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# The Chatham Historic Dockyard Trust

## Directors' Report and Financial Statements

for the year ended 31 March 2010

Company number 1804108

Registered Charity number 292101

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## **Advisors**

### **Bankers**

Barclays Bank PLC  
PO Box 104  
Ashford  
Kent TN24 8ZB

### **Solicitors**

Cripps Harries Hall  
Wallside House  
12 Mount Ephraim Road  
Tunbridge Wells  
Kent TN1 1EG

### **Auditors**

Nexia Smith & Williamson Audit Limited  
25 Moorgate  
London EC2R 6AY

### **Registered Office**

The Historic Dockyard  
Chatham  
Kent ME4 4TZ

Tel 01634 823800

# Chairman's annual report

For the year ended 31 March 2010

## Foreword

This year, the 25th anniversary of the Chatham Historic Dockyard Trust (CHDT), has been one in which we have celebrated the achievements of the previous quarter century. At the same time my fellow Directors and our staff have continued to make good progress in fulfilling our core charitable purposes: the preservation of the Historic Dockyard for public benefit, and the promotion of its unique archaeological, historical and architectural significance. It remains a jewel in our country's maritime heritage.

Our intention has been not only to celebrate our achievements, but to take stock and consider what else needs to be done to build on our success. Our strategy, founded on "preservation through re-use", has been re-validated several times in the recent past. Its success has been demonstrated by the enormous progress we have made in preserving this iconic maritime heritage site and in providing information and education to a growing number of visitors. The Historic Dockyard is also at the heart of a recent bid for World Heritage Site status.

We have this year welcomed a record number of 170,000 visitors. Of these, 25,000 were in formal education groups (another record). Our tenant base has risen to 140 businesses and other organisations, and our residential estate has settled at 112 homes. These facts alone support our claim to have "come of age" as a unique example of a mixed-use heritage environment that has within it every activity for which the Department of Culture Media and Sport is responsible, apart from sport.

This anniversary year has given us an ideal opportunity to pursue a strategy designed to raise the profile of The Chatham Historic Dockyard at a national level. As part of this we were proud to host the first ever National Armed Forces' Day event, marking the achievements of the country's veterans and armed services. Around 30,000 people joined us from all over the country and we were honoured by the presence of Their Royal Highnesses The Duke and Duchess of Gloucester, the Prime Minister, the Chief of the Defence staff and other senior military and civilian representatives. We were well supported by numerous partners such as the local emergency services, Medway Council, the Ministry of Defence, SEEDA and the armed forces themselves, as well as numerous commercial and third sector sponsors. We owe a huge debt of gratitude to all those who helped us stage a truly fitting and memorable day.

Armed Forces' Day, complemented by a range of other anniversary activities and exhibitions, generated immense press and broadcast media coverage from local to pieces on the national news, publications such as The Times newspaper, Country Life and many more. This was a huge achievement for our small public relations team. Their efforts will provide an excellent foundation for the continuing development of our strategy to promote us as a destination which in turn will lead to even greater national and international public awareness and visitor levels.

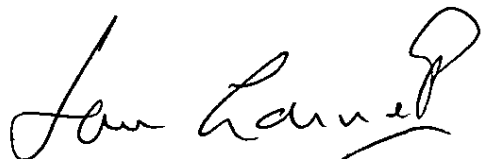
Much progress was also made through the year on the preservation of our historic buildings. The restoration of No 1 Smuthery and its re-birth as a ground-breaking new museum and exhibition centre, in partnership with the National Maritime Museum and the Imperial War Museum, will add a cultural masterpiece to the Dockyard, Medway and the South East region. The building, the last to be removed from the English Heritage "at risk" register in the South East, opened in July 2010 as a major attraction designed to draw in those who wish to experience the best of our cultural and maritime heritage.

We have also restored the significant Grade II\* listed Armour Plate Shop. In so doing we have developed a railway engineering workshop, bringing this important part of the Dockyard's heritage to the centre of the site with a public viewing and interpretation gallery, and other visitor facilities. Financial support from the DCMS Wolfson Gallery Improvement Fund, Renaissance in the Regions and EU funding via INTERREG IV Two Seas was critically important for this restoration.

## Chairman's annual report (continued)

For the year ended 31 March 2010

I am hugely grateful for the support of my fellow Trustees, and for the time they devote to the Trust's business. We also very much appreciate the support of the Secretary of State for the DCMS, and the Secretary of State for Defence, who are both members of the Trust. We applaud the commitment and hard work of our dedicated staff, some of whom have served for almost all the 25 years of the Trust's existence. We also recognise, with immense gratitude, our loyal, enthusiastic and hard-working volunteers, who donate up to 34,000 hours each year, and our many other supporters within the Medway community who continue to do so much to promote and improve this marvellous place. We are now ready to move forward onto the next stage of our development. Despite the clear challenges ahead I am confident that the Historic Dockyard will continue to go from strength to strength.

A handwritten signature in black ink, appearing to read 'Ian Garnett', with a stylized flourish at the end.

**Admiral Sir Ian Garnett KCB**  
Chairman

# Chairman's annual report (continued)

For the year ended 31 March 2010

## **Property Preservation, Restoration and Reuse Performance Review for the year ended 31st March 2010**

The preservation of the heritage site and its buildings is one of the core charitable purposes of the Trust. Progress over the last 25 years has seen the majority of our buildings brought into appropriate productive use. This is tangible evidence of the success of our strategy of "preservation through re-use". Financial returns generated from these sympathetic uses of our buildings provide the most significant element of self-generated income to further our charitable purposes. The uses can be categorised broadly as residential, commercial and use for museum, education and ancillary Trust purposes.

The Urban Panel Report published in 2008/09 (available on the English Heritage website - [www.english-heritage.org.uk](http://www.english-heritage.org.uk)) validated the Trust's approach to site usage and recognised that bringing remaining under-used properties into use was the key to reaching the Trust's goal of self-sustainability. The Trust has worked closely with the Department for Culture Media and Sport, our sponsoring government department, to undertake a range of feasibility studies considering

- individual buildings with potential for productive use,
- energy reduction opportunities,
- improvements to our visitor offering, making it both more coherent and efficient, and
- the creation of a strategy that ties all these together under an investment plan, designed to identify opportunities, and the costs and programme required to meet them.

These studies are now complete. They have provided real insight into the way forward. They have also been invaluable in informing negotiations with a major education provider for the use of a substantial building within the heritage site. This project has seen very encouraging progress. £8m of an estimated £12.2m requirement has been raised. The project has huge potential benefits for both partners, and for the educational, cultural and economic regeneration of Medway. Every effort will be made to deliver it.

### **Residential**

The Trust's residential estate of 112 homes is largely owned by its wholly-owned subsidiary, Historic Dockyard Property Ltd. These properties have mainly been sold on long lease to individual tenants. The tenants are responsible for the internal upkeep, whilst the property company cares for the exteriors and grounds, charging tenants a service charge. Liaison with residents is principally through the Residents Association Committee, which works tirelessly on behalf of its members.

This year saw the early phases of a redecorating programme for the new build properties, overseen by the Trust property team.

