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The Chatham Historic Dockyard Trust

Directors' Report and Financial Statements

for the year ended 31 March 2012

Company number 1804108

Registered Charity number 292101

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Advisors

Bankers

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PO Box 104
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Solicitors

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Auditor

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Registered Office

The Historic Dockyard
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Chairman's annual report

For the year ended 31 March 2012

Chatham Historic Dockyard Trust is an energetic and entrepreneurial organisation

The Trust has a consistent track record of growth and progress in meeting its core charitable objectives of education and preservation. The 2011/12 financial year has seen our resourceful team achieve yet more in meeting our ambitions, now very clearly articulated in a new Corporate Plan covering the period 2011 – 2016

In 2010/11 we focused on our re-branding, the opening of No 1 Smithery with its ambitious temporary exhibition programme, and our enhanced communications strategy. Evidence of our business-like approach across all of our operations, these proved to be successful foundations for 2011/12, in many ways our most successful year yet. Visitor numbers exceeded 159,000, the highest annual total we have seen, and we achieved an impressive group turnover in excess of £5m, excluding capital grants.

This year we have continued to invest well over £1m in gallery and building re-use projects, we have seen the University of Kent increase its presence and investment in The Historic Dockyard, and we have generated sufficient funds to invest £180,000 in planned maintenance, by far the highest annual total ever.

Despite this apparent success we remain focussed on the real challenges before us. We are still unable to fund fully our maintenance and conservation demands, even given the continued generous support of our sponsoring government department, the Department for Culture, Media and Sport (DCMS). Indeed, without continued financial support from DCMS for our core operations we would face challenges that would seriously jeopardise our ability to achieve our eventual goal of self-financing sustainability. That achievement remains our firm intention.

The commissioning of an independent economic impact assessment in the year has produced impressive evidence-based validation of our strategy, demonstrating that we produce an annual economic impact of £16m to the Medway and Kent area. This is estimated to rise to £20m when the University of Kent development, referred to below, is complete. Based on a total investment of a little over £50m of capital grants since 1984, this is an impressive return on investment that continues into the future. Our mixed use strategy has helped develop a resilient blend of benefits that clearly support our position as a significant player in the regeneration of Medway.

The past year has seen us, with the generous support of partners and stakeholders, invest in further gallery improvement, creating a new 19th and 20th century gallery, "Steam, Steel and Submarines" in the Fitted Rigging House, and also creating a much improved environment for our new "Age of Sail" galleries in the Mast House. As well as significantly improving our visitor experience these changes have also reduced our carbon footprint and saved other overheads, as identified in our new Corporate Plan.

We greatly value our long-standing relationship with the University of Kent. Over the past year this has resulted in an increase in its presence in the Historic Dockyard. The University has invested substantial capital in re-using under-used buildings to make a home for its School of Arts, which will bring up to 650 students to the site.

We have also taken the first steps towards re-using one of the buildings featured in the Corporate Plan as a strategic development opportunity. Using funds from our designated development reserves we have been able to convert a significant part of the first floor of the Sail and Colour Loft into offices. These will become the Trust's headquarters, freeing up valuable space elsewhere, which has already been let. The returns from these lettings will replenish our reserves, and so enable us to undertake the self-funded conversion of other parts of this building, as well as other buildings within The Historic Dockyard.

The progress we have achieved over the past year demonstrates not only that the Trust and its people are dynamic and resourceful, but also that we have a clear strategic plan that will move us towards a sustainable future for The Historic Dockyard. It will also enable us to play an ever greater part in the successful regeneration of the region, and to educate more and more people about the history of a truly remarkable heritage site.

Chairman's annual report (continued)

For the year ended 31 March 2012

I am, once again, very grateful for the unstinting support of my fellow Trustees, who contribute a considerable amount of time to the Trust, along with their experience and wise counsel. As the governing body we are also conscious of the debt we owe to the many people who work for the Trust, both full-time and part-time, or as volunteers. The success of this year is testament to their commitment, professionalism and hard work.

Our Vision

The Historic Dockyard will consolidate its position as one of the world's leading maritime heritage destinations by forming the heart of a newly accredited World Heritage Site.

Already a prime example of heritage-led sustainable regeneration and re-use within the local community, the Dockyard will be recognised as a world-class centre of excellence for the conservation, preservation and interpretation of the historic environment. With support from governmental and other partners and stakeholders, The Historic Dockyard will become financially self-sustaining. That will enable it to continue to provide the highest standards of education and presentation for the benefit of generations to come, while at the same time maintaining its iconic buildings.

The Historic Dockyard and its defences is currently on the UK Government's list of tentative World Heritage sites.

Our Core Objectives

As a registered charity, the Trust's primary charitable objectives are

- To secure for the public benefit the preservation of The Historic Dockyard in a manner appropriate to its archaeological, historical and architectural importance
- To promote and foster for the public benefit a wide knowledge and understanding of the archaeological, historical and architectural significance of The Historic Dockyard

As a registered museum, the Trust aims to collect, study and interpret for the public items and materials connected with the history of

- The design and construction of warships for the Royal Navy
- The men and women who worked at the Royal Dockyard at Chatham
- The use of the Medway and surrounding area by the Royal Navy and its support services, including the history of the Chatham Port Division

In carrying out these objectives, the Trust recognises

- That visitors to and users of The Historic Dockyard are fundamental to its purpose
- That the economic re-use of the site and its buildings is fundamental to achieving its objectives via a strategy of preservation through re-use
- That its staff and volunteers play a critical role in providing levels of service and customer care which meet and exceed expectation

In addition we recognise and welcome our role as a leading player in the regeneration of Medway and the Thames Gateway. Contributing culture and heritage to the region is fundamental to what the Trust does and is increasingly recognised as one of its strengths.

Preservation Through Re-Use

In considering our strategy for the new Corporate Plan 2011-2016 we undertook a thorough review of our core approach to preserving the site through the sympathetic re-use of the site and its historic buildings. That

Chairman's annual report (continued)

For the year ended 31 March 2012

review demonstrated that the approach was sound and that maintaining it was the only way in which a sustainable future for The Historic Dockyard and its buildings could be achieved

Key to the success of that approach is the establishment of land and building uses that do not compromise the historic significance of our industrial buildings, and that at the same time achieve a balance with neighbouring uses. Our re-affirmed strategy recognises the need to maintain the mix that we have. In addition, however, acceptable uses must be found for two large buildings, the Fitted Rigging House and the Sail and Colour Loft, that are currently under-used, and also for the land to the north of the site, known as the Interface Land. In the case of the two buildings the uses will be commercial, to generate income. Development of the Interface Land in partnership with The Homes and Communities Agency (HCA) will generate a mix of commercial uses and superb public realm, that will enhance the historic environment.

Enabling work to facilitate re-use of the Fitted Rigging House and the Sail and Colour Loft took place in the year. Of particular note were the reconfiguration of the museum and the move of the Trust's offices to the first floor of the Sail and Colour Loft, so freeing up its previous two office locations. Those locations have been commercially let. It is hoped that the infrastructure works undertaken to enable occupation of the Trust's new offices will facilitate re-use of the rest of the building in the future.

As stated below, substantial progress has been made in developing plans for the Interface Land, in partnership with HCA and as part of our Command of the Oceans project.

Once these plans have been fully realised, we believe that The Historic Dockyard Chatham will reinforce its growing reputation as a leader in sustainable heritage-led regeneration, with its mix of museum galleries, commercial opportunities and housing, all within a preserved heritage landscape.

Commercially Tenanted Property

Our tenant base has remained relatively stable with little usable unlet space.

The Trust maintains a letting policy of offering affordable rents, and providing reasonable support when difficulties arise. Total income from rented property over the past year was £1.83m, similar to that for the previous year. Our exposure to overdue payments has reduced significantly.

The Joiner's Shop Creative Industries Incubator facility remains particularly successful. The 42 units comprised in the facility have again been almost fully let throughout the year.

