

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 2004-2005

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED 24 OCTOBER 2005

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Legal and Administrative Information

Address of the charity

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PO12 2AS

Name and addresses of other relevant organisations

Accountants

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Auditors

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Solicitors

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New Court
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Bankers

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PO12 1DE

Foreword

Introduction

The consolidated accounts for the Royal Navy Submarine Museum are presented for the financial year ended 31 March 2005. The Group comprises the main charity and its wholly owned subsidiary, Submarine Giftshop Limited. The accounts are prepared in accordance with a direction given by the Secretary of State for Defence under Section 30(3) of the National Heritage Act 1983 and law applicable to charities in England and Wales.

The Royal Navy Submarine Museum is a Registered Charity with the Charity Commission (reference number 1068419). The governing document of the body is the Trust Deed of 23 January 1998; the Museum's Trustees are incorporated as a body.

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*.

A public appeal was launched in 1978 and a new Deed of Trust for a charity registered as the 'Submariners Memorial' was drawn up in April 1979. The aims of the new Trust covered the preservation and accessibility to visitors of the Alliance, the preservation of the collection, held in a new Museum Building adjacent to but outside *HMS DOLPHIN*, and to relieve distress among past and present submariners and their dependants.

Sufficient funds, totalling about £410,000 were raised to enable these aims to be met by 1982. In May 1983, Admiral Sir John Fieldhouse formally opened the new Museum.

In 1982, The Royal Navy's first submarine, *HM Submarine Boat No. 1*, of the United States 'Holland' design, which had foundered in the western channel whilst being towed to the breakers' yard, was salvaged and after some preservation put on display in the Museum.

In 1985 the Museum became an Executive Non-Departmental Public Body.

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 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. This meant that the submarine had to be withdrawn from display whilst the conservation programme took place.

In 1995, the Trustees decided that the two Trust Deeds covering the Submarine Collection and the Submariners Memorial were confusing, in some matters out of date and in others either repetitive or contradictory. It was decided, therefore, to combine the two Trust Deeds into one document.

In 1998 an appeal was launched to raise funds for the development of the Museum entitled 'The Submarine Centennial Appeal'.

In late 1998 the Museum acquired the use of a redundant building within Fort Blockhouse that enabled it to create a display 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 early 1999 the Museum's avenue for charitable donations to care for submarines and their dependants in need was re-named 'The Submariners Benevolent Fund'. It continues to be administered by the Royal Naval Benevolent Trust on behalf of the Trustees.

In August 2000 The Heritage Lottery Fund approved a Stage II award of £666,500 for the Museum's *Conservation and Interpretation of Holland 1* project.

In October 2000 the Museum changed the nature of occupation of its land with the Defence Estates Organisation from a 30-day notice licence to a 39 year Lease.

In October 2000 the Museum acquired a further deaccessioned building from Fort Blockhouse that allowed the development of three additional exhibitions: (Escape, Diving and Attack).

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 49 vessels 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 February 2001 the Museum achieved Phase II Registration with Re:Source.

In May 2001 The Countess of Mountbatten formally opened the *Holland 1 Exhibition*.

In June 2001, the Museum accepted deaccessioned land that allowed it to triple the size of its car park. Work on the Archive and Administration Building, Torbay Block, was completed.

In October 2001 a bid was submitted to HLF for support for the *Fieldhouse Building* project.

In May 2002 the conservation project for *HMS Alliance* was inaugurated.

In July 2002 HLF awarded the Museum a Stage 1 Pass for *The John Fieldhouse Building* project.

In November 2002 the Museum won the prestigious Pilgrim Trust Conservation Award for 2002 in recognition of its *Holland 1* project.

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 March 1 2004 the selected building contractor, Henry Jones, began work on-site.

On July 7 2004 work restarted on the building after a three-month delay generated by the discovery of diesel contamination beneath the construction site. JFB is expected to open on 1 August 2005.

Mission of Museum

The Mission of the Museum, which is in accordance with that agreed for the four Naval 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; and
- 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'; and
- 4 to relieve distress or need among past and present members of the Submarine Branch of the Royal Navy and their dependants.

Trustees

The Royal Navy Submarine Museum is governed by a Board of Trustees under the chairmanship of Vice Admiral Sir Roy Newman KCB JP DL. The Museum is a registered charity within the meaning of the Charities Act 1993, which places on Trustees the responsibility for the effective and economical management of the Trust and the stewardship and care of the collections.

