

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 Accounts 2005-2006

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 20 JULY 2006

The National Audit Office
scrutinises public spending
on behalf of Parliament.

The Comptroller and Auditor General,
Sir John Bourn, is an Officer of the
House of Commons. He is the head of the
National Audit Office, which employs some
850 staff. He, and the National Audit Office,
are totally independent of Government.

He certifies the accounts of all Government
departments and a wide range of other public
sector bodies; and he has statutory authority
to report to Parliament on the
economy, efficiency and effectiveness
with which departments and other bodies
have used their resources.

Our work saves the taxpayer millions of
pounds every year. At least £8 for every
£1 spent running the Office.

This account can be found on the National Audit Office web site at
www.nao.org.uk

Contents

	Page
Trustees Annual Report	2
Report of the Director	11
Remuneration Report	15
Statement of Board of Trustees' and Director's responsibilities	16
Statement on Internal Control	17
The Certificate and Report of the Comptroller and Auditor General	19
Statement of Financial Activities	21
Balance sheet – Consolidated	23
Balance sheet – Charity only	24
Cash Flow Statement	25
Notes to the financial statements	26
Accounts Direction	37
Schedules 1 and 2	38

Trustees Annual Report for the year ended 31 March 2006

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 PO4 9XB.

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

Board of Trustees (2005-2006)

The following served as Museum Trustees during 2005-2006

Vice Admiral Sir Roy Newman KCB JP DL (until Oct 2005)	Chairman
Rear Admiral RC Lane-Nott CB (from Oct 2005)	Chairman
Rear Admiral P Lambert	Vice Chairman
Rear Admiral A P Hoddinott CB OBE	
Mr RM Webb	
Dr MC Copp	
Mr T Schadla-Hall	
Mr L Shurmer-Smith OBE	
Mrs L Phillips	
Rear Admiral JT Sanders CB OBE JP (until March 2006)	
Councillor M Geddes (until July 2005)	Nominated/Hampshire CC
Councillor P Edgar (from July 2005)	Nominated/Hampshire CC
Councillor HG Burgess (to June 2005)	Nominated/Gosport BC
Councillor P R Clinton (from June 2005)	Nominated/Gosport BC
Mr R Dixon	Nominated/Submariners Association

Senior members of staff (2005-2006)

Museum Director: Commander JJ Tall OBE RN (Rtd)

Curator and Deputy Director: R Mealings Esq AMA

Accountants

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

Auditors

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

Bankers

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

Solicitors

Blake Laphorn Linnell
 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 1991-1992 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 £1 million.

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 £1.95 million. 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 generated 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.

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 twelve members and meets four times a year. There is also a Trustees Audit Committee consisting of three Trustees, an independent member 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 delegated to the Director of the Museum.

Board Meetings were held in July and October 2005 and January and March 2006.

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

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 collections". The Society is governed entirely separately from the Museum, with application for grants being made formally by the Director 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 he ought to have taken to make himself aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

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 demonstration in performance 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.

Main objective in 2005-2006

To complete the John Fieldhouse Building Project

This was achieved in August 2005.

Description of the project

The John Fieldhouse Building (JFB) project consisted of the construction of an extension to the existing History Galleries Building, the provision of new exhibition displays in a 'Submarine and Science' Gallery, the addition of corporate and lecturing facilities, the modernisation of the History Galleries building, the creation of a Temporary Exhibition area, the updating of existing displays, and the conservation and preservation of *HMS X24* – it was in fact seven projects in one.

Overall objective of the project

The overall objective of the project was to introduce a number of modern dimensions to the Museum thereby broadening its appeal and enhancing its sustainability, whilst at the same time conserving and ensuring the future of one of nation's most precious maritime artefacts.

Strategy for implementation

The strategy adopted was to introduce a large modern nuclear powered submarine-shaped building that (a) complemented the existing 'jewels in the crown' of earlier eras, *HMS Alliance* and *Holland 1* (both members of the National Historic Ships Committee 'Core Collection'); (b) extracted maximum benefit for access and attraction from a seafront position that was overlooked by the Millennium Commission funded Spinnaker Tower in Portsmouth; (c) contained exhibitions and displays that met the anticipation generated by the unique and exciting shape of the building; (d) provided an attractive and spacious corporate entertainment area; (e) was of a dimension that provided appropriate prominence to *HMS X24* whilst at the same time enabling the necessary quality of environmental stability for her future well-being; and (f) enabled the current exhibition building to meld with the new.

Creativity and originality

JFB is the only submarine shaped building in the world, and as such is highly creative and original in thought. It is a thematic submarine-based building set in counter point to *HMS Alliance*. The design incorporates a conning tower (complete with navigation lights and utilised for natural ventilation), expressed rib and floor structures, companionway stairs and exposed services, reminiscent of the interior of a submarine. Externally the continuous frameless strip glazing evokes the sonar array in modern submarine detection systems and canopies to the entrance take on the form of hydroplanes. Spatially the new ground floor is devoted to flexible education and exhibition uses with *X24* positioned centrally to the rear elevation. A mezzanine floor is installed at first floor for interactive display of all aspects of submarine technology and the history galleries have been reclad and refurbished to integrate temporary exhibition space and to allow reorientation of the historic collection.

The Submarine and Science Gallery

In order to maximise the accessibility and effectiveness of the new 'Submarine and Science' gallery at first floor level, extensive consultation with a wide variety of users and non users was carried out from the early stages and throughout its development. This approach has been successful, as the gallery has been very popular and has created a great deal of interest amongst visitors of all ages and abilities. The whole exercise, which involved many months of interviews, analysis, and translation into reality, is an outstanding example of museum best practice in that we have given the public what they want. The guided tour through *HMS Alliance* that follows means that the concepts in the gallery have a real life context. It is this combination that makes the Submarine and Science Gallery unique.