### **Commercially tenanted property**

Our commercial tenants have fared relatively well through the recession. The majority have continued to trade well and there has been a very low turn-over. The Joiner's Shop Creative Industries Incubator facility has been particularly successful, with more than 90% of the units occupied, despite the recession.

The Trust's policy of maintaining a stable tenant base, by trying to offer affordable rents and offering reasonable support when difficulties arise, has continued to pay dividends. Total income from rented property was £1,544,000. This represents a decrease of £175,000 compared to the previous year, but follows the planned ending of a significant short-term parking contract. The very high cost of utility services continues to be a problem for the Trust, and for its tenants to whom costs are recharged. Efforts to identify and implement energy-saving measures continue.

The Trust's efforts to increase investment in self-financed maintenance have borne fruit, with £104,000 spent across the site. Our increased investment in planned and preventative maintenance (£69,000) is particularly pleasing in light of future cuts expected in grant aid.

## Chairman's annual report (continued)

For the year ended 31 March 2010

### Trust, Museum and Education property

Developments within the Trust's holdings are covered in the Museum and Education section below

#### Development Land

The development of the land in the north part of the Historic Dockyard, known as the Interface Land, continues to hold great potential for the Trust. It provides an opportunity both to improve the condition and setting of a number of our Scheduled Ancient Monuments and to generate welcome capital for future anticipated requirements.

We continue to work in partnership with the adjoining land owner, SEEDA, to develop a Special Planning Document (SPD) for the Interface Land. Once adopted by the Local Authority, this will provide a clear approach to future development. Progress has been slower than expected, but it is hoped that a draft SPD can go forward for consultation in the near future.

The recession and potential threats to the future existence of the Regional Development Agency are leading to increased uncertainty about how any eventual development can be delivered. There remains, however, strong consensus that a unified approach to developing this difficult site, with its logistical constraints and multiple ownerships, is the best way forward. It is hoped that the SPD will help to ensure this.

#### Museum Access, Learning and Collections

No 1 Smithery has dominated much of our work during the year. Working closely with Land Design, the exhibition designers, and our national museum partners the galleries have taken shape. Graphic panel and audio-visual content has been agreed, and loan agreements formalised for the many objects going on display. In parallel, feasibility studies were commissioned to investigate the renewal of the Wooden Walls Gallery (opened 1990) and to integrate it with the development of new, appropriate visitor arrival, retail and catering facilities in the Wheelwrights Shop.

The Armour Plate Shop was restored and refitted over the winter to provide appropriate facilities to maintain and operate the Dockyard's historic railway locomotives and rolling stock. This work, funded by grants from DCMS-Wolfson, Renaissance South East and the European Union Intereg IV Two Seas programme, has enabled the railway to be given much greater visibility at times when it is not being actively demonstrated. It has also enabled the Dockyard's children's indoor play area to be re-themed.

The Trust has remained an active partner in Renaissance South East, the Museum Libraries & Archives Council's South East Hub, delivering agreed programmes both directly and in partnership with others. 25,000 pupils benefitted from activities undertaken by the Trust's learning team, both on and off site during the year. This is the largest number ever, and a tangible impact of the Trust's funding from the Renaissance in the Regions programme. 2009 also saw much work undertaken to develop and pilot new science, technology, engineering and maths (STEM) education programmes in preparation for their launch to coincide with the opening of No 1 Smithery.

In July 2009 Renaissance funding enabled HMS Gannet (1878) to be dry-docked for the first time since her restoration seven years earlier. Her underwater hull and coppering were found to be in excellent condition, although works were required to minimise loss of water from the dock itself and to complete the preservation and restoration of the caisson. In February 2010 HMS Cavalier (1944) was also dry-docked at the start of a programme of work to preserve her underwater hull with a 20-year life coating.

#### Government Support

We have continued to enjoy a strong relationship with our sponsoring department, the Department for Culture Media and Sport. We are grateful for their continuing annual revenue support of £300,000. Whilst this may appear a relatively modest sum in the context of our total annual revenue of more than £4.5m (excluding capital grants), it is invaluable in helping to meet our core costs. The Trust believes it has a clear duty to provide a significant return on this investment, and the achievements of the Trust in meeting its core objectives, despite the difficulties imposed by the current economic climate, show just how well that duty has been met.

## Chairman's annual report (continued)

For the year ended 31 March 2010

In addition to this contribution the Trust is also grateful for the close support of the Department during recent discussions following the Urban Panel Study and our own feasibility studies. It is hoped that the confidence shown by the Secretary of State in providing further financial support to help unlock matching funding will, in the long term, lead to the cherished goal of removing the future need for such financial support entirely. How long this will take will become much clearer in the first half of 2010/11.

The Trust also worked closely with its other supporting Department, the Ministry of Defence, in staging the first National Armed Forces' Day event at the Historic Dockyard. We believe that this venture demonstrated again the Trust's ability to maximise the value of financial and other contributions. We are grateful to the Department for all the support it gives to our activities.

### The Community

The Chatham Historic Dockyard has its own community of residents, commercial tenants, staff and volunteers. The Historic Dockyard is also moving ever closer to regaining its position at the heart of the wider Medway and Kent community, in which it played such a central role throughout its operational history as a Royal Dockyard. Over the twenty five years since the Royal Navy left and the Trust was established, we have worked hard to achieve that end. We are proud of the progress we have made, through initiatives like Armed Forces Day, our education work, our symbiotic relationship with so many volunteers and other stakeholders like the growing university community, and our role in physical, cultural and economic regeneration. Even though the wider Naval Base site is now a place where more people work, live and learn than when it was an active Dockyard, there is a great deal more to be done. We recognise that for the Trust to have truly succeeded it must redouble its efforts to be an integral part of the community, as we move into the next quarter century.

### Retail and Catering

Our wholly owned trading subsidiary, Chatham Historic Dockyard (Trading) Ltd, provides retail and catering services to our visitors and other users. That company operates on a commercial basis. We recognise, however, the need to provide a service to visitors which cannot always be entirely profitable. That in turn affects the margins achieved.

That said, both retail and catering achieved substantial profits of £28,000 and £25,000 respectively. The result in catering was particularly pleasing in the second year of in-house operation. These profits are calculated after deduction of full overheads, including a notional rent, maintenance charges, light and heat. They are covenanted to the Trust to help meet its core charitable objectives.

We recognise that it is important not to stand still, and with the opening of the No 1 Smuthery project in 2010 we have invested further in our retail and catering facilities. Our aim is to bring them up to even higher standards, commensurate with those of the new galleries and other site improvements.

### Master Ropemakers

Rope making at Chatham is an important part of our heritage. Rope has been made at the Historic Dockyard for over 400 years. The Trust is determined to maintain that tradition, and so continue to provide a powerful visitor experience, one for which we have become widely known. The ropemaking process is one of the Historic Dockyard's iconic activities. It has provided a very successful platform for national media coverage in the year.

- Originally our ropemaking was undertaken through a subsidiary charity, Master Ropemakers Ltd. The objectives of that charity were promotion of the education of the public in traditional ropemaking, and
- the preservation and use of the Ropery at Chatham.

A quasi-commercial operation was needed to meet these objectives. Only in that way could sufficient orders from commercial customers be secured to keep the rope walks busy and to pay the very high costs associated with the traditional ropemaking processes. A review of the operation, designed to improve efficiency and minimise costs, concluded that the costs of running a separate charity were disproportionate to any benefit. The decision was therefore taken to wind up the charity and integrate its activities into those of the Trust.

