



ANNUAL REPORT AND ACCOUNTS

2003-2004

Chairman's Introduction

I start my introduction on a somewhat gloomy note. As is reported both in the Director's Report and the Consolidated Accounts, our John Fieldhouse Building Project has run into troubled waters because of the discovery of diesel pollution in the groundwater beneath the site. This totally unexpected setback has been both a source of frustration (a three months delay period has been incurred), and financial concern (the 'who will pay for the delay' argument rumbles on with our Landlord, the Ministry of Defence). I am confident that we can resolve the latter concern amicably, although I am less confident about being able to make up much of the lost time. A major disappointment in this respect is the effect the delay will have on our tourist season income with JFB now opening in September 2005 rather than June, and the fact that we will not be able to play our expected full part in the *Year of the Sea* celebrations.

Despite this setback, the Museum nevertheless has much to be proud of over the last twelve months. The award of a Heritage Lottery Fund Stage II grant of £1.95M for our JFB project was of course the highlight. Our selection to partner the *Search Museum* in Gosport as part of Hampshire County Museum's Service education initiative was most pleasing, and the fact that the Channel Four programme *Salvage Squad* selected our German 'Biber' mini-submarine as a subject delighted the eye and our pockets because with its resurrection as a sea-going submarine came a comprehensive conservation package. Great strides have been made in the ongoing care of the collections, and in particular Alexandra Havelock, our Keeper of Artefacts, is to be congratulated on her energy and foresight in securing a couple of important collections for the Museum. We have introduced new displays and exhibitions into the Weapons Gallery, and with the introduction of the Sub-bus, which is packed full of interactives, I truly believe that RNSM is as close to being 'child-friendly' as it can be. With the addition of a covered Picnic Area later this year, we will also add significantly to the physical comfort of our disabled visitors.

On the broader strategic front we have again seen significant progress. The Business Review Team reported favourably on our performance, and as a result of their recommendations we are about to witness the establishment of the Naval Heritage Committee (NHC) which will enhance the 'joining-up' of the story of the Royal Navy between its four Museums. Although well short of the amalgamation that would have created a National Museum of the Royal Navy as recommended by Doctor Alan Borg a couple of years ago, the NHC will nevertheless introduce a most welcome oversight of the Royal Naval heritage estate which at the moment is a little disjointed. I also greatly welcome the publication of Defence Council Instruction 16/04 which provides an in-service focus on the Museum never expressed before.

The *Millennium Tower* across the harbour continues its progress into the sky, and as it takes shape so it offers a beam of hope for the fortunes of the historic Portsmouth Dockyard. At present I sense that whilst the Millennium Commission invested great confidence in the future of the tourist prospects of the Harbour through the funding of two additional attractions, the size of visitor cake has remained static at best, with all Museums (both old and new) having to exist on slimmer slices. It is to be hoped that the Tower will fulfil all its potential and add some much needed growth to the size of the overall visitor numbers. We are investing significant effort through our marketing strategy to raise our individual, as well as collective, visibility.

As ever, on behalf of my Board of Trustees, I wish to thank our supportive Society of Friends and our generous benefactors on whom our future progress depends. I also wish to pay tribute to our hard-working and dedicated staff, a feature remarked upon by the Business Review Team, and in particular our Director, Commander Jeff Tall OBE RN, who in July passed the significant milestone of having been ten years in his post.

Vice Admiral Sir Roy Newman KCB JP DL
Chairman of Trustees

REPORT OF THE TRUSTEES

Introduction

Many of the issues that relate specifically to the governance and oversight of the Museum's affairs are contained in the Foreword to the Consolidated Annual Accounts, which is attached as an Appendix to this report.

Trustees' Health and Safety Policy

The Trustees' statement of general policy is:

- To provide adequate control of the health and safety risks arising from our work activities.
- To consult with our employees on matters affecting their health and safety
- To provide and maintain safe plant and equipment
- To ensure safe handling and use of substances
- To provide information, instruction and supervision for employees
- To ensure all employees are competent to do their tasks, and to give them adequate training
- To prevent accidents and causes of work related to ill health
- To maintain safe and healthy working conditions
- To review and revise this policy as necessary at regular intervals

Health and Safety matters are regularly addressed by the Audit Committee through their review of the Risk Management Register.

The Society of Friends of the Royal Navy Submarine Museum

The Museum has continued to benefit from the support of an active Society of Friends. During the year grants totalling £7,000 were received which contributed to the following improvements to the Museum:

- (a) refurbishment of an additional archive store
- (b) provision of specialist storage tubes for the *Jolly Roger* flag collection

THE MUSEUM DIRECTOR'S ANNUAL REPORT

By
Commander Jeff Tall OBE RN

Strategic background

The Museum, with its partner Armed Forces Museums, underwent a Quinquennial Review during the year conducted by the MoD Business Review Team and sponsored by DCDS(Pers). Its major recommendations as they related to RNSM were that:

- (a) the museum retain its NDPB status
- (b) its sponsorship remains within the MoD
- (c) a Naval Heritage Committee be established which has an overview of the whole Royal Navy heritage estate

In addition to the Business Review, a welcome new Defence Council Instruction (DCI 16/04) has been issued by the Sponsor Department which clearly defines the roles and responsibilities of the four Museums of the Royal Navy, and for the first time establishes a marketing link between the Museums and HMS Victory.

Review of Performance

The Business Review

On performance of the Armed Forces Museums, the Review Body commented

We were impressed by the enthusiasm and dedication of the museum staff we met and their ability to generate a quality product with limited means. The report highlights notable achievements of the museums over the last six years against a background of increasing public expectations and legislative and professional standards. These include fundraising, the completion of a number of capital projects, progress with various educational initiatives, and new work streams.

Achievements 2003/04

- Successful outcome of the Business Review
- Completed Development Phase of the John Fieldhouse Building (JFB) Project (July)
- Awarded Stage II Heritage Lottery Fund Grant (£1.949M) (December)
- Started JFB (March)
- Upgraded Torbay Building Network for Security and E-mail systems
- Introduced Web / CCTV Cameras *HMS Alliance* (Preparation for JFB and access evaluation)
- Introduced wireless network to site (Preparation for JFB)
- Introduced new fire alarm system into Torbay Building
- Completed installation of Thales sponsored *Respite* interactive
- Revamped Weapons Gallery to include three new exhibitions
- Resited Giftshop
- Acquired the submarine and general diving elements of the Sir Robert Davies/Siebe Gorman Collection
- Integrated the Heritage Collection in the Royal Naval Submarine School, HMS Raleigh

- Met the challenges (and more) of the SEMLAC Hub education initiative relating to SAT-failing schools (in partnership with the *Search Museum* in Gosport)
- Participated in the Salvation Army *Dads Lads and Lasses* initiative
- Introduced 'free entry scheme' for schools and organised youth groups (eg scouts)
- Initiated site-wide 'Access' scheme
- Copious media activities, particularly associated with D-Day and the 60th anniversary of the sinking of *Tirpitz*
- Preparation of the books 'History of Submarine Badges' (author RNSM), and the biography of Admiral of the Fleet Lord John Fieldhouse of Gosport (author Captain Basil Watson RN)

Staff Changes

In July we said farewell to our Archivist, Margaret Bidmead, who after twenty years of service to the Museum decided to seek pastures new in Scotland to pursue a new career in publishing. We wish her well.