Trustees are appointed to the Board in strict accordance with the guidance laid down by the Office of the Commissioner for Public Appointments. This procedure includes the obtaining of nominations from a variety of sources, including advertising and liaison with the Public Appointments Unit, the vetting of nominations by a panel normally comprising the Chairman of Trustees, a senior civil servant from the sponsoring Department (MOD) and an independent member. Prospective Trustees are normally interviewed by a panel of the Trustee body. The sponsoring department within the MoD, Naval Personnel Secretariat (Parliamentary and Heritage) 2, is closely involved in all stages of the selection process. Other than those appointed as ex-officio members of the Board, Trustees are normally appointed for a period of five years. Trustees, at the discretion of the Board, and in consultation with the MoD sponsor, however may be reappointed for a second and final five-year-term.

The following served as Museum Trustees during 2004-2005

Vice Admiral Sir Roy Newman KCB JP DL	Chairman
Rear Admiral N Kilgour (until June 2004)	Vice Chairman
Rear Admiral P Lambert (from July 2004)	Vice Chairman
Rear Admiral A P Hoddinott CB OBE	
Captain TJ Meadows CBE Royal Navy (until September 2004)	
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	
Councillor M Geddes	Nominated/Hampshire County Council
Councillor HG Burgess	Nominated/Gosport Borough Council
Mr T Walters BEM (until June 2004)	Nominated/Submariners Association
Mr R Dixon (from July 2004)	Nominated/Submariners Association

Commander JJ Tall OBE RN (Rtd) is the Museum's Director and Accounting Officer.

Board Meetings were held in July and October 2004 and January and March 2005.

Major matters discussed included: Management and business Plan and Budget; approval of Annual Report and Accounts; appointment of Trustees; Submarine Giftshop 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; the ICT Plan.

Results for the year ended 31 March 2005

Total incoming resources for the Group in 2004-2005 amounted to £2,241,782 (2003-2004 £1,064,604). Total resources expended amounted to £975,256 (2003-2004 £1,153,432). After adjustment for notional charges and other recognized gains and losses totalling £127,687 (2003-2004 £146,884), the net movement in funds was an increase of £1,394,208 (2003-2004 £58,056).

The Group's net assets as at 31 March 2005 amounted to £4,816,502 (31 March 04 £3,422,294).

Changes in fixed assets

Movements in fixed assets are shown in Note 8 to the accounts.

Policy on reserves

Introduction

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 2005, the level of the Museum's Reserves stood at £216,280 (31 March 2004 £256,822).

A percentage of Museum cash funds (restricted and unrestricted) have been amalgamated into a single deposit 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 annual deficits;
- c provide income;
- d fund development; and
- e fund working capital.

Scope

Liabilities

The nature of major liabilities faced by the Trustees centre around the care of the five Historic Ships and the Collection. It is planned to have four out of the five ships under cover and in relatively stable conditions over the next two years, 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

After the completion of the *Fieldhouse Building* project, the Museum will have completed three out of 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 will 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 to include a suitable area of remembrance.

Fund working capital

The Museum requires reserves to fund working capital needs.

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 three years, with the target figure to be reviewed periodically. 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 will therefore be reduced to £100,000 by the end of FY2005-2006, and the rebuilding process to the target figure recommenced thereafter.

Investment policy

The Museum is now in a period of development during which it will be necessary to call on the Museum's Reserves to underpin cash flow until repayments are received from the Heritage Lottery Fund and HM Customs and Excise for VAT. The present investment policy therefore 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.

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 of receipt or in accordance with the supplier's terms of business. The Museum's actual payment performance during 2004-2005 was that these criteria were met in 94.8% of bills paid (2003-2004 95.2%).

Policy on the employment of 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. The Museum follows MoD and Civil Service guidelines on such practices and, in particular, has taken the contents of DC 1 GEN 343/93 as its Equal Opportunities Policy.

Consultation with employees

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

Future developments

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 John Fieldhouse Building.* This project received a Stage II HLF pass in December 2003 of £1.95M. Its primary objective is to provide an environmentally sound display area for the historic mini-submarine *HMS X24*; its secondary objective is to provide a *Submarine and Science Gallery*. The building is expected to open in August 2005.
- *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, 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 (2005). Some cosmetic and essential repair work will be undertaken in the shorter term. The estimated cost of the project is in the region of £2M.
- *Programme of Works:* The Museum has identified a further fifteen high impact projects which involve care of its collection and improving access (eg displaying the *Repulse* propeller vertically, conserving *LR3* (Submarine Rescue Vessel), developing the *Escape and Weapons Galleries*). 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, other than those set out in note 22 to the accounts.