## Chairman's annual report (continued)

For the year ended 31 March 2010

The ropemaking business is now conducted through a wholly owned trading subsidiary of the Trust, Master Ropemakers (Trading) Ltd. All profits are covenanted to the Trust. In return the Trust pays the trading company an annual service charge to cover the costs of providing a visitor experience, that might not otherwise be provided by a purely commercial operation.

This change was successfully completed within the year, with the full approval of the Charity Commission.

Master Ropemakers (Trading) Ltd had a very successful year, with a turnover of £516,000. There was particular strength in the telecommunications market. The consequent profit of £33,000 was covenanted to CHDT.

### Reserves

The policy of the Trust is to maintain a general reserve of £1,250,000. At the year end this stood at £1,200,114. The Trust has, in addition, a designated development fund reserve of £253,432, specifically for the purpose of bringing into use buildings that are capable of generating income likely to help deliver the Trust's core objectives.

A further designated reserve of £216,170, representing returns from the abortive Interface Land development, is also held. That reserve is designated for future maintenance and endowment.

The total general reserves held at the year-end were therefore £1,669,716.

### Risk

The trustees have a duty to identify and review the risks to which the charity 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, however, instigated the establishment of a formal system to enhance general risk management, and to ensure that recognition and monitoring occur at the correct level. This is under development.

### 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 Dockyard.

There was only one change to the Board within the last year. In December 2009 Mr Alistair MacDonald CB retired after a number of years of invaluable service as a trustee. We are grateful to him for his loyal support and for his experienced contribution to the management and development of the Historic Dockyard.

Our established selection process is designed to ensure a balanced Board, covering the optimum range of skills and experience to meet the challenges ahead.

We are therefore particularly pleased to report that Sir Ian Andrews CBE, TD has been appointed a trustee. Sir Ian has enjoyed a long and distinguished career in the Civil Service. We look forward to the benefit of his expertise, and especially his understanding of government and its processes, crucial at this time of political change and economic austerity.



## Chairman's annual report (continued)

For the year ended 31 March 2010

### Staff

The Trust is proud of its staff at all levels. They demonstrate a remarkable level of professionalism and commitment to meeting the objectives of the charity. A total of 62 permanent staff and 62 seasonal staff now work for the Trust. We greatly appreciate the drive, ingenuity and flare shown by all members of our staff, in whatever role they hold.

Our longest standing member of staff, Richard Holdsworth MBE, completes 25 years with the Trust in April 2010. Several others are close behind.

Looking forward, our staff remain central to our planning. The Trust remains committed to investing in its people through appropriate business-led training for the benefit of all.

### The Future

The immediate future for the Trust will be dominated by the launch of No 1 Smithery – National Treasures, Inspiring Culture. This project has succeeded in saving the last building “at risk” on our heritage site. At the same time it has created an outstanding nationally significant cultural venue. To be deemed a success, however, it must deliver new and increased audiences that will not only benefit from the exhibition, but will go on to experience the magnificent Historic Dockyard and learn more of its place in history. No stone will remain unturned in achieving this goal.

Beyond that we will be producing the Trust’s new corporate strategy. That strategy will recognise that dependence on our limited support from central government must be increasingly risky in these difficult financial times. We will, therefore, focus on a strategic approach that moves us to a position of revenue sustainability in the medium term. This will require us to make any under-utilised property “work harder” to produce self-generated revenue to support our charitable purposes.

Ambitious plans are being formulated and new partnerships are emerging that will help us to achieve this objective. The experience of No 1 Smithery provides excellent evidence of what can be achieved, but also how long it can take. It therefore remains vital that our existing relationships are maintained and that we work together over any transition period. In that way we can secure an exciting and sustainable future for the Historic Dockyard at Chatham.

# Report of the Board of Management

For the year ended 31 March 2010

## Members of the Board of Management

Admural Sir Ian Garnett KCB (Chairman)

Mr J A S Bassett

Mr A J P Macdonald, CB (resigned 02/12/09)

Mr B T J Stevens

Miss S L Palmer OBE

Councillor Tony Goulden

Mr Maurice Storey, CB

Councillor Craig Mackinlay

Sir Robert Crawford, CBE

Mr P K Sarwal

Sir Ian Andrews, CBE TD (appointed 27/05/10)

Mr J A Spence OBE, DL

## Senior Managers

W S Ferris

Chief Executive

C Knott

Financial Controller & Business Analyst

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 2010. 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 1992.

## Status

The Chatham Historic Dockyard Trust is an independent charitable trust formed for the purpose of preserving the Historic Dockyard at Chatham as a working dockyard 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 2010

## 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 12

## 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. During the year, HMS Cavalier (Chatham) Trust Limited and Master Ropemakers Limited have been dissolved and struck off the Companies House register of companies and The Charity Commission register of charities.

## 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.

## Changes in fixed assets

Movements in fixed assets during the year are set out in note 14 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.

# Report of the Board of Management (continued)

For the year ended 31 March 2010

## 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 enable them 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 2010

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 and Renaissance South East funding** The Trust will continue to make every effort to ensure that its activities are carried out in accordance with museum best practice and this is evidenced by its recognition as part of the South East museum hub and through MLA accreditation. 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 2010

As noted in the Chairman's report, the Board has reviewed the recent 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.

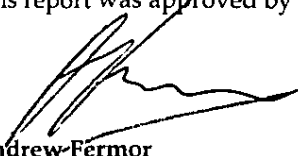
In accordance with company law, as the company's directors we certify that

- 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 28<sup>th</sup> September 2010



Andrew Fermor  
Company Secretary

The Historic Dockyard  
Chatham  
Kent ME4 4TZ

# **Nexia Smith & Williamson**

## **Independent auditors' report to the members of The Chatham Historic Dockyard Trust**

We have audited the financial statements of the Chatham Historic Dockyard Trust for the year ended 31 March 2010 which comprise the Consolidated Statement of Financial Activities, the Consolidated and parent Balance Sheet, the Consolidated Cash Flow Statement, and the related notes 1 to 28. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charity's members 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 charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

The trustees' (who are also the directors of the Company for the purposes of Company Law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and for being satisfied that the financial statements give a true and fair view are set out in the Statement of Trustees' Responsibilities.

We have been appointed auditors under the Companies Act 2006 and report to you in accordance with that Act.

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

We report to you our opinion as to whether the financial statements give a true and fair view, have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice and have been prepared in accordance with the Companies Act 2006. We also report to you whether the information given in the Trustees' Annual Report is consistent with those accounts.

In addition we report to you if, in our opinion, the charity has not kept adequate accounting records, if the charity's financial statements are not in agreement with the accounting records and returns, if we have not received all the information and explanations we require for our audit, or if certain disclosures of trustees' remuneration specified by law are not made.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Annual Report and the Report of the Board of Management. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group and charitable parent company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# Nexia Smith & Williamson

## Opinion

### In our opinion

- the financial statements give a true and fair view of the state of the group's and charitable parent company's affairs as at 31 March 2010 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended,
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice,
- the financial statements have been prepared in accordance with the Companies Act 2006, and
- the information provided in the Trustees' Annual Report is consistent with the financial statements

*Nexia Smith & Williamson*

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

25 Moorgate  
London  
EC2R 6AY

DATE 1 November 2010.