Finally, the displays on the ground floor of JFB have been designed to be totally portable so that they can be manipulated quickly to create a flexible, multi-use area for seminars and corporate entertainment.

The History Galleries

Before the 'strip out', we conducted an assessment of the different styles suggested by focus groups through creating new temporary cases, and as a result of this exercise and further face to-face evaluation, the Museum has now employed several forms of interpretation to accommodate different learning styles. By adopting a thematic approach to the displays, rather than focusing on chronological events, we have been able to tie into the National Curriculum, by comparing, for example, the experience of submariners on wartime patrol to the experience of their loved ones living on the home front. Text is in the form of a legend with a number by the objects, which gives the impression of less cluttered cases. A dressing up area in the Gallery allows visitors of all ages to experience wearing the uniform of submariners and handling day to day objects.

Finally there have been a number of security enhancements that have enabled the display of many more valuable artefacts, most notably Commander Courtenay Boyle's Victoria Cross, hitherto hidden away in a bank vault.

Conservation of HMS X24

HMS X24 is the only surviving mini-submarine to have seen action in WWII. Her conservation was undertaken by Ian Clark, who in the previous partnership project preserving *Holland 1*, jointly won with RNSM the Pilgrim Trust Conservation Award for 2002. The X24 project has not only secured the future of an historic submarine which originally sat forlornly exposed to the elements, it has also brought the craft to life in a dramatic and inspirational way, leaving visitors in awe of its technical brilliance and the achievements of the men who served in her. Part of her interpretation is an innovative strip cartoon depicting one of the Bergen raids. The most common comment is 'how on earth could they have done that?'

This project is an outstanding example of cross-disciplinary initiatives, where conservation and education have been married to provide a stunning experience. It also underlines the importance of the Royal Navy Submarine Museum in its role as a preserver of artefacts that reflect outstanding human endeavour.

Outcome (including evaluation)

A visit to RNSM is not simply a trail around exhibits and cases; it is a total experience with a guided tour of *HMS Alliance* by a former submariner being the highlight. Before the tour the visitor explores the *Submarine and Science Gallery* in JFB and here learns about the science and technology that goes into the design, construction and operation of a submarine – the most complex machine ever built by man. The gallery is structured around seven themes, which represent all three aspects mentioned above, and demonstrates how a submarine works. The themes take the form of 'stations' where hands on interactives, multi media, artefacts and graphics are all integrated to explain the scientific concepts. The interactives were designed to be intuitive and had clear learning outcomes, but fun and 'playability' were equally important.

Although only officially open since early September, new audiences are already emerging. Teachers have said that they appreciate the science curriculum focus, particularly the physical science which can be hard to understand. Families already made up a large part of the audience, but their dwell time has considerably extended and, based on remarks in the Visitors' Book, the approval rating has been very high. Feedback from the MLAC sponsored 'Inspiring Science' initiative reveals that 93 per cent of both girls and boys enjoyed their visit, with 91 per cent learning 'interesting new things'.

The hands on approach to the new gallery has attracted new 'hard to reach' visitors. Wessex Young Offender groups who now make regular visits have described the gallery as 'cool'. These groups have a strong gender bias and they find the content of the exhibition interesting, and unlike traditional museums, units for excluded pupils also visit regularly now. Their supervisors tell us that the design of the exhibition means that any basic skills problems can be overcome because it supports those who learn best through kinaesthetic means.

As well as attracting the particular interest of HRH The Princess Royal when she opened JFB on 8 September 2005, the museum has attracted significant external media interest. As an example the Museum was recently selected as one of the six museums to be featured in the series *Take One Museum* broadcast on BBC4 TV channel. The programme was screened on 14 February, and can be seen on the website http://www.bbc.co.uk/history/war/launch_vid_take_one.shtml.

Area of Remembrance

There is a spacious and secluded area behind JFB on whose walls are mounted thirty-five boards containing the names of all submariners (5,300) who gave their lives serving their country. This will enhance the Museum's memorial role in a quiet and dignified manner.

Other enhancements

Additional facilities for the disabled have been introduced in the form of an interpretative rest area of 'up the creek', and an accessible picnic area. A submarine shaped children's sitting out area – HMS Nautilus – has been provided to stimulate young imaginations.

Budgets

Development phase	£250,000 (HLF Grant £175,000)
Building phase	£2,400,000 (HLF Grant £1.95 million)

Risk assessment

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

Financial review

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 2006, the level of the Museum's Reserves stood at £478,109 (31 March 2005 £216,880).

A percentage of Museum funds (restricted and unrestricted) have been amalgamated into a single fund 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 annual deficits
- c Provide income
- d Fund development

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 that she is the 'jewel in the crown' of the 'attraction' operation, an appropriate level of reserve must be maintained to cater for any crisis.

Annual deficits

The Museum does not embrace a deficit culture.

Provide income

The Museum operates on relatively slim profit 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 its five development phases. In the process of fundraising for *Fieldhouse Building* (Phase 3) and *HMS Alliance* (Phase 4), the pool of goodwill from all sources of raising money may have been exhausted. It is therefore contingent on the Trustees to build up the reserve to a level appropriate to provide matched funding for the final phase of development, namely replacing the Weapons Gallery and enhancing the Museum entrance and its surrounds.

Conclusion

It was the Trustees' policy that the Reserve should be enhanced to £250,000 by the year 2008 through the generation of £15-20,000 surplus over the next six years. However it was decided that the remainder of the site should be enhanced to a significant degree to match the quality of *The John Fieldhouse Building*, and its predecessor project, *The Holland 1 Building*. The Reserve is therefore to be reduced to £100,000 by the end of FY2006-2007, and the rebuilding process to the target figure recommenced thereafter.