The University of Kent has taken leases on three further buildings within the Dockyard, with plans for a fourth. The University is investing more than £2m in its presence in The Historic Dockyard, with student numbers expected to rise considerably by 2014.

Residential Property

The Trust's residential estate of 115 homes is largely held through its wholly-owned subsidiary, Historic Dockyard Property Limited. These properties have mainly been sold on long leases to individual tenants. The tenants are responsible for internal upkeep, whilst the Company cares for the exterior and grounds, charging the tenants a service charge. Liaison between tenants and the Company is mainly through a residents' association, which works diligently on behalf of its members.

Some tenants are in process of acquiring the freehold of their homes by enfranchisement. Appropriate covenants will ensure that enfranchisement will have little practical impact on the operation of the estate.

Chairman's annual report (continued)

For the year ended 31 March 2012

Maintenance and Conservation

Our investment in self-funded maintenance, vital to the achievement of our first core charitable objective, rose to £180,000, the highest level ever, although much less than is required. Work in developing a risk based planned maintenance programme is now almost complete. This programme will, for the first time, provide a detailed costed appraisal of maintenance needs in the long term.

Further investment in galleries within the Fitted Rigging House and the Mast House has achieved improvements in insulation and other energy efficiency measures. This work should provide long-term financial and environmental benefits as well as a significant improvement to the visitor experience.

Development Land

The Trust's land at its northern boundary (the Interface Land) remains undeveloped. Our aspiration is still to develop that area in combination with the adjoining land as a single site. Ownership of that adjoining land has passed from the development agency, SEEDA, to The Homes and Communities Agency (HCA). Our agreement with SEEDA has been adopted by HCA as its successor, and we look forward to working with HCA to achieve a successful outcome.

The Trust has refined its brief for future development of the Interface Land, to ensure that a fitting arrival to The Historic Dockyard is created. That arrival will form a gateway to the wider (future) World Heritage Site.

This brief is now fully integrated into the larger project titled "Command of the Oceans". That project, which will tell Chatham's Age of Sail story through the heritage assets within the Dockyard and adjacent to it, is more fully described below.

HCA is undertaking a due diligence exercise, with the intention of demonstrating that their proposed investment of circa £3m in the site infrastructure and landscaping will provide excellent value for money in unlocking the potential of the combined site. An application to The Heritage Lottery Fund (HLF) has been made in parallel which will use HCA funding as matching to unlock the public engagement and interpretation potential of the site.

Further scheme development is expected in 2012.

Museums: Access, Learning and Collections

No 1 Smithery's temporary exhibition gallery continued to demonstrate its value through the year. Visitor numbers were sustained and audience appeal broadened by three shows: 'Robot', 'Titanic - Honour and Glory' and the V & A's 'Street Art'. All three shows enjoyed excellent visitor response.

Over 23,500 young people visited The Historic Dockyard in formal education groups during the year. Over 7,000 of those young people took part in full-day taught sessions, facilitated by the Trust's learning team. The sessions covered a range of curriculum subjects, including humanities and, in particular, science, technology, engineering and maths (STEM) activities. Highlights of the year included two STEM activities generously supported by sponsorship from Southern Water. The first was 'Battle of the Bots', a secondary level schools' robot building programme that culminated in a battle in the Smithery Courtyard between teams and their robots from thirteen Kent-Medway schools to find a winner. The second was 'Lads 'n Dads', a highly popular series of Sunday afternoon family-based science and technology workshops, led by the Trust's learning team.

Chairman's annual report (continued)

For the year ended 31 March 2012

Major gallery changes are covered elsewhere in this review. These include the development of the new gallery 'Steam, Steel and Submarines – the Royal Dockyard Story 1832-1984'.

Other work focussed on the historic warships and large object collections. The historic warships team, supported by a specialist shipwright, undertook the renewal of the lower foremast of HMS Gannet (1878), and the refurbishment of her upper foremasts and spars. The mast was re-stepped in early November. Through the winter the new dockyard railway workshop in the Armour Plate Shop demonstrated its worth, enabling our engineering team and railway volunteers to undertake the ten-yearly boiler and mechanical overhaul of Ajax, the Dockyard's 1941 steam locomotive. The overhaul was completed in time for the Easter 2012 Festival of Steam and Transport.

A review of the Trust's approach to interpreting the role of The Historic Dockyard during the age of sail, and establishing its position in the potential Chatham Dockyard and its Defences World Heritage Site, has led to the development of a major new project 'Command of the Oceans'.

This project will create a new area of heritage-based public realm at the north end of the site. This will cover 4.5 hectares, and will be freely accessible to the public. It will encompass two of the Dockyard's earliest scheduled monuments – the North and South Mast Ponds. The Wheelwright's Shop will be adapted to provide a proper environment to secure and interpret the 'Ship Beneath the Floor' archaeological ships' timbers find. It will also accommodate a new initial orientation gallery for The Historic Dockyard and Chatham's wider naval and military heritage sites. In this way visitor facilities will be greatly improved and a new enhanced visitor entrance provided for The Historic Dockyard itself.

This new 'discovery' centre for The Historic Dockyard and for the prospective wider Chatham Dockyard and its Defences World Heritage Site will act as a launch pad for visitors exploring Chatham's unique and internationally significant naval and military heritage.

Overall, the anticipated cost of the project is in the region of £8.5m. The first steps in the journey to secure funding have been taken, with a Stage 1 application to the Heritage Lottery Fund made in February 2012, and a strong partnership with the Homes and Communities Agency, owner of the adjoining site, which will also benefit from this scheme.

Trading

Retail and Catering

Our wholly-owned trading subsidiary, Chatham Historic Dockyard (Trading) Limited, provides retail, catering and hospitality services to our visitors and to other users of The Historic Dockyard.

Good quality and high service standards are an important focus. The seasonality of our trade means that maintaining consistent standards can, on occasion, be at the cost of profit. Over all, however, our strategy, best articulated as "profit through quality", ensures a high level of visitor satisfaction, and still provides significant financial returns.

In the financial year 2011/2012, both our retail and catering operations again achieved modest profits, totalling (on a full cost recovery basis) £5,809 and £18,402 respectively. Following changes to layout and stock, and also the recruitment of a new retail manager, improved performance is expected for 2012/2013.

Chairman's annual report (continued)

For the year ended 31 March 2012

Commissioner's House

Britain's oldest intact naval building has been operated by the Trust as a weddings and corporate hire venue since 2006. In 2012, Commissioner's House was unable to sustain the returns of previous years, due to reduced bookings for weddings for that year. Close monitoring and a carefully planned business development strategy have made the prospects for 2012/2013 much stronger.

Master Rope Makers

Rope making at The Historic Dockyard at Chatham is an important part of our heritage. Rope has been made here for over four hundred years. Our ropewalk produces rope for commercial sale, and the spectacular process is a highly popular part of the visitor experience. The rope making facility is one of the iconic features of the Dockyard, being educational to watch, and maintaining the last operating link with the Dockyard's pre-closure function. It also continues to be a very successful platform for national media coverage.

Master Ropemakers (Trading) Limited, a wholly owned subsidiary of the Trust, continues to be run as a quasi-commercial operation, with a sales strategy designed to cover usual operating costs as a minimum requirement. In order to maximise visitor appeal, production scheduling is undertaken to coincide with the highest levels of visitor presence. In manufacturing terms this is not always the most efficient practice. That fact is acknowledged by the receipt from the Trust of an annual compensatory service charge.

A change to the management structure in 2011 brought day to day operations within the new trading services directorate. A new sales strategy has been implemented that focuses on lower volume sales at a higher margin. The first year of operation under this regime generated a turnover of £304,340 and a profit of £3,366. These results were ahead of expectations.