George Malcolmson was appointed in her place. George is a naval historian in his own right and owns one of the most important collections of historical military postcards in the country. His previous experience as the Marketing and PR Officer for the Museum gave him a flying start, and his new job fits him like a glove.

I am pleased to report that Debbie Corner, our Keeper of Photographs, has been awarded an NVQ IV in Museum Studies. This equates to a degree level vocational qualification, and the award is a highly pleasing outcome for both her and the Museum.

Two other members of staff, Alexandra Havelock (Keeper of Artefacts) and Jackie Edelman (Education Officer), are pursuing AMA status.

Performance through the gate

In terms of visitor numbers the year has been disappointing (6.5% down), although because of a small increase in entrance prices, the Museum has held its own in financial terms with an increase in gate receipts of 5.6%. This helped the Museum to generate a small surplus.

The summer of 2003 with its prolonged glorious weather meant that families headed for beaches, parks and gardens rather than more indoor and erudite pursuits being offered by Museums situated close to the sea. It is also worthy of note that the category of visitor most notably absent were the 'freebies' – for example those who won tickets in a school raffle – and they accounted for 3,000 of the 3,660 who went AWOL compared with the previous year.

Grant-in-Aid and finance

Approximately 70% of the Museum's funding is provided by the Ministry of Defence through the budget of the Second Sea Lord, with the remaining 30% being provided by visitor income, donations, and most significantly, grants from The Society of Friends. Without this last category we would struggle to maintain an improvement programme for the welfare of the Collections.

It is also a fact that it would be totally unrealistic to expect Grant-in-Aid to increase proportionately year on year given the squeeze on Defence expenditure. Therefore, increasingly, in order to fulfil our remit to care for our magnificent collections while at the same time making them more

accessible to all sections of society, we must become more self-sufficient and entrepreneurial. In particular we must exploit the potential and income provided by corporate entertaining and retail sales.

It was in recognition of this sobering fact that we embarked on the John Fieldhouse Building, on whose success, combined with the enduring appeal of *HMS Alliance*, rests the future of the Museum.

Review of Activity and Development

The John Fieldhouse Building

After three years from feasibility study to ultimate decision, the Museum finally received the full backing of the Heritage Lottery Fund in December 2003. We were awarded a grant of £1.95M, which followed a development grant of £154,000. Given the intense competition for funds nationwide, we did well to maintain HLF's confidence in us, and because the conservation of *HMS X24* is at the heart of the project, it underlines the importance of our historic submarines to the fabric of the national maritime heritage.

We must also pay tribute to our Architect, Robert Warren (Portsmouth University trained), and his team of consultants, for not only developing a magnificent thematic concept but also, despite galloping inflation in the building industry, getting the price right! Two of the five tenders received were just below the budgeted figure of £1.68M for the building's construction. The costs of the development phase, the new *Submarine and Science exhibition*, the conservation of *HMS X24*, the revamping of the current building and its exhibitions, and fees, swells the total price to about £2.5M. In order to remain within the grant 'bracket', it was necessary to trim some of our plans for the new displays in the Historical Galleries, so I will be casting the net to our supporters in industry (if there are any left with money to spare!) for the 'missing' £75k.

Attached to the HLF contract were a number of Special Conditions, all of which have been dealt with. The liability that had to be taken at risk was the Condition surrounding a site-wide access audit, the actions arising from which would make the Museum as compliant as possible with the Disability Discrimination Act which comes fully into force in October this year. Those actions will cost about £90k over the next couple of years, and I am delighted to say that the Society of Friends pledged £20k to ease the strain in this direction. Not to have taken this Condition at risk would have further delayed the HLF decision, without any guarantee of success.

The Project Manager for the delivery of JFB is Robert Warren; the construction contract was awarded to Henry Jones (part of the Kier Group); the Exhibition contract to David McCabe; *X24* conservation to Ian Clark (of *Holland 1* fame); and Lieutenant Commander Frank Muscroft RN has been engaged as a consultant to provide the Director with another pair of managerial eyes and ears in overseeing the whole project.

Henry Jones started on-site on March 1st, with a timetable of 48 weeks to complete the buildings. Three months has been allowed for the fit-out of the exhibitions, with about a month of de-snagging and setting to work, meaning that the new all-singing, all-dancing facility will be unveiled in early June 2005. This will be in time for the summer season, the year of *Sea Britain*, and the International Festival of the Sea to be held in Portsmouth in August.

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However, with intense regret, it has to be reported that the project has suffered a delay of approximately three months due to ground contamination. During excavation work serious unexpected diesel pollution was discovered in the ground water under the Museum site, which also extends into the neighbouring Fort Blockhouse. The Museum sits to a significant extent on land previously occupied by two 500-ton diesel storage tanks. It would appear that the past practice of filling these tanks to the top was by the 'overflow-method', which in turn had, over the years, created a 'sump' of pollution.

The immediate remediation requirements that allow work on the foundations of the building to continue have now been dealt with by the Landlord (Defence Estates), while a longer term overall Risk Assessment, which will determine whether any further work is required, will be conducted to meet Environment Agency standards.

HMS Alliance

It was mentioned earlier that *HMS Alliance*, with JFB, underpins the Museum's future, indeed she will remain, in popularity terms, our 'jewel in the crown'. Her welfare has not been neglected, and over the last two years or so has had £50k spent on her to attempt to arrest her degradation as we prepare a long-term strategy that will ensure her survival for decades to come.

Simply put her upper-works and keel are showing the ravages of time and need to be replaced/refurbished, her hull needs to be taken back to bare metal and painted with anti-corrosion paint, and her internals (particularly her electrics) need to be brought up to appropriate conservation and health and safety standards. All this needs to be achieved sensitively so as not to interfere with her enormous heritage value, representing as she does the generations of diesel-driven boats that stretch back to the D-Class of 1908.

Twelve months ago the consultancy-engineering firm Scott Wilson were engaged to conduct a full survey and prepare a long-term conservation plan, and this was put out for estimate last month. To date only one company has responded, and has provided a figure of £2.1M. Although this sounds horrendously high, it is in fact within 5% of that anticipated by the Consultants. It should be emphasised that this is an estimate and we are not committed to such a sum, however it is a useful yardstick against which we can measure the challenge that lies ahead both in terms of assessing our own ability to support the anticipated matched funding, and defines the size of grant that we will need from the HLF to make the project viable.

It is a great pleasure to announce that the project has attracted the support of the Worshipful Company of Grocers who have provided a generous grant of £50k that will allow us to complete the Submarine's internal electrical upgrade element of the overall project. This element is an essential precursor for all other downstream activities.

Biber

It is a truism that when dealing with conservation issues concerning large metallic objects (ie submarines!), every challenge carries a huge price tag. So it was with some satisfaction and immense gratitude that because of the efforts of our conservator Ian Clark, we managed to attract the attention of the Channel Four TV programme *Salvage Squad* (fronted by Sugs of the pop-group 'Madness' fame). The proposition was to restore our pretty ropey *Biber* (No105) to a seaworthy condition, the curatorial justification being that the Imperial War Museum (IWM) already owned No95 in a complete condition. The programme covering the project made excellent TV and brought an insight into not only conservation techniques, but also a picture of the young German pilots who

were unfortunate enough to have had to serve in them. It was also a triumph of co-operation between Fleet Services Limited in the Naval Base, the LR5 (Submarine Rescue Vessel) team, the Royal Navy, the IWM and ourselves. We are most grateful to all those who made the project possible.