A provision for liabilities and charges has been recognised in these accounts and updated for information received since the Balance Sheet-date. This provision and related information, is reflected in Note 17 to the accounts.

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.

Vice Admiral Sir Roy Newman KCB JP DL
On behalf of the Board of Trustees

Commander JJ Tall OBE RN
Accounting Officer

19 July 2005

Date 19 July 2005

Statement of Board of Trustees' and Director's responsibilities

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

Vice Admiral Sir Roy Newman KCB JP DL
On behalf of the Board of Trustees

19 July 2005

Commander JJ Tall OBE RN
Accounting Officer

Date 19 July 2005

Statement on Internal Control

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 Navy Submarine 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 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 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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

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

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

The review of the effectiveness of the system of internal controls is exercised through the Audit Committee of the Board of Trustees. This sub-group, which meets quarterly, is chaired by a Trustee and membership includes an additional Museum Trustee and an external advisor, with the Museum's 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. It is the Audit Committee that approves and recommends to the Board of Trustees the action plan currently being pursued.

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 Treasury guidance and recommendations.

Vice Admiral Sir Roy Newman KCB JP DL
On behalf of the Board of Trustees

Commander JJ Tall OBE RN
Accounting Officer

19 July 2005

Date 19 July 2005

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

I have audited the financial statements on pages 13 to 27 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These financial statements have been prepared in the form directed by the Secretary of State for Defence and approved by the Treasury; they have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 17 to 19.

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

As described on page 9, the Board of Trustees and the Director are responsible for the preparation of financial statements and for ensuring the regularity of financial transactions funded by Parliamentary grant ('Grant in Aid'). The Board of Trustees and the Director are also responsible for the preparation of the Foreword. My responsibilities, as independent auditor, are established by statute, and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on page 10 reflects the Museum's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by HM Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Museum's corporate governance procedures or its risk and control procedures.

Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Board of Trustees and the Director in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Museum and the group's circumstances, consistently applied and adequately disclosed.

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

Opinion

In my opinion

- the financial statements give a true and fair view of the state of affairs of the Royal Navy Submarine Museum and the group as at 31 March 2005 and of the incoming resources and application of resources of the group for the year then ended and have been properly prepared in accordance with the Charities Act 1993, and the directions made by the Secretary of State for Defence; and
- in all material respects the expenditure, income and resources have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn
Comptroller and Auditor General

14 October 2005

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London SW1W 9SP

Consolidated Statement of Financial Activities for the year ended 31 March 2005

	Note	Unrestricted Funds £	Grant in Aid £	Restricted Other Funds £	Total Funds 2005 £	Total Funds 2004 £
Incoming resources						
Grant in Aid (operating)	7	0	513,157	119,157	632,314	492,582
Grant in Aid (purchases)	7	0	17,000	0	17,000	16,750
Other donations and grants	7	5,806	0	1,315,678	1,321,484	275,711
Investment income		0	0	290	290	264
Museum admissions		128,960	0	0	128,960	130,962
Income of trading company	2	97,691	0	0	97,691	117,352
Sundry income		12,326	867	30,850	44,043	30,983
Total incoming resources		244,783	531,024	1,465,975	2,241,782	1,064,604
Resources expended						
<i>Costs of generating funds</i>						
Fundraising and publicity	4	309	38,642	11	38,962	43,085
Expenses of trading company	2	88,775	0	0	88,775	102,011
		89,084	38,642	11	127,737	145,096
Net incoming resources available for charitable application		155,699	492,382	1,465,964	2,114,045	919,508
Charitable expenditure						
Direct charitable expenditure	3	189,726	427,297	134,247	751,270	883,547
Management and administration	5	9,410	47,284	328	57,022	87,362
Notional charges	1	0	39,227	0	39,227	37,427
		199,136	513,808	134,575	847,519	1,008,336
Total resources expended		288,220	552,450	134,586	975,256	1,153,432
Net incoming/(outgoing) resources before transfers		(43,437)	(21,426)	1,331,389	1,266,526	(88,828)
Adjustment for notional charges	1	0	39,227	0	39,227	37,427
Net incoming/(outgoing) resources		(43,437)	17,801	1,331,389	1,305,753	(51,401)
Other recognised gains (losses)						
<i>Realised gains/(losses)</i>						
<i>Unrealised gains/(losses)</i>						
Revaluation of investments		0	0	450	450	2,800
Revaluation of fixed assets		13,226	40,049	34,730	88,005	106,657
Net movement in funds		(30,211)	57,850	1,366,569	1,394,208	58,056
Fund balances brought forward at 1 April 2004		627,283	1,081,751	1,713,260	3,422,294	3,364,238
Fund balances carried forward at 31 March 2005		597,072	1,139,601	3,079,829	4,816,502	3,422,294

All transactions are derived from continuing activities.