Investment policy

The present investment policy reflects the need for relatively easy access to the Reserve by maintaining it 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 Trustees' wholly owned subsidiary, RNSM Enterprises Ltd, that are given to the Trust in the form of Gift Aid. A list of donations in excess of £200 in aggregate can be found in Note 3 to the accounts.

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

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 30 days or in accordance with the agreed terms of business. The Museum's actual payment performance, based on a sample of one month, during the year was that 100 per cent of bills were paid (2004-2005 94.8 per cent) within 30 days or in accordance with the agreed 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.

Disabled persons

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

Plans for future periods

Investment for the future

Recognising its responsibilities for its collection care and being the '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 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 has engaged the International Consultant Engineers, Scott Wilson and shop-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 (2006). Some cosmetic and essential repair work will be undertaken in the shorter term. The estimated cost of the project is in the region of £2.5 million;
- *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, and conserving *LR3* (Submarine Rescue Vessel)). The cost estimate is £100,000, which the Museum will be required to find from its reserve/operating budget.

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 and Accounts Act 2000 (Audit of Public Bodies) Order 2003.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
18 July 2006

Commander JJ Tall OBE RN
Accounting Officer
18 July 2006

Report of the Director for the year ended 31 March 2006

Performance

Against the background of the Museum being a building site for half of the year, to reach the visitor target of 54,000 and income through the gate of £120,203 was a satisfactory result.

The Submarine Heritage Display at the Royal Naval Submarine School in HMS Raleigh (opened in 2002) continues to attract wide visitation from not only 'baby' submariners, but also from youth groups and visiting VIPs. These numbers are in excess of 7,000 per annum.

The contribution of the Society of Friends

Once again the support of the Society of Friends has been pivotal in enabling the Museum to undertake a number of projects that lie at the heart of its purpose, and we cannot express our gratitude deeply enough. These have been

- the introduction of an Area of Remembrance behind the John Fieldhouse Building;
- the introduction of a disabled picnic area;
- the introduction of the CALM database management system;
- remounting of original lithographs from Dr W Davis's book *Deep Sea Diving and Submarine Operations*.

The John Fieldhouse Building

The building, funded by grants from the Heritage Lottery Fund, was opened formally by Her Royal Highness The Princess Royal on 9 September 2005. The building's architectural quality (Robert Warren Architects), the excellence of its construction (Henry Jones of the Kier Group), and the high standard of its variety of exhibitions (David McCabe Exhibitions) were worthy of its prestigious launch, and it has lived up to every expectation in its performance. Visitor reaction has been universally positive.

Education

The Museum has pursued a proactive and busy education programme, and once again featured in the Hampshire Hub *Inspiring Science* schools project.

Projects

The following projects have also been recently completed

- SSN Control Room mock-up;
- 'Royal Navy Today' display in JFB;
- Area of Remembrance;
- CALM data management system (introduced);
- Historic movies in Cinema;
- Cafeteria overhaul;
- Obtaining full Entertainment and Marriage Licences;
- Introduction of e-commerce;
- Mounting of *HMS Repulse* propeller in the historic roadway;
- Revamping of the Diving and Escape galleries.

Media activities

There has been a noticeable increase in the level of media activities at the Museum

- Technical assistance with Ghostboat (ITV1);
- Take One Museum (BBC4);
- People on the Abyss (Radio 4);
- U864 (Canadian/German/British TV);
- Top Ten Submarines in History (Discovery Channel);
- Eureka Years (Radio 4).

Outreach activities

The Director has delivered lectures

- Onboard MV Ocean Majesty;
- Onboard MV Saga Ruby;
- Onboard MV Saga Rose;
- Barrow Submariners Association;
- The Fareham Rotary Club;
- The 1765/1785 Dining Club.

Projects for the forthcoming year

- a The major museum project for the year will be the preparation and submission of an HLF application for the conservation and preservation of *HMS Alliance*.
- b The major access project for the year will focus on the Government initiative of 'putting culture at the heart of the community' by making the Museum available to disadvantaged groups of all ages and abilities through the elimination of financial barriers.
- c The major curatorial project for the year will be the introduction of the CALM documentation system, and the appointment of a Documentation Assistant to reduce the backlog of archival material awaiting entry onto the database.

The Collections

Significant artefact and archive acquisitions during the year are listed on pages 12 to 14.

Significant artefact acquisitions

- Oil painting of *Commodore SS Hall* (on loan from Trophy Store);
- Propeller thought to be from one of the escape boats of *HMS C3*;
- Bronze model of *HMS E53*;
- Senior Rates Rum 'Fanny' from *HMS Amphion*;
- *HMS Tiptoe* handkerchief;
- Torpedo gyro (thought to be from a Whitehead);
- Medals awarded to CPO William Wallace Castles (*HMS L14* and *L21*; WW1 and 2 campaign medals in set);
- Ursula suit gloves;
- Large model of *HMS Challenger* (Diving School);
- 1914-1915 Star awarded to PO William Henry Yetman (*HMS E26*);
- Working model of *HMS Umbra*;