The end result is that RNSM owns the only seagoing WWII vintage submarine in the world! Biber 105 is now back on display under cover in the Weapons Gallery and is being locally dehumidified to keep her in good condition.

HMS Respite

The *Res(olution)(Wars)pite* trainer was the shore-side simulator based in Faslane for training SSN and SSBN crews in ship control manoeuvres and casualties. Thanks to the efforts a single Civil Servant in Bath the trainer was saved from disposal and shipped south by Thales Simulation and Training based in Horsham. At their works, the Thales team computerised the workings and installed it at the Museum. We are now the proud owners of an evocative nuclear powered submarine Control Room set up which is enjoyed by young and old alike.

The Weapons Gallery

As well as housing the *Biber* and the *Control Room* exhibitions, the building also provides a dry home for all our weapons (torpedoes, missiles and mines). Although this former WWII workshop will never win any architectural prizes (its bricks are laid vertically rather than horizontally to save money!), it is nevertheless worth its weight in gold to us. We have developed three new exhibitions in its copious space and they are *The History of Submarine Weapons* (2005 represents the centenary of the death of Robert Whitehead – the father of the locomotive torpedo); *Special Forces in Submarines* (to Biber, Maiale (Italian Human Torpedo), Dalgety Canoe (SBS) we have added a Folbot (folding boat) used extensively by the COPPs and agents during WWII); and finally *The Submarine at War* which is a mix of artefacts, pictures, facts and figures which culminates in a tactical poser for the visitor through the use of an X-craft periscope and models.

General curatorial matters

With the help of the Friends we have been able to constantly upgrade the curatorial care facilities within Torbay Block. The Keeper of Artefacts (Alexandra Havelock) now has a freeze facility to get rid of bugs from organic-based artefacts; The Keeper of Photographs (Debbie Corner) has a smart new photographic store and comprehensive desk top facility for digitising photographs; The Technical Support Manager (JJ Malloy) has an up to date recording suite that has allowed us to digitise many of historic videos and recordings; and the Archivist (George Malcolmson) has introduced a measure of environmental control into his stores. All these activities helped us to secure Phase II registration with the Museums Libraries and Archives Council early last year, and because digitisation makes the collections easier to access, we are able to introduce enhancements to the exhibitions with relative ease.

A specific area of help received from the Society of Friends during the year was a grant to refurbish an ‘archive overflow’ store, which will also prove invaluable when we have to temporarily decamp the exhibits from the present museum building during its refurbishment.

Education Matters

Our Education Officer (Jackie Edelman) continues to build the Museum's reputation for excellence in the field of education. Although limited for opportunities to relate directly to the National Curriculum in history, Jackie has through lateral thinking, come up with a number of innovative ideas to connect submarine history with school work, for example relating the Anderson Shelter in the Blitz to the conditions in a submarine under depth charge attack. In the science subjects things are a little easier through hydrodynamics (shapes) and communications.

RNSM was selected by Hampshire County Council to partner the 'Search Museum' in Gosport as a source of educational enhancement for those schools whose record in the SATS examination was below par. Regional Museum 'hub' money was provided to transport hundreds of children over the course of one week to the Museums. Feedback has been excellent, and the hope now is that the many schools which have been exposed to our facilities will return by their own volition in the future.

Another highlight has been the participation in the 'Dads Lads and Lasses' scheme sponsored by the YMCA. The purpose of this initiative is to use the Museum as a relaxed venue that will allow estranged fathers to 'reconnect' with their children with whom they have lost touch either through estrangement or other circumstances (eg incarceration at Her Majesty's pleasure).

Although not income generating activities, such initiatives are vitally important for the Museum as demonstrations of community involvement, a yardstick by which we are measured when it comes to applying for Grants from external sources.

Artefact collection matters

Alexandra Havelock (KoA) has had a very busy year in not only reorganising her artefact stores and greatly improving their stowage facilities, but also her willingness to get out and about has secured the future of two important collections. The first in the Royal Naval Submarine School, HMS Raleigh (RNSMS) and the second the Siebe Gorman/Robert Davies collection from the Science Museum.

The collection in RNSMS is based on material loaned from the Museum, but which is considerably enhanced by private and corporate material from visitors and sponsors aimed specifically at training and inter-submarine service relationships. As ever the establishment of the collection and its regular visitation has been driven by the enthusiasm of a couple of individuals, which made its future vulnerable. By formally adopting the collection as a Museum resource and accepting responsibility for its care, the move not only draws the material into the mainstream of the Royal Naval heritage (part of the remit of the Naval Heritage Committee), but it also establishes a regime for its regular muster and the establishment of appropriate display standards.

The importance of the Siebe Gorman Ltd/ Sir Robert Davies collection as they relate to the history of diving and submarine escape cannot be overstated. Working divers from all disciplines (caisson based as well as hard-hat) helped to put the 'Great' in Britain through their activities in building docks (which underpinned the country's mercantile trade), and a variety of other activities (such as building tunnels). Siebe Gorman Ltd's work in the fields of safe operating environments for these workers, and Davies' work on escape apparatus (including submarines) and defining effects of working at depth, were of international importance for over a century from the 1870s onwards. In addition to personal artefacts belonging to Davies, the collection also includes 31 original watercolours used to illustrate the diving 'bible' – Davies' *Submarines and Deep Sea Diving*.

CCTV experiment

Two CCTV cameras, communicating by wireless link to the Administration Building, have been installed to evaluate their functionality and usefulness in enhancing disability access to HMS Alliance as well as creating possible further interactive opportunities. This cheap, but hopefully effective, project is an inventive demonstration of harnessing technological advances in support of the Museum's objectives.

Media activities

It has been a busy year for interacting with the Media. Examples are:

BBC2 'Timewatch' – 'The sinking of SS Persia' featuring HMS Alliance

BBC2- 'What the Industrial Revolution did for us' featuring Turtle

Channel 4 - 'Salvage Squad' featuring Biber

Discovery Channel - 'The Secrets of the Deep' featuring the Hawkcraft Experiments

BBC South Today - 'Seahorse Whisky'

Radio 4 - Sue Cook 'Did I really see that' programme

Radio 4 – 'History of the Hydrophone' programme

History Channel - 'History of the Royal Navy'

BBC2 - 'War at Sea'

Grampian TV - 'Gunther Prien' featuring HMS Alliance

BBC Outside Broadcasts – 'D-Day' featuring HMS X24

BBC Timewatch – 'Destruction of the Tirpitz' featuring HMS X24

VIP Visitors

The Museum was graced by the presence of a number of VIPs during the year. Most notable among them were:

- *Her Royal Highness The Princess Royal*
- *Kate Adie*
- *The Rt Hon Baroness Thatcher*
- *Delegation from Russia and the Kursk relatives*
- *Doctor Igor Spaasky (the designer of the Typhoon, Victor and Oscar classes of Soviet Submarine)*

Outreach events

The Director has maintained a lively calendar of outreach events, delivering lectures on submarine history to the Open Museum at the National Maritime Museum, local Probus and Golf clubs, and to captive audiences onboard the Cruise Liners *Discovery* (Return to Murmansk), and *Black Prince* (Christmas in the Canaries).