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

Consolidated Balance Sheet - Group as at 31 March 2005

	Note	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	8	4,195,773		2,647,308	
Investments	9	14,000		13,550	
		4,209,773		2,660,858	
Current assets					
Stocks	10	40,490		49,423	
Debtors	11	293,259		129,407	
Cash at bank and in hand	12	359,176		801,240	
		692,925		980,070	
Creditors amounts falling due within one year	13	(56,990)		(99,634)	
Net current assets		635,935		880,436	
Provisions for liabilities and charges	17	(29,206)		(119,000)	
Total Assets less all liabilities		4,816,502		3,422,294	
Funds					
Unrestricted funds	15	564,050		602,190	
Restricted funds	14				
Grant in Aid (operating)		1,112,339		1,061,860	
Grant in Aid (purchases)		27,262		19,891	
Other restricted funds		3,079,829		1,713,260	
Non charitable trading funds		33,022		25,093	
Total Funds		4,816,502		3,422,294	

Approved by the Board of Trustees on 19 July 2005

Vice Admiral Sir Roy Newman KCB JP DL
On behalf of the Board of Trustees

Commander JJ Tall OBE RN
Accounting Officer

Balance Sheet - charity only as at 31 March 2005

	Note	2005 £	£	2004 £	£
Fixed assets					
Tangible assets	8	4,195,774		2,647,308	
Investments	9	14,002		13,552	
		4,209,776		2,660,860	
Current assets					
Debtors					
Amounts falling due within one year	11	308,376		157,918	
Cash at bank and in hand	12	345,185		789,731	
		653,561		947,649	
Creditors amounts falling due within one year	13	(50,651)		(92,308)	
		602,910		855,341	
Provisions for liabilities and charges	17	(29,206)		(119,000)	
Total assets less all liabilities		4,783,480		3,397,201	
Funds					
Unrestricted funds	15	564,050		602,190	
Restricted funds	14				
Grant in Aid (operating)		1,112,339		1,061,860	
Grant in Aid (purchases)		27,262		19,891	
Other restricted funds		3,079,829		1,713,260	
		4,783,480		3,397,201	

Approved by the Board of Trustees on 19 July 2005

Vice Admiral Sir Roy Newman KCB JP DL
On behalf of the Board of Trustees

Commander JJ Tall OBE RN
Accounting Officer

Consolidated Cashflow Statement for the year ended 31 March 2005

	Non-public Funds £	Restricted Grant in Aid £	Charity Funds 2005 £	Group 2005 £	Group 2004 £
Net cashflow/outflow from operating activities	994,473	77,563	1,072,036	1,079,150	(23,624)
Return on investments and servicing of finance					
Bank interest received	34,225	243	34,468	34,823	19,577
Loan interest received	987	0	987	0	0
Dividends received	290	0	290	290	264
Capital expenditure and financial investment					
Purchase of fixed assets	(1,530,456)	(25,871)	(1,556,327)	(1,556,327)	(223,271)
Repayment of limited company loan	4,000	0	4,000	0	0
Increase/decrease in cash	<u>(496,481)</u>	<u>51,935</u>	<u>(444,546)</u>	<u>(442,064)</u>	<u>(227,054)</u>
Reconciliation of Changes in Resources to Net Cashflow from Operating Activities					
Net incoming/(outgoing) resources for year	1,280,023	17,801	1,297,824	1,305,753	(51,401)
Depreciation	44,133	51,734	95,867	95,867	82,718
Investment income and interest received	(35,503)	(243)	(35,746)	(35,113)	(19,842)
Increase/(decrease) in creditors	(46,750)	5,093	(41,657)	(42,644)	(56,343)
Increase/(decrease) in provisions	(89,794)	0	(89,794)	(89,794)	119,000
(Increase)/decrease in stocks	0	0	0	8,933	851
(Increase)/decrease in debtors	(157,636)	3,178	(154,458)	(163,852)	(98,607)
Net cash inflow/(outflow) from operating activities	<u>994,473</u>	<u>77,563</u>	<u>1,072,036</u>	<u>1,079,150</u>	<u>(23,624)</u>

Notes to the Consolidated Financial Statements for the year ended 31 March 2005

1 Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting by Charities issued in 2000 and guidance issued by HM Treasury. The financial statements are prepared under the historical cost convention modified to include fixed assets at their value to the business by reference to current costs.

