

Presented to Parliament pursuant to Section 3(3) of the Government Resources And Accounts Act 2000
(Audit of Public Bodies) Order 2003

Royal Navy Submarine Museum Account 2009-2010

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Royal Navy Submarine Museum Account 2009-2010

ORDERED BY THE HOUSE OF COMMONS TO BE PRINTED ON 22 JULY 2010

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Trustees' Annual Report for the year ended 31 March 2010

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

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

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

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

Board of trustees

| | |
|-------------------------------|--|
| Rear Admiral R C Lane-Nott CB | Chairman |
| Rear Admiral M Anderson | Vice Chairman |
| Dr M C Copp | Deputy Chairman and Chairman Finance Committee |

| | |
|------------------------|---|
| Mrs L M O'Sullivan | Representing Gosport Borough County Council |
| Councillor P C Langdon | |

| | |
|------------------------|--|
| Mr RT Schadla-Hall | Representing the Submariners Association |
| Mr L Shurmer-Smith OBE | |
| Mr R Dixon | |

| | |
|----------------------------------|---------------------------------------|
| Rear Admiral T A Spires CBE, BSc | Representing Hampshire County Council |
| Commander R S Forsyth RN | |
| Mr PJ Webb | |
| Captain J McLees RN | |
| Councillor C Carter | |

Trustees who have resigned during 09/10

| | |
|---------------------|--|
| Councillor P Edgar | Representing Hampshire County Council – April 2009 |
| Councillor M Salter | Representing Gosport Borough Council – July 2009 |

Trustees who have been appointed during 09-10

| | |
|------------------------|--------------|
| Councillor P C Langdon | July 2009 |
| Councillor C Carter | October 2009 |

Advisors to the trustees

| | |
|------------------------|--|
| Captain W Alexander RN | Former Trustee of the Royal Naval Museum |
| Mr R M Webb | Chairman of the Development Committee |

Non trustee members of the appeal committee active from April 2009

Vice Admiral Sir Tim McClement KCB OBE Chairman
 Commander C Lowther RN
 Commander J Tall, OBE RN
 Commodore T Hare RN
 Commodore C Munns RN

Non trustee members of the development committee

| | |
|---------------------------------|----------|
| Mr R M Webb | Chairman |
| Rear Admiral P Hoddinott CB OBE | |
| Commander C Lowther RN | |

Non trustee member of the finance committee

Mr B D Ridley

Senior members of staff

Acting Museum Director:
 Mr R Mealings (Appointed 28 April 2009)

Curator: Mr. R Mealings

Mrs M Budgett (Resigned 28 April 2009)

Accountants

Mazars LLP
Chartered Accountants
8 New Fields
2 Stinsford Road
Poole
Dorset
BH17 0NF

Auditors

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

Auditors of RNSM Enterprises Limited
Mazars LLP, Chartered Accountants
8 New Fields, 2 Stinsford Road
Poole
Dorset
BH17 0NF

Bankers

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

Solicitors

Blake Lapthorn
Harbour Court
Compass Road
North Harbour
Portsmouth
PO6 4ST

Paris Smith LLP
1 London Road
Southampton
SO15 3AE

Structure, governance and management**Status**

The governing document of the body is the Trust Deed of 23 January 1998; the Museum's Trustees are incorporated as a body. It is a designated museum under the terms of the National Heritage Act 1983. For the year to 31 March 2010, following the loss of its NDPB status, the Museum received Grant funding from the National Museum of the Royal Navy.

History

The Royal Navy Submarine Museum was formed as a modest 'Submarine Branch Collection' under a Deed of Trust dated 11 September 1963. It was registered as a charity on 12 February 1970. Three small rooms were made available for the collection in the submarine base at *HMS Dolphin*.

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

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

In 1993, it was found that the initial preservation of the *Holland 1* had failed to prevent the onset of metal corrosion. After a thorough survey, a major conservation programme was started. The process took five years to complete, after which time the Lottery Fund supported a dedicated exhibition building which was opened in 2001, the Centenary Year of the Royal Navy Submarine Service. The Museum, in partnership with its conservator, Ian Clark, won the *Pilgrim Trust Conservation Award* for the *Holland 1* project in 2002.

In 2000 it was confirmed that *HMS Alliance* and *Holland 1* were included in the *National Core Collection* of 50 historic vessels. *HMS X24*, the Museum's other historic submarine, although not meeting the criteria for weight (40 tons), was confirmed as a member of the *Historic Fleet*.

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

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

In 2003 the Museum was awarded a Stage II pass by the Heritage Lottery Fund for its John Fieldhouse Building ('JFB') project with a grant of £1.95m. On 1 August 2005 JFB opened to the general public and on 9 September 2005 JFB was officially opened by HRH The Princess Royal.

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

In 2008 Prince William of Wales, as Commodore in Chief, Submarines, officially opened the Area of Remembrance at the museum and signalled his intention to become patron of the Alliance Appeal. This appeal, to refurbish *HMS Alliance*, was conditionally granted a round one pass by the Heritage Lottery Fund on 11 July 2009 of £3m, and will be officially launched during the Summer of 2010.

Recruitment, appointment and training of trustees

The recruitment and appointment of Trustees (including the Chairman) is conducted in accordance with guidelines issued by the Commissioner for Public Appointments. There are four nominated trustees: Rear Admiral Submarines as Vice Chairman, one nominated by the Submariners Association, and the other two by Gosport Borough Council and Hampshire County Council. All new co-opted and nominated Trustees receive information as laid down by the Charity Commission. They also visit the Museum for Induction training provided by the Museum Director.

Organisational structure

The Board of Trustees consists of thirteen members and meets four times a year. There is also a Finance Committee, a Remuneration Committee, Development Committee and currently an Appeal Committee. Trustees are responsible for agreeing the policies and strategic direction of the Museum. Operational matters are the responsibility of the Director of the Museum.

Board Meetings were held in July and October 2009 and January, March and April 2010.

Major matters discussed by the Board included: Developing the relationship with the National Museum of the Royal Navy; Alliance appeal and concomitant works; future plans for Museum Development; staff salaries and conditions of service; the Collections Management Plan; Child and Vulnerable Adults Protection Policy, Information risk, Dress Code.

Relationship with other Royal Navy Museums

There are four Museums that receive Grants from the Ministry of Defence through the National Museum of the Royal Navy: the Royal Marines Museum, the Royal Naval Museum, the Royal Navy Submarine Museum and the Fleet Air Arm Museum. The Museums work closely together, for example, their Collecting Policies are complementary.

The establishment of the National Museum of the Royal Navy ('NMRN') as a single entity embracing the four naval service museums became a reality in October 2008. The intention is to capture the traditional spirit of the Royal Navy linked to the past, present and future challenges facing the Service today and recognising history's strong role in nurturing the Service's ethos and fighting spirit.

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

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

Trustees' register of interests

A Register of Trustees' interests is maintained by the Museum and can be made available to the public by application to the Museum Director.

Disclosure of relevant information to the museum's auditors

So far as the Trustees are aware, there is no relevant audit information of which the Museum's auditors are unaware. Furthermore, the Trustees have taken all the steps that ought to have been taken to be aware of any relevant audit information and to establish that the Museum's auditors are aware of that information.

Vision and values

Vision

- a To be the showpiece for the Royal Navy Submarine Service
- b To offer a 'unique' visitor experience
- c To create a learning environment for all age groups
- d To develop a 'special' feel on site
- e To be the best at enabling access and enjoyment for all

In five years time

- a A secure, sustainable future based on a successful business strategy
- b To have developed an appropriate and constructive relationship with The National Museum of the Royal Navy
- c Make accessible relevant collections and fit for purpose galleries
- d To have successfully completed the Alliance Appeal and project
- e To have effectively maximised opportunities for development of our estate following changes in Fort Blockhouse.