# Consolidated statement of financial activity

For the year ended 31 March 2010

|  | Notes  | Unrestricted<br>funds<br>£ | Restricted<br>Funds<br>£ | Total<br>2010<br>£ | Total<br>2009<br>£ |
|--|--------|----------------------------|--------------------------|--------------------|--------------------|
| <b>Incoming resources</b>                              |        |                            |                          |                    |                    |
| Incoming resources from generated funds                |        |                            |                          |                    |                    |
| Voluntary income                                       | 3      | 333,499                    | 4,193,327                | 4,526,826          | 6,639,682          |
| Activities for generating funds                        | 4      | 1,569,340                  | 172,088                  | 1,741,428          | 1,467,143          |
| Investment income                                      | 5      | 39,988                     | -                        | 39,988             | 89,338             |
| Incoming resources from charitable activities          | 6      | 2,583,702                  | -                        | 2,583,702          | 2,262,711          |
| Total incoming resources                               |        | 4,526,529                  | 4,365,415                | 8,891,944          | 10,458,874         |
| <b>Resources expended</b>                              |        |                            |                          |                    |                    |
| Costs of generating funds                              |        |                            |                          |                    |                    |
| Costs of generating voluntary income                   |        | 39,834                     | 10,000                   | 49,834             | 82,669             |
| Fundraising trading cost of goods sold and other costs |        | 1,168,074                  | -                        | 1,168,074          | 1,184,704          |
| Investment management costs                            |        | 21,690                     | -                        | 21,690             | 22,090             |
| Charitable activities                                  |        | 3,399,905                  | 4,288,601                | 7,688,506          | 9,490,761          |
| Governance costs                                       |        | 61,036                     | -                        | 61,036             | 55,870             |
| Total resources expended                               | 8      | 4,690,539                  | 4,298,601                | 8,989,140          | 10,836,094         |
| Changes in resources before transfers and valuations   |        | (164,010)                  | 66,814                   | (97,196)           | (377,220)          |
| Transfers between funds                                |        | 19,598                     | (19,598)                 | -                  | -                  |
| Net movement in funds                                  | 12, 19 | (144,412)                  | 47,216                   | (97,196)           | (377,220)          |
| Funds as at 1 April 2009                               |        | 3,850,942                  | 2,888,295                | 6,739,237          | 7,116,457          |
| Funds as at 31 March 2010                              | 19     | 3,706,530                  | 2,935,511                | 6,642,041          | 6,739,237          |

All activities of the Trust continued throughout both periods and there are no recognised gains or losses other than those included in the consolidated statement of financial activities

The notes on pages 16 to 31 form an integral part of these financial statements

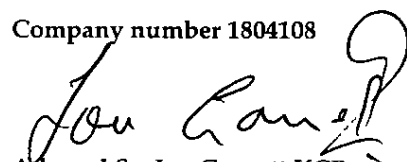
# Consolidated balance sheet

31 March 2010

|   | Notes  | 2010<br>£          | 2009<br>£          |
|---|--------|--------------------|--------------------|
| <b>Fixed assets</b>                                   |        |                    |                    |
| Tangible assets                                       | 13     | <u>3,402,238</u>   | <u>3,854,689</u>   |
| <b>Current assets</b>                                 |        |                    |                    |
| Stocks  | 15     | 219,211            | 208,839            |
| Debtors   | 16     | 2,292,967          | 1,543,389          |
| Cash at bank and in hand                              | 25, 26 | <u>2,767,262</u>   | <u>3,306,524</u>   |
|   |        | 5,279,440          | 5,058,752          |
| <b>Creditors' amounts falling due within one year</b> | 17     | <u>(2,039,637)</u> | <u>(2,174,204)</u> |
| <b>Net current assets</b>                             |        | <u>3,239,803</u>   | <u>2,884,548</u>   |
| <b>Total assets less current liabilities</b>          |        | <u>6,642,041</u>   | <u>6,739,237</u>   |
| <b>Funds employed</b>                                 |        |                    |                    |
| Restricted funds                                      | 19, 21 | 2,935,511          | 2,888,295          |
| Designated funds                                      | 19, 20 | 2,399,964          | 2,615,230          |
| Unrestricted funds                                    | 19     | <u>1,306,566</u>   | <u>1,235,712</u>   |
|   |        | <u>6,642,041</u>   | <u>6,739,237</u>   |

The financial statements on pages 12 to 31 were approved by the Board of Management on 28<sup>th</sup> September 2010

Company number 1804108



Admiral Sir Ian Garnett KCB  
Chairman

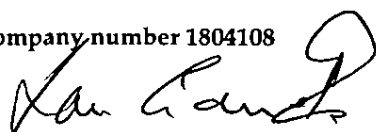
# Balance sheet

31 March 2010

|  | Notes | 2010<br>£          | 2009<br>£          |
|--|-------|--------------------|--------------------|
| <b>Fixed assets</b>                                  |       |                    |                    |
| Tangible assets                                      | 13    | 3,377,875          | 3,822,087          |
| Investments in subsidiaries                          | 14    | <u>101,100</u>     | <u>1,100</u>       |
|  |       | <u>3,478,975</u>   | <u>3,823,187</u>   |
| <b>Current assets</b>                                |       |                    |                    |
| Stocks   | 15    | 3,731              | 2,454              |
| Debtors  | 16    | 2,626,967          | 1,778,443          |
| Cash at bank and in hand                             |       | <u>2,369,760</u>   | <u>3,073,022</u>   |
|  |       | 5,000,458          | 4,853,919          |
| <b>Creditors amounts falling due within one year</b> | 17    | <u>(1,916,474)</u> | <u>(2,049,474)</u> |
| <b>Net current assets</b>                            |       | <u>3,083,984</u>   | <u>2,804,445</u>   |
| <b>Total assets less current liabilities</b>         |       | <u>6,562,959</u>   | <u>6,627,632</u>   |
| <b>Funds employed</b>                                |       |                    |                    |
| Restricted funds                                     | 19    | 2,935,511          | 2,868,643          |
| Designated funds                                     | 20    | 2,399,964          | 2,615,230          |
| Unrestricted funds                                   | 19    | <u>1,227,484</u>   | <u>1,143,759</u>   |
|  |       | <u>6,562,959</u>   | <u>6,627,632</u>   |

The financial statements on pages 12 to 31 were approved by the Board of Management on 28<sup>th</sup> September 2010

Company number 1804108



Admiral Sir Ian Garnett KCB

Chairman

## Consolidated cash flow statement

For the year ended 31 March 2010

|   | Notes | 2010<br>£ | 2009<br>£ |
|---|-------|-----------|-----------|
| <b>Net cash (outflow)/inflow from operating activities</b>                | 24    | (517,493) | 1,800,125 |
| <b>Returns on investments and servicing of finance</b>                    |       |           |           |
| Interest and dividends received   |       | 39,988    | 89,388    |
| <b>Capital expenditure and financial investment</b>                       |       |           |           |
| Purchase of tangible fixed assets   |       | (61,757)  | (56,942)  |
| Sale of tangible fixed assets   |       | -         | 18,245    |
| <b>Net cash outflow from capital expenditure and financial investment</b> |       | (61,757)  | (38,697)  |
| <b>(Decrease)/increase in funds in the year</b>                           | 25,26 | (539,262) | 1,850,816 |

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 2010

## 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. The group financial statements consolidate those of the Trust and its subsidiaries. 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.