New channels of revenue have been developed, with the sale of rope products both online and by traditional retail methods. These will help to deliver higher returns from the rope that is produced on the rope walk at The Historic Dockyard and, it is hoped, will ensure a more sustainable future for rope making at Chatham.

Filming

A professional approach to promotion of the site as a film location has resulted in another strong year, generating an income of £105,462. This excellent result was based on revenue from two productions: filming of the major BBC drama 'Call the Midwife', and a new Universal Pictures production of 'Les Misérables'.

Our People

The history of this remarkable place is built on the contribution of a diverse range of people over 400 years of history. We recognise increasingly the historic contribution of these people through our galleries and exhibitions.

The operation of the Trust, and the progress that we make in meeting our modern day core objectives of preservation and education, continue to rely on the extraordinary contribution of an equally diverse range of individuals and groups. Whether our Trustees, hard working staff, volunteers or supporters - all make a valuable contribution to our achievements that is greatly appreciated.

In the year 2011/2012 the Trust employed

54 Full Time Staff

79 Part Time Staff

Chairman's annual report (continued)

For the year ended 31 March 2012

More than 38,000 hours of volunteer time were dedicated to meeting our objectives in areas as diverse as railway engine conservation, ship repair, research, administration, event stewarding and gallery support. We are very grateful for the outstanding contribution that our volunteers make to the success of our activities. Without such support the Trust would never have been able to achieve so much.

Stakeholder Support

The Trust remains committed to working with a diverse and growing number of stakeholders and partners. We appreciate and enjoy the relationships we have been able to build. Whilst we must ensure that all such relationships complement our charitable purposes, we recognise our responsibility to meet the multiple objectives that inevitably arise when working together.

The development of our Corporate Plan 2011-16 reinforces this commitment, at the same time recognising the essential need to communicate our strategy and our progress towards meeting it.

The Department of Culture, Media and Sport (DCMS), the Heritage Lottery Fund, English Heritage, Medway Council, and Museums, Libraries and Archives (MLA) have been among our most enduring stakeholders. We greatly appreciate their continued support, and the productive relationship that we enjoy with each of them. The support and goodwill of the people of Kent and Medway are also of prime importance, as are those of our own resident and tenant community. 2011/12 saw a continued commitment on our part to working with them to create a harmonious environment within The Historic Dockyard.

We will continue to work hard to fulfil our commitments to all our stakeholders and partners, while at the same time seeking new and productive collaborations.

Economic Impact

The Trust commissioned an economic impact study from respected consultants DC Research. The brief asked that the economic value of all of the Trust's operations be estimated and required that findings should be conservative, robust and wherever possible evidence-based. The resultant report has demonstrated the substantial quantifiable impact to Kent and Medway that our work produces and is solid justification for the investment made in The Historic Dockyard to date. It also notes a range of less tangible impacts.

To quote from the executive summary of the report:

"Given the quantifiable economic impacts, it is not unreasonable to conclude that activity on The Historic Dockyard supports 500 jobs, and spending impacts in excess of £16m pa."

The report goes on to consider future influences, with the economic impact rising to £20m when the University of Kent's development is complete. Beyond this there is the potential to create more than 700 further jobs if objectives contained within the Corporate Plan 2012 - 2016 are delivered.

The report comments on the high value associated with the less tangible benefits that The Historic Dockyard brings to the area. These include the housing stock that has been created, and the Dockyard's reputational, educational and cultural values. These in turn bring with them identity and perception benefits that are important in the wider strategic regeneration plans for the area.

Chairman's annual report (continued)

For the year ended 31 March 2012

Sharing our Experience

In recognition of its role as custodian of a national heritage asset that has benefitted from substantial public support since closure, the Trust has a long established policy of sharing its knowledge and experience. Senior executives are actively involved at Chairman and Board levels in a variety of organisations including the Association of Independent Museums (AIM), The Heritage Lottery Fund regional committee, The Maritime Curators Group and many local organisations, such as Visit Kent and the Kent Museums Group. The Trust intends to maintain this policy in the future.

Reputation and Communications

At the end of the third year of implementation the Trust's strategy to raise the profile of The Historic Dockyard at Chatham has made further excellent progress. We have not only focussed on the history of the Dockyard, but also on the achievements of the Trust in creating a diverse and sustainable heritage environment.

We have built strong relationships with journalists and researchers with a variety of interests relevant to The Historic Dockyard, its heritage, its connections and its people. In doing so, we have taken particular care to introduce to our media contacts news, information and stories relevant to their interests.

Evidence of the success of this policy includes national TV and radio coverage through programmes like the Today Programme, Coast and Countryfile and newspaper and magazine stories appearing in media as diverse as The Daily Telegraph and Warship World.

We will continue to build on this strategy with renewed energy in 2012/13 as we celebrate an important range of milestones, including the 50th anniversary of the launch of the last ship built for the Royal Navy at Chatham. The evidence of the economic impact study, just completed, will also be widely disseminated. That evidence amply demonstrates the extent of the economic value that we have been able to create from investment in the Dockyard since its inception – a return on investment that has brought economic benefit not only to the Dockyard itself, but to Medway, Kent and the South East Region.

Reserves

The policy of the Trust is to maintain a general reserve of £1,250,000. At 31st March 2012 this reserve stood at £1,323,351. The Trust has in addition a development fund reserve of £281,606, designated specifically for bringing into use buildings that are capable of generating income likely to help deliver the Trust's core objectives.

The total general reserves at the year end were therefore £1,604,957.

Risk Management.

The Trustees have a duty to identify and review the risks to which the Trust is exposed, and to ensure that appropriate controls are maintained. The process of risk assessment, mitigation and management is well understood. On projects our approach to risk management is sophisticated, tried and tested. The process is overseen by professional project managers. The Board has in addition established a formal system to enhance general risk management, and to ensure that recognition and monitoring occur at the correct level.

Chairman's annual report (continued)

For the year ended 31 March 2012

Governance

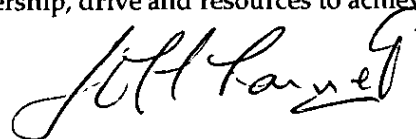
The governance structure established in our memorandum and articles of association requires, besides the Chairman, the appointment of eight trustees. Appointment follows an established selection and interview process. Two further trustees are nominated by Medway Council in agreement with the Trust.

There were no changes to the Board within the last year. The Board has, however, recognised the need to ensure that its governance meets the needs of the Trust as well as being aligned with best practice. It has agreed on the need for an interim governance review to include, among other issues, succession planning, trustee terms of service and the balance of experience within the Board.

The Future

The Trust's strategy and operating priorities are clearly stated in the newly published Corporate Plan 2011 - 2016. This makes clear the Trust's commitment to developing its strategy of preservation through re-use, as a means of moving towards financial stability and of maintaining excellence in the preservation and learning services it provides. Opportunities are clearly identified, with realistic challenges and timescales.

To place The Historic Dockyard at the heart both of the community and of the area's wider military heritage assets is an attainable goal. The Trust is committed to exhibiting leadership, drive and resources to achieve that goal.



Admiral Sir Ian Garnett KCB - Chairman

Report of the Board of Management

For the year ended 31 March 2012

Members of the Board of Management

Admiral Sir Ian Garnett KCB (Chairman)

Mr J A S Bassett

Mr B T J Stevens

Miss S L Palmer OBE

Councillor Tony Goulden (resigned 08/07/11)

Councillor David Carr (appointed 28/09/11)

Mr Maurice Storey CB

Councillor Craig Mackinlay

Sir Robert Crawford CBE

Mr P K Sarwal

Sir Ian Andrews TD

Mr J A Spence OBE, DL

Senior Managers

Mr W S Ferris OBE

Chief Executive

Mr C Knott

Chief Financial Officer

Mr R M Holdsworth MBE

Museum & Heritage Director

Financial Statements

The Board of Management presents its report and the group financial statements of the Trust for the year ended 31 March 2012. This report and accounts have been prepared in accordance with the constitution and the recommendations of the Statement of Recommended Practice 2005 – Accounting and Reporting by Charities, and comply with the Companies Act 2006 and applicable law.