Mission

The stated mission for the Museum, as one of the four designated Naval Museums, is

- To provide an effective and accessible repository for the heritage of the submarine branch of the Royal Navy, both now and in the future
- To raise public awareness of The Royal Navy Submarine Service
- To encourage scholarship and research into the Royal Navy Submarine Service; and
- To act as a point of remembrance for the submariners lost in the course of duty.

Strategic aims

- To be the pre-eminent centre for the preservation and interpretation of RN submarine heritage
- Provide the widest possible audience with ways of accessing and understanding the collections for study, inspiration and enjoyment
- Develop a Museum that is better fit for purpose through organisational change and development
- To develop high quality services in keeping with the traditions of the Royal Navy
- To raise successfully sufficient capital funding for Alliance and a new gallery; and
- To act as a memorial to all RN submariners who have lost their lives in the course of duty.

Public benefit

In setting out and planning their aims, the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and supplementary public benefit guidance on fee-charging.

It is vitally important to us that the benefits to the public are clearly defined and identifiable. By aiming to become the pre-eminent centre for the preservation and interpretation of Royal Navy submarine heritage, it is vitally important that access to the Museum is available to the vast majority of the public. Thus we have set ticket prices at levels that we consider most people can afford, with various concessions or discount prices for senior citizens, families and certain groups. The Museum is wholly committed in providing a quality learning experience to all age groups and backgrounds.

We are committed to providing physical and intellectual access for all visitors to the Museum.

The vision and values listed on page 4 are regularly reviewed to ensure that the Museum appeals to the widest spectrum of members of the public, and satisfies their various interests and needs in relation to our mission and strategic aims mentioned above.

Achievements and performance

Main Objective in 2009-2010

To progress an application with the Heritage Lottery Fund for a grant towards the preservation and conservation of HMS Alliance and to prepare for the launch of an appeal in 2010.

The Development Committee has been regularly meeting to develop the project further. The Appeals Committee has worked on a detailed plan to raise the required matching contribution.

The new National Museum of the Royal Navy

During the year considerable staff and Trustee time and effort was spent developing the relationship with the NMRN, which is not yet complete.

Programme of works

Last year the Museum identified several high impact projects which involved the care of its collection and improving access. The Museum secured funding from the Friends and carried out the works to the LR3 submersible, the E17's Conning Tower and the Bronze Osprey Dolphins.

Risk assessment

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

Financial review

The Museum is showing net outgoing resources of £60,901. After the revaluation of fixed assets, the net deficit in 2010 increased to £342,615. An annual depreciation charge of £184,691 has been the major contributing factor to this net deficit. Much of this charge relates to land and buildings which were revalued in 2007 and are being written down over the life of the lease.

Policy on reserves

The Trustees continually monitor the levels of the Charity's funds expendable at their discretion, defined for the purpose of this policy as the aggregate of the amounts shown as 'Investments' and 'Net Current Assets' in the accounts of the Charity and which are attributable to unrestricted funds. As at 31 March 2010, the level of the Museum's free reserves stood at £310,118 (31 March 2009 £348,299), and represents approximately 4 months of core operating expenses.

The Museum needs to retain a viable reserve for the following purposes

Cover liabilities

The nature of major liabilities faced by the Museum centres around the care of the five Historic Ships and the Collection.

Fund development

With the completion of the Fieldhouse Building project, the Museum has completed three out of its four development phases. The Trustees now need to build up funds for the next phase of development, i.e. replacing the Weapons Gallery, accommodating a new visitor entrance and retail outlet while enhancing the Museum entrance and its surrounds. An appeal for funds for this purpose is being run parallel with the Alliance Appeal.

To ensure adequacy of working capital

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

Investment policy

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

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.

Principal funding sources

The Museum's main source of funds is Grants received from the Ministry of Defence, now through the NMRN. The ways in which this money can be spent have been defined in a new Service Level Agreement with the NMRN. Other funds are derived from admission charges, donations, grants, and profits from the Museum's wholly owned subsidiary, RNSM Enterprises Limited, that are given to the Trust in the form of Gift Aid. A list of donations in excess of £500 in aggregate can be found in Note 2 to the accounts.

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

Payment of creditors

The Museum adheres to the Government-wide standard on the payment of creditors by aiming to settle all undisputed bills within 10 days or in accordance with the agreed terms of business. The Museum's actual payment performance during the year was that all bills were paid within 30 days or in accordance with the suppliers' terms of business.

Staff matters

Consultation with employees

Senior management meet monthly at a Management Team meeting and communicate with staff through weekly staff briefings as well as through departmental staff briefings, informal meetings and internal memoranda.

Equal opportunities

The Museum has an Equal Opportunities Policy and is committed to managing staff solely on the basis of actual performance in the job, and considering new applicants solely on the basis of ability to do the job, and is seeking ways to encourage applications from people with disabilities.

Plans for future periods

Investment for the future

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

- *The HMS Alliance Project.* Since *HMS Alliance* was first displayed in 1982 and opened to visitors, parts of her infrastructure have deteriorated considerably, a deterioration that has proved hard to arrest due to difficulties of access, and its hostile environment.
- Lying supported over the sea on concrete cradles on-going corrosion is a major hazard. Without urgent action, *HMS Alliance's* future will be one of ever-accelerating severe decay;
- *Programme of Works.* The Museum has identified a further five high impact projects which involve care of its collection and improving access (e.g. conserving LR3 (Submarine Rescue Vessel) and replacing the Weapons Gallery). Given the costs involved to complete this work, the Appeal objectives will also hope to address these issues.

As part of the total £6 million project the replacement of the Weapons Gallery is seen as crucial. The creation of this innovative gallery within a new build entrance will give a historical introduction to *HMS Alliance* and provide facilities for a digital tour for visitors who cannot go on board; to this end the new gallery has been included in the appeal literature and overall fundraising case for support. However, support is being sought from the Heritage Lottery Fund for a contribution towards the £4.5 million conservation, preservation and community engagement scheme for *HMS Alliance*.

All aspects of the *Alliance* project are linked and for complete success the Museum needs to raise £3 million in partnership funding by January 2011. Should the museum be unable to reclaim VAT on the appropriate costs of the work, as a result of ceasing to be NDPB, then the appeal will need to raise these VAT costs in addition.

Post balance sheet events

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

Auditors

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

Dr M Copp

Deputy Chairman On behalf of the Board of Trustees
7 July 2010

Dr D Tweddle

Accounting Officer of the NMRN
7 July 2010

Report of the Director for the year ended 31 March 2010

Introduction

This accounting period has been one of great contrasts. At the start of the period the departure of the Director Marion Budgett necessitated re-organisation with the Curator/Deputy Director taking on the role of Acting Director. The Museum's financial position with respect to revenue means that this post has remained vacant, with the resulting impact on the Museum management capacity. However, the Heritage Lottery's decision to back the Alliance project was a major achievement. The NMRN played an important part by making Alliance its number one priority for capital projects. We have also seen this year some excellent events and a new temporary exhibition (Pirates) however we have yet to see any increase in visitor numbers.

Major achievements for the period

- Successful application to HLF resulting in a round one pass and the pledge of a grant of £3 million plus a development grant £160,000;
- Completion of a new temporary exhibition about Pirates and Submarines – including material about the Royal Navy's historic and contemporary role in combating piracy;
- Disposing of the Vanguard Model;
- Creation of a new website; and
- Work on fixed asset register completed.