Publications

Two articles on the Royal Navy Submarine Service and the Museum were published in the US Submarine Service's in-house magazine *Undersea Warfare*.

The Director acted as Consultant for the Dorling Kindersley children's book *Eyewitness Guide to Submarines*, with the Museum contributing many images and photographs.

The Website

The website attracted 181,500 virtual visitors last year, which represents an increase of 9.7% over the previous year.

Focus for Veterans

The Museum continues to play an active role in submarine veterans matters. In addition to organising the annual Submarine Officers' Dinner in the Fort Blockhouse Officers Mess, it hosted two events for the Dolphin Branch of the Submariners Association.

Focus for Youth

The Museum already provides free entry for organised youth groups (eg Cubs, Scouts), and actively encourages the use of its facilities. In addition the Museum is now formally affiliated to the Gosport (*HMS Hornet*) branch of the Sea Cadets. In addition the Museum has recently been gifted the Sub-Bus (an historic London Transport *Routemaster* double-decker) by the national HQ of the Sea Cadets which the Museum plans to keep on the road for its own use and that of the local community schools and similar organisations.

Disability matters

An updating exercise to ensure compliance with the introduction of the full terms of the Disability Discrimination Act in October 2004 coincided with the inclusion of a Special Condition addressing the matter in the contract with the Heritage Lottery Fund signed in December 2003. The required review has taken place, and a number of identified issues (eg ramps and safety rails) have either already been undertaken or are planned to be completed in the near future. The greatest challenge facing the Museum in this respect is improving accessibility to *HMS Alliance* as part of her conservation project, and as noted above, the Museum is working hard to identify enhancements to meet the aspirations of all our visitors.

Financial Review

Income

Grant-in-Aid increased in running cost terms by about 1%, although there was a welcome restoration of the acquisition element of the grant, which boosted the overall increase by 4.1% to a total of £509,000. Gate income showed an increase of £7k over the previous year. Other grants were lower than in past years, however Gift Aid from the shop helped to balance this fall with a sum of £17k in addition to a repayment of £2k from the outstanding amount of the Debenture.

Expenditure

It is Museum policy to provide staff emoluments which are, above all else reasonable *and* sustainable. Once again during the year an increase of pay of 2.5% was granted to all employees, and given the relatively poor year in terms of financial performance, a token £100 was paid as a Christmas bonus (which was gratefully received by the Staff).

It is noteworthy that the MoD Business Review revealed that the average cost of a post at RNSM was £15,058 in FY 02/03. This compared with a figure of £21,953 for a sister institution of similar size.

Other expenditure was in line with expectation, although additional investment was made in enhancing the fire alarm quality within the Archive and Administration Building.

Surplus

A surplus of £3k was generated.

Current state of reserves

The operating reserve stands at £212,000, though this is anticipated to drop by £100,000 during the coming FY as a result of expenditure on disability and marketing projects.

Anticipated performance 2003/04

The following are worthy of note

- (a) Visitor numbers are forecast to be 60,000 for the year, with a major ‘visitor satisfaction’ challenge to be managed once it becomes necessary to shut the Historic Gallery building for refurbishment (Nov-June 05)
- (b) The work required to satisfy HLF Special Conditions on Access and Marketing will be progressed.
- (d) A Pay increase of 3.5% to all staff was awarded on grounds of affordability. This compares to a Civil Service settlement in excess of 4.5%.
- (e) £10k will be paid over through Gift Aid from the Gift Shop, and a further £4k will be paid off from the Debenture owed to the Trustees, reducing it to £14k.
- (f) The operating surplus (negat project expenditure) is expected to be in the region of £3k.

EXTERNAL PERFORMANCE INDICATORS 2003/04

INTRODUCTION

Performance Indicators must be supported by relevant measures and facts that are finite, repeatable, and consistent. The following Performance Indicators have thus been established to assess the performance and activity of the institution:

Quantitative

Number of visitors in a financial year (Strat Aim 1)
 Ratio of self-generated income to GiA (Strat Aim 1/4)
 GiA subsidy per visitor (Strat Aim 1/4)

Qualitative

% of visitors reporting good or better value for money (Strat Aim 4)
 Number of children visiting in pre-booked school parties (Strat Aim 2)
 Number of photographic research enquiries received (Strat Aim 2)

Visitor numbers

1999/00	2000/01	2001/2002	2002/2003	2003/2004
62,527	67,468	78,276	64,100	59,516
Adult 17,374	Adult 21,298	Adult 45,069	Adult 31,036	Adult 27,554
OAP 6,962	OAP 7,356	OAP 8,752	OAP 6,762	OAP 6,671
Child 22,369	Child 22,931	Child 24,455	Child 26,302	Child 25,291
			Virtual 165,000	Virtual 181,500
				RNSMS 7,000

Ratio of self-generated income to GiA

Year	Trustee Income	Grant-in-Aid Income	% Total Revenue GiA	% Total Revenue Trust
99/00	158,407*	430,000**	71%	29%
00/01	202,500*	439,700	68.5%	31.5%
01/02	234,000*	485,000	68%	32%
02/03	217,160*	488,000	69%	31%
03/04	172,522*	508,000	74.6%	25.4%

(* excludes Appeal Fund income. ** excludes capital grant for disabled lift)

GiA subsidy per visitor

Year	GiA - visitors	GiA per visitor	GiA - Trust per visitor
99/00	£437,000 - 62,527	£6.98	£4.15
00/01	£436,000 - 67,468	£6.46	£3.36
01/02	£485,000 - 78,276	£6.20	£3.21
02/03	£488,000 - 64,100	£7.60	£4.22

03/04	£508,000 - 59,516	£8.53	£5.63	
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Visitor Satisfaction

Year	% Good/Very Good	No of written complaints		
99/00*	95%	1		
00/01	See report	1		
01/02**	99%	1		
02/03**	93%	1		
03/04***	93%	0		

(*Hampshire Benchmarking Project marketing research: **Southern Tourist Board ***self-completion survey showed very similar results to **)

*Number of children visiting in pre-booked school parties**

Year	Number
99/00*	3,260
00/01 *	3,906
01/02*	4,243
02/03*	3,956
03/04*	4,571

(*excluding CACTO)

*Number of photographic research enquiries received**

Year	Number		
99/00	311		
00/01	268		
01/02	353**		
02/03	235		
03/04	308	Archive Research	2,353

(* invoices dispatched;**100 centenary related)

ROYAL NAVY SUBMARINE MUSEUM
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004
Charity Number 1068419

ADDRESS OF THE CHARITY

The Royal Navy Submarine Museum
Haslar Jetty Road
Gosport
Hampshire
PO12 2AS

NAME AND ADDRESSES OF OTHER RELEVANT ORGANISATIONS

Accountants	Compass Accountants Venture House The Tanneries East Street Titchfield Hampshire PO14 4AR
Auditors	National Audit Office 157-197 Buckingham Palace Road Victoria London SW1W 9SP
Solicitors	Blake Laphorn Linnell New Court 1 Barnes Wallis Road Segensworth Fareham Hampshire PO15 5UA
Bankers	Lloyds TSB Gosport Branch 20 High Street Gosport Hampshire PO12 1DE

ROYAL NAVY SUBMARINE MUSEUM FOREWORD TO THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH 2004

Introduction

The consolidated accounts for the Royal Navy Submarine Museum are presented for the financial year ended 31st March 2004. 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 1991/92 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 submariners 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 project with a grant of £1.95M

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

Mission of the 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.
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.