- 2 x crests of Royal Corps of Naval Constructors;
- Ensign of *HMS Unruffled*;
- Medals awarded to PO William James Reed (*HMS Unruffled*);
- Crest of *HMS Stonehenge* painted on wood;
- Large painting of *HMS Stubborn* by DJ Gitting, formerly on display at the mess in *Dolphin*;
- RNR uniform of David Meech (*HMS Tiptoe, Turpin and Excalibur*);
- Original unofficial crest of *HMS Truant*;
- Distinguished Service Cross awarded to Lt Reid (*HMS L55*);
- Medals awarded to Telegraphist WH Rudd (*HMS E20*);
- Three Greek insignia from Special Forces on *HMS Proteus*;
- Polaris – Royal Navy – Vickers commemorative ashtray;
- Piece of navigation light glass from *HMS Tradewind*;
- Medals awarded to Leading Seaman Arnot Budge (*HMS Clyde*);
- Medals awarded to Admiral of the Fleet Lord Fieldhouse and uniform;
- Medals awarded to Stoker Petty Officer William Yeo (*HMS K26*);
- DSM and group awarded to Petty Officer Alfred George Antram (*HMS E4*) (*This is the first DSM ever awarded) (purchase);
- Painting – *HMS Sovereign 1974 Sea Trials* by GA Harrison;
- Cap tally of *HMS H47* belonging to Lt Cdr RMH Sowdon;
- Group of Zippo lighters from nuclear submarines – *Conqueror, Swiftsure, Sovereign, USS Haddock*;
- Metal grille from Changi prison;
- Engine room 'lucky' elephant from H50;
- Gastight torch used in the recovery of bodies from *HMS Thetis*;
- Medals awarded to CEA Bertie James Sanders (*HMS Alaric*);
- Tea cosy from *HMS United*;
- Watercolour by WL Wyllie titled '*Submarine C33 passing the Victory*';
- Jolly Roger ashtray of *HMS Upright*;
- Mess undress and miniature medals of Vice Admiral Sir Cecil Talbot;
- Launching ribbon of *X20*;
- Compass from the lifeboat of *SS Frangestan* (sunk as a hazard by *K26*);

Archive acquisitions

- Photocopy of a collection of documents that appear to be an inventory of the Submarine Service ratings in 1912 (This document requires further research) Discovered in the National Archive and donated by Denis Feary. A2004/022;
- Biography of Commander Michael Ainslie DSO DSC* Legion of Merit. Compiled and donated by his cousin. A2004/021;
- Collection of certificates and documents relating to CPO A Spowart lost in *HMS Tempest*. Donated by his daughter Mrs Gertrude Powell A2004/020;
- Certificates of H W Mills (served in *HMS E8*) Part of a photographic collection passed to the archive from Keeper of Photographs A2004/019;
- Collection of documents from the estate of William E Wilcox who served in WWI and WWII and was involved with X craft training. A2004/018;
- Collection of documents, press cuttings and photographs relating to Vincent Nagle. Survivor of *HMS Poseidon* disaster. Donated by executor of will of Mrs Hilda Nagle. A2004/017;
- Privately published biography of Sub Lt John Phillip Best. Lost in *HMS Spearfish*. Dated 1985. Bought by archivist from e-bay auction December 2004 A2004/024;

- Photocopies of documents relating to Lt Westmacott lost in FS Doris. Donated by Richard Westmacott. A2004/023;
- Copies of a report of the patrol of *HMS H43* Lt G R Colvin. Donated by Charles Poynder to the Director. A2005/001;
- Privately published biography of Richard Rimmington (E class WWI) donated by relative Lynda Lavelle through Brian Head July 2004. A20054/002;
- Thesis on 'WWII submarine special operations' by Johnathon Hadley-Piggin (former submariner) donated through Captain Buchanan to Director A2005/003;
- Bound copy of original WWII Patrol Reports of *HMS Torbay*. (Passed to the museum by present Commanding Officer Cdr Chris Grove RN);
- Documents relating to Petty Officer Antram DSM (purchased with medal group, first group of submariners awarded the Distinguished Service Medal in 1914);
- Papers and photographs relating to Stoker Petty Officer Philpot *HMS Spearfish*, including an extremely rare section of propaganda comic toilet paper featuring Nazi leaders;
- Papers and wartime diary of Able Seaman Edgar Ernest Cox *HMS E25*;
- 'Tomahawkers' Certificate and *HMS Splendid* first day cover donated by Commander Paul Burke;
- Copy of book 'Ambrosia' & Supplement. A scrapbook of the Sixth Submarine Squadron by Steve Jenner and Peter Haydon;
- Line book of *HMS Valiant* 4th Commission;
- Books and papers from the estate of the late Vice Admiral J C Y Roxburgh CB CBE DSO DSC;
- Scrapbook compiled by the late Petty Officer Stanley Hawkey DSM* *HMS Porpoise & Tally-Ho*. Original scrapbook pasted into a ledger liberated from a surrendered German U- boat;
- Diaries of Able Seaman Reginald Ollett relating to L boats in China 1921 (donated through efforts of former submariner living in Chile);
- Diary of CPO Walker *HMS Severn* 1939-1942;
- Original study papers relating to a proposal for a submarine versus submarine attack instrument. Prepared onboard *HMS Scythian* 1951/52. Donated by inventor Lt Peter Wood RN.

Commander J J Tall OBE RN
Accounting Officer

18 July 2006

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 FY2005-2006.

Salary and pension entitlements

The Director, Commander Jeff Tall OBE RN (Rtd), had a basic salary during the year ended 31 March 2006 of £45,149 per annum. The director is aged 63 and has been in post 12 years. The Museum made contributions to the Director's share of the 'Group' Pension Plan of £5,616 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 (2005: £Nil). Four Trustees were reimbursed for travel expenses totalling £1,436 (2005: £2,157).

Individual pension plans for entitled employees are administered by Scottish Equitable plc on a 'group' basis 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 2005-2006, employers' contributions for the Museum as a whole of £30,551 were payable (2004-2005 £28,862) at a fixed rate of 12.5 per cent of pensionable pay.

One part-time member of staff is covered by the provisions of the PCSPS. For 2005-2006, employer's contributions of £1,720 were payable to the PCSPS at rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
18 July 2006

Commander J J Tall OBE RN
Accounting Officer
18 July 2006

Statement of Board of Trustees' and Director's responsibilities

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

So far as I, as Accounting Officer of the Museum, and we, as Trustees of the Museum, are aware

- a there is no relevant audit information of which the Museum's auditors are unaware; and
- b we have taken all the steps that we ought to have taken to make ourselves aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

Rear Admiral RC Lane-Nott CB
On behalf of the Board of Trustees
18 July 2006

Commander JJ Tall OBE RN
Accounting Officer
18 July 2006

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.

