u>0</u>	<u>5,432</u>

25 Related party transactions

The Royal Navy Submarine Museum is a Non Departmental Public Body, sponsored by the Ministry of Defence (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. During the year a specific grant of £11,285 was received by the MoD for specific refurbishment works.

The Royal Navy Submarine Museum received £27,692 from Defence Estates in the year. This was a contribution to increased costs associated with the delay in the building of the John Fieldhouse Building in 2004. The income had been recognised in a prior year and this receipt cleared a brought forward debtor balance.

The Royal Navy Submarine Museum is a related party of the Society of Friends of the Royal Navy Submarine Museum. During the year the Society donated a total of £29,000 (2007: £10,000) to the Museum.

The Museum's Webmaster, Gavial, is owned by Mrs Annabel Tall, the daughter in law of the Museum's director. During the year the Museum and its trading subsidiary paid £4,070 (2007: £1,235) for her services. Mrs Tall does not hold a contract of employment with the Museum; she is paid on the basis of work performed at rates that are considered the market norm. It should be noted that, although Mrs Tall's services were not obtained on the basis of competitive tender, she did provide services gratis during the set up of the Museum's website. She is considered value for money and her occasional paid work for the Museum has the full support of the Trustees.

26 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 is not exempt, but had a corporation tax liability of £Nil as at 31 March 2008 (2007: £Nil).

27 Pensions

The majority of staff are covered by a group personal pension plan scheme. One part time member of staff is covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which provides benefits based on the final pensionable pay. The pension cost charged to the Statement of Financial Activities of £34,362 (2007 £30,075), is represented by the contributions payable under the group scheme, which are fixed at 12.5 per cent. No amounts were outstanding at the year end. The contributions payable under the PCSPS were at a rate which is within the range accepted of 17.1 to 26.5 per cent of pensionable pay, based on salary bands.

28 External performance indicators

Ratio of self-generating income to GiA

Year	Self generated income £	Grant in Aid income £	Total revenue GiA per cent	Total revenue self generated per cent	
2008	214,000	552,000	73	27	Budget
2008	270,500	587,000	68	32	Actual
2007	339,800	562,000	62	38	Actual

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

- 1 The Royal Navy Submarine 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

Amended 9 September 1998

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 Navy Submarine 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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