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

Incoming resources

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

Land and buildings

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

Fixtures and fittings

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

Office equipment

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

Assets held by Submarine Giftshop Limited

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

Fixtures and fittings	-25% on cost
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Basis of cost allocation

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

Expenditure on management and administration of the charity includes all expenditure not directly relating to the charitable activity or fundraising ventures. This includes costs of renting and running office premises, staff salaries for administrative staff and audit fees.

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

Grants receivable

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

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

Restricted funds

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

Unrestricted funds 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% (2003: 6%) 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.

Collection 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 £27,856 (2003-2004 £26,904), is represented by the contributions payable under the group scheme, which are fixed at 12.5%. No amounts were outstanding at the year end. The contributions payable under the PCSPS to the Paymaster General at rates determined from time to time by the Government Actuary, for 2004-2005 were as follows

Non-industrial staff

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

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

For 2004-2005, employers' contributions of £1,006 were payable to the PCSPS (2003-2004 £2,064) at one of four rates in the range 12 to 18.5 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

2 Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary which is incorporated in the United Kingdom. Submarine Giftshop Limited operates a souvenir shop within the museum.

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 2005

	2005 £	2004 £
Turnover	97,691	117,352
Cost of sales	(53,465)	(61,417)
Gross profit	44,226	55,935
Administration	(35,310)	(40,594)
Interest payable	(987)	(1,008)
Net profit	7,929	14,333
Corporation tax	0	0
Amount gifted to Royal Navy Submarine Museum	0	(10,000)
Retained in Subsidiary	7,929	4,333
Capital and reserves	33,022	25,093

Submarine Giftshop Limited has an issued share capital of 2 ordinary shares of £1 each.

Related party transactions

Submarine Giftshop Limited is a related party of the Royal Navy Submarine Museum and, in addition to the above transaction, pays interest to the Museum on the outstanding loan, as detailed below.

Amounts paid in Loan interest

£	£
987	1,008

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

3 Direct charitable expenditure

	Unrestricted Funds £	Restricted		Total 2005 £	Total 2004 £
		Grant in Aid £	Other Funds £		
Museum running costs					
Staff costs	166,157	269,328	0	435,485	425,363
Donations	4,250	0	0	4,250	5,120
Education	0	4,097	0	4,097	6,249
Training	0	817	0	817	1,564
Health and safety	0	5,004	0	5,004	5,189
Purchase of exhibits	0	9,629	0	9,629	298
Exhibit maintenance	0	0	3,615	3,615	0
Security	0	0	0	0	1,711
Photographic	2,557	1,646	0	4,203	2,706
Rent and rates	0	4,697	0	4,697	3,591
Printing, postage and stationery	45	7,363	0	7,408	11,358
Telephone	0	5,699	0	5,699	5,742
Insurance	0	17,718	5,056	22,774	11,231
Archives	4,460	7,720	0	12,180	24,373
Light and heat	0	5,237	0	5,237	7,000
Repairs and renewals	828	36,611	4,658	42,097	81,899
Jetty maintenance	0	0	0	0	400
Provision for contaminated land costs	0	0	74,107	74,107	119,000
HMS Alliance	0	0	14,104	14,104	86,789
Holland One	0	0	0	0	2,705
Depreciation	11,429	51,731	32,707	95,867	81,259
	<u>189,726</u>	<u>427,297</u>	<u>134,247</u>	<u>751,270</u>	<u>883,547</u>

4 Fundraising and publicity

	Unrestricted Funds £	Restricted		Total 2005 £	Total 2004 £
		Grant in Aid £	Other Funds £		
Publicity and public relations	0	35,753	0	35,753	40,857
Printing, postage and stationery	3	526	11	540	811
Telephone	0	407	0	407	404
Insurance	0	1,266	0	1,266	802
Light and heat	306	414	0	720	0
Rent and rates	0	276	0	276	211
	<u>309</u>	<u>38,642</u>	<u>11</u>	<u>38,962</u>	<u>43,085</u>

The costs included as fundraising and publicity relate to specific fundraising activities and general museum marketing.