The Chairman of the Trustees, on behalf of the Board of Trustees of the Royal Navy Submarine Museum, is 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 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

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

Review of effectiveness

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

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

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

It was suggested that for 2005-2006 the Corporate Governance audit and findings be used as reassurance of procedures for 2005-2006 with a view to an in-depth independent audit being carried out by DIA in 2006 (a date of November 2006 has now been agreed).

The review of the effectiveness of the system of internal controls is exercised through the 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 two of the Museum's Trustees and an independent member. The Audit Committee reports directly to the Board of Trustees. This Audit Committee has visibility across the whole sphere of Museum internal management and is well placed to assess the effectiveness of internal controls and management of risk.

In my view, the information received was sufficient to enable me to review and confirm the effectiveness of the Royal 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
18 July 2006

Commander JJ Tall OBE RN
Accounting Officer
18 July 2006

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

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

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

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

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I also report whether in all material respects the expenditure, income and resources funded by Grant in Aid have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Trustees' Report is not consistent with the financial statements, if the Royal 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 pages 17 and 18 reflects the entity's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Trustees' and Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Royal Navy Submarine Museum's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

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

Opinions

In my opinion

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

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

19 July 2006

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

Consolidated Statement of Financial Activities for the year ended 31 March 2006

	Notes	Unrestricted funds £	Grant in Aid £	Other funds £	2006 Total £	Restated ¹ 2005 Total £
Incoming resources						
Incoming resources from generated funds						
Voluntary income						
Grant in Aid (operating)	3	0	530,817	67,929	598,746	632,314
Grant in Aid (purchases)	3	0	17,500	0	17,500	17,000
Other donations and grants	3	39,432	0	649,504	688,936	1,321,484
Legacies	4	256,096	0	0	256,096	0
Income of trading subsidiary	2	104,079	0	0	104,079	97,691
Income from investments	5	0	0	319	319	290
Incoming resources from charitable activities						
Admissions		120,203	0	0	120,203	128,960
Other incoming resources	6	21,943	5,301	0	27,244	44,043
Total incoming resources		541,753	553,618	717,752	1,813,123	2,241,782
Resources expended						
Costs of generating funds	7	(1,072)	(78,412)	0	(79,484)	(38,962)
Expenses of trading subsidiary	2	(97,404)	0	0	(97,404)	(88,775)
Costs of activities in furtherance of the objects of the charity	8	(186,605)	(485,460)	(126,742)	(798,807)	(764,984)
Governance costs	9	(1,077)	(43,935)	0	(45,012)	(43,308)
Notional charges		0	(39,730)	0	(39,730)	(39,227)
Total resources expended	11	(286,158)	(647,537)	(126,742)	(1,060,437)	(975,256)
Net incoming/(outgoing) resources before transfers		255,595	(93,919)	591,010	752,686	1,266,526
Adjustment for notional charges		0	39,730	0	39,730	39,227
Net incoming/(outgoing) resources		255,595	(54,189)	591,010	792,416	1,305,753
Other recognised gains/(losses)						
Unrealised gains						
Revaluation of investments	13	0	0	2,100	2,100	450
Revaluation of fixed assets	12	11,489	34,244	102,779	148,512	88,005
Net movement in funds		267,084	(19,945)	695,889	943,028	1,394,208
Total funds brought forward		597,072	1,139,601	3,079,829	4,816,502	3,422,294
Total funds carried forward		864,156	1,119,656	3,775,718	5,759,530	4,816,502

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

All transactions are derived from continuing activities.

The surplus for the year includes £591,010 in respect of other restricted funds which has been fully expended on fixed assets during the year and is not therefore represented by a similar increase in cash available to the Trustees.

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

The notes on pages 26 to 36 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12	5,095,928		4,156,989	
Heritage assets	12	60,541		38,785	
Total tangible fixed assets	12	5,156,469		4,195,774	
Investments	13	16,100		14,000	
		5,172,569		4,209,774	
Current assets					
Stocks	14	40,113		40,490	
Debtors	15	87,790		293,259	
Cash at bank and in hand	16	604,192		359,176	
		732,095		692,925	
Creditors: amounts falling due within one year	17	(145,134)		(56,991)	
Net current assets		586,961		635,934	
Total assets less current liabilities		5,759,530		4,845,708	
Provisions for liabilities and charges	21	0		(29,206)	
Net assets	19	5,759,530		4,816,502	
Funds					
Unrestricted funds		824,982		564,050	
Restricted funds	18				
Grant in Aid (operating)		1,082,293		1,112,339	
Grant in Aid (purchases)		37,363		27,262	
Other restricted funds		3,775,718		3,079,829	
Non charitable trading funds		39,174		33,022	
	19	5,759,530		4,816,502	

The financial statements were approved by the Trustees on 18 July 2006 and signed on its behalf by

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

Commander J J Tall OBE RN
Accounting officer

The notes on pages 26 to 36 form an integral part of these financial statements.

Balance Sheet – Charity only as at 31 March 2006

	Notes	2006		2005	
		£	£	£	£
Tangible assets	12	5,095,928		4,156,989	
Heritage assets	12	60,541		38,785	
Total tangible fixed assets	12	5,156,469		4,195,774	
Investments	13	16,102		14,002	
		5,172,571		4,209,776	
Current assets					
Debtors	15	88,943		308,376	
Cash at bank and in hand	16	596,825		345,185	
		685,768		653,561	
Creditors: amounts falling due within one year	17	(137,983)		(50,651)	
Net current assets		547,785		602,910	
Total assets less current liabilities		5,720,356		4,812,686	
Provisions for liabilities and charges	21	0		(29,206)	
Net assets	19	5,720,356		4,783,480	
Funds					
Unrestricted funds		824,982		564,050	
Restricted funds	18				
Grant in Aid (operating)		1,082,293		1,112,339	
Grant in Aid (purchases)		37,363		27,262	
Other restricted funds		3,775,718		3,079,829	
	19	5,720,356		4,783,480	

The financial statements were approved by the Trustees on 18 July 2006 and signed on their behalf by

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

Commander J J Tall OBE RN
Accounting officer

The notes on pages 26 to 36 form an integral part of these financial statements.