Under the constitution of the Trust the members of the Board of Management constitute directors for the purposes of the Companies Act 2006 and Trustees for the purposes of the Charities Act 1993.

Status

The Chatham Historic Dockyard Trust is an independent charitable trust formed for the purpose of preserving the Historic Dockyard at Chatham as a living heritage environment for the public benefit and to provide a wide knowledge of the archaeological, historical and architectural importance of the Historic Dockyard. It is a company limited by guarantee, not having a share capital, which has a licence to dispense with the word “limited” in its title.

The Trust was set up in 1984 under the terms of a Memorandum of Understanding with the Department of the Environment, under which a grant of £11,350,000 was received to be applied to the principal activities of the Trust. The Trust’s constitution is set out in its Memorandum and Articles of Association, as amended by Special Resolution on 16 December 2003.

Report of the Board of Management (continued)

For the year ended 31 March 2012

Principal Activities and Business Review

- a) To secure for the public benefit the preservation and use of the Historic Dockyard at Chatham in a manner appropriate to its archaeological, historical and architectural importance
- b) To promote and foster for the public benefit a wide knowledge and understanding of the archaeological, historical and architectural significance of the Historic Dockyard

The review of the Trust's activities is set out in the Report of the Chairman on page 1

The results for the year are set out in the statement of financial activities on page 17

The Board of Management

Pursuant to a Special Resolution passed at an Extraordinary General Meeting of the Trust held on 16 December 2003, members of the board are appointed as follows

- Eight members are nominated by The Chatham Historic Dockyard Trust
- Two members are nominated by Medway Council
- One member acting as an independent Chairman is appointed by the Board of Management

Members of the Board who served during the year are listed above. Trustees are recruited based on an assessment of the mix of skills required for the Board of Management effectively to control the operations of the Trust. Candidates are interviewed by a selection panel of the Board and on appointment all trustees receive formal induction training.

Subsidiary Companies

The Trust wholly owns four subsidiary companies. Chatham Historic Dockyard (Trading) Limited runs the shops for visitors and operates visitor catering facilities on the dockyard site. Historic Dockyard Property Limited and Historic Dockyard Property (2005) Limited licence and sell land at the Dockyard to development contractors and receive income from the sale of property in the development. Master Ropemakers (Trading) Limited has been established to continue traditional ropemaking in the dockyard, supported by non-traditional rope sales. These companies' profits are covenanted to the Trust.

Reserves

The Board of Management has reviewed the reserves of the Trust. The review encompassed the nature of the income and expenditure streams, the need to sustain the Trust's operations in the event of a fall in income, taking into account its fixed commitments and the nature of the reserves. The review concluded that to allow the Trust to be managed effectively a general reserve equivalent to a minimum of £1.25 million should be maintained.

Report of the Board of Management (continued)

For the year ended 31 March 2012

Changes in fixed assets

Movements in fixed assets during the year are set out in note 13 to the financial statements. Owing to the historic and inalienable nature of the Trust's assets it is not appropriate to ascribe a market value to those assets, however trustees consider that the actual value of the Trust's land and buildings is significantly greater than that stated in the accounts.

Statement of Responsibilities of the Board of Management

Company law requires the Board of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Trust and the group and of the incoming resources and application of resources of the Trust and the group for that period. In preparing those financial statements, the Board of Management is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable accounting standards 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 Trust will continue in business.

The Board of Management is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and the group and to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the Trust and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Governance and internal control

The systems of internal control are designed to provide reasonable assurance against material misstatement or loss. They include

- a strategic plan and an annual budget approved by the Board of Management,
- regular consideration by the Board of Management of financial results, variance from budgets, and non-financial performance indicators,
- delegation of authority and segregation of duties, and
- identification and management of risks.

Report of the Board of Management (continued)

For the year ended 31 March 2012

The principal risks identified by the Board of Management are summarised below

- Fluctuations in property and/or visitor income The Trust Executive reviews trading performance on a weekly and monthly basis to ensure that any fluctuations in income which may result in the Trust's failing to meet its financial targets are identified early The budget identifies measures to mitigate this risk and is again reviewed monthly and actions identified to offset any shortfall in income Regular financial reports are circulated to members of the Board of Management and reviewed formally by Finance & General Purposes Committee and the Board on a quarterly basis
- Unforeseen maintenance costs and other cost pressures including increases in utility costs As part of its budgetary and business planning process, the Trust identifies and prioritises maintenance tasks and makes allowance within the budget for planned preventive maintenance This maintenance schedule is fully itemised so that priorities may be adjusted as required to meet the funds available Where performance is better than budget this results in our bringing forward maintenance work where this is appropriate For the longer term, the Trust plans to set up a designated fund, utilising income from the development of the Interface Land, to provide income to support the maintenance and conservation of the estate and the Trust's collections
- Loss of DCMS funding The Trust will continue to make every effort to ensure that its activities are carried out in accordance with museum best practice In this respect the Trust meets government criteria for the above funding and regular review ensures that this remains the case In the event that government priorities change and funding is withdrawn, certain activities may have to cease and the Board of Management has identified exit strategies accordingly
- Loss of key personnel The Trust has a strong management team with all senior managers possessing a good understanding of the more strategic and material issues affecting the Trust's future operation As a result of this strength in depth the loss of any individual member of the senior team is considered unlikely fundamentally to affect the Trust's operations

Report of the Board of Management (continued)

For the year ended 31 March 2012

As noted in the Chairman's report, the Board has reviewed the Code on Good Governance for the Voluntary and Community Sector produced by the National Hub of Expertise in Governance, a Home Office initiative in conjunction with the Association of Chief Executives of Voluntary Organisations, National Council for Voluntary Organisations and Institute of Chartered Secretaries and Administrators. The Trust is fully compliant with this Code.

In accordance with company law, as the company's directors we certify that

- So far as we are aware, there is no relevant audit information of which the company's auditors are unaware, and
- As the Directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of that information

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Nexia Smith & Williamson be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board of Management on 26th September 2012



Andrew Fernor

Company Secretary

The Historic Dockyard
Chatham
Kent ME4 4TE

Nexia Smith & Williamson

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF THE CHATHAM HISTORIC DOCKYARD TRUST

We have audited the financial statements of The Chatham Historic Dockyard Trust for the year ended 31 March 2012 which comprise the Group Statement of Financial Activities, the Group and Parent Charitable Company Balance Sheets, the Group Cash Flow Statement and the related notes 1 to 29. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and the charitable company's trustees, as a body, in accordance with Section 151 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Board of Management Responsibilities Statement set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report to you in accordance with those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2012 and of the total incoming resources of the parent charitable company and its subsidiaries and the movements in the total resources, including the income and expenditure, of the group for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006 and the Charities Act 2011.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 require us to report to you if, in our opinion

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent charitable company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Nexia Smith & Williamson

Stephen Drew
Senior Statutory Auditor, for and on behalf of
Nexia Smith & Williamson
Chartered Accountants
Statutory Auditors