Grant

Grant received from the NMRN was increased to £601,934, which represented an enhancement of 2 per cent.

Performance

Visitor numbers were marginally down from last year at 45,119 (2009: 45,319), although gate income increased to £215,580 (2009: £177,126) inclusive of Gift Aid of £15,402 (2009: £5,018). This represents an average 'income per visitor' of £4.44 compared with £3.79 last year. The improvement in gate income was achieved by a modest increase in ticket prices last April, but is influenced by the mix of visitors.

Establishing a new approach to marketing events and PR is intended to improve visitor numbers and income.

Secondary income

Both the retail and corporate entertainment arms of RNSM Enterprises Limited have again been affected by the reduced visitor numbers, and reflecting the turbulent economic conditions, produced a small loss for the year.

Marketing strategy

The marketing strategy is

- To attract an increasing number of paying visitors, year-on-year, who leave entertained, educated and informed;
- To inspire young visitors to consider a career in the Royal Navy, and the Submarine Service in particular; and
- To optimise income from ticket sales.

Visitor satisfaction

The experience mix for the visitor is wide-ranging, from passive to active, and it leaves a strong impression, with a complete range of exhibits from small artefacts, through early submarines, to an entire 1940s submarine.

The RNSM offers a rich visitor experience, with 98 per cent of visitors in the 2009 exit survey rating their visit either good or very good. For over a third (34 per cent), the RNSM exceeded their expectations.

Governance

No change in Trustee governance for the main board. In July the Trustees made a unanimous decision to join the NMRN via the incorporation mechanism. The following sub-committees have been created

- Policy and General purposes committee; and
- Site Development Working Group.

Learning and access

- The Museum continued to provide a varied program for schools with demand being steady at approx 2,100 children for the year;
- A range of learning events or activities focused on families with children were put on, funded almost entirely by a variety of external grants applied for by the Education Officer;
- A social support project in the form of a Dad's club was also provided in partnership with Hampshire County Council (HCC): the project had very good take up and was much praised by HCC; and

The majority of these activities were funded by a variety of external grants.

Collection and scholarship

Largely focused on *HMS Alliance* project, research into the vessels history – this includes rolling out an oral history programme directed at all those who served on the vessel.

Partnerships

Hampshire County Council re. family learning and family support
 University of Winchester – student drama and media project
 Chichester University – student drama and media project

Future projects

HMS Alliance now dominates all project planning for the foreseeable future.

Royal Navy interface

The Museum will have been visited by approx 1,900 young people on the CACTO program. The Museum also has regular parties of serving personnel from HMS Sultan and HMS Collingwood numbering 1597 for the year. Students on the 'perisher' course come every year for a guided tour by the Museum's Curator.

The contribution of the Society of Friends

The collection care budget has had to be cut right back. The Friends have continued to support the Museum throughout the year and such support is now especially important, for which the Trustees are very grateful.

Funding from the Friends in 2009-2010 has enable the following to be carried out

- Conservation of LR3, the HMS Osprey Dolphins and the E17 conning tower;
- The refurbishment of the reception area to the shop and ticketing point; and
- New signage and site plans throughout the Museum site.

Alliance appeal update

The Appeal now has a carefully worked out strategy which is currently in phase two which focuses on approaching high value individuals for major donations. The Appeal Committee has had significant success with two major donations amounting to £1.25 million. The Appeal Committee is being assisted by fund-raising consultants McNicholas Associates Ltd. During the course of 2010 the Appeal will go into its public phase starting with a public launch.

Financial outlook

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

Cataloguing in archives, libraries and museums

The documentation project has now been satisfactorily completed.

Data handling procedures

The Museum has not identified any personal data related incidents during 2009-2010, nor in the previous 5 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data by the Museum.

Sickness absence data

During the period under review the average number of employee sickness days amounted to 9. No data is available for the prior period.

Dr M Copp

Deputy Chairman On behalf of the Board of Trustees

7 July 2010

Dr D Twedde

Accounting Officer of the NMRN

7 July 2010

Remuneration Report for the year ended 31 March 2010

The Remuneration Committee of the Board of Trustees determines the Remuneration Policy of the Royal Navy Submarine Museum.

The Trustees of the Museum employ the Acting Director of the Royal Navy Submarine Museum on terms and conditions determined by a local contract, which are unrelated to Ministry of Defence equivalences. Like all other members of staff, the Acting Director was awarded an increase in salary of 3.0 per cent for the year ending 31 March 2010.

Salary and pension entitlements

The Acting Director, who has been in post since 28 April 2009 had a basic gross salary during the year ended 31 March 2010 of £43,349 and pension contributions of £5,419. The previous Director resigned on 28 April 2009 and during the year received remuneration of £15,793 and pension contributions of £1,974.

The Acting Director did not claim overtime or any other form of performance pay or bonus, nor did he receive any Benefits in Kind.

No Trustees received remuneration during the year (2009: £Nil). Two Trustees were reimbursed for travel and subsistence expenses totalling £2,445 (2009: two Trustees totalling £1,428). This information has been subject to audit.

Individual pension plans for entitled employees are administered by Norwich Union plc under a group personal pension plan in order to save administrative charges. Like all with-profits pensions, the performance of these plans has been disappointing. The Museum does not have any long-term contingent liabilities for pensions. For 2009-2010, employers' contributions for the Museum as a whole of £40,506 (2009: £38,260) were payable at a fixed rate of 12.5 per cent of pensionable pay.

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

Employee contributions are set at the rate of 1.5 per cent of pensionable earnings for classic and 3.5 per cent for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service; in addition, a lump sum equivalent to three years' pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service; unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with RPI. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

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

One part time member of staff is covered by the Civil Service pension arrangements. For this year, employer's contributions of £1,946 were payable at a rate which is within the range accepted of 17.1 to 26.5 percent of pensionable pay, based on salary bands.

Dr M Copp

Deputy Chairman On behalf of the Board of Trustees
7 July 2010

Dr D Twedde

Accounting Officer of the NMRN
7 July 2010

Statement of Trustees' responsibilities for the year ended 31 March 2010

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

In preparing financial statements giving a true and fair view, the Board of Trustees is required to

- observe any accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Charity will continue in operation.

Under law applicable to charities in England and Wales, the Board of Trustees is responsible for keeping accounting records which disclose with reasonable accuracy the financial position of the Charity and which enable the Board to ensure that the financial statements comply with applicable law. The Board is also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Accounting Officer for the National Museum of the Royal Navy (NMRN) also has responsibility for the propriety and regularity of expenditure from the Grant provided by the NMRN to the Museum.

Dr M Copp
Deputy Chairman On behalf of the Board of Trustees
7 July 2010

Dr D Tweddle
Accounting Officer of the NMRN
7 July 2010

Statement on Internal Control for the year ended 31 March 2010

Scope of responsibility

On behalf of the Board of Trustees of the Royal Navy Submarine Museum, I 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.

I, as Accounting Officer of the NMRN, have responsibility for ensuring a sound system of internal control that supports the achievement of the 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 Managing Public Money.

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 2010 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

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

The risk and control framework

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

Personal data related incidents

The museum has not identified any personal data related incidents during this year or the previous five years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information that links an identifiable living person with information about them which, if released, would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, source or extent of the information, is treated as protected personal data.

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, 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.

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.