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 2003/4:

Vice Admiral Sir Roy Newman KCB JP DL	Chairman
Rear Admiral N Kilgour	Vice Chairman
Rear Admiral A P Hoddinott CB OBE	
Captain TJ Meadows CBE Royal Navy (Rtd)	
Mr RM Webb	
Dr. MC Copp	
Mr T Schadla-Hall	
Mr L Sharmer-Smith OBE	
Mrs L Phillips (Appointed February 2004)	
Rear Admiral J T Sanders CB JP (Appointed March 2004)	
Councillor M Geddes	Nominated/Hampshire County Council
Councillor HG Burgess (Appointed May 2003)	Nominated/Gosport Borough Council
Mr T Walters BEM	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 2003 and January and March 2004.

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

Results for the year ended 31st March 2004

Total incoming resources for the Group in 2003-04 amounted to £1,064,604 (2002/03 £1,630,408). Total resources expended amounted to £1,153,432 (02/03 £1,016,682). After adjustment for notional charges and other recognized gains and losses totalling £146,884 (2002/03 £102,473), the net movement in funds was an increase of £58,056 (2002/03 £716,199).

The Group's net assets as at 31 March 2004 amounted to £3,422,294 (31 March 03 £3,364,238).

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 2004, the level of the Museum's Reserves stood at £256,822 (31 March 2003 £244,573).

A percentage of Museum funds (restricted and unrestricted) have been amalgamated into a single fund in order to attract the highest possible level of interest. 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
- e to mitigate unforeseen circumstances and contingencies

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 is likely to 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 annually over the next six years. However it was necessary to accept two HLF Special Conditions 'at risk' in order to move the JFB project along, and the decision was made to expend a required £100k to meet these conditions. The Reserve will therefore be reduced by £100k by the end of FY04/05, 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 agreed terms of business. The Museum's actual payment performance during 2003-04 was that these criteria were met in 95.2% of bills paid (2002-03 94.6%).

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 DC1 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 the '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 September 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) and putting them under cover in a purpose built structure). The cost estimate is £50,000, which the Museum will be required to find from its reserve/operating budget. This is in addition to Access and Marketing actions costing in the region of £100k, which are discussed above.

Post Balance Sheet Events

Post balance sheet events are shown 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. No non-audit work has been carried out.

Vice Admiral Sir Roy Newman KCB JP DL	Commander J J Tall OBE RN
On behalf of the Board of Trustees	Accounting Officer
Date 20 th July 2004	Date 20 th July 2004

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;
- 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	Commander J J Tall OBE RN
Chairman of Trustees	Accounting Officer
Date 20 th July 2004	Date 20 th July 2004

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Royal Navy Submarine Museum's policies, aims and objectives set by the Board of Trustees, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting, and for ensuring compliance with the requirements of the Royal Navy Submarine Museum's Financial Memorandum.

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the Royal 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.

2. 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 2004 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. 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.

4. The risk and control framework

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 receives periodic reports on the principal risks and the steps being taken to manage them effectively.

5. Review of effectiveness

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

The Royal 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 additional Museum Trustees 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 with Treasury guidance and recommendations.

Vice Admiral Sir Roy Newman KCB JP DL	Commander J J Tall OBE RN
On behalf of the Board of Trustees	Accounting Officer
Date 20 th July 2004	Date 20 th July 2004

ROYAL NAVY SUBMARINE MUSEUM

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

I have audited the financial statements on pages 14 to 32 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 18 to 20.

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 Foreword are not consistent with the financial statements, if the Museum has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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

I review whether the statement on pages 10 and 11 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 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 2004 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

... July 2004

National Audit Office

157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

ROYAL NAVY SUBMARINE MUSEUM
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31ST MARCH 2004

	Note	Funds £	Unrestricted in Aid £	Grant Funds £	Restricted Other 2004 £	Funds 2003 £	Total Funds
<i>Incoming resources</i>							
Grant in Aid (operating)	7	-	492,582	-	492,582	488,008	
Grant in Aid (purchases)	7	-	16,750	-	16,750	-	
Other donations and grants	7	6,692	7,000	262,019	275,711	856,613	
Investment Income	9	-	-	264	264	308	
Museum Admissions		130,962	-	-	130,962	123,910	
Income of Trading Company	2	117,352	-	-	117,352	132,245	
Sundry Income		22,312	4,548	4,123	30,983	29,324	
Total incoming resources		<u>277,318</u>	<u>520,880</u>	<u>266,406</u>	<u>1,064,604</u>	<u>1,630,408</u>	
Resources expended							
Costs of generating funds:							
Fundraising and publicity	4	16	43,069	-	43,085	57,480	
Expenses of Trading Company	2	102,011	-	-	102,011	114,802	
		<u>102,027</u>	<u>43,069</u>	<u>-</u>	<u>145,096</u>	<u>172,282</u>	
Net incoming resources available for charitable application		<u>175,291</u>	<u>477,811</u>	<u>266,406</u>	<u>919,508</u>	<u>1,458,126</u>	
Charitable expenditure:							
Direct charitable expenditure	3	150,837	474,390	258,320	883,547	679,708	
Management and administration	5	18,961	38,626	29,775	87,362	99,227	
Notional charges	1	-	37,427	-	37,427	65,465	
		<u>169,798</u>	<u>550,443</u>	<u>288,095</u>	<u>1,008,336</u>	<u>844,400</u>	
Total resources expended		<u>271,825</u>	<u>593,512</u>	<u>288,095</u>	<u>1,153,432</u>	<u>1,016,682</u>	
Net incoming / (outgoing) resources before transfers		<u>5,493</u>	<u>(72,632)</u>	<u>(21,689)</u>	<u>(88,828)</u>	<u>613,726</u>	
Adjustment for notional charges	1	-	37,427	-	37,427	65,465	
Transfers between funds		-	-	-	-	-	
Net incoming / (outgoing) resources		<u>5,493</u>	<u>(35,205)</u>	<u>(21,689)</u>	<u>(51,401)</u>	<u>679,191</u>	
Other Recognised Gains (Losses)							
Realised gains / (losses)							
Unrealised gains / (losses)							
Revaluation of Investments		-	-	2,800	2,800	(480)	
Revaluation of Fixed Assets		13,798	54,406	38,453	106,657	37,488	
Net movement in funds		<u>19,291</u>	<u>19,201</u>	<u>19,564</u>	<u>58,056</u>	<u>716,199</u>	
Fund balances brought forward at 1st April 2003		<u>607,992</u>	<u>1,062,550</u>	<u>1,693,696</u>	<u>3,364,238</u>	<u>2,648,039</u>	
Fund balances carried forward at 31st March 2004		<u><u>627,283</u></u>	<u><u>1,081,751</u></u>	<u><u>1,713,260</u></u>	<u><u>3,422,294</u></u>	<u><u>3,364,238</u></u>	

- All transactions are derived from continuing activities.
- All recognised gains and losses are included in the Statement of Financial Activities.