Cash Flow Statement for the year ended 31 March 2006

	Non-public funds £	Restricted Grant in Aid £	Charity funds 2006 £	Group 2006 £	Group 2005 £
Net cashflow/(outflow) from operating activities	1,223,056	(4,372)	1,218,684	1,224,388	1,079,150
Return on investments and servicing of finance					
Bank interest received	18,472	2,032	20,504	20,930	34,823
Loan interest received	523	0	523	0	0
Dividends received	319	0	319	319	290
Capital expenditure and financial investment					
Purchase of fixed assets	(988,705)	(11,916)	(1,000,621)	(1,000,621)	(1,556,327)
Repayment of Limited Company loan	12,231	0	12,231	0	0
Increase/(decrease) in cash	265,896	(14,256)	251,640	245,016	(442,064)
Opening cash balances	333,088	12,097	345,185	359,176	801,240
Closing cash balances	598,984	(2,159)	596,825	604,192	359,176
Reconciliation of changes in resources to net cashflow from operating activities					
Net incoming/(outgoing) resources for year	840,454	(54,189)	786,265	792,416	1,305,753
Depreciation	138,528	49,909	188,437	188,437	95,867
Investment income and interest received	(19,314)	(2,032)	(21,346)	(21,249)	(35,113)
Increase/(decrease) in creditors	81,076	6,256	87,332	88,144	(42,644)
Increase/(decrease) in provisions	(29,206)	0	(29,206)	(29,206)	(89,794)
(Increase)/decrease in stocks	0	0	0	377	8,933
(Increase)/decrease in debtors	211,518	(4,316)	207,202	205,469	(163,852)
Net cash inflow/(outflow) from operating activities	1,223,056	(4,372)	1,218,684	1,224,388	1,079,150

Notes to the financial statements for the year ended 31 March 2006

1 Accounting policies

Basis of preparation of financial statements

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

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.

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.

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.

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.

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 in the following percentages

	%
Education	9
Care of exhibition	41
Visitor services	50
	100

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.

Grants receivable

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

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

Restricted funds

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

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

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 (2005: 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.

Leased assets

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

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.

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.

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.

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

Pensions

The 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 £30,551 (2004-2005 £28,862), 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 are at rates in the range 16.2 to 24.6 per cent of pensionable pay, based on salary bands.

2 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 2006

	2006	2005
	£	£
Turnover	103,654	97,334
Cost of sales	(57,744)	(53,465)
Gross profit	45,910	43,869
Bank interest received	425	357
Overheads	(39,660)	(35,310)
Interest paid	(523)	(987)
Net profit	6,152	7,929
Corporation tax	0	0
	6,152	7,929
Amount gifted to Royal Navy Submarine Museum	0	0
Retained in subsidiary	6,152	7,929
Capital and reserves	39,174	33,022

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

Related party transactions

RNSM Enterprises Limited is a related party of the Royal Navy Submarine Museum and, in addition to the above transaction, paid interest to the Museum on the outstanding loan of £12,231, which was repaid on 23 March 2006, as detailed below.

Amount paid in loan interest	523	987
------------------------------	------------	-----

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

3 Donations and grants

During the year the following donations and grants were received

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

	Unrestricted funds £	Restricted Grant in Aid £	Restricted other funds £	2006 £	2005 £
Operations	0	530,817	67,929	598,746	632,314
Purchase of exhibits	0	17,500	0	17,500	17,000
	<u>0</u>	<u>548,317</u>	<u>67,929</u>	<u>616,246</u>	<u>649,314</u>

Other donations and grants

Society of Friends	36,000	0	0	36,000	0
The Grocers' Charity	0	0	0	0	50,000
Sir Peter Shepherd Charitable Trust	0	0	0	0	3,000
Pilgrim Trust	0	0	0	0	15,000
Trustees of Commander W Dennis	0	0	0	0	1,000
Heritage Lottery Fund	0	0	617,162	617,162	1,243,463
Submariners Association	0	0	5,000	5,000	0
Wolfson Foundation	0	0	25,000	25,000	0
Miscellaneous	3,432	0	2,342	5,774	9,021
	<u>39,432</u>	<u>0</u>	<u>649,504</u>	<u>688,936</u>	<u>1,321,484</u>

4 Legacies

	Unrestricted funds £	2006 £	2005 £
Commodore White	86,500	86,500	0
Lt Commander Dugdale	169,596	169,596	0
	<u>256,096</u>	<u>256,096</u>	<u>0</u>

5 Income from investments

	2006 £	2005 £
Dividends received	319	290
	<u>319</u>	<u>290</u>

6 Other incoming resources

	Unrestricted funds £	Restricted funds £	2006 £	2005 £
Sundry income	21,943	5,301	27,244	44,043
	<u>21,943</u>	<u>5,301</u>	<u>27,244</u>	<u>44,043</u>

7 Cost of generating funds

	2006	2005
	£	£
Rent and rates	241	276
Insurance	1,104	1,266
Light and heat	378	720
Publicity and public relations	76,667	35,753
Printing, postage and stationery	714	540
Telephone	380	407
	<u>79,484</u>	<u>38,962</u>