Dr M Copp
Deputy Chairman On behalf of the Board of Trustees
7 July 2010

Dr D Tweddle
Accounting Officer of the NMRN
7 July 2010

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

I certify that I have audited the consolidated financial statements of the Royal Navy Submarine Museum Group for the year ended 31 March 2010 under the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board of Trustees and auditor

The Board of Trustees are responsible for preparing the Trustees Report, which includes the Remuneration Report, and the financial statements in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence and for ensuring the regularity of financial transactions funded by Grant from the National Museum of the Royal Navy. These responsibilities are set out in the Statement of Board of Trustees' responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence. I report to you whether, in my opinion, the information, which comprises the Financial Review, included in the Trustees Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income funded by Grant from the National Museum of the Royal Navy have been applied to the purposes intended and the financial transactions conform to the authorities which govern them.

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

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

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

Basis of audit opinions

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

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

Opinions

In my opinion

- the financial statements give a true and fair view, in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence of the state of Royal Navy Submarine Museum and the group's affairs as at 31 March 2010 and of the incoming and application of resources of the group for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Charities Act 1993 and directions made thereunder by the Secretary of State for Defence; and
- information, which comprises the Financial Review, included within the Trustees Report, is consistent with the financial statements.

Opinion on regularity

In my opinion, in all material respects, the expenditure and income funded by Grant from the National Museum of the Royal Navy have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

15 July 2010

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

Consolidated Statement of Financial Activities for the year ended 31 March 2010

| | Notes | Unrestricted funds £ | Grant in aid £ | restricted funds £ | Other 2010 Total £ | 2009 Total £ |
|--|-------|----------------------------|----------------------|--------------------------|-----------------------------|--------------------|
| Incoming resources | | | | | | |
| Incoming resources from generated funds | | | | | | |
| Voluntary income | | | | | | |
| Grant in Aid (operating) | 2 | 0 | 579,959 | 0 | 579,959 | 571,317 |
| Grant in Aid (purchase of exhibits) | 2 | 0 | 21,975 | 0 | 21,975 | 19,000 |
| Other grants and donations | 2 | 4,773 | 0 | 283,338 | 288,111 | 66,809 |
| Legacies | | 5,000 | 0 | 0 | 5,000 | 0 |
| Activities for generating funds | 3 | 14,735 | 0 | 0 | 14,735 | 13,158 |
| Income of trading subsidiary | 4 | 89,794 | 0 | 0 | 89,794 | 93,165 |
| Income from investments | 5 | 2,146 | 0 | 772 | 2,918 | 17,710 |
| Incoming resources from charitable activities | | | | | | |
| Admissions inc. Gift Aid | | 215,580 | 0 | 0 | 215,580 | 177,126 |
| Other incoming resources | 6 | 3,945 | 0 | 0 | 3,945 | 1,822 |
| Total incoming resources | | <u>335,973</u> | <u>601,934</u> | <u>284,110</u> | <u>1,222,017</u> | <u>960,107</u> |
| Resources expended | | | | | | |
| Costs of generating funds | 7 | 0 | (85,595) | (2,643) | (88,238) | (72,056) |
| Expenses of trading subsidiary | 4 | (88,244) | 0 | 0 | (88,244) | (90,088) |
| Costs of activities in furtherance of the objects of the charity | 8 | (215,859) | (546,282) | (233,974) | (996,115) | (1,037,758) |
| Governance costs | 9 | 0 | (40,569) | 0 | (40,569) | (38,506) |
| Notional charges | 1 | 0 | (39,646) | 0 | (39,646) | (43,585) |
| Total resources expended | 11 | <u>(304,103)</u> | <u>(712,092)</u> | <u>(236,617)</u> | <u>(1,252,812)</u> | <u>(1,281,993)</u> |

| | Notes | Unrestricted funds £ | Grant in aid £ | restricted funds £ | Other 2010 Total £ | 2009 Total £ |
|---|-------|----------------------------|----------------------|--------------------------|-----------------------------|--------------------|
| Net (outgoing)/incoming resources before transfers | | 31,870 | (110,158) | 47,493 | (30,795) | (321,886) |
| Adjustment for notional charges | 1 | 0 | 39,646 | 0 | 39,646 | 43,585 |
| Loss on disposal | 14 | (22,839) | (47,581) | 668 | (69,752) | 0 |
| Transfers | 13 | (74,203) | 69,203 | 5,000 | 0 | 0 |
| Net (outgoing)/incoming resources | | <u>(65,172)</u> | <u>(48,890)</u> | <u>53,161</u> | <u>(60,901)</u> | <u>(278,301)</u> |
| Other recognised gains/(losses) | | | | | | |
| Unrealised gains | | | | | | |
| Revaluation of fixed assets | 14 | (10,946) | (94,153) | (185,135) | (290,234) | (5,474) |
| Revaluation of investments | 15 | 0 | 0 | 8,520 | 8,520 | (2,820) |
| Net movement in funds | | <u>(76,118)</u> | <u>(143,043)</u> | <u>(123,454)</u> | <u>(342,615)</u> | <u>(286,595)</u> |
| Total funds brought forward | | 570,731 | 1,204,267 | 4,120,560 | 5,895,558 | 6,182,153 |
| Total funds carried forward | | <u>494,613</u> | <u>1,061,224</u> | <u>3,997,106</u> | <u>5,552,943</u> | <u>5,895,558</u> |

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

All transactions are derived from continuing activities

The notes on pages 25 to 36 form an integral part of these financial statements.

Consolidated Balance Sheet as at 31 March 2010

| | Notes | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|-------|-----------------|------------------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 14 | | 4,766,697 | | 5,283,443 |
| Heritage assets | 14 | | 91,913 | | 103,434 |
| Total tangible fixed assets | 14 | | 4,858,610 | | 5,386,877 |
| Investments | 15 | | 25,700 | | 17,180 |
| Total fixed assets | | | 4,884,310 | | 5,404,057 |
| Current assets | | | | | |
| Stocks | 16 | 35,200 | | 43,641 | |
| Debtors | 17 | 11,094 | | 6,884 | |
| Cash at bank and in hand | 18 | 714,347 | | 636,679 | |
| | | | 760,641 | 687,204 | |
| Creditors: amounts falling due within one year | 19 | (92,008) | | (195,703) | |
| Net current assets | | | 668,633 | | 491,501 |
| Total assets less current liabilities | | | 5,552,943 | | 5,895,558 |
| Net assets | | | 5,552,943 | | 5,895,558 |
| Funds | | | | | |
| Unrestricted funds | | | 460,780 | | 533,255 |
| Restricted funds: | 20 | | | | |
| Grant in aid (operating) | | | 941,938 | | 1,111,489 |
| Grant in aid (purchase of exhibits) | | | 119,286 | | 92,778 |
| Other restricted funds | | | 3,997,106 | | 4,120,560 |
| Non charitable trading funds | | | 33,833 | | 37,476 |
| | 21 | | 5,552,943 | | 5,895,558 |

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

Dr M Copp
on behalf of the Board of Trustees
7 July 2010

Dr D Tweddle
Accounting Officer of the NMRN
7 July 2010

The notes on pages 25 to 36 form an integral part of these financial statements.