ROYAL NAVY SUBMARINE MUSEUM
CONSOLIDATED BALANCE SHEET - GROUP
AS AT 31ST MARCH 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	8		2,647,308		2,400,097
Investments	9		13,550		10,750
			<u>2,660,858</u>		<u>2,410,847</u>
CURRENT ASSETS					
Stocks	10	49,423		50,274	
Debtors	11	129,407		30,800	
Cash at bank and in hand	12	801,240		1,028,294	
			<u>980,070</u>	<u>1,109,368</u>	
CREDITORS: amounts falling due within one year	13	(99,634)		(155,977)	
NET CURRENT ASSETS			880,436		953,391
Provisions for liabilities and charges	17		(119,000)		-
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 3,442,294</u>		<u>£ 3,364,238</u>
FUNDS					
Unrestricted funds:			602,190		587,232
Restricted funds:	14				
Grant in Aid (operating)			1,061,860		1,059,111
Grant in Aid (purchases)			19,891		3,439
Other restricted funds			1,713,260		1,693,696
Non charitable trading funds			25,093		20,760
TOTAL FUNDS			<u>£ 3,422,294</u>		<u>£ 3,364,238</u>

Approved by the Board of Trustees on 20th July 2004

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

.....
Cmdr. J J Tall OBE RN
Accounting Officer

ROYAL NAVY SUBMARINE MUSEUM
BALANCE SHEET – CHARITY ONLY
AS AT 31ST MARCH 2004

	Note	£	2004 £	£	2003 £
FIXED ASSETS					
Tangible assets	8		2,647,308		2,398,639
Investments	9		13,552		10,752
			<u>2,660,860</u>		<u>2,409,391</u>
CURRENT ASSETS					
Debtors					
Amounts falling due within 1 year	11	157,918		68,072	
Cash at bank and in hand	12	789,731		1,016,820	
			<u>947,649</u>	<u>1,084,892</u>	
CREDITORS: amounts falling due within one year	13	(92,308)		(150,805)	
				<u>(150,805)</u>	
NET CURRENT ASSETS			855,341		934,087
Provisions for liabilities and charges	17		(119,000)		-
			<u>(119,000)</u>		
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>£ 3,397,201</u>		<u>£ 3,343,478</u>
FUNDS					
Unrestricted funds:			602,190		587,232
Restricted funds:	14				
Grant in Aid (operating)			1,061,860		1,059,111
Grant in Aid (purchases)			19,891		3,439
Other restricted funds			1,713,260		1,693,696
			<u>£ 3,397,201</u>		<u>£ 3,343,478</u>

Approved by the Board of Trustees on 20th July 2004

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

.....
Cmdr. J J Tall OBE RN
Accounting Officer

ROYAL NAVY SUBMARINE MUSEUM
CONSOLIDATED CASHFLOW STATEMENT
FOR THE YEAR ENDED 31ST MARCH 2004

	Non-public Funds £	Restricted Grant in Aid £	Charity Funds 2004 £	Group 2004 £	Group 2003 £
<u>Net cashflow/(outflow) from operating activities</u>	(9,365)	(17,097)	(26,462)	(23,624)	822,838
<u>Return on investments and servicing of finance</u>					
Bank interest received	17,967	1,405	19,372	19,577	12,273
Loan interest received	1,008	-	1,008	-	-
Dividends received	264	-	264	264	308
<u>Capital expenditure and financial investment</u>					
Purchase of fixed assets	(212,577)	(10,694)	(223,271)	(223,271)	(168,069)
Repayment of Limited Company Loan	2,000	-	2,000	-	-
<u>Increase / (Decrease) in cash</u>	<u>(200,703)</u>	<u>(26,386)</u>	<u>(227,089)</u>	<u>(227,054)</u>	<u>667,350</u>

Reconciliation of Changes in Resources to Net Cashflow From Operating Activities

Net incoming / (outgoing) resources for year	(20,530)	(35,205)	(55,735)	(51,401)	679,191
Depreciation	39,296	41,964	81,260	82,718	86,569
Investment income and interest received	(19,239)	(1,405)	(20,644)	(19,842)	(12,581)
Loss on sale of fixed assets	-	-	-	-	326
Increase / (Decrease) in creditors	(46,692)	(11,805)	(58,497)	(56,343)	98,025
Increase / (Decrease) in provisions	119,000	-	119,000	119,000	-
(Increase) /Decrease in stocks	-	-	-	851	(917)
(Increase) /Decrease in debtors	(81,200)	(10,646)	(91,846)	(98,607)	(27,775)
<u>Net cash inflow/(outflow) from operating activities</u>	<u>(9,365)</u>	<u>(17,097)</u>	<u>26,462</u>	<u>(23,624)</u>	<u>822,838</u>

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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 is depreciated over its 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
-----------------------	---------------

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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 items are 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.

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

Stocks

Stocks are valued at the lower of cost, (or at net current replacement costs, 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 1st 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 Statement of Financial Activities of £26,904 (2002-03 £26,066), 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 2003/04 were as follows:

Non – industrial staff:

Band one - £17,500 and under	12.0%
Band two - £17,501 - £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 1999. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice-pensions.gov.uk).

For 2003-04, employers' contributions of £2,064 were payable to the PCSPS (2002-03 £3,463) 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.

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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 show below. Audited accounts have been filed with Registrar of Companies.

Profit and Loss Account

Year ended 31st March 2004

	<u>2004</u> £	<u>2003</u> £
Turnover	117,352	132,245
Cost of sales	(61,417)	(75,062)
	<hr/>	<hr/>
Gross Profit	55,935	57,183
Administration	(40,594)	(38,646)
Interest payable	(1,008)	(1,094)
	<hr/>	<hr/>
Net profit	14,333	17,443
Corporation Tax	-	-
	<hr/>	<hr/>
	14,443	17,443
Amount gifted to Royal Navy Submarine Museum	(10,000)	(17,000)
	<hr/>	<hr/>
Retained in Subsidiary	£ 4,333	£ 443
	<hr/> <hr/>	<hr/> <hr/>
Capital and reserves	£ 25,093	£ 20,760
	<hr/> <hr/>	<hr/> <hr/>

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	£	1,008	£	1,094
		<hr/> <hr/>		<hr/> <hr/>