### 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, including imputed tax credit, comprises of dividend income and interest receivable during the year.

### f) *Catering income*

Catering income comprises of amounts received from visitors to the Historic Dockyard.

### g) *Expenditure*

Expenditure is classified under the principal categories of costs of generating income and other charitable expenditure rather than the type of expense in full compliance with Statement of Recommended Practice "Accounting and Reporting by Charities" 2005 and best practice.

## Notes to the financial statements (continued)

For the year ended 31 March 2010

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. 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) Investments*

Listed investments are stated at market value and are marked to market on a daily basis and any realised or unrealised gains or losses are recognised in the Statement of Financial Activities. Investments in subsidiaries are stated at cost less provision for impairment in value.

### *l) 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.

### *m) Stocks*

Rope stocks are stated at the lower of cost and net realisable value. The costs of finished goods includes 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.

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 2 Accounting policies (continued)

#### n) 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.

#### o) Operating leases

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

#### p) 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 19 to the financial statements.

### 3 Voluntary income

|  | 2010<br>£        | 2009<br>£        |
|--|------------------|------------------|
| <b>Grants</b>                                      |                  |                  |
| Government – Department for Culture, Media & Sport | 1,191,738        | 300,000          |
| – South East England Development Agency            | 157,740          | 3,242,733        |
| Other  |                  |                  |
| – Heritage Lottery Fund                            | 2,035,172        | 1,098,786        |
| – Museums, Libraries and Archives Council          | 850,117          | 1,118,183        |
| – English Heritage                                 | 33,000           | 144,980          |
| – National Maritime Museum                         | -                | 250,000          |
| – John Ellerman Foundation                         | -                | 25,000           |
| – Headley Trust                                    | 25,000           | 100,000          |
| – Leathersellers Comp                              | 30,000           | 30,000           |
| – Biff award                                       | 190,000          | 250,000          |
| – Bernard Sunley Foundation                        | -                | 50,000           |
| – Royal Commission for 1851 Exhibition             | -                | 30,000           |
| <b>Donations</b>                                   |                  |                  |
| Companies  | 5,000            | -                |
| Individuals  |                  |                  |
| – Other  | 9,059            | -                |
|  | <u>4,526,826</u> | <u>6,639,682</u> |

# Notes to the financial statements (continued)

For the year ended 31 March 2010

## 4 Activities for generating funds

|                                 | 2010<br>£        | 2009<br>£        |
|---------------------------------|------------------|------------------|
| Retail - gift shop              | 163,245          | 260,960          |
| Sales of rope products          | 515,502          | 485,776          |
| Weddings & other functions      | 332,996          | 239,129          |
| Catering                        | 298,095          | 400,670          |
| Residential property management | 259,502          | 80,608           |
| Rental - Joiners Shop           | 172,088          | -                |
|                                 | <u>1,741,428</u> | <u>1,467,143</u> |

## 5 Investment income

|                                  | 2010<br>£     | 2009<br>£     |
|----------------------------------|---------------|---------------|
| Fixed interest and cash deposits | <u>39,988</u> | <u>89,388</u> |

## 6 Incoming resources from charitable activities

|                                | 2010<br>£        | 2009<br>£        |
|--------------------------------|------------------|------------------|
| Rent & service charges         | 1,760,361        | 1,463,927        |
| Visitor admissions             | 725,040          | 796,007          |
| Museum & conservation services | <u>98,301</u>    | <u>2,777</u>     |
|                                | <u>2,583,702</u> | <u>2,262,711</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 2010

## 7 Subsidiaries (continued)

|  | Master<br>Ropemakers<br>Limited<br>£ | Historic<br>Dockyard<br>Property<br>Limited<br>£ | Historic<br>Dockyard<br>Property<br>(2005)<br>Limited<br>£ | Chatham<br>Historic<br>Dockyard<br>(Trading)<br>Limited<br>£ | Total<br>2010<br>£ | Total<br>2009<br>£ |
|--|--------------------------------------|--|--|--|--------------------|--------------------|
| Incoming resources   |                                      |  |  |  |                    |                    |
| Incoming resources from generated funds                          |                                      |  |  |  |                    |                    |
| Voluntary income   | -                                    | -  | -  | -  | -                  | -                  |
| Activities for generating funds                                  | 550,502                              | 11,692   | 247,810  | 491,097  | 1,301,101          | 1,031,867          |
| Investment income  | -                                    | 14   | -  | 51   | 65                 | 1,118              |
| Incoming resources from charitable activities                    | -                                    | -  | -  | -  | -                  | -                  |
| Total incoming resources   | 550,502                              | 11,706   | 247,810  | 491,148  | 1,301,166          | 1,032,985          |
| Resources expended   |                                      |  |  |  |                    |                    |
| Costs of generating funds  |                                      |  |  |  |                    |                    |
| Costs of generating voluntary income                             | -                                    | -  | -  | -  | -                  | -                  |
| Cost of goods sold & other costs                                 | 517,010                              | 4,691  | 1,084  | 437,781  | 960,566            | 951,493            |
| Charitable activities  | -                                    | -  | -  | -  | -                  | -                  |
| Governance costs   | -                                    | -  | -  | -  | -                  | -                  |
| Total resources expended   | 517,010                              | 4,691  | 1,084  | 437,781  | 960,566            | 951,493            |
| Surplus/ (Deficit)   | 33,492                               | 7,015  | 246,726  | 53,367   | 340,600            | 81,492             |
| Amount gift aided to Chatham Historic Dockyard Trust             | (33,492)                             | (7,015)  | (246,726)  | (53,367)   | (340,600)          | (81,492)           |
| Retained in subsidiary   | -                                    | -  | -  | -  | -                  | -                  |
| Hive-up of HMS Cavalier to the Trust                             | -                                    | -  | -  | -  | -                  | 40,642             |
| Transfer of retained earnings to Chatham Historic Dockyard Trust | (19,598)                             | -  | -  | -  | (19,598)           | -                  |
| Funds as at 1 April 2009   | 44,598                               | 1,000  | 100  | 54,082   | 99,780             | 59,138             |
| Funds as at 31 March 2010  | 25,000                               | 1,000  | 100  | 54,082   | 80,182             | 99,780             |
| Employment of funds  |                                      |  |  |  |                    |                    |
| Fixed assets & investments                                       | -                                    | 998  | 1  | 23,364   | 24,363             | 32,602             |
| Stocks   | 160,813                              | -  | -  | 54,667   | 215,480            | 206,385            |
| Debtors  | 87,176                               | 69,085   | 16,525   | 31,593   | 204,379            | 152,725            |
| Cash   | 82,279                               | 9,734  | 236,272  | 69,217   | 397,502            | 233,502            |
| Creditors  | (305,268)                            | (78,817)   | (252,698)  | (124,759)  | (761,542)          | (525,434)          |
| Funds as at 31 March 2010  | 25,000                               | 1,000  | 100  | 54,082   | 80,182             | 99,780             |