Charity Balance Sheet as at 31 March 2010

| | Notes | 2010 £ | 2010 £ | 2009 £ | 2009 £ |
|---|-------|-----------------|------------------|-----------|-----------|
| Fixed assets | | | | | |
| Tangible assets | 14 | | 4,765,387 | | 5,283,240 |
| Heritage assets | 14 | | 91,913 | | 103,434 |
| Total tangible fixed assets | 14 | | 4,857,300 | | 5,386,674 |
| Investments | 15 | | 25,702 | | 17,182 |
| Total fixed assets | | | 4,883,002 | | 5,403,856 |
| Current assets | | | | | |
| Stocks | 16 | 3,372 | | 11,517 | |
| Debtors | 17 | 8,824 | | 7,467 | |
| Cash at bank and in hand | 18 | 708,375 | | 625,758 | |
| | | 720,571 | | 644,742 | |
| Creditors: amounts falling due within one year | 19 | (84,463) | | (190,516) | |
| Net current assets | | | 636,108 | | 454,226 |
| Total assets less current liabilities | | | 5,519,110 | | 5,858,082 |
| Net assets | | | 5,519,110 | | 5,858,082 |
| Funds | | | | | |
| Unrestricted funds | | | 460,780 | | 533,255 |
| Restricted funds: | 20 | | | | |
| Grant in aid (operating) | | | 941,938 | | 1,111,489 |
| Grant in aid (purchase of exhibits) | | | 119,286 | | 92,778 |
| Other restricted funds | | | 3,997,106 | | 4,120,560 |
| | 21 | | 5,519,110 | | 5,858,082 |

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

Dr M Copp
on behalf of the Board of Trustees
7 July 2010

Dr D Tweddle
Accounting Officer of the NMRN
7 July 2010

The notes on pages 25 to 36 form an integral part of these financial statements.

Consolidated Cash Flow Statement for the year ended 31 March 2010

| | Non-public Funds | Restricted Grant in Aid 2010 | Charity Funds 2010 | Group 2010 | Group 2009 |
|---|---------------------|------------------------------------|-----------------------|---------------|---------------|
| | £ | £ | £ | £ | £ |
| Net cashflow inflow from operating activities | 248,811 | (154,326) | 94,485 | 91,142 | 96,132 |
| Return on investments and servicing of finance | | | | | |
| Bank interest received | 2,409 | 0 | 2,409 | 2,427 | 18,126 |
| Dividends received | 509 | 0 | 509 | 509 | 463 |
| Capital expenditure and financial investment | | | | | |
| Purchase of fixed assets | 0 | (17,830) | (17,830) | (19,454) | (8,540) |
| Sale of fixed assets | 3,044 | 0 | 3,044 | 3,044 | 0 |
| Transfers | (69,203) | 69,203 | 0 | 0 | 0 |
| Increase/(decrease) in cash | 185,570 | (102,953) | 82,617 | 77,668 | 106,181 |
| Opening cash balances | 495,432 | 130,326 | 625,758 | 636,679 | 530,498 |
| Closing cash balances | 681,002 | 27,373 | 708,375 | 714,347 | 636,679 |
| Reconciliation of changes in resources to net cashflow from operating activities | | | | | |
| Net outgoing resources for the year | (8,369) | (48,890) | (57,259) | (60,902) | (278,301) |
| Depreciation | 145,802 | 38,372 | 184,174 | 184,691 | 213,948 |
| Investment income and interest received | (2,918) | 0 | (2,918) | (2,936) | (18,589) |
| Loss on disposal | 22,172 | 47,581 | 69,753 | 69,753 | 0 |
| Decrease in stocks | 8,145 | 0 | 8,145 | 8,441 | 12,434 |
| (Increase)/decrease in debtors | (1,357) | 0 | (1,357) | (4,210) | 35,146 |
| (Decrease)/increase in creditors | 85,336 | (191,389) | (106,053) | (103,695) | 131,494 |
| Net cash inflow from operating activities | 248,811 | (154,326) | 94,485 | 91,142 | 96,132 |

The notes on pages 25 to 36 form an integral part of these financial statements.

Notes to the Financial Statements for the year ended 31 March 2010

1 Accounting policies

1.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with applicable accounting standards, the Statement of Recommended Practice: Accounting by Charities issued in 2005 and guidance issued by HM Treasury.

The financial statements are prepared under the historical cost convention modified to include fixed assets at their value to the business by reference to current costs.

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

1.2 Incoming resources

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

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

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

The charity is in receipt of a gift in kind for rent payable from the Ministry of Defence due to the free occupation of the buildings used by the charity. No reliable estimate of such gift in kind is readily available.

1.3 Land and buildings

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

1.4 Fixtures, fittings and equipment

Fixtures, fittings and equipment with a cost or value greater than £500 and a useful life exceeding one year are capitalised at historical cost and revalued annually using Ministry of Defence derived indices. Fixtures, fittings and equipment are depreciated over their expected useful lives of ten years, other than those in the Fieldhouse Building which have expected useful lives of 25 years.

1.5 Plant and machinery

Plant and machinery with a cost or value greater than £500 and a useful life exceeding one year is capitalised at historical cost and revalued annually using Ministry of Defence derived indices. The vast majority of plant and machinery, which are situated in the Fieldhouse Building, are depreciated over their expected useful lives of 25 years, with the remainder depreciated over four years.

1.6 Basis of allocation

Cost of generating funds comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Royal Navy Submarine Museum as a visitor attraction.

Governance costs include those costs incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Charitable expenditure includes expenditure associated with Education, Care of Exhibition, Visitor Services and Grant Making and include costs directly attributable to each activity. Costs not directly attributable to one activity including the proportion of support costs relating to charitable expenditure have been allocated in proportion to staff costs incurred.

Support costs include central functions and have been allocated to cost categories on a basis consistent with the use of resources or the floor space occupied, as applicable.

1.7 Grants receivable

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

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

1.8 Funds

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

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

1.9 Notional charges

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

Notional interest at 3.5 per cent (2009: 3.5 per cent) of the average cost of capital employed in respect of Grant in Aid funds.

This notional charge is not an actual cost to the Museum and a corresponding credit entry is also reflected in the Statement of Financial Activities.

1.10 Leased assets

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

1.11 Investments

Investments are revalued at the market value at the balance sheet date and the gain or loss taken to the Statement of Financial Activities.

1.12 Stocks

Stocks are valued at the lower of cost, (or at net current replacement cost, if materially different), and net realisable value after making due allowance for obsolescence and slow moving items.

1.13 Heritage assets

Artefacts held in trust together with photographs, books and a reserve collection have not been included in the financial statements due to their historic nature, covering the history of the Royal Navy Submarine Service.

Additions to the collection with a cost in excess of £500, are capitalised. In accordance with guidance issued by HM Treasury these assets are not re-valued or depreciated. Items donated to the collection are not included as additions as it is difficult and costly to attribute a cost or valuation to these items.

1.14 Pensions

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

1.15 Financial instruments

The museum's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade debtors, trade creditors and accrued expenses. The fair value of these items approximates to their carrying value due to the short term nature. Unless otherwise noted, the museum is not exposed to significant interest, foreign exchange or credit risks arising from these instruments. Term deposits of less than one year are classified as investments within current assets.