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

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

3 DIRECT CHARITABLE EXPENDITURE

	Unrestricted	Restricted		Total	Total
	Funds	Grant in	Other	2004	2003
	£	Aid	Funds	£	£
		£	£		
Museum running costs:					
Staff costs	108,521	316,842	-	425,363	421,624
Donations	5,120	-	-	5,120	6,481
Education	-	6,249	-	6,249	5,042
Training	-	1,564	-	1,564	1,847
Health and Safety	-	5,189	-	5,189	9,336
Purchase of Exhibits	-	298	-	298	6,234
Exhibit Maintenance	-	-	-	-	15,810
Security	-	1,711	-	1,711	494
Photographic	-	2,706	-	2,706	10,002
Rent and Rates	-	3,591	-	3,591	3,591
Printing, Postage & Stationery	226	11,132	-	11,358	11,851
Telephone	-	5,656	86	5,742	7,311
Insurance	-	11,231	-	11,231	6,248
Archives	5,703	18,670	-	24,373	18,439
Light and Heat	7,000	-	-	7,000	2,187
Repairs and Renewals	13,177	47,188	21,534	81,899	41,660
Jetty Maintenance	-	400	-	400	5,650
Provision for contaminated land costs	-	-	119,000	119,000	-
HMS Alliance	-	-	86,789	86,789	7,200
Holland One	-	-	2,705	2,705	12,077
Explosion	-	-	-	-	927
Depreciation	11,090	41,963	28,206	81,259	85,697
	<u>150,837</u>	<u>474,390</u>	<u>258,320</u>	<u>883,547</u>	<u>679,708</u>

4 FUNDRAISING AND PUBLICITY

	Unrestricted	Restricted		Total	Total
	Funds	Grant in	Other	2004	2003
	£	Aid	Funds	£	£
		£	£		
Publicity and Public Relations	-	40,857	-	40,857	55,338
Printing, Postage & Stationery	16	795	-	811	846
Telephone	-	404	-	404	510
Insurance	-	802	-	802	446
Light and Heat	-	-	-	-	129
Rent and Rates	-	211	-	211	211
	<u>£ 16</u>	<u>£ 43,069</u>	<u>£ -</u>	<u>£ 43,085</u>	<u>£ 57,480</u>

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

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

5 MANAGEMENT AND ADMINISTRATION OF THE CHARITY

	Unrestricted	Restricted		Total	Total
	Funds	Grant in	Other	2004	2003
	£	Aid	Funds	£	£
		£	£		
Staff costs	-	4,589	-	4,589	4,492
Telephone	-	2,020	-	2,020	2,548
Insurance	-	4,011	-	4,011	2,231
Cleaning and Sundry	4,452	742	-	5,194	4,161
Light and Heat	-	-	-	-	257
Rent and Rates	-	423	-	423	423
Accountancy	3,500	2,540	-	6,040	7,880
Audit	3,000	5,500	-	8,500	8,500
Printing , Postage and Stationery	81	3,976	-	4,057	4,233
Motor and Travel	3,552	2,417	-	5,969	10,865
Subscriptions	-	828	-	828	1,762
Consultancy	724	5,225	25,138	31,087	35,583
Legal and Professional	-	-	4,142	4,142	5,866
Bank Charges	3,142	384	495	4,021	3,796
Equipment Rentals	510	5,971	-	6,481	6,630
	<u>£ 18,961</u>	<u>£ 38,626</u>	<u>£ 29,775</u>	<u>£ 87,362</u>	<u>£ 99,227</u>

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

6 TOTAL RESOURCES EXPENDED (CHARITY ONLY)

	<u>Staff costs</u> £	<u>Other costs</u> £	<u>Depreciation</u> £	<u>Total 2004</u> £	<u>Total 2003</u> £
Museum running costs	425,363	376,925	81,259	883,547	679,708
Fundraising and publicity	-	43,085	-	43,085	57,480
Management and administration	4,589	82,773	-	87,362	99,227
Notional Charges	-	37,427	-	37,427	65,465
Total	<u>429,952</u>	<u>540,210</u>	<u>81,259</u>	<u>1,051,421</u>	<u>901,880</u>

	<u>2004</u> £	<u>2003</u> £
Staff costs:		
Wages and salaries	370,635	369,200
Social security costs	30,349	27,387
Pension costs	28,968	29,529
	<u>429,952</u>	<u>426,116</u>

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

The average number of employees, analysed by function, was:

	<u>2004</u>	<u>2003</u>
Museum services	22	23
Fundraising and publicity	-	-
Management and administration of the charity	5	5
	<u>27</u>	<u>28</u>

The director, J J Tall, had a basic salary during the year ended 31st March 2004 of £42,088 per annum. The director is aged 61, his pension fund (net of inflation) rose by £4,590 in the year, with this total pension fund attributable to Museum contributions now being £49,862 as part of the group personal pension plan.

Although the Museum has attempted to provide full disclosure for the Director's CETV as at 31st March 2004, the Museum has been unable to complete this exercise for the 2003-04 accounts. Where full disclosure has not been possible this year, steps have been taken to ensure that the information will be ready for the 2004-05 accounts.

No Trustees received remuneration during the year (2003 : NIL). Four Trustees were reimbursed for travel expenses totalling £2,157 (2003 : £2,664).

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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	Grant in Aid	Restricted Other Funds	2004 Total	2003 Total
	£	£	£	£	£
Operations	-	492,582	-	492,582	488,008
Purchase of Exhibits	-	16,750	-	16,750	-
	-	£ 509,332	-	£ 509,332	£ 488,008

Other grants and donations:

Society of Friends	-	7,000	-	7,000	21,873
Rolls Royce	-	-	-	-	50,000
Granada Television	-	-	-	-	750
Lottery Grant	-	-	-	-	128,147
Pilgrim Trust	-	-	-	-	15,000
Trustees of Lt Col R Wilson	-	-	-	-	5,000
St John Eye Hospital	-	-	-	-	2,696
Gosling Foundation	-	-	-	-	500,000
H.L Funding	-	-	202,877	202,877	37,998
Esmee Fairbairn Foundation	-	-	40,000	40,000	10,000
Dulverton Trust	-	-	-	-	25,000
Royal Mail	-	-	-	-	1,000
Garfield Weston Foundation	-	-	-	-	50,000
John Ellerman	-	-	10,000	10,000	-
Thales	-	-	5,000	5,000	-
M C C Davies	-	-	1,000	1,000	-
Miscellaneous amounts	6,692	-	3,142	9,834	9,149
	£ 6,692	£ 7,000	£ 262,019	£ 275,711	£ 856,613

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

During the year the following grants and donations were paid:

	Unrestricted £	Restricted Grant in Aid £	Other Funds £	2004 Total £	2003 Total £
Royal Navy Benevolent Trust					
From St John Eye Hospital	-	-	-	-	1,348
From Collected Donations	120	-	-	120	133
From Trustees Private Funds	4,000	-	-	4,000	4,000
Mrs J Holmes	1,000	-	-	1,000	1,000
	<u>5,120</u>	<u>-</u>	<u>-</u>	<u>5,120</u>	<u>6,481</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 £
Cost or valuation						
1 st April 2003	2,204,692	204,648	36,489	103,441	25,137	2,574,407
Additions	-	-	9,845	206,157	7,269	223,271
Transfers	103,441	-	-	(103,441)	-	-
Revaluation in year	<u>99,696</u>	<u>1,949</u>	<u>(478)</u>	<u>-</u>	<u>-</u>	<u>101,167</u>
31 st March 2004	<u>2,407,829</u>	<u>206,597</u>	<u>45,856</u>	<u>206,157</u>	<u>32,406</u>	<u>2,898,845</u>
Depreciation						
1 st April 2003	60,829	81,306	32,175	-	-	174,310
Charge for the year	54,969	21,140	6,609	-	-	82,718
Backlog Depreciation	(5,862)	729	(358)	-	-	(5,491)
On Revaluation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31 st March 2004	<u>109,936</u>	<u>103,175</u>	<u>38,426</u>	<u>-</u>	<u>-</u>	<u>251,537</u>
Net Book Value						
31 st 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>
31 st March 2003	<u>£ 2,143,863</u>	<u>£ 123,342</u>	<u>£ 4,314</u>	<u>£ 103,441</u>	<u>£ 25,137</u>	<u>£ 2,400,097</u>

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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 31st March 2002. The valuation was undertaken by D J H Reddy FRICS ACI Arb of Messrs. Hellier Langston.