25 Moorgate
London
EC2R 6AY

Date *15 OCTOBER 2012*

Consolidated statement of financial activity

For the year ended 31 March 2012

	Notes	Unrestricted funds £	Restricted Funds £	Total 2012 £	Total 2011 £
Incoming resources					
Incoming resources from generated funds					
Voluntary income	3	301,552	1,150,952	1,452,504	2,902,746
Activities for generating funds	4	1,682,041	-	1,682,041	1,893,673
Investment income	5	9,390	-	9,390	6,260
Incoming resources from charitable activities	6	2,443,862	-	2,443,862	2,919,412
		<hr/>	<hr/>	<hr/>	<hr/>
Total incoming resources		4,436,845	1,150,952	5,587,797	7,722,091
Resources expended					
Costs of generating funds					
Costs of generating voluntary income		41,437	-	41,437	42,339
Fundraising trading cost of goods sold and other costs		1,398,497	-	1,398,497	1,297,536
Investment management costs		14,675	-	14,675	19,550
Charitable activities		3,245,526	1,378,666	4,624,192	4,442,195
Governance costs		55,296	-	55,296	66,517
		<hr/>	<hr/>	<hr/>	<hr/>
Total resources expended	8	4,755,431	1,378,666	6,134,097	5,868,137
Changes in resources before transfers and valuations		(318,586)	(227,714)	(546,300)	1,853,954
Transfers between funds		-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
Net movement in funds	12, 19	(318,586)	(227,714)	(546,300)	1,853,954
Funds as at 1 April 2011		3,645,022	5,688,600	9,333,622	7,479,668
		<hr/>	<hr/>	<hr/>	<hr/>
Funds as at 31 March 2012	19	3,326,436	5,460,886	8,787,322	9,333,622
		<hr/>	<hr/>	<hr/>	<hr/>

All activities of the Trust continued throughout both periods

The notes on pages 21 to 37 form an integral part of these financial statements

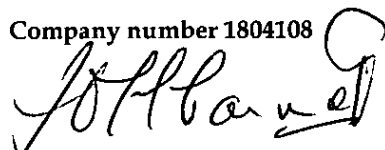
Consolidated balance sheet

31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	13	<u>6,684,901</u>	<u>7,014,952</u>
Current assets			
Stocks	15	258,304	172,005
Debtors	16	596,695	1,181,652
Cash at bank and in hand	25, 26	<u>2,064,863</u>	<u>1,847,651</u>
		2,919,862	3,201,308
Creditors amounts falling due within one year	17	<u>(817,441)</u>	<u>(882,638)</u>
Net current assets		<u>2,102,421</u>	<u>2,318,670</u>
Total assets less current liabilities		<u>8,787,322</u>	<u>9,333,622</u>
Funds employed			
Restricted funds	19, 21	5,460,886	5,688,600
Designated funds	19, 20	1,899,791	2,275,208
Unrestricted funds	19	<u>1,426,645</u>	<u>1,369,814</u>
		<u>8,787,322</u>	<u>9,333,622</u>

The financial statements on pages 17 to 37 were approved and authorised for issue by the Board of Management on 26th September 2012

Company number 1804108



Admiral Sir Ian Garnett KCB
Chairman

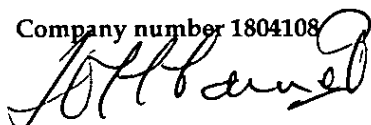
Balance sheet

31 March 2012

	Notes	2012 £	2011 £
Fixed assets			
Tangible assets	13	6,663,385	6,979,884
Investments in subsidiaries	14	<u>101,100</u>	<u>101,100</u>
		<u>6,764,485</u>	<u>7,080,984</u>
Current assets			
Stocks	15	-	-
Debtors	16	832,458	1,340,392
Cash at bank and in hand		<u>1,748,281</u>	<u>1,527,721</u>
		<u>2,580,739</u>	<u>2,868,113</u>
Creditors amounts falling due within one year	17	<u>(622,719)</u>	<u>(694,557)</u>
Net current assets		<u>1,958,020</u>	<u>2,173,556</u>
Total assets less current liabilities		<u>8,722,505</u>	<u>9,254,540</u>
Funds employed			
Restricted funds	19	5,460,886	5,688,600
Designated funds	20	1,938,268	2,275,208
Unrestricted funds	19	<u>1,323,351</u>	<u>1,290,732</u>
		<u>8,722,505</u>	<u>9,254,540</u>

The financial statements on pages 17 to 37 were approved and authorised for issue by the Board of Management on 26th September 2012.

Company number 1804108



Admiral Sir Ian Garnett KCB

Chairman

Consolidated cash flow statement

For the year ended 31 March 2012

	Notes	2012 £	2011 £
Net cash inflow/(outflow) from operating activities	24	235,483	2,248,185
Returns on investments and servicing of finance			
Interest and dividends received		9,390	6,260
Capital expenditure and financial investment			
Capitalised expenditure on restricted assets		-	(3,141,512)
Purchase of tangible fixed assets		(27,661)	(32,544)
Net cash outflow from capital expenditure and financial investment		(27,661)	(3,174,056)
Increase/(decrease) in funds in the year		<u>217,212</u>	<u>(919,611)</u>

The reconciliation of net cash flow to movement in net cash is shown in note 26 to the financial statements

Notes to the financial statements

For the year ended 31 March 2012

1 Status

The Chatham Historic Dockyard Trust is an independent charitable trust formed for the purpose of preserving The Historic Dockyard for the public benefit and to promote a wide knowledge of its archaeological, historical and architectural importance. It is a company limited by guarantee, not having a share capital, which has a licence to dispense with the word "limited" in its title.

The Trust was set up in 1984 under the terms of a Memorandum of Understanding with the Department of the Environment, under which a grant of £11,350,000 was received to be applied to the principal activities of the Trust. The Trust's constitution is set out in its Memorandum and Articles of Association, as amended by Special Resolution on 16 December 2003.

2 Accounting policies

a) *Basis of preparation*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards and the Statement of Recommended Practice "Accounting and Reporting by Charities" dated March 2005 and updated in 2008.

The acquisition method of accounting has been used in preparing the groups consolidated financial statements. The financial statements consolidate the accounts of The Chatham Historic Dockyard Trust and all of its subsidiary undertakings for the year ended 31 March 2012. The Trust has not presented a separate Statement of Financial Activities for its own results as permitted by Section 408 of the Companies Act 2006.

b) *Admissions and day memberships*

Admissions and day memberships comprise of amounts received from visitors to The Historic Dockyard, net of value added tax. These are recognised in line with the timing of the visits.

c) *Rent and service charges*

Income from rent and service charges is included in the financial statements at the point at which it becomes due under the relevant lease or tenancy agreement.

d) *Grants and Donations*

Grants are included in the financial statements at the point at which they become due under the relevant grant agreement. Donations are included in the financial statements when they are received.

e) *Investment income*

Investment income comprises of interest received during the year.

f) *Catering income*

Catering income comprises amounts received from visitors to the Historic Dockyard. This is recognised in line with the timing of the service provided.

Notes to the financial statements (continued)

For the year ended 31 March 2012

2 Accounting policies (continued)

g) *Expenditure*

Expenditure is classified under the principal categories of costs of generating income and other charitable expenditure in compliance with Statement of Recommended Practice "Accounting and Reporting by Charities" 2005 and best practice. Charitable expenditure comprises of direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with use of the resources and this is disclosed in the notes to the financial statements under support costs. Governance costs are those incurred in connection with compliance with constitutional and statutory requirements.

h) *Maintenance and capital work*

Costs incurred on restoration projects of the Dockyard buildings are written off as incurred unless there is a future net economic value. Where existing buildings are adapted for the Trust's use, including the refurbishment of property for rental and the installation of exhibition and associated equipment, the cost is capitalised and depreciation is then calculated in accordance with the depreciation policy.

i) *Tangible fixed assets and depreciation*

Freehold land and buildings were transferred to the Trust at the nominal sum of £1 at the time of the Trust's formation. Tangible fixed assets represent the cost of additions since that date in accordance with the above policy.

Depreciation is calculated so as to write off the cost of all fixed assets other than freehold land and buildings by equal annual instalments, on a straight line basis, over their expected useful lives. Freehold buildings are written off over a maximum of 50 years.