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 8 Analysis of total resources expended

|                                      | Staff<br>Costs<br>£ | Other<br>£       | Depreciation<br>£ | Total<br>2010<br>£ | Total<br>2009<br>£ |
|--------------------------------------|---------------------|------------------|-------------------|--------------------|--------------------|
| Costs of generating funds            |                     |                  |                   |                    |                    |
| Costs of generating voluntary income | 30,369              | 19,465           | -                 | 49,834             | 82,699             |
| Costs of goods sold and other costs  | 457,679             | 702,156          | 8,239             | 1,168,074          | 1,184,674          |
| Investment management costs          | 7,215               | 7,780            | 6,695             | 21,690             | 22,090             |
|                                      | <u>495,263</u>      | <u>729,401</u>   | <u>14,934</u>     | <u>1,239,598</u>   | <u>1,289,463</u>   |
| Charitable activities                |                     |                  |                   |                    |                    |
| Museum and education                 | 697,283             | 1,535,726        | 352,957           | 2,585,966          | 4,034,503          |
| Preservation and restoration         | 276,307             | 3,734,671        | 90,696            | 4,101,674          | 4,450,602          |
| Advertising & promotion              | 109,527             | 125,987          | -                 | 235,514            | 219,716            |
| Site security                        | 208,359             | 14,756           | -                 | 223,115            | 225,883            |
| Support costs                        | 289,886             | 252,351          | -                 | 542,237            | 560,057            |
|                                      | <u>1,581,362</u>    | <u>5,663,491</u> | <u>443,653</u>    | <u>7,688,506</u>   | <u>9,490,761</u>   |
| Governance costs                     | 28,020              | 33,016           | -                 | 61,036             | 55,870             |
| <b>Total</b>                         | <u>2,104,645</u>    | <u>6,425,908</u> | <u>458,587</u>    | <u>8,989,140</u>   | <u>10,836,094</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 2010

### 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<br>generating<br>funds<br>£ | Costs of<br>charitable<br>activities<br>£ | Governance<br>costs<br>£ | Total<br>2010<br>£ | Total<br>2009<br>£ |
|--|--------------------------------------|---|--------------------------|--------------------|--------------------|
| Staff costs & associated expenses          | 55,136                               | 289,886                                   | 29,742                   | 374,764            | 387,055            |
| Travel, entertaining & similar<br>expenses | 3,950                                | 18,984                                    | 2,644                    | 25,578             | 24,996             |
| Professional fees                          | 19,714                               | (1,382)                                   | 19,502                   | 37,834             | 37,322             |
| Insurances                                 | 4,800                                | 187,215                                   | 4,980                    | 196,995            | 183,539            |
| Other overhead & office costs              | 4,255                                | 47,534                                    | 4,168                    | 55,957             | 51,197             |
| <b>Total</b>                               | <b>87,855</b>                        | <b>542,237</b>                            | <b>61,036</b>            | <b>691,128</b>     | <b>684,109</b>     |

Support costs of £87,855 as disclosed above form part of the total charge of £1,239,598 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

|                       | 2010<br>£        | 2009<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 1,845,727        | 1,711,647        |
| Social security costs | 153,795          | 147,657          |
| Pension scheme        | 83,175           | 82,285           |
|                       | <b>2,082,697</b> | <b>1,941,589</b> |

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows

|                     | 2010<br>Number | 2009<br>Number |
|---------------------|----------------|----------------|
| £50,001 - £60,000   | -              | 1              |
| £60,001 - £70,000   | 1              | 1              |
| £70,001 - £80,000   | -              | -              |
| £80,001 - £90,000   | -              | -              |
| £90,000 - £100,000  | -              | -              |
| £100,001 - £110,000 | 1              | 1              |

# Notes to the financial statements (continued)

For the year ended 31 March 2010

Contributions in the year for the provision of money purchase benefits to higher paid employees totalled £23,006 (2009 - £25,506)

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 £23,267 (2009 - £23,821). No other Trustees received emoluments. Expenses reimbursed to 5 trustees amounted to £2,152 (2009 - 5 trustees - £1,411).

|                              | 2010<br>Number | 2009<br>Number |
|------------------------------|----------------|----------------|
| No. of Persons employed      |                |                |
| Preservation and restoration | 18             | 15             |
| Museum & education           | 68             | 62             |
| Ropemaking                   | 6              | 6              |
| Catering & retail            | 20             | 18             |
| Support                      | 12             | 11             |
|                              | <u>124</u>     | <u>112</u>     |

## 11 Taxation

Chatham Historic Dockyard Trust is a registered charity and as such is exempt from taxation on their income and gains to the extent that they are applied to each entity's 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 accounting profits under Gift Aid to the charity each year.

## 12 Net movement in funds

|   | 2010<br>£    | 2009<br>£     |
|---|--------------|---------------|
| This is stated after charging / (crediting)                         |              |               |
| Depreciation of tangible fixed assets                               | 514,208      | 506,650       |
| Auditors' remuneration  |              |               |
| - Audit (Company)   | 9,000        | 9,000         |
| - Audit (Subsidiaries)  | 12,000       | 12,000        |
| - non audit services paid to companies associated with the auditors | 4,600        | 4,600         |
| Operating lease charges on plant and equipment                      |              |               |
| - leases expiring within 1 year                                     | 3,415        | 1,374         |
| - leases expiring within 2 to 5 years                               | <u>7,385</u> | <u>13,846</u> |

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 13 Tangible fixed assets

| Group                 | Freehold<br>land and<br>buildings<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Plant and<br>machinery<br>£ | Total<br>£        |
|-----------------------|--|---|-----------------------------|-------------------|
| <b>Cost</b>           |  |   |                             |                   |
| 1 April 2009          | 5,540,354                              | 5,180,107                                   | 127,351                     | 10,847,812        |
| Additions             | -                                      | 6,137                                       | 55,620                      | 61,757            |
| Disposals             | -                                      | -   | -                           | -                 |
| <b>31 March 2010</b>  | <b>5,540,354</b>                       | <b>5,186,244</b>                            | <b>182,971</b>              | <b>10,909,569</b> |
| <b>Depreciation</b>   |  |   |                             |                   |
| 1 April 2009          | 2,674,658                              | 4,229,321                                   | 89,144                      | 6,993,123         |
| Charge for year       | 172,476                                | 274,879                                     | 66,853                      | 514,208           |
| Disposals             | -                                      | -   | -                           | -                 |
| <b>31 March 2010</b>  | <b>2,847,134</b>                       | <b>4,504,200</b>                            | <b>155,997</b>              | <b>7,507,331</b>  |
| <b>Net book value</b> |  |   |                             |                   |
| <b>31 March 2010</b>  | <b>2 693,220</b>                       | <b>682,044</b>                              | <b>26,974</b>               | <b>3,402,238</b>  |
| 31 March 2009         | 2,865,696                              | 950,786                                     | 38,207                      | 3,854,689         |
| <b>Trust</b>          |  |   |                             |                   |
|                       | Freehold<br>land and<br>buildings<br>£ | Fixtures,<br>fittings and<br>equipment<br>£ | Plant and<br>machinery<br>£ | Total<br>£        |
| <b>Cost</b>           |  |   |                             |                   |
| 1 April 2009          | 5,525,231                              | 5,069,628                                   | 168,992                     | 10,763,851        |
| Additions             | -                                      | 6,137                                       | 55,620                      | 61,757            |
| <b>31 March 2010</b>  | <b>5,525,231</b>                       | <b>5,075,765</b>                            | <b>224,612</b>              | <b>10,825,608</b> |
| <b>Depreciation</b>   |  |   |                             |                   |
| 1 April 2009          | 2,660,532                              | 4,162,577                                   | 118,655                     | 6,941,764         |
| Charge for year       | 172,476                                | 266,640                                     | 66,853                      | 505,969           |
| <b>31 March 2010</b>  | <b>2,833,008</b>                       | <b>4,429,217</b>                            | <b>185,508</b>              | <b>7,447,733</b>  |
| <b>Net book value</b> |  |   |                             |                   |
| <b>31 March 2010</b>  | <b>2,692,223</b>                       | <b>646,548</b>                              | <b>39,104</b>               | <b>3,377,875</b>  |
| 31 March 2009         | 2,864,699                              | 907,051                                     | 50,337                      | 3,822,087         |