2 Grants and donations

During the year the following grants and donations were received

Grants received from Ministry of Defence

| | Unrestricted Funds | Restricted Grant in Aid | Restricted Other Funds | 2010 | 2009 |
|-----------------------------|-----------------------|----------------------------|---------------------------|-----------------------|----------------|
| | £ | £ | £ | £ | £ |
| Grant in aid – operating | 0 | 579,959 | 0 | 579,959 | 571,317 |
| – purchases | 0 | 21,975 | 0 | 21,975 | 19,000 |
| | <u>0</u> | <u>601,934</u> | <u>0</u> | <u>601,934</u> | <u>590,317</u> |
| Other grants and donations: | | | | | |
| Education project | 0 | 0 | 6,065 | 6,065 | 0 |
| Ham polo club | * | 0 | 10,000 | 10,000 | 0 |
| Raising charitable trust | * | 0 | 250,000 | 250,000 | 0 |
| HLF lottery funding | 0 | 0 | 0 | 0 | 40,000 |
| HCC grant | 0 | 0 | 0 | 0 | 3,084 |
| Submariners association | * | 0 | 0 | 0 | 2,000 |
| Forsyth | * | 0 | 0 | 0 | 6,410 |
| Gosling | * | 0 | 0 | 0 | 2,000 |
| Society of friends | 0 | 0 | 15,050 | 15,050 | 2,822 |
| MLA | 0 | 0 | 0 | 0 | 900 |
| Miscellaneous | 4,773 | 0 | 2,223 | 6,996 | 9,593 |
| | <u>4,773</u> | <u>0</u> | <u>283,338</u> | <u>288,111</u> | <u>66,809</u> |

* Donations received for the Alliance appeal.

3 Activities for generating funds

| | 2010 | 2009 |
|-----------|----------------------|---------------|
| | £ | £ |
| Café rent | 4,005 | 1,990 |
| Guidebook | 10,730 | 11,168 |
| | <u>14,735</u> | <u>13,158</u> |

4 Income and expenses from trading activities of subsidiaries

The charity has a wholly owned trading subsidiary, which is incorporated in the United Kingdom. RNSM Enterprises Limited operates a souvenir shop within the Museum and operates the Corporate Hospitality function. The company transfers its taxable profits to the Royal Navy Submarine Museum by way of Gift Aid. A summary of its trading results is shown below. Audited accounts have been filed with Registrar of Companies.

*Profit and Loss Account
Year ended 31 March 2010*

| | 2010 | 2009 |
|----------------------------|-----------------|----------|
| | £ | £ |
| Turnover | 89,776 | 92,286 |
| Interest receivable | 18 | 879 |
| Total income | 89,794 | 93,165 |
| Expenditure: | | |
| Cost of sales | (50,779) | (55,408) |
| Overheads | (37,465) | (34,680) |
| | (88,244) | (90,088) |
| Other inter group payments | | |
| Charge for logo | (2,693) | (2,769) |
| Secretarial services | (2,500) | (2,000) |
| Gift aid donation | 0 | 0 |
| | (5,193) | (4,769) |
| Retained in subsidiary | (3,643) | (1,692) |
| Capital and reserves | 33,833 | 37,476 |

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

Related party transactions

The charges above in 'other inter group payments' are related party transactions.

5 Income from investments

| | Unrestricted funds | Restricted Other funds | 2010 | 2009 |
|--------------------|-----------------------|------------------------------|--------------|--------|
| | £ | £ | £ | £ |
| Dividends received | 509 | 0 | 509 | 463 |
| Interest received | 1,637 | 772 | 2,409 | 17,247 |
| | 2,146 | 772 | 2,918 | 17,710 |

6 Other incoming resources

| | Unrestricted funds | Restricted funds | 2010 | 2009 |
|---------------|-------------------------------|-----------------------------|---------------------|--------------|
| | £ | £ | £ | £ |
| Sundry income | 3,945 | 0 | 3,945 | 1,822 |
| | <u>3,945</u> | <u>0</u> | <u>3,945</u> | <u>1,822</u> |

7 Cost of generating funds

| | 2010 | 2009 |
|----------------------------------|----------------------|---------------|
| | £ | £ |
| Rent and rates | 364 | 351 |
| Insurance | 1,312 | 1,227 |
| Light and heat | 1,716 | 1,153 |
| Publicity and public relations | 75,885 | 58,793 |
| Printing, postage and stationery | 468 | 350 |
| Telephone | 347 | 315 |
| Guidebooks | 6,413 | 3,641 |
| Stock provision | 1,733 | 6,226 |
| | <u>88,238</u> | <u>72,056</u> |

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

| | Note | Education | Care of exhibition | Visitor services | Grant making | 2010 | 2009 |
|---------------------------|------|------------------|-------------------------------|-----------------------------|-------------------------|-----------------------|------------------|
| | | £ | £ | £ | £ | £ | £ |
| Staff costs | 12 | 29,418 | 100,228 | 218,880 | 0 | 348,526 | 412,037 |
| Grants | | 0 | 0 | 0 | 2,000 | 2,000 | 5,000 |
| Education | | 9,670 | 0 | 0 | 0 | 9,670 | 9,285 |
| Purchase of exhibits | | 0 | 255 | 0 | 0 | 255 | 497 |
| Exhibit maintenance | | 0 | 38,933 | 0 | 0 | 38,933 | 8,384 |
| Consultancy – alliance | | 0 | 1,333 | 0 | 0 | 1,333 | 53,749 |
| Photographic | | 0 | 0 | 0 | 0 | 0 | 5,009 |
| Archives | | 0 | 22,713 | 0 | 0 | 22,713 | 15,014 |
| Functions and visitors | | 0 | 0 | 2,944 | 0 | 2,944 | 4,779 |
| Depreciation | | 12,892 | 73,670 | 97,612 | 0 | 184,174 | 213,838 |
| Support costs | 10 | 34,991 | 111,971 | 202,947 | 0 | 349,909 | 296,632 |
| Appeal costs | | 0 | 35,658 | 0 | 0 | 35,658 | 13,534 |
| | | <u>86,971</u> | <u>384,761</u> | <u>522,383</u> | <u>2,000</u> | <u>996,115</u> | <u>1,037,758</u> |

9 Governance costs

| | Note | 2010 £ | 2009 £ |
|---------------|------|---------------|---------------|
| Staff costs | 12 | 5,747 | 4,561 |
| Accountancy | | 6,726 | 7,669 |
| Audit | | 7,850 | 7,850 |
| Travelling | | 5,450 | 5,958 |
| Support costs | 10 | 14,796 | 12,468 |
| | | 40,569 | 38,506 |

10 Support costs

| | Note | Museum & visitor centre operations £ | Governance costs £ | 2010 £ | 2009 £ |
|----------------------------------|------|---|-----------------------|----------------|----------------|
| Staff costs | 12 | 187,302 | 0 | 187,302 | 136,667 |
| Training | | 3,795 | 0 | 3,795 | 1,312 |
| Health and safety | | 2,356 | 0 | 2,356 | 4,935 |
| Rent and rates | | 6,186 | 728 | 6,914 | 6,667 |
| Insurance | | 18,371 | 6,561 | 24,932 | 23,319 |
| Light and heat | | 29,176 | 3,432 | 32,608 | 21,915 |
| Cleaning and sundry | | 2,675 | 0 | 2,675 | 2,743 |
| Repairs and renewals | | 69,890 | 0 | 69,890 | 77,643 |
| Printing, postage and stationery | | 6,961 | 2,341 | 9,302 | 6,641 |
| Telephone | | 4,854 | 1,734 | 6,588 | 5,981 |
| Bank charges | | 4,369 | 0 | 4,369 | 4,448 |
| Legal and professional | | 6,164 | 0 | 6,164 | 9,682 |
| Subscriptions | | 2,246 | 0 | 2,246 | 1,894 |
| Equipment rentals | | 5,564 | 0 | 5,564 | 5,253 |
| | | 349,909 | 14,796 | 364,705 | 309,100 |