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

	Notes	Education £	Care of exhibition £	Visitor services £	Grant making £	2006 £	2005 £
Staff costs	11	28,680	130,810	158,831	0	318,321	295,192
Grants		0	0	0	4,500	4,500	4,250
Education		3,796	0	0	0	3,796	4,097
Purchase of exhibits		0	7,398	0	0	7,398	9,629
Exhibit maintenance		0	0	0	0	0	3,615
Photographic		0	52	0	0	52	4,203
Archives		0	15,208	0	0	15,208	12,180
Consultancy		0	0	0	0	0	147
Provision for expenditure on contaminated land		0	0	0	0	0	74,107
HMS Alliance		0	0	0	0	0	14,104
Depreciation		16,959	77,260	94,219	0	188,438	95,867
Support costs	10	23,498	107,049	130,547	0	261,094	247,593
		<u>72,933</u>	<u>337,777</u>	<u>383,597</u>	<u>4,500</u>	<u>798,807</u>	<u>764,984</u>

9 Governance costs

	Notes	2006	2005
Staff costs	11	4,967	5,682
Legal and professional		2,153	11
Accountancy		13,815	12,240
Audit		7,300	7,000
Travelling		4,550	5,371
Support costs	10	12,227	13,004
		<u>45,012</u>	<u>43,308</u>

10 Support costs

	Notes	Museum and visitor centre operations £	Governance costs £	2006 £	2005 £
Staff costs	11	157,512	0	157,512	139,430
Training		174	0	174	817
Health and safety		1,954	0	1,954	5,004
Rent and rates		4,101	482	4,583	5,252
Insurance		15,456	5,520	20,976	29,102
Light and heat		6,571	757	7,328	6,677
Cleaning and sundry		4,098	0	4,098	3,950
Repairs and renewals		42,494	0	42,494	42,097
Printing, postage and stationery		9,729	3,568	13,297	10,053
Telephone		5,320	1,900	7,220	7,734
Bank charges		3,608	0	3,608	3,449
Subscriptions		838	0	838	455
Equipment rentals		9,239	0	9,239	6,577
		<u>261,094</u>	<u>12,227</u>	<u>273,321</u>	<u>260,597</u>

11 Total resources expended

	Staff costs £	Other costs £	Depreciation £	Total 2006 £	Total 2005 £
Costs of activities in furtherance of the objects of the charity	475,833	134,536	188,438	798,807	764,984
Costs of generating funds	0	79,484	0	79,484	38,962
Governance costs	4,967	40,045	0	45,012	43,308
Notional charges	0	39,730	0	39,730	39,277
Total – Charity	<u>480,800</u>	<u>293,795</u>	<u>188,438</u>	<u>963,033</u>	<u>886,481</u>
Trading Subsidiary	26,964	70,440	0	97,404	88,775
Total – Group	<u>507,764</u>	<u>364,235</u>	<u>188,438</u>	<u>1,060,437</u>	<u>975,256</u>

Staff costs

	2006 £	2005 £
Staff costs		
Wages and salaries	415,022	379,335
Social security costs	35,227	32,107
Pension costs	30,551	28,862
Total Charity	<u>480,800</u>	<u>440,304</u>
Trading Subsidiary	26,964	24,706
Total – Group	<u>507,764</u>	<u>465,010</u>

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

The average number of employees, analysed by function, was

	2006	2005
Education	3	2
Care of exhibition	2	3
Visitor services	16	15
Support	7	6
	<u>28</u>	<u>26</u>

12 Tangible fixed assets group and charity

	Land and buildings £	Assets under construction £	Plant and machinery £	Fixtures, fittings and equipment £	Heritage assets £	Total £
Cost or valuation						
At 1 April 2005	2,501,013	1,720,281	62,273	226,262	38,785	4,548,614
Additions	0	978,049	816	0	21,756	1,000,621
Transfer between category	1,635,998	(2,698,330)	480,842	581,490	0	0
Revaluation	137,762	0	1,022	15,002	0	153,786
At 31 March 2006	<u>4,274,773</u>	<u>0</u>	<u>544,953</u>	<u>822,754</u>	<u>60,541</u>	<u>5,703,021</u>
Depreciation						
At 1 April 2005	180,105	0	46,309	126,426	0	352,840
Revaluation	5,998	0	(2,916)	2,193	0	5,275
Charge for the year	119,334	0	23,351	45,752	0	188,437
At 31 March 2006	<u>305,437</u>	<u>0</u>	<u>66,744</u>	<u>174,371</u>	<u>0</u>	<u>546,552</u>
Net book values						
At 31 March 2006	<u>3,969,336</u>	<u>0</u>	<u>478,209</u>	<u>648,383</u>	<u>60,541</u>	<u>5,156,469</u>
At 31 March 2005	<u>2,320,908</u>	<u>1,720,281</u>	<u>15,964</u>	<u>99,836</u>	<u>38,785</u>	<u>4,195,774</u>

13 Investments

	Charity listed £	Unlisted £	Group listed £	Unlisted £
Market value or cost at 1 April 2005	14,000	2	14,000	0
Acquisitions at cost	0	0	0	0
Disposals at opening book value	0	0	0	0
Net unrealised gains/(losses)	2,100	0	2,100	0
Market value or cost at 31 March 2006	<u>16,100</u>	<u>2</u>	<u>16,100</u>	<u>0</u>
Historical cost at 31 March 2006	<u>11,230</u>	<u>2</u>	<u>11,230</u>	<u>0</u>
Market value or cost at 31 March 2005	<u>14,000</u>	<u>2</u>	<u>14,000</u>	<u>0</u>
Historical cost at 31 March 2005	<u>11,230</u>	<u>2</u>	<u>11,230</u>	<u>0</u>

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 per cent of the issued share capital of RNSM Enterprises Limited.