5 Management and administration of the Charity

	Unrestricted Funds £	Restricted		Total 2005 £	Total 2004 £
		Grant in Aid £	Other Funds £		
Staff costs	0	4,819	0	4,819	4,589
Telephone	0	2,035	0	2,035	2,020
Insurance	0	6,328	0	6,328	4,011
Cleaning and sundry	2,486	1,464	0	3,950	5,194
Light and heat	612	828	0	1,440	0
Rent and rates	0	553	0	553	423
Accountancy	0	12,240	0	12,240	6,040
Audit	0	7,000	0	7,000	8,500
Printing, postage and stationery	15	2,630	0	2,645	4,057
Motor and travel	386	4,985	0	5,371	5,969
Subscriptions	70	385	0	455	828
Consultancy	0	147	0	147	31,087
Legal and professional	0	0	13	13	4,142
Bank charges	284	2,850	315	3,449	4,021
Equipment rentals	5,557	1,020	0	6,577	6,481
	<u>9,410</u>	<u>47,284</u>	<u>328</u>	<u>57,022</u>	<u>87,362</u>

6 Total resources expended (Charity only)

	Staff costs £	Other costs £	Depreciation £	Total 2005 £	Total 2004 £
Museum running costs	435,485	219,918	95,867	751,270	883,547
Fundraising and publicity	0	38,962	0	38,962	43,085
Management and administration	4,819	52,203	0	57,022	87,362
Notional charges	0	39,227	0	39,227	37,427
Total	<u>440,304</u>	<u>350,310</u>	<u>95,867</u>	<u>886,481</u>	<u>1,051,421</u>

	2005	2004
	£	£
<i>Staff costs</i>		
Wages and salaries	379,335	370,635
Social security costs	32,107	30,349
Pension costs	28,862	28,968
	<u>440,304</u>	<u>429,952</u>

Except for the director, no employee earned £40,000 per annum or more.

The average number of employees, analysed by function, was

	2005	2004
Museum services	21	22
Fundraising and publicity	0	0
Management and administration of the charity	5	5
	<u>26</u>	<u>27</u>

The director, JJ Tall, had a basic salary during the year ended 31 March 2005 of £43,555 per annum. The director is aged 62. The Museum made contributions to the Director's share of the Group Pension Plan of £5,426 during the year.

No Trustees received remuneration during the year (2004: NIL). Four Trustees were reimbursed for travel expenses totalling £2,120 (2004: £2,157).

7 Grants and donations

During the year the following grants and donations were received:

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

	Unrestricted Funds £	Restricted		Total 2005 £	Total 2004 £
		Grant in Aid £	Other Funds £		
Operations	0	513,157	119,157	632,314	492,582
Purchase of exhibits	0	17,000	0	17,000	16,750
	<u>0</u>	<u>530,157</u>	<u>119,157</u>	<u>649,314</u>	<u>509,332</u>
Other grants and donations					
Society of Friends	0	0	0	0	7,000
The Grocers's Charity	0	0	50,000	50,000	0
Sir Peter Shepherd Charitable Trust	0	0	3,000	3,000	0
Pilgrim Trust	0	0	15,000	15,000	0
Trustees of Commander W Dennis	0	0	1,000	1,000	0
Heritage Lottery Fund	0	0	1,243,463	1,243,463	202,877
Esmee Fairbairn Foundation	0	0	0	0	40,000
John Ellerman	0	0	0	0	10,000
Thales	0	0	0	0	5,000
MCC Davies	0	0	0	0	1,000
Miscellaneous amounts	5,806	0	3,215	9,021	9,834
	<u>5,806</u>	<u>0</u>	<u>1,315,678</u>	<u>1,321,484</u>	<u>275,711</u>

During the year the following grants and donations were paid

Restricted

	Unrestricted Funds £	Grant in Aid £	Other Funds £	Total 2005 £	Total 2004 £
Royal Navy Benevolent Trust					
From Collected Donations	340	0	0	340	120
From Trustees Private Funds	4,000	0	0	4,000	4,000
Mrs J Holmes	0	0	0	0	1,000
	<u>4,340</u>	<u>0</u>	<u>0</u>	<u>4,340</u>	<u>5,120</u>

The donations paid include monies collected by the Museum for this purpose, together with further amounts from the Trust's unrestricted funds.