11 Total resources expended

| | Staff costs £ | Other costs £ | Depreciation £ | 2010 £ | 2009 £ |
|--|------------------|------------------|-------------------|------------------|------------------|
| Costs of activities in furtherance of the objects of the charity | 535,828 | 276,113 | 184,174 | 996,115 | 1,037,758 |
| Costs of generating funds | 0 | 88,238 | 0 | 88,238 | 72,056 |
| Governance costs | 5,747 | 34,822 | 0 | 40,569 | 38,506 |
| Notional charges | 0 | 39,646 | 0 | 39,646 | 43,585 |
| Total – charity | 541,575 | 438,819 | 184,174 | 1,164,568 | 1,191,905 |
| Trading subsidiary | 24,439 | 63,288 | 517 | 88,244 | 90,088 |
| Total – group | 566,014 | 502,107 | 184,691 | 1,252,812 | 1,281,993 |

12 Staff costs

| | Note 8 | Note 9 | Note 10 | 2010 | 2009 |
|-----------------------|---------------|---------------|----------------|----------------|----------|
| | £ | £ | £ | £ | £ |
| Wages and salaries | 286,736 | 5,747 | 169,981 | 462,464 | 474,454 |
| Social security costs | 21,284 | | 17,321 | 38,605 | 40,551 |
| Pension costs | 40,506 | 0 | 0 | 40,506 | 38,260 |
| Total – charity | 348,526 | 5,747 | 187,302 | 541,575 | 553,265 |
| Trading subsidiary | | | | 24,439 | 24,110 |
| Total – group | | | | 566,014 | 577,375 |

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

The average number of employees, analysed by function, was

| | 2010 | 2009 |
|---------------------|-------------|------|
| Education | 1 | 1 |
| Care of collections | 4 | 5 |
| Visitor services | 7 | 8 |
| Support | 9 | 7 |
| Total | 21 | 21 |

13 Transfers between funds

A total of £74,203 (2009: £86,590) was transferred from unrestricted funds to the development fund and the grant in aid funds to cover future planned expenditure and to reflect that grant in aid has been spent in full and that the fund values are represented by the net book value of assets attributable to those funds.

14 Tangible fixed assets

| Charity | Land and buildings | Plant and machinery | Fixtures, fittings and equipment | Heritage assets | Total |
|--------------------------|---------------------------|----------------------------|---|------------------------|--------------|
| | £ | £ | £ | £ | £ |
| Cost or valuation | | | | | |
| At 1 April 2009 | 4,433,896 | 591,976 | 1,024,290 | 103,434 | 6,153,596 |
| Additions | 0 | 0 | 8,139 | 9,691 | 17,830 |
| Disposals | 0 | (39,153) | (225,105) | (10,556) | (274,814) |
| Revaluation | (335,337) | 11,485 | 18,813 | 0 | (305,039) |
| Transfer between classes | 0 | 0 | 10,656 | (10,656) | 0 |
| At 31 March 2010 | 4,098,559 | 564,308 | 836,793 | 91,913 | 5,591,573 |
| Depreciation | | | | | |
| At 1 April 2009 | 269,955 | 141,210 | 355,757 | 0 | 766,922 |
| Charge for the year | 120,957 | 22,985 | 40,232 | 0 | 184,174 |
| Disposals | 0 | (40,057) | (161,961) | 0 | (202,018) |
| Revaluation | (20,515) | 1,253 | 4,457 | 0 | (14,805) |
| At 31 March 2010 | 370,397 | 125,391 | 238,485 | 0 | 734,273 |
| Net book values | | | | | |
| At 31 March 2010 | 3,728,162 | 438,917 | 598,308 | 91,913 | 4,857,300 |
| At 31 March 2009 | 4,163,941 | 450,766 | 668,533 | 103,434 | 5,386,674 |

| Group | Land and buildings | Plant and machinery | Fixtures, fittings and equipment | Heritage assets | Total |
|--------------------------|--------------------|---------------------|----------------------------------|-----------------|------------------|
| | £ | £ | £ | £ | £ |
| Cost or valuation | | | | | |
| At 1 April 2009 | 4,433,896 | 591,976 | 1,034,515 | 103,434 | 6,163,821 |
| Additions | 0 | 0 | 9,763 | 9,691 | 19,454 |
| Disposals | 0 | (39,153) | (225,105) | (10,556) | (274,814) |
| Revaluation | (335,337) | 11,485 | 18,813 | 0 | (305,039) |
| Transfer between classes | 0 | 0 | 10,656 | (10,656) | 0 |
| At 31 March 2010 | <u>4,098,559</u> | <u>564,308</u> | <u>848,642</u> | <u>91,913</u> | <u>5,603,422</u> |
| Depreciation | | | | | |
| At 1 April 2009 | 269,955 | 141,210 | 365,779 | 0 | 776,944 |
| Charge for the year | 120,957 | 22,985 | 40,749 | 0 | 184,691 |
| Disposals | 0 | (40,057) | (161,961) | 0 | (202,018) |
| Revaluation | (20,515) | 1,253 | 4,457 | 0 | (14,805) |
| At 31 March 2010 | <u>370,397</u> | <u>125,391</u> | <u>249,024</u> | <u>0</u> | <u>744,812</u> |
| Net book values | | | | | |
| At 31 March 2010 | <u>3,728,162</u> | <u>438,917</u> | <u>599,618</u> | <u>91,913</u> | <u>4,858,610</u> |
| At 31 March 2009 | <u>4,163,941</u> | <u>450,766</u> | <u>668,736</u> | <u>103,434</u> | <u>5,386,877</u> |

During the year the question of the ownership of the Museum's Vanguard exhibit culminated with the return of the exhibit to the MoD. This resulted in a significant write down of the asset shown in fixtures, fittings and equipment above. This forms £67,240 of the £69,752 loss on disposal as disclosed in the Statement of Financial Activities.

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

15 Investments

| | Charity Listed | Group Unlisted | Listed | Unlisted |
|---------------------------------------|----------------|----------------|---------------|----------|
| | £ | £ | £ | £ |
| Market value or cost at 1 April 2009 | 17,180 | 2 | 17,180 | 0 |
| Net unrealised gains/(losses) | 8,520 | 0 | 8,520 | 0 |
| Market value or cost at 31 March 2010 | <u>25,700</u> | <u>2</u> | <u>25,700</u> | <u>0</u> |
| Historical cost at 31 March 2010 | <u>11,230</u> | <u>2</u> | <u>11,230</u> | <u>0</u> |
| Market value or cost at 31 March 2009 | <u>17,180</u> | <u>2</u> | <u>17,180</u> | <u>0</u> |
| Historical cost at 31 March 2009 | <u>11,230</u> | <u>2</u> | <u>11,230</u> | <u>0</u> |

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

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

16 Stocks

| | 2010 | | 2009 |
|---|-------------------|-------------------|-------------------|
| | Charity | Group | Charity |
| | £ | £ | £ |
| The amounts attributable to the different categories are as follows | | | |
| Goods for resale | 3,372 | 35,200 | 11,517 |
| | <u> </u> | <u> </u> | <u> </u> |

17 Debtors

| | 2010 | | 2009 |
|--------------------------------------|---------------------|----------------------|--------------|
| | Charity | Group | Charity |
| | £ | £ | £ |
| Amounts due within one year: | | | |
| Social security and other taxes | 4,302 | 4,302 | 0 |
| Prepayments and accrued income | 4,325 | 6,792 | 6,884 |
| Amounts owed by RNSM Enterprises Ltd | 197 | 0 | 583 |
| | <u>8,824</u> | <u>11,094</u> | <u>7,467</u> |
| | | | <u>6,884</u> |