With effect from 1st 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 17th 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

	<u>Charity</u> £	<u>Group</u> £
Market value at 1 st April 2003	10,750	10,750
Acquisitions at cost	-	-
Disposals at opening book value	-	-
Net unrealised gains / (losses)	2,800	2,800
Market value at 31 st March 2004	<u>13,550</u>	<u>13,550</u>
Historic cost at 31 st March 2004	<u>11,230</u>	<u>11,230</u>
Market value at 31 st March 2003	<u>£ 10,750</u>	<u>£ 10,750</u>
Historic cost at 31 st March 2003	<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

	2004		2003	
	<u>Charity</u> £	<u>Group</u> £	<u>Charity</u> £	<u>Group</u> £
The amounts attributable to the different categories are as follows:				
Goods For Resale	-	49,423	-	50,274
	<u>£ -</u>	<u>£ 49,423</u>	<u>£ -</u>	<u>£ 50,274</u>

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

11 DEBTORS

	2004		2003	
	<u>Charity</u>	<u>Group</u>	<u>Charity</u>	<u>Group</u>
	£	£	£	£
Amounts due within 1 year:				
Social Security & Other Taxes	20,698	19,426	21,680	20,186
Other Debtors	88,375	88,375	-	-
Prepayments	32,614	21,606	28,161	10,614
Amounts owed by Submarine Giftshop Ltd	16,231	-	18,231	-
	<u>£ 157,918</u>	<u>£ 129,407</u>	<u>£ 68,072</u>	<u>£ 30,800</u>

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

12 CASH AT BANK AND IN HAND

	<u>2004</u>	<u>2003</u>
Unrestricted funds	237,504	219,927
Centennial funds	12,938	15,946
Development fund	579,127	794,399
	<u>829,569</u>	<u>1,030,272</u>
Non-public funds	(39,838)	(13,452)
Public funds	<u>789,731</u>	<u>£ 1,016,820</u>
Cash at bank and in hand – Charity	<u><u>789,731</u></u>	<u><u>£ 1,016,820</u></u>
Trading Subsidiary	11,509	11,474
	<u>£ 801,240</u>	<u>£ 1,028,294</u>
Cash at bank and in hand – Group	<u><u>£ 801,240</u></u>	<u><u>£ 1,028,294</u></u>

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

**13 CREDITORS – AMOUNTS FALLING DUE
WITHIN ONE YEAR**

	2004		2003	
	<u>Charity</u>	<u>Group</u>	<u>Charity</u>	<u>Group</u>
	£	£	£	£
Trade Creditors	3,278	3,433	71,579	72,899
Other taxes and social security	8,215	8,671	7,598	7,905
Other creditors	1,411	1,411	1,411	1,411
Accruals	79,404	86,119	70,217	73,762
	<u>£ 92,308</u>	<u>£ 99,634</u>	<u>£ 150,805</u>	<u>£ 155,977</u>

14 RESTRICTED FUNDS

	Balance at 1st April 2003	Incoming resources	Expenditure	Transfers	Balance at 31st March 2004
	£	£	£	£	£
Grant in Aid (operating)	1,059,111	541,557	(538,808)	-	1,061,860
Grant in Aid (purchases)	3,439	16,750	(298)	-	19,891
Centennial Project	88,129	62,276	(127,019)	35,000	58,386
Development Fund	<u>1,605,567</u>	<u>204,130</u>	<u>(119,823)</u>	<u>(35,000)</u>	<u>1,654,874</u>
	<u>2,756,246</u>	<u>824,713</u>	<u>(785,948)</u>	<u>-</u>	<u>2,795,011</u>

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

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

15 ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Tangible Fixed Assets	Investments	Net Current Assets	Total
	£	£	£	£
Restricted Funds:				
Grant in Aid (operating)	1,122,188	-	(60,328)	1,061,860
Grant in Aid (purchases)	12,462	-	7,429	19,891
Centennial Fund	68,720	13,550	(23,884)	58,386
Development Fund	<u>1,098,570</u>	<u>-</u>	<u>556,304</u>	<u>1,654,874</u>
	2,301,940	13,550	479,521	2,795,011
Unrestricted funds – Charity	<u>345,368</u>	<u>2</u>	<u>256,820</u>	<u>602,190</u>
	2,647,308	13,552	736,341	3,397,201
Non charitable trading funds	<u>-</u>	<u>(2)</u>	<u>25,095</u>	<u>25,093</u>
Total net assets – Group	<u>£ 2,647,308</u>	<u>£ 13,550</u>	<u>£ 761,436</u>	<u>£ 3,422,294</u>

16 COMMITMENTS AND CONTINGENT LIABILITIES

CAPITAL COMMITMENTS

	2004		2003	
	Charity	Group	Charity	Group
	£	£	£	£
Expenditure contracted for	2,212,038	2,212,038	-	-
Authorised by the trustees but				
not contracted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	2,212,038	2,212,038	-	-

CONTINGENT LIABILITIES

The Charity had no contingent liabilities at 31st March 2004 or at 31st March 2003.

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

17 PROVISIONS FOR LIABILITIES AND CHARGES

	Provisions £
At 1 st April 2003	NIL
	119,000
	<hr/>
At 31 st March 2004	119,000
	<hr/> <hr/>

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

Work got underway on the John Fieldhouse Building on March 1st 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 22nd June to implement and will take a further two weeks to complete. In the meantime remediation and contract penalty costs of £69,000 fell to the Museum as a direct result of this delay, and a further possible £50,000 of added costs to the contract price will be faced once building has restarted, due mainly to a rise in price of raw materials. Negotiations on the liability for these costs are underway with the Landlord, who in the meantime provided finance for the Risk Assessment and remediation costs.

18 OTHER COMMITMENTS

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

	Land and Buildings 2004 £	Other 2004 £	Land and Buildings 2003 £	Other 2003 £
Expiry date:				
Within one year	-	-	-	-
Over one year				
Between two and five years	-	6,405	-	3,938
In more than five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	6,405	-	3,938
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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 £7,000 to the Museum.

The Museum's Webmaster, Gavial, is owned by Mrs Annabel Tall, the daughter in law of the Museum's director. During the year the Museum paid £830 for her services.

ROYAL NAVY SUBMARINE MUSEUM
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2004

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 31st March 2004 (2003: £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	
2003/2004	176,000	509,000	74%	26%	Actual
2003/2004	176,000	509,000	74%	26%	Budget
2002/2003	203,000	488,000	71%	29%	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 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.

**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