8 Tangible assets

Group

	Land and Buildings £	Fixtures and Fittings £	Office Equipment £	Assets Under Construction £	Purchase of Exhibits Total £	Total £
Cost or valuation						
1 April 2004	2,407,829	206,597	45,856	206,157	32,406	2,898,845
Additions	0	16,005	19,818	1,514,124	6,380	1,556,327
Revaluation in year	93,183	3,660	(3,399)	0	0	93,444
31 March 2005	<u>2,501,012</u>	<u>226,262</u>	<u>62,275</u>	<u>1,720,281</u>	<u>38,786</u>	<u>4,548,616</u>
Depreciation						
1 April 2004	109,936	103,175	38,426	0	0	251,537
Charge for the year	65,912	21,648	8,307	0	0	95,867
Revaluation	4,254	1,607	(422)	0	0	5,439
31 March 2005	<u>180,102</u>	<u>126,430</u>	<u>46,311</u>	<u>0</u>	<u>0</u>	<u>352,843</u>
Net book value						
31 March 2005	<u>2,320,910</u>	<u>99,832</u>	<u>15,964</u>	<u>1,720,281</u>	<u>38,786</u>	<u>4,195,773</u>
31 March 2004	<u>2,297,893</u>	<u>103,422</u>	<u>7,430</u>	<u>206,157</u>	<u>32,406</u>	<u>2,647,308</u>

The net book value of fixtures and equipment includes assets held by the Submarine Giftshop Limited, which have been fully depreciated. Whilst the Museum is required to follow HM Treasury's guidance and therefore revalues its tangible fixed assets annually, the trading company is not subject to Treasury guidance and does not revalue its tangible fixed assets.

Land and buildings were valued on the basis of depreciated replacement cost as at 31 March 2002. The valuation was undertaken by DJH Reddy FRICS ACI Arb of Messrs. Hellier Langston.

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.

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

The site of the Royal Navy Submarine Museum is occupied under a lease from the Secretary of State for Defence dated 17 October 2000. This lease has been valued and included as an asset of the Museum, in accordance with FRS 5: Reporting the Substance of Transactions.

9 Investments

	2004	
	Charity £	Group £
Market value at 1 April 2004	13,550	13,550
Acquisitions at cost	0	0
Disposals at opening book value	0	0
Net unrealised gains/(losses)	450	450
Market value at 31 March 2005	<u>14,000</u>	<u>14,000</u>
Historic cost at 31 March 2005	<u>11,230</u>	<u>11,230</u>
Market value at 31 March 2004	<u>13,550</u>	<u>13,550</u>
Historic cost at 31 March 2004	<u>11,230</u>	<u>11,230</u>

All investments held are listed on the United Kingdom Stock Exchange. All investment income is generated from listed investments.

All investments were donated to the Museum in 2002.

10 Stocks

	2005		2004	
	Charity £	Group £	Charity £	Group £
The amounts attributable to the different categories are as follows				
Goods for resale	<u>0</u>	<u>40,490</u>	<u>0</u>	<u>49,423</u>
	<u>0</u>	<u>40,490</u>	<u>0</u>	<u>49,423</u>

11 Debtors

	2005		2004	
	Charity £	Group £	Charity £	Group £
Amounts due within one year				
Social Security and other taxes	121,631	120,740	20,698	19,426
Other Debtors	154,333	154,333	88,375	88,375
Prepayments	20,181	18,186	32,614	21,606
Amounts owed by Submarine Giftshop Ltd	12,231	0	16,231	0
	<u>308,376</u>	<u>293,259</u>	<u>157,918</u>	<u>129,407</u>

The loan to the Submarine Giftshop Limited is secured by debenture.

Social Security and other taxes consist of the VAT due on expenditure incurred in respect of the construction of the John Fieldhouse Building.

12 Cash at bank and in hand

	2005 £	2004 £
Unrestricted funds	210,155	237,504
Centennial funds	8,124	12,938
Development fund	114,809	579,127
	<hr/>	<hr/>
Non-public funds	333,088	829,569
Public funds	12,097	(39,838)
	<hr/>	<hr/>
Cash at bank and in hand – Charity	345,185	789,731
	<hr/>	<hr/>
Trading subsidiary	13,991	11,509
	<hr/>	<hr/>
Cash at bank and in hand – Group	359,176	801,240
	<hr/>	<hr/>

13 Creditors – amounts falling due within one year

	2005		2004	
	Charity £	Group £	Charity £	Group £
Trade creditors	3,891	4,157	3,278	3,433
Other taxes and social security	9,395	10,113	8,215	8,671
Other creditors	1,093	1,093	1,411	1,411
Accruals	36,272	41,627	79,404	86,119
	<hr/>	<hr/>	<hr/>	<hr/>
	50,651	56,990	92,308	99,634
	<hr/>	<hr/>	<hr/>	<hr/>