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 2010

The net book value at 31 March 2010 represents fixed assets used for

| Group                           | Freehold<br>land and<br>buildings<br>£ | Fixtures,<br>fittings<br>and<br>equipment<br>£ | Plant and<br>machinery<br>£ | Total<br>£       |
|---------------------------------|--|--|-----------------------------|------------------|
| Charitable activities           |  |  |                             |                  |
| Preservation and restoration    | 629,359                                | 32,016   | 27,649                      | 689,024          |
| Museum and education            | 1,582,066                              | 607,588  | 6,848                       | 2,196,502        |
| Ropemaking                      | 63,406                                 | -  | -                           | 63,406           |
| Support costs                   | 407,685                                | -  | -                           | 407,685          |
| Generating funds                |  |  |                             |                  |
| Activities for generating funds | 999                                    | 44,622   | -                           | 45,621           |
| <b>Total</b>                    | <b>2,683,515</b>                       | <b>684,226</b>                                 | <b>34,497</b>               | <b>3,402,238</b> |

## 14 Investments – shares in subsidiary companies

| Trust                             | 2010<br>£           | 2010<br>£        | 2009<br>£           | 2009<br>£        |
|-----------------------------------|---------------------|------------------|---------------------|------------------|
|                                   | Shareholder<br>Loan | Share<br>Capital | Shareholder<br>Loan | Share<br>Capital |
| Cost at 1 April                   | -                   | 1,100            | -                   | 26,300           |
| Additions                         | 100,000             | -                | -                   | -                |
| Disposal                          | -                   | -                | -                   | (100)            |
| Provision for diminution in value | -                   | -                | -                   | (25,100)         |
| <b>Net book value at 31 March</b> | <b>100,000</b>      | <b>1,100</b>     | <b>-</b>            | <b>1,100</b>     |

The subsidiary companies at 31 March 2010 were wholly owned and registered in England & Wales as follows

| Name   | Class of share<br>held | Activity                        |
|--|------------------------|---------------------------------|
| Master Ropemakers (Trading) Limited            | Ordinary               | Non-traditional rope sales      |
| Chatham Historic Dockyard<br>(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 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 2010

## 15 Stocks

|                               | 2010           |              | 2009           |              |
|-------------------------------|----------------|--------------|----------------|--------------|
|                               | Group<br>£     | Trust<br>£   | Group<br>£     | Trust<br>£   |
| Raw materials and consumables | 105,924        | -            | 67,381         | -            |
| Goods for resale              | 113,287        | 3,731        | 141,458        | 2,454        |
|                               | <u>219,211</u> | <u>3,731</u> | <u>208,839</u> | <u>2,454</u> |

## 16 Debtors

|   | 2010             |                  | 2009             |                  |
|---|------------------|------------------|------------------|------------------|
|   | Group<br>£       | Trust<br>£       | Group<br>£       | Trust<br>£       |
| Trade debtors                           | 317,050          | 157,442          | 282,044          | 183,795          |
| Investment income and grants receivable | 1,336,780        | 1,336,780        | 699,714          | 699,714          |
| Amount owed by subsidiary undertakings  | -                | 538,379          | -                | 387,778          |
| Other debtors                           | 322,978          | 322,978          | 277,557          | 242,585          |
| Prepayments and accrued income          | 316,159          | 271,388          | 284,074          | 264,571          |
|   | <u>2,292,967</u> | <u>2,626,967</u> | <u>1,543,389</u> | <u>1,778,443</u> |

## 17 Creditors amounts falling due within one year

|                              | 2010             |                  | 2009             |                  |
|------------------------------|------------------|------------------|------------------|------------------|
|                              | Group<br>£       | Trust<br>£       | Group<br>£       | Trust<br>£       |
| Trade creditors              | 1,330,615        | 1,230,771        | 1,357,765        | 1,275,462        |
| Taxation and social security | -                | -                | 41,526           | 41,526           |
| Other creditors              | 197,686          | 195,459          | 150,156          | 143,819          |
| Accruals and deferred income | 511,336          | 490,244          | 624,757          | 588,667          |
|                              | <u>2,039,637</u> | <u>1,916,474</u> | <u>2,174,204</u> | <u>2,049,474</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.

# Notes to the financial statements (continued)

For the year ended 31 March 2010

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.

## 19 Funds employed

### Group

|                                | Restricted<br>£  | Unrestricted<br>Designated<br>£ | Unrestricted<br>General<br>£ | Group<br>Total<br>£ |
|--------------------------------|------------------|---------------------------------|------------------------------|---------------------|
| 1 April 2009                   | 2,888,295        | 2,615,230                       | 1,235,712                    | 6,739,237           |
| Surplus/(Deficit) for the year | 66,814           | (215,266)                       | 51,256                       | (97,196)            |
| Transfer between funds         | (19,598)         | -                               | 19,598                       | -                   |
| <b>Funds at 31 March 2010</b>  | <b>2,935,511</b> | <b>2,399,964</b>                | <b>1,306,566</b>             | <b>6,642,041</b>    |

### Trust

|                                | Restricted<br>£  | Unrestricted<br>Designated<br>£ | Unrestricted<br>General<br>£ | Trust<br>Total<br>£ |
|--------------------------------|------------------|---------------------------------|------------------------------|---------------------|
| 1 April 2009                   | 2,868,643        | 2,615,230                       | 1,143,759                    | 6,627,632           |
| Surplus/(Deficit) for the year | 66,868           | (215,266)                       | 64,127                       | (84,271)            |
| Transfer between funds         | -                | -                               | 19,598                       | 19,598              |
| <b>Funds at 31 March 2010</b>  | <b>2,935,511</b> | <b>2,399,964</b>                | <b>1,227,484</b>             | <b>6,562,959</b>    |