18 Cash at bank and in hand

| | 2010 | 2009 |
|------------------------------------|-----------------------|----------------|
| | £ | £ |
| Unrestricted funds | 366,577 | 389,506 |
| Centennial fund | 11,810 | 11,092 |
| Development fund | 33,730 | 41,444 |
| Alliance fund | 248,235 | 32,390 |
| Other restricted funds | 20,650 | 21,004 |
| Non-public funds | <u>681,002</u> | 495,436 |
| Public funds | 27,373 | 130,326 |
| Cash at bank and in hand – charity | <u>708,375</u> | 625,762 |
| Trading Subsidiary | 5,972 | 10,917 |
| Cash at bank and in hand – group | <u>714,347</u> | <u>636,679</u> |

19 Creditors: amounts falling due within one year

| | 2010 | | 2009 |
|---------------------------------|----------------------|----------------------|----------------|
| | Charity | Group | Charity |
| | £ | £ | £ |
| Trade creditors | 8,016 | 8,016 | 1,727 |
| Other taxes and social security | 10,103 | 11,284 | 13,710 |
| Other creditors | 0 | 6,364 | 2,762 |
| Accruals | 66,344 | 66,344 | 18,806 |
| VAT liability | 0 | 0 | 235 |
| Deferred income | 0 | 0 | 153,276 |
| | <u>84,463</u> | <u>92,008</u> | <u>190,516</u> |
| | | | <u>195,703</u> |

20 Restricted funds – Charity

| | 1 April 2009 | Incoming | Outgoing | Gains/(losses) | Transfers | 31 March 2010 |
|--------------------------|---------------------|-----------------|------------------|-----------------------|------------------|--------------------------|
| | £ | £ | £ | £ | £ | £ |
| Grant in aid (operating) | 1,111,489 | 579,959 | (709,216) | (94,153) | 53,859 | 941,938 |
| Grant in aid (purchases) | 92,778 | 21,975 | (10,811) | 0 | 15,344 | 119,286 |
| Centennial project | 98,990 | 779 | (1,534) | 3,523 | 0 | 101,758 |
| Development fund | 3,995,887 | 0 | (138,056) | (180,138) | 0 | 3,677,693 |
| Alliance fund | 13,179 | 262,216 | (74,720) | | 5,000 | 205,675 |
| Medal collection fund | 11,000 | 0 | 0 | 0 | (6,000) | 5,000 |
| School buses fund | 1,500 | 0 | 0 | 0 | 0 | 1,500 |
| Education fund | 0 | 6,065 | (4,465) | 0 | 1,000 | 2,600 |
| Conservation fund | 4 | 0 | (4) | 0 | 0 | 0 |
| Reception fund | | | (2,320) | 0 | 5,000 | 2,680 |
| LR3 submersible | 0 | 6,500 | (6,500) | 0 | 0 | 0 |
| E17's conning tower | 0 | 6,550 | (6,350) | 0 | 0 | 200 |
| HMS osprey dolphins | 0 | 2,000 | (2,000) | 0 | 0 | 0 |
| Total | 5,324,827 | 886,044 | (955,976) | (270,768) | 74,203 | 5,058,330 |

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

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

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

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

The Alliance Fund is funding specifically for the refurbishment of *HMS Alliance*.

The Medal Collection Fund is for improving displays of medals.

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

The Education Fund is funding for education workshops held at the Museum.

The Reception fund is to upgrade the reception areas and signage.

The LR3 Submersible fund is for the ongoing conservation of the LR3 Submersible.

The E17's Conning Tower fund is for the ongoing conservation of the E17's Conning Tower.

The *HMS Osprey* Dolphins fund is funding for the refurbishment of the Bronze Osprey Dolphins.

21 Analysis of net assets between funds

| | Tangible fixed assets | Investments | Net current assets | 31 March 2010 Total | 31 March 2009 Total |
|------------------------------|----------------------------------|--------------------|-------------------------------|--------------------------------|------------------------|
| | £ | £ | £ | £ | £ |
| Restricted funds | | | | | |
| Grant in aid (operating) | 941,938 | 0 | 0 | 941,938 | 1,111,489 |
| Grant in aid (purchases) | 91,913 | 0 | 27,373 | 119,286 | 92,778 |
| Centennial fund | 64,249 | 25,700 | 11,809 | 101,758 | 98,990 |
| Development fund | 3,608,537 | 0 | 69,156 | 3,677,693 | 3,995,887 |
| Alliance fund | 0 | 0 | 205,675 | 205,675 | 13,179 |
| Other funds | 0 | 0 | 11,980 | 11,980 | 12,504 |
| | <u>4,706,637</u> | <u>25,700</u> | <u>325,993</u> | <u>5,058,330</u> | <u>5,324,827</u> |
| Unrestricted funds – charity | 150,663 | 2 | 310,115 | 460,780 | 533,255 |
| | <u>4,857,300</u> | <u>25,702</u> | <u>636,108</u> | <u>5,519,110</u> | <u>5,858,082</u> |
| Non charitable trading funds | 1,310 | (2) | 32,525 | 33,833 | 37,476 |
| Total net assets – group | <u>4,858,610</u> | <u>25,700</u> | <u>668,633</u> | <u>5,552,943</u> | <u>5,895,558</u> |

22 Capital commitments and contingent liabilities

The charity has capital commitments contracted but not provided for in the financial statements amounting to £72,876 (2009: £Nil). The charity has no contingent liabilities at 31 March 2010 or 31 March 2009.

23 Other commitments

At 31 March 2010 the group was committed to making the following payments under non-cancellable operating leases in the year to 31 March 2010.

| | Land and buildings 2010 | Other 2010 | Land and buildings 2009 | Other 2009 |
|----------------------------|--|-----------------------|-------------------------------|---------------|
| | £ | £ | £ | £ |
| Over one year | | | | |
| Between two and five years | 0 | 5,564 | 0 | 5,587 |
| In more than five years | 0 | 0 | 0 | 0 |
| | <u>0</u> | <u>5,564</u> | <u>0</u> | <u>5,587</u> |

24 Related party transactions

The Royal Navy Submarine Museum is sponsored by the Ministry of Defence (MoD). The MoD is regarded as a related party. Grant funding from the NMRN is separately disclosed in the Statement of The Royal Navy Submarine Museum is a related party of the Society of Friends of the Royal Navy Submarine Financial Activities.

Museum. During the year the Society donated a total of £15,050 (2009: £2,822) to the Museum.

25 Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax. The charity's trading subsidiary is not exempt, but had a corporation tax liability of £Nil as at 31 March 2010 (2009: £Nil).

26 Pensions

The majority of staff are covered by a group personal pension plan scheme. One part time member of staff is covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which provides benefits based on the final pensionable pay. The pension cost charged to the Statement of Financial Activities of £40,506 (2009:£38,260), is represented by the contributions payable under the group scheme, which are fixed at 12.5 per cent.

No amounts were outstanding at the year end. The contributions payable under the PCSPS were at a rate which is within the range accepted of 17.1 to 26.5 per cent of pensionable pay, based on salary bands.

27 External performance indicators

Ratio of self-generating income to Grant

| Year | Self Generated Income | Grant Income | % Total Revenue Grant | % Total Revenue Self Generated | |
|-------------|-----------------------------|-----------------|-----------------------------|---|---------------|
| 2010 | 201,000 | 602,000 | 75% | 25% | Budget |
| 2010 | * 528,000 | 602,000 | 53% | 47% | Actual |
| 2009 | 277,000 | 590,000 | 68% | 32% | Actual |

* This includes a £250,000 donation received in the year for the Alliance Fund

28 Post balance sheet events

There have been no issues since the balance sheet date which require any adjustments to these accounts.

The accounts were authorised for issue by the Board of Trustees on 15 July 2010.

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