The annual rates used are as follows:

Computer equipment	20%
Exhibition equipment	7% / 20%
Other fixtures and fittings	10%
Plant and machinery	10%/20%
Motor vehicles	20%

j) *Artefacts and exhibits*

As the value of historic artefacts, gifted to the charity, is considered to be incalculable, no amount is included for them in the balance sheet. Purchases of artefacts and exhibits are added to fixed assets at cost where they are reasonably considered to have an economic or market value.

k) *Heritage Assets*

It is the policy of the Trust not to capitalise its' heritage assets as these are in effect inalienable, held in principle in perpetuity and are mostly irreplaceable. Any financially based valuation would be misleading to the value and significance of the material culture involved. The Trust has a clear duty to care for and make available these assets for the enjoyment and education of the public (the Trust's core charitable objectives) as far as possible, commensurate with the long term care of these items. The highest possible standards of collection management are applied throughout the collections held.

l) *Investments*

Investments in subsidiaries are stated at cost less provision for impairment in value.

Notes to the financial statements (continued)

For the year ended 31 March 2012

2 Accounting policies (continued)

m) Pension costs

Pension contributions to the Trust's Group Personal Pension scheme are charged to the Statement of Financial Activities in the period in which they are incurred

n) Stocks

Rope stocks are stated at the lower of cost and net realisable value. The costs of finished goods include an appropriate element of labour and overhead costs less any required provisions. Other stocks are stated at the lower of cost and net realisable value less any required provisions.

o) Grants receivable

Grants which are given with donor imposed restrictions on the timing of related expenditure are credited to restricted funds. Where these funds relate to capital expenditure related costs are added to fixed assets and depreciation is charged directly to restricted funds over the expected economic life of those assets.

p) Operating leases

Operating lease rentals are charged to the Statement of Financial Activities on a straight line basis over the period of the lease.

q) Funds

Unrestricted funds comprise the accumulated surplus or deficit on the statement of financial activities. They are allocated between designated funds and general funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the Trust.

Restricted funds are funds subject to specific restriction imposed by donors or by the nature of the appeal. The purpose and use of the restricted funds is set out in note 21 to the financial statements.

Notes to the financial statements (continued)

For the year ended 31 March 2012

3 Voluntary income

	2012 £	2011 £
Grants		
Government – Department for Culture, Media & Sport	278,000	399,262
– South East England Development Agency	-	20,000
Other	217,648	1,101,049
– Museums, Libraries and Archives Council	931,603	875,217
– English Heritage	-	2,000
– Biffaward	-	60,001
– Bernard Sunley Foundation	-	50,000
– Foyle Foundation	-	100,000
– Hampshire County Council	-	5,505
– Medway Council	3,290	100,619
– Fidelity UK	-	162,000
– Wilson’s solicitors	-	2,000
– Marsh Christian Trust	-	500
– Saga Group	500	-
– Southern Water	14,500	-
Donations		
Companies	500	15,200
Individuals	6,463	9,393
– Other		
	<u>1,452,504</u>	<u>2,902,746</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

4 Activities for generating funds

	2012 £	2011 £
Retail – gift shop	148,747	142,689
Sales of rope products	350,043	533,308
Weddings & other functions	181,843	274,779
Catering	420,827	417,174
Residential property management	160,029	186,012
Rental	420,552	339,711
	<u>1,682,041</u>	<u>1,893,673</u>

5 Investment income

	2012 £	2011 £
Fixed interest on cash deposits	<u>9,390</u>	<u>6,260</u>

6 Incoming resources from charitable activities

	2012 £	2011 £
Rent & service charges	1,385,359	1,305,852
Visitor admissions	1,002,147	1,021,549
Museum & conservation services	56,356	117,011
Performance bond	-	475,000
	<u>2,443,862</u>	<u>2,919,412</u>

7 Subsidiaries

The Trust has four wholly owned subsidiaries which are incorporated in the UK. Chatham Historic Dockyard (Trading) Limited manages retail and catering operations in the Historic Dockyard. Historic Dockyard Property Limited and Historic Dockyard Property (2005) Limited licence and sell land at the Dockyard to development contractors and receive income from the sale of property in the development. Master Ropemakers (Trading) Limited produce and trade in rope products. Chatham Historic Dockyard (Trading) Limited, Historic Dockyard Property Limited, Historic Dockyard Property (2005) Limited and Master Ropemakers (Trading) Limited covenant their profits to Chatham Historic Dockyard Trust.

The results of these trading subsidiaries are set out overleaf.

Notes to the financial statements (continued)

For the year ended 31 March 2012

7 Subsidiaries (continued)

	Master Ropemakers (Trading) Limited £	Historic Dockyard Property Limited £	Historic Dockyard Property (2005) Limited £	Chatham Historic Dockyard (Trading) Limited £	Total 2012 £	Total 2011 £
Incoming resources						
Incoming resources from generated funds						
Voluntary income	-	-	-	-	-	-
Activities for generating funds	385,043	11,660	148,369	710,466	1,255,538	1,508,328
Investment income	-	33	-	95	128	91
Incoming resources from charitable activities	-	-	-	-	-	-
Total incoming resources	<u>385,043</u>	<u>11,693</u>	<u>148,369</u>	<u>710,561</u>	<u>1,255,666</u>	<u>1,508,419</u>
Resources expended						
Costs of generating funds						
Costs of generating voluntary income	-	-	-	-	-	-
Cost of goods sold & other costs	381,677	8,064	1,141	724,826	1,115,708	1,256,407
Charitable activities	-	-	-	-	-	-
Governance costs	-	-	-	-	-	-
Total resources expended	<u>381,677</u>	<u>8,064</u>	<u>1,141</u>	<u>724,826</u>	<u>1,115,708</u>	<u>1,256,407</u>
Surplus/ (Deficit)	3,366	3,629	147,228	(14,265)	139,958	252,012
Amount gift aided to Chatham Historic Dockyard Trust	(3,366)	(3,629)	(147,228)	-	(154,223)	(252,012)
Transfer of retained earnings to	-	-	-	(14,265)	(14,265)	-
Funds as at 1 April 2011	<u>25,000</u>	<u>1,000</u>	<u>100</u>	<u>54,082</u>	<u>80,182</u>	<u>80,182</u>
Funds as at 31 March 2012	<u>25,000</u>	<u>1,000</u>	<u>100</u>	<u>39,817</u>	<u>65,917</u>	<u>80,182</u>
Employment of funds						
Fixed assets & investments	-	998	1	20,517	21,516	35,068
Stocks	188,400	-	-	69,904	258,304	172,005
Debtors	62,072	84,548	5,713	40,443	192,776	270,606
Cash	41,820	11,282	187,196	76,284	316,582	319,930
Creditors	(267,292)	(95,828)	(192,810)	(167,331)	(723,261)	(717,427)
Funds as at 31 March 2012	<u>25,000</u>	<u>1,000</u>	<u>100</u>	<u>39,817</u>	<u>65,917</u>	<u>80,182</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

8 Analysis of total resources expended

	Staff Costs £	Other £	Depreciation £	Total 2012 £	Total 2011 £
Costs of generating funds					
Costs of generating voluntary income	33,518	7,917	-	41,435	30,589
Costs of goods sold and other costs	465,520	919,313	13,664	1,398,497	1,297,536
Investment management costs	7,397	7,278	-	14,675	19,550
	<u>506,435</u>	<u>934,508</u>	<u>13,664</u>	<u>1,454,607</u>	<u>1,347,675</u>
Charitable activities					
Museum and education	842,774	1,252,691	185,527	2,280,992	2,188,951
Preservation and restoration	339,178	791,515	158,521	1,289,214	1,311,303
Advertising & promotion	65,969	80,394	-	146,363	244,129
Site security	183,830	6,242	-	190,072	223,311
Support costs	285,381	432,172	-	717,553	556,251
	<u>1,717,132</u>	<u>2,563,014</u>	<u>344,048</u>	<u>4,624,194</u>	<u>4,453,945</u>
Governance costs	29,681	25,615	-	55,296	66,517
Total	<u>2,253,248</u>	<u>3,523,137</u>	<u>357,712</u>	<u>6,134,097</u>	<u>5,868,137</u>

Museum & education expenditure comprises the cost of the maintenance and operation of the galleries and exhibits within the Dockyard. Preservation and restoration comprises the cost of repair, maintenance and restoration of the historic buildings and ships of the Dockyard and other maintenance. Site security comprises staff and other costs in respect of the provision of 24-hour security for the site for the benefit of the Trust, its tenants and residents.