## 20 Designated Funds

|                                  | Tangible<br>Fixed Assets<br>£ | Maintenance<br>Fund<br>£ | Total<br>£       |
|----------------------------------|-------------------------------|--------------------------|------------------|
| 1 April 2009                     | 2,188,962                     | 426,268                  | 2,615,230        |
| (Deficit) / surplus for the year | (271,975)                     | 56,709                   | (215,266)        |
| Transfer from unrestricted funds | -                             | -                        | -                |
| <b>Funds at 31 March 2010</b>    | <b>1,916,987</b>              | <b>482,977</b>           | <b>2,399,964</b> |

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, £1,916,987 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 2010

| <b>21 Restricted funds</b>                   | <b>Balance at</b> |                  |                    | <b>Transfer</b> | <b>Balance at</b> |
|--|-------------------|------------------|--------------------|-----------------|-------------------|
|  | <b>1 April</b>    | <b>Incoming</b>  | <b>Resources</b>   | <b>Between</b>  | <b>31 March</b>   |
| <b>Group</b>                                 | <b>2009</b>       | <b>Resources</b> | <b>Expended</b>    | <b>Funds</b>    | <b>2010</b>       |
|  | <b>£</b>          | <b>£</b>         | <b>£</b>           | <b>£</b>        | <b>£</b>          |
| Museum of the Royal Dockyard                 | 813,931           | -                | (99,502)           | -               | 714,429           |
| Joiners Shop                                 | (56,697)          | 329,828          | (243,520)          | -               | 29,611            |
| Wooden Walls                                 | 294,865           | -                | -                  | -               | 294,865           |
| Clocktower building                          | 218,372           | -                | (27,297)           | -               | 191,075           |
| On-site transport & interpretation programme | 148,566           | 354,687          | (390,057)          | -               | 113,196           |
| New visitor entrance, car park & shop        | 81,664            | -                | (11,667)           | -               | 69,997            |
| HMS Gannet restoration                       | 4,170             | -                | (2,370)            | -               | 1,800             |
| HMS Ocelot restoration                       | 12,727            | -                | (6,362)            | -               | 6,365             |
| Collection & conservation programme          | -                 | 57,584           | (57,584)           | -               | -                 |
| Education programme development              | 3,956             | 69,867           | (69,867)           | -               | 3,956             |
| No 1 Smithery                                | 1,345,840         | 2,558,172        | (2,775,703)        | -               | 1,128,309         |
| No 3 Covered Slip                            | (16,212)          | -                | -                  | -               | (16,212)          |
| Ropemaking                                   | 19,598            | -                | -                  | (19,598)        | -                 |
| Ropery interpretation                        | 6,112             | -                | -                  | -               | 6,112             |
| Audience development                         | -                 | 272,714          | (272,714)          | -               | -                 |
| Programme support                            | -                 | 40,150           | (40,150)           | -               | -                 |
| Site Assessment Study                        | -                 | 10,000           | (10,000)           | -               | -                 |
| Other small projects                         | 11,403            | 30,675           | (30,675)           | -               | 11,403            |
| Armour Plate Shop                            | -                 | 91,738           | (261,133)          | -               | (169,395)         |
| Museum Relocation                            | -                 | 550,000          | -                  | -               | 550,000           |
|  | <u>2,888,295</u>  | <u>4,365,415</u> | <u>(4,298,601)</u> | <u>(19,598)</u> | <u>2,935,511</u>  |

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 21 Restricted funds (continued)

Restricted funds are represented by

|                                    | Fixed<br>Assets  | Stock    | Cash             | Debtors       | Creditors        | Total            |
|------------------------------------|------------------|----------|------------------|---------------|------------------|------------------|
|                                    | £                | £        | £                | £             | £                | £                |
| Museum of the Royal Dockyard       | 743,935          | -        | -                | -             | (29,460)         | 714,475          |
| Joiners Shop                       | -                | -        | 3,559            | 26,006        | -                | 29,565           |
| Wooden Walls                       | 294,865          | -        | -                | -             | -                | 294,865          |
| Clocktower building                | 191,075          | -        | -                | -             | -                | 191,075          |
| On site transport & interpretation | 119,884          | -        | -                | -             | (6,688)          | 113,196          |
| Visitor car park, entrance & shop  | 74,869           | -        | -                | 1,816         | (6,688)          | 69,997           |
| HMS Gannet restoration             | -                | -        | -                | 1,800         | -                | 1,800            |
| Amour Plate shop                   | -                | -        | -                | -             | (169,395)        | (169,395)        |
| HMS Ocelot restoration             | 6,365            | -        | -                | -             | -                | 6,365            |
| Education programme development    | -                | -        | 3,956            | -             | -                | 3,956            |
| No 1 Smuthery                      | -                | -        | 1,116,308        | 12,001        | -                | 1,128,309        |
| No 3 Covered Slip                  | -                | -        | -                | 26,606        | (42,817)         | (16,211)         |
| Ropemaking                         | -                | -        | -                | 6,111         | -                | 6,111            |
| Museum Relocation                  | -                | -        | 550,000          | -             | -                | 550,000          |
| Other                              | 5,972            | -        | 5,431            | -             | -                | 11,403           |
|                                    | <u>1,436,965</u> | <u>-</u> | <u>1,679,254</u> | <u>74,340</u> | <u>(255,048)</u> | <u>2,935,511</u> |

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 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 £83,175(2009 £82,285)

### 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 2010 there were 11 members

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

|  | 2010<br>£        | 2009<br>£        |
|--|------------------|------------------|
| Net outgoing resources before transfers and revaluations   | (97,196)         | (377,220)        |
| Depreciation   | 514,208          | 506,560          |
| (Increase)/decrease in stocks                              | (10,372)         | (37,303)         |
| (Increase)/decrease in debtors                             | (749,578)        | 907,886          |
| Increase/ (decrease) in creditors                          | (134,567)        | 889,590          |
| Interest and dividends receivable                          | (39,988)         | (89,388)         |
| <b>Net cash (outflow)/inflow from operating activities</b> | <b>(517,493)</b> | <b>1,800,125</b> |

### 25 Analysis of changes in net funds

|                          | At 1 April<br>2009<br>£ | Movement<br>In Year<br>£ | At 31 March<br>2010<br>£ |
|--------------------------|-------------------------|--------------------------|--------------------------|
| Cash in hand and at bank | 3,306,524               | (539,262)                | 2,767,262                |

### 26 Reconciliation of net cash flow to movement in net funds

|                                     | 2010<br>£        | 2009<br>£        |
|-------------------------------------|------------------|------------------|
| (Decrease)/Increase in cash in year | (539,262)        | 1,850,816        |
| Net funds at 1 April 2009           | 3,306,524        | 1,455,708        |
| <b>Net funds at 31 March 2010</b>   | <b>2,767,262</b> | <b>3,306,524</b> |

## Notes to the financial statements (continued)

For the year ended 31 March 2010

### 27 Operating lease commitments

At 31 March 2010 the Group was committed to making the following payments during the next year in respect of operating leases which expire

|                          | Plant &<br>Equipment<br>2010<br>£ | Plant &<br>Equipment<br>2009<br>£ |
|--------------------------|-----------------------------------|-----------------------------------|
| Within one year          | -                                 | 3,415                             |
| Within two to five years | 10,942                            | 7,835                             |
|                          | <u>10,942</u>                     | <u>11,250</u>                     |