14 Restricted funds

	Balance at 1 April 2004 £	Incoming resources £	Expenditure £	Transfers £	Balance at 31 March 2005 £
Grant in Aid (operating)	1,061,860	553,251	(502,772)	0	1,112,339
Grant in Aid (purchases)	19,891	17,000	(9,629)	0	27,262
Centennial project	58,386	60,692	(26,719)	0	92,359
Development fund	1,654,874	1,405,283	(72,687)	0	2,987,470
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	2,795,011	2,036,226	(611,807)	0	4,219,430
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

15 Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net Current Assets £	Total £
Restricted funds				
Grant in Aid (operating)	1,110,050	0	2,289	1,112,339
Grant in Aid (purchases)	38,785	0	(11,523)	27,262
Centennial fund	78,287	14,000	13,072	105,359
Development fund	2,621,482	0	352,988	2,974,470
	<u>3,848,604</u>	<u>14,000</u>	<u>356,826</u>	<u>4,219,430</u>
Unrestricted funds – Charity	347,170	2	216,878	564,050
	<u>4,195,774</u>	<u>14,002</u>	<u>573,704</u>	<u>4,783,480</u>
Non charitable trading funds	(1)	(2)	33,025	33,022
	<u>4,195,773</u>	<u>14,000</u>	<u>606,729</u>	<u>4,816,502</u>
Total net assets – Group				

16 Commitments and contingent liabilities

	2005		2004	
	Charity £	Group £	Charity £	Group £
Capital commitments				
Expenditure contracted for	1,105,260	1,105,260	2,212,038	2,212,038
Authorised by the trustees but not contracted	0	0	0	0
	<u>1,105,260</u>	<u>1,105,260</u>	<u>2,212,038</u>	<u>2,212,038</u>

Contingent liabilities

The Charity had no contingent liabilities at 31 March 2005 or at 31 March 2004.

17 Provisions for liabilities and charges

	Provisions £
At 1 April 2004	119,000
Costs paid out in year	(163,901)
Costs charged to SOFA	44,901
Increase in provision	<u>29,206</u>
At 31 March 2005	<u>29,206</u>

A provision of £119,000 was recognised during the year ended 31 March 2004 for contract penalty costs and additional building costs. A further £29,206 has been recognised during the year ended 31 March 2005.

Work got underway on the John Fieldhouse Building on March 1 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 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. In the meantime remediation and contract penalty costs of £69,000 fell to the Museum as a direct result of this delay. Once building was restarted, additional costs were incurred due mainly to a rise in price of raw materials.

The Museum received £98,947 from Defence Estates during the year ended 31 March 2005 with a further £20,210 received in April 2005. Negotiations for the balance of the costs are underway with the landlord.

18 Other commitments

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

	Land and Buildings 2005 £	Other 2005 £	Land and Buildings 2004 £	Other 2004 £
Expiry date				
Within one year	0	0	0	0
Over one year				
Between two and five years	0	6,405	0	6,405
In more than five years	0	0	0	0
	<u>0</u>	<u>6,405</u>	<u>0</u>	<u>6,405</u>

19 Other related party transactions

The Royal Navy Submarine Museum is a Non Departmental Public Body, sponsored by the Ministry of Defence (the MoD). The MoD is regarded as a related party. Grant in Aid funding from the MoD is separately disclosed in the Statement of Financial Activities.

The Royal 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 £NIL to the Museum, but have pledged £20,000 to be donated during the year ended 31 March 2006.

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 £4,190 for her services.

20 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax. The charity's trading subsidiary had a corporation tax liability of £NIL as at 31 March 2005 (2004: £NIL).

21 External performance indicators

Ratio of self-generated income to GiA

Year	Self Generated Income £	Grant in Aid Income £	% Total Revenue GiA	% Total Revenue Self Generated	
2004-2005	179,000	530,000	75%	25%	Actual
2004-2005	169,000	530,000	76%	24%	Budget
2003-2004	176,000	509,000	74%	26%	Actual

22 Post balance sheet events

The Museum expects to receive the full proceeds (£160,000) from the sale of a property gifted to it under a will once probate is completed in October 2005. A payment on account of £100,000 was made by the executors in June 2005.

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 31st 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.

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