Notes to the financial statements (continued)

For the year ended 31 March 2012

9 Support costs

Support costs comprise the management costs of the Trust and its charitable subsidiaries, and comprise the Senior Executive and Finance functions (including Personnel and IT support). These costs may be analysed as follows

	Costs of generating funds £	Costs of charitable activities £	Governance costs £	Total 2012 £	Total 2011 £
Staff costs & associated expenses	55,710	285,381	29,681	370,772	400,813
Travel, entertaining & similar expenses	2,084	13,134	1,392	16,610	17,992
Professional fees	21,147	5,703	20,223	47,073	38,136
Insurances	6,574	211,063	498	218,135	194,272
Other overhead & office costs	3,887	52,732	2,347	58,966	55,396
Total	89,402	568,013	54,141	711,556	706,609

Support costs of £89,402 (2011 £83,571) as disclosed above form part of the total charge of £1,454,609 (2011 £1,376,925) to costs of generating funds

The bases of apportionment utilised are as follows

Staff costs and associated expenses	Apportioned in accordance with estimated time spent on each activity
Travel, entertaining & similar expenses	Allocated in accordance with usage
Professional fees	Allocated in accordance with usage
Other overhead & office costs	Apportioned in accordance with estimated usage
Insurance costs	Allocated in accordance with the assets and activities insured

10 Wages and salaries

	2012 £	2011 £
Wages and salaries	1,940,365	1,974,471
Social security costs	150,195	150,463
Pension scheme	99,194	99,913
	2,189,754	2,224,847

The number of employees whose emoluments as defined for taxation purposes amounted to over £60,000 in the year was as follows

	2012 Number	2011 Number
£60,001 - £70,000	1	1
£70,001 - £80,000	-	-
£80,001 - £90,000	1	1

Notes to the financial statements (continued)

For the year ended 31 March 2012

10 Wages and salaries (Continued)

Contributions in the year for the provision of money purchase benefits to higher paid employees totalled £41,421 (2011 £45,880)

The Chairman of the Board of Management is entitled to receive remuneration from the Trust for services provided, as permitted by the Memorandum and Articles and approved by the Charity Commission. The Chairman's emoluments for the year were £24,357 (2011 £23,150). No other Trustees received emoluments. Expenses reimbursed to 6 trustees amounted to £1,747 (2011 - 5 trustees - £1,748).

	2012 Number	2011 Number
No. of Persons employed		
Preservation and restoration	22	22
Museum & education	61	69
Ropemaking	6	7
Catering & retail	27	23
Support	17	12
	<u>133</u>	<u>133</u>

11 Taxation

The Chatham Historic Dockyard Trust is a registered charity and as such is exempt from taxation on its income and gains to the extent that they are applied to its charitable purposes. No corporation tax arises in any of the non-charitable entities consolidated in to the accounts, Chatham Historic Dockyard (Trading) Limited, Master Ropemakers (Trading) Limited, Historic Dockyard Property Limited and Historic Dockyard Property (2005) Limited, because of their policy of paying all profits under Gift Aid to the charity each year.

12 Net movement in funds

	2012 £	2011 £
This is stated after charging / (crediting)		
Depreciation of tangible fixed assets	357,712	398,969
Auditors' remuneration		
- Audit (Company)	10,500	10,300
- Audit (Subsidiaries)	10,875	10,600
- Non audit services paid to companies associated with the auditors	5,900	5,750
Operating lease charges on plant and equipment		
- leases expiring within 1 year	-	2,040
- leases expiring within 2 to 5 years	10,042	8,902

Notes to the financial statements (continued)

For the year ended 31 March 2012

13 Tangible fixed assets

Group	Freehold land and buildings £	Fixtures, fittings and equipment £	Plant and machinery £	Total £
Cost				
1 April 2011	9,536,588	5,218,788	182,971	14,938,347
Additions	-	27,661	-	27,661
31 March 2012	9,536,588	5,246,449	182,971	14,966,008
Depreciation				
1 April 2011	3,053,798	4,702,368	167,229	7,923,395
Charge for year	263,772	84,500	9,440	357,712
31 March 2012	3,317,570	4,786,868	176,669	8,281,107
Net book value				
31 March 2012	6,219,018	459,581	6,302	6,684,901
31 March 2011	6,482,790	516,420	15,742	7,014,952
Trust				
Cost				
1 April 2011	9,521,465	5,084,936	224,612	14,831,013
Additions	-	27,661	-	27,661
31 March 2012	9,521,465	5,112,597	224,612	14,858,674
Depreciation				
1 April 2011	3,039,672	4,614,717	196,740	7,851,129
Charge for year	263,772	70,947	9,441	344,160
31 March 2012	3,303,444	4,685,664	206,181	8,195,289
Net book value				
31 March 2012	6,218,021	426,933	18,431	6,663,385
31 March 2011	6,481,793	470,219	27,872	6,979,884

Freehold land and buildings were transferred to the Trust at the nominal sum of £1 at the time of the Trust's formation. The capital expenditure above represents the cost of improvements and additions to the buildings, galleries and exhibits since that date.

Notes to the financial statements (continued)

For the year ended 31 March 2012

13 Tangible fixed assets (continued)

The net book value at 31 March 2012 represents fixed assets used for

Group	Freehold land and buildings £	Fixtures, fittings and equipment £	Plant and machinery £	Total £
Charitable activities				
Preservation and restoration	4,414,486	11,812	6,302	4,432,600
Museum and education	1,365,370	394,915	-	1,760,285
Ropemaking	58,546	-	-	58,546
Support costs	379,617	32,337	-	411,954
Generating funds	6,218,019	439,064	6,302	6,663,385
Activities for generating funds	999	20,517	-	21,516
Total	6,219,018	459,581	6,302	6,684,901

14 Investments - shares in subsidiary companies

Trust	2012 £ Shareholder Loan	2012 £ Share Capital	2011 £ Shareholder Loan	2011 £ Share Capital
Cost at 1 April	100,000	1,100	100,000	1,100
Additions	-	-	-	-
Disposal	-	-	-	-
Provision for diminution in value	-	-	-	-
Net book value at 31 March	100,000	1,100	100,000	1,100

The subsidiary companies at 31 March 2012 were wholly owned and registered in England & Wales as follows

Name	Class of share held	Activity
Master Ropemakers (Trading) Limited	Ordinary	Non-traditional rope sales
Chatham Historic Dockyard (Trading) Limited	Ordinary	Retail & catering
Historic Dockyard Property Limited	Ordinary	Residential property management
Historic Dockyard Property (2005) Limited	Ordinary	Property development

During the financial year ended 31 March 2010 The Chatham Historic Dockyard Trust issued a loan of £100,000 to Master Ropemakers (Trading) Limited a wholly owned subsidiary. The Trust maintains the right to convert the loan into share capital.