14 Stocks

The amounts attributable to the different categories are as follows

	2006		2005	
	Charity £	Group £	Charity £	Group £
Goods for resale	0	40,113	0	40,490

15 Debtors

	2006		2005	
	Charity £	Group £	Charity £	Group £
Amounts due within one year				
Social Security and other taxes	10,548	9,915	121,631	120,740
Other debtors	1,024	504	154,333	154,333
Prepayments	77,371	77,371	20,181	18,186
Amounts owed by RNSM Enterprises Ltd	0	0	12,231	0
	88,943	87,790	308,376	293,259

16 Cash at bank and in hand

	2006	2005
Unrestricted funds	436,054	210,155
Centennial fund	6,648	8,124
Development fund	156,282	114,809
Non-public funds	598,984	333,088
Public funds	(2,159)	12,097
Cash at bank and in hand - Charity	596,825	345,185
Trading Subsidiary	7,367	13,991
Cash at bank and in hand - Group	604,192	359,176

17 Creditors: amounts falling due within one year

	2006		2005	
	Charity £	Group £	Charity £	Group £
Trade creditors	35,133	35,551	3,891	4,157
Other taxes and social security	11,071	11,716	9,395	10,113
Other creditors	2,492	2,492	1,093	1,094
Accruals	89,287	95,375	36,272	41,627
	137,983	145,134	50,651	56,991

18 Restricted funds

	1 April 2005 £	Incoming £	Outgoing £	Transfers £	31 March 2006 £
Grant in Aid (operating)	1,112,339	610,092	(640,138)	0	1,082,293
Grant in Aid (purchases)	27,262	17,500	(7,399)	0	37,363
Centennial Project	92,359	1,406	(37)	0	93,728
Development fund	2,987,470	821,225	(126,705)	0	3,681,990
	<u>4,219,430</u>	<u>1,450,223</u>	<u>(774,279)</u>	<u>0</u>	<u>4,895,374</u>

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

19 Analysis of net assets between funds

	Tangible fixed assets £	Investments £	Net current assets £	31 March 2006 Total £	31 March 2005 Total £
Restricted funds					
Grant in Aid (operating)	1,095,201	0	(12,908)	1,082,293	1,112,339
Grant in Aid (purchases)	49,885	0	(12,522)	37,363	27,262
Centennial Fund	70,987	16,100	6,641	93,728	105,359
Development Fund	3,593,523	0	88,467	3,681,990	2,974,470
	<u>4,809,596</u>	<u>16,100</u>	<u>69,678</u>	<u>4,895,374</u>	<u>4,219,430</u>
Unrestricted funds – Charity	346,873	2	478,107	824,982	564,050
	<u>5,156,469</u>	<u>16,102</u>	<u>547,785</u>	<u>5,720,356</u>	<u>4,783,480</u>
Non charitable trading funds		(2)	39,176	39,174	33,022
	<u>5,156,469</u>	<u>16,100</u>	<u>586,961</u>	<u>5,759,530</u>	<u>4,816,502</u>

20 Commitments and contingent liabilities

	2006		2005	
	Charity £	Group £	Charity £	Group £
Capital commitments				
Expenditure contracted for	0	0	1,105,260	1,105,260
Authorised by the Trustees but not contracted for	0	0	0	0
	<u>0</u>	<u>0</u>	<u>1,105,260</u>	<u>1,105,260</u>

Contingent liabilities

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

21 Provisions for liabilities and charges

	Provisions £
At 1 April 2005	29,206
Costs paid out in year	<u>(29,206)</u>
At 31 March 2006	<u>0</u>

A net provision of £29,206 was brought forward at 1 April 2005 for contract inflation costs and additional building costs, caused by the delays detailed below. This cost has been expended during the year.

Work got underway on the John Fieldhouse Building on 1 March 2004. Good progress was made by Henry Jones (the main contractor) until diesel contamination in the groundwater beneath the site was discovered, with work being suspended from 27 March 2004 pending the submission of a Risk Assessment to the Environment Agency. The responsibility for the Risk Assessment was taken by the Museum's Landlord (Defence Estates). For a variety of reasons this process, backed up with an agreed remediation process, took until July 2004 to implement and complete. The resulting remediation and contract penalty costs of £69,000 fell to the Museum as a direct result of this delay. Once building was restarted, due mainly to a rise in price of raw materials, additional costs were incurred.

The Museum received £20,210 from Defence Estates during the year ended 31 March 2006. Negotiations for the balance of the costs of £29,206 are underway with the landlord.

22 Other commitments

	Land and buildings 2006 £	Other 2006 £	Land and buildings 2005 £	Other 2005 £
Expiry date				
Within one year	0	432	0	0
Over one year				
Between two and five years	0	3,933	0	6,405
In more than five years	0	0	0	0
	<u>0</u>	<u>4,365</u>	<u>0</u>	<u>6,405</u>

23 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.

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 £36,000 (2005: £Nil) 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 paid £1,440 (2005: £4,190) 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.

24 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 2006 (2005: £Nil).

25 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	
2005-2006	443,000	548,500	55	45	Actual
2005-2006	180,000	542,000	75	25	Budget
2004-2005	179,000	530,000	75	25	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;
 - 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.

For further information about the National Audit Office please contact:

National Audit Office
Press Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Tel: 020 7798 7400
Email: enquiries@nao.gsi.gov.uk

DG Ref: E15127 6797RC

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
08/06

Published by TSO (The Stationery Office) and available from:

Online

www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail

TSO

PO Box 29, Norwich NR3 1GN

Telephone orders/General enquiries 0870 600 5522

Fax orders 0870 600 5533

Order through the Parliamentary Hotline

Lo-call 0845 702 3474

E-mail book.orders@tso.co.uk

Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

18-19 High Street, Cardiff CF10 1PT

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop

12 Bridge Street, Parliament Square,

London SW1A 2JX

Telephone orders/General enquiries 020 7219 3890

Fax orders 020 7219 3866

TSO Accredited Agents

(see Yellow Pages)

and through good booksellers

ISBN 0-10-328637-3



9 780103 286372