Notes to the financial statements (continued)

For the year ended 31 March 2012

15 Stocks

	2012		2011	
	Group	Trust	Group	Trust
	£	£	£	£
Raw materials and consumables	118,193	-	63,909	-
Goods for resale	140,111	-	108,096	-
	<u>258,304</u>	<u>-</u>	<u>172,005</u>	<u>-</u>

16 Debtors

	2012		2011	
	Group	Trust	Group	Trust
	£	£	£	£
Trade debtors	224,592	42,127	382,926	115,505
Investment income and grants receivable	91,347	91,347	117,017	117,017
Amount owed by subsidiary undertakings	-	428,538	-	429,346
Other debtors	38,309	38,309	482,789	482,789
Prepayments and accrued income	242,447	232,137	198,920	195,735
	<u>596,695</u>	<u>832,458</u>	<u>1,181,652</u>	<u>1,340,392</u>

17 Creditors: amounts falling due within one year

	2012		2011	
	Group	Trust	Group	Trust
	£	£	£	£
Trade creditors	243,845	199,645	344,441	264,794
Taxation and social security	35,970	35,970	49,495	49,495
Other creditors	213,043	82,861	171,050	84,052
Accruals and deferred income	324,583	304,243	317,652	296,216
	<u>817,441</u>	<u>622,719</u>	<u>882,638</u>	<u>694,557</u>

18 Contingent liabilities

Within the Historic Dockyard there are 47 structures designated as Scheduled Ancient Monuments and 54 Listed Buildings. The Trust has a responsibility and liability to remedy any state of disrepair of the Listed Buildings under the Planning (Listed Buildings & Conservation Areas) Act 1990. Whilst the Trust continues to maintain these structures, it may have insufficient funds to carry out the full scale repair of all the structures should the appropriate notice be served upon the Trustees.

Certain grants received by the Trust for capital works within the Historic Dockyard may, under the provisions of the respective grant contracts, become repayable under certain circumstances. In the opinion of the Trustees such circumstances are unlikely to arise and accordingly no provision has been made in the accounts.

Notes to the financial statements (continued)

For the year ended 31 March 2012

19 Funds employed

Group

	Restricted £	Unrestricted Designated £	Unrestricted General £	Group Total £
1 April 2011	5,688,600	2,275,208	1,369,814	9,333,622
Surplus/(Deficit) for the year	(227,714)	(375,417)	56,831	(546,300)
Transfer between funds	-	-	-	-
Funds at 31 March 2012	5,460,886	1,899,791	1,426,645	8,787,322

Trust

	Restricted £	Unrestricted Designated £	Unrestricted General £	Trust Total £
1 April 2011	5,688,600	2,275,208	1,290,732	9,254,540
Surplus/(Deficit) for the year	(227,714)	(336,940)	32,619	(532,035)
Funds at 31 March 2012	5,460,886	1,938,268	1,323,351	8,722,505

20 Designated Funds

Group

	Tangible Fixed Assets £	Maintenance Fund £	Total £
1 April 2011	1,737,155	538,053	2,275,208
(Deficit) / surplus for the year	(118,970)	(256,447)	(375,417)
Transfer from restricted funds	-	-	-
Funds at 31 March 2012	1,618,185	281,606	1,899,791

The Trust's policy is to invest any surplus on unrestricted funds generated each year back into the core activities of the Trust. Of the sum shown in the reserves statement in the income and expenditure account, £1,618,185 (2011 £1,737,155) has been utilised in the purchase of Tangible Fixed Assets in the balance sheet. It is therefore not cash available for spending and is disclosed as a designated reserve. The Maintenance Fund represents sums set aside for planned preventive maintenance and building refurbishment expenditure in future periods.

Notes to the financial statements (continued)

For the year ended 31 March 2012

21 Restricted funds	Balance at			Transfer	Balance at
	31 March	Incoming	Resources	Between	31 March
Group	2011	Resources	Expended	Funds	2012
	£	£	£	£	£
Museum of the Royal Dockyard	614,927	-	(99,502)	-	515,425
Joiners Shop	850,145	-	(17,094)	-	833,051
Wooden Walls	294,865	-	-	-	294,865
Clocktower building	163,778	-	(27,297)	-	136,481
On-site transport & interpretation programme	77,824	144,064	(150,752)	-	71,136
New visitor entrance, car park & shop	58,331	-	(11,667)	-	46,664
HMS Gannet restoration	1,800	-	-	-	1,800
HMS Ocelot restoration	-	-	-	-	-
Collection & conservation programme	-	130,804	(130,804)	-	-
Education programme development	3,956	71,758	(71,758)	-	3,956
No 1 Smuthery	3,126,165	217,648	(179,899)	-	3,163,914
Audience development	-	543,740	(543,740)	-	-
Programme support	-	39,448	(39,448)	-	-
The Greenhouse	2,500	-	(2,500)	-	-
Other small projects	1,303	-	-	-	1,303
Armour Plate Shop	16,283	3,290	(19,573)	-	-
Museum Relocation	476,723	200	(84,632)	-	392,291
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	5,688,600	1,150,952	(1,378,666)	-	5,460,886
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Notes to the financial statements (continued)

For the year ended 31 March 2012

21 Restricted funds (continued)

Restricted funds are represented by

	Fixed Assets £	Stock £	Cash £	Debtors £	Creditors £	Total £
Museum of the Royal Dockyard	544,931	-	(29,506)	-	-	515,425
Joiners Shop	803,440	-	29,611	-	-	833,051
Wooden Walls	294,865	-	-	-	-	294,865
Clocktower building	136,481	-	-	-	-	136,481
On site transport & interpretation	77,824	-	(6,688)	-	-	71,136
Visitor car park, entrance & shop	51,536	-	(4,872)	-	-	46,664
HMS Gannet restoration	-	-	1,800	-	-	1,800
Amour Plate shop	-	-	-	-	-	-
HMS Ocelot restoration	-	-	-	-	-	-
Education programme development	-	-	3,956	-	-	3,956
No 1 Smithery	3,078,681	-	85,233	-	-	3,163,914
Ropemaking	-	-	-	-	-	-
Museum Relocation	-	-	301,694	91,347	(750)	392,291
Other	5,972	-	(4,669)	-	-	1,303
	<u>4,993,730</u>	<u>-</u>	<u>376,559</u>	<u>91,347</u>	<u>(750)</u>	<u>5,460,886</u>

Notes to the financial statements (continued)

For the year ended 31 March 2012

22 Pension schemes

The Trust operates a group personal pension plan. The assets of the scheme are held separately from those of the Trust in independently administered funds. The pension cost charge represents contributions payable by the Trust to the funds and amounted to £99,194 (2011: £99,913).

23 Members

Each member of the Trust undertakes to contribute in the event of the Trust being wound up, a sum not exceeding £10.

At 31 March 2012 there were 13 members (2011: 13).

24 Reconciliation of net outgoing resources to net cash outflow from operating activities

	2012 £	2011 £
Net (outgoing)/incoming resources before transfers and revaluations	(546,300)	1,853,955
Depreciation	357,712	398,969
(Increase) / Decrease in stocks	(86,299)	47,206
Decrease in debtors	584,957	1,111,314
(Decrease) in creditors	(65,197)	(1,156,999)
Interest receivable	(9,390)	(6,260)
Net cash inflow from operating activities	235,483	2,248,185

25 Analysis of changes in net funds

	At 1 April 2011 £	Movement In Year £	At 31 March 2012 £
Cash in hand and at bank	1,847,651	217,212	2,064,863

26 Reconciliation of net cash flow to movement in net funds

	2012 £	2011 £
Increase/(decrease) in cash in year	217,212	(919,611)
Net funds at 1 April 2011	1,847,651	2,767,262
Net funds at 31 March 2012	2,064,863	1,847,651

Notes to the financial statements (continued)

For the year ended 31 March 2012

27 Operating lease commitments

At 31 March 2012 the Group was committed to making the following payments during the next year in respect of operating leases which expire

	Plant & Equipment 2012 £	Plant & Equipment 2011 £
Within one year	-	-
Within two to five years	10,942	10,942
	<u>10,942</u>	<u>10,942</u>

28 Contingent Liabilities

If Fixed Asset Properties are disposed of then under certain circumstances any related grant funding in respect of these properties may be repayable

29 Related Party Transactions

The Trust and the group have taken advantage of the exemption conferred by FRS 8 that wholly owned subsidiary undertakings whose voting rights are controlled within the group need not disclose transactions with other group companies