

Charity number: 1126283

Company Number: 06699696

The National Museum of the Royal Navy (A company limited by guarantee)

Trustees' Report and Consolidated Financial Statements 2015-16

Presented to Parliament pursuant to the Government Resources and Accounts
Act 2000 (Audit of Public Bodies) Order 2012

Ordered by the House of Commons to be printed on 15 December 2016

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Any enquiries regarding this publication should be sent to us at

NMRN, HM Naval Base (PP66), Portsmouth, PO1 3NH

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Legal and administrative information

Charity number 1126283

Company registration number 06699696

Registered office H M Naval Base PP66
Portsmouth
Hampshire PO1 3NH

**Director General and
Accounting Officer** Professor Dominic Tweddle

Trustees Admiral Sir Jonathon Band GCB DL
Mr Michael J Bedingfield
Mr John R Brookes OBE
Captain Dan Conley OBE
Professor John Craven CBE
Sir Robert W K Crawford CBE
Rear Admiral Tom Cunningham
Mr Mike Gambazzi
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC
Ms Kimberley A Marshall
Major General Jeffrey S Mason
Mr Tim Schadla-Hall
Mr Gavin Whitter
Dr Caroline Williams
Mr Charles Wilson

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

Accountants Compass Accountants Limited
Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR

Bankers Lloyds TSB Bank Plc
38 London Road, North End, Portsmouth, Hampshire PO2 0LR

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Foreword

The charitable objectives of the National Museum of the Royal Navy, as defined within its Articles of Association are:

- The promotion and education and learning of Naval Service and Auxiliaries personnel and other members of the public about the history, deeds and traditions of those services
- The promotion and enhancement of military efficiency by assisting recruitment and retention and fostering the esprit de corps of the men and women who are serving in the Naval Service and Auxiliaries
- The commemoration and remembrance of those members of the Naval Service and Auxiliaries who have died while on active service and the encouragement of public recognition of the sacrifice made by such persons

In order to deliver its objects, the vision of the National Museum of the Royal Navy is to be the world's most respected naval museum underpinned by a spirit of enthusiasm and adventure. This will be achieved by:

- Collecting, studying and interpreting objects, images and records which help to document and communicate the continuing story of the Royal Navy and the people serving in it from the earliest times to the present day
- Offering stimulating and engaging learning opportunities for people of all ages enabling them to explore the rich collections and expertise held by the museum
- Providing visitors with the opportunity to enjoy a great day out, experiencing and absorbing the ethos and spirit of the Royal Navy
- Making the museum collections as widely accessible as possible through the development of the displays and special exhibitions as well as developing a world-class virtual presence.

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Performance Report

Overview

The National Museum of the Royal Navy [the National Museum] was established in 2008 and is a holding company of the National Museum of the Royal Navy Group, which consists of the charitable company itself and by virtue of its controlling interest, eight naval service museums: the Royal Naval Museum (a linked charity as sole corporate trustee), the Fleet Air Arm Museum, the Royal Navy Submarine Museum, Explosion! The Museum of Naval Firepower, the Royal Marines Museum, HMS *Victory*, HMS *Caroline* from 20 October 2015 and NMRN Hartlepool (including HMS *Trincomalee*) from 3 June 2016. Since December 2014, the National Museum has also operated Portsmouth Historic Dockyard.

The National Museum's strategy sets out to increase the scale, scope and reach of the museum. Its vision is to become the world's most respected Naval Museum underpinned by a spirit of enterprise and adventure. The goal is to promote the public understanding of the Royal Navy past, present and future. The National Museum is one of the few headquartered outside London, acquiring key sites also outside the capital, and enabling people to learn, enjoy and engage with the Naval story in the regions.

The National Museum's reach is further extended through its developing network of affiliates. Our affiliates include: the Frigate *Unicorn* (Dundee); HMS *Wellington* (London); the Medusa Trust (Portsmouth); the Coastal Forces Heritage Trust (Portsmouth); HMS *Calshot*; and, the D-Day Museum (Portsmouth). In October 2015, the Warrior Preservation Trust (Portsmouth) was accepted as an affiliate recognising the synergies and mutual benefits of our organisations working closely together. The National Museum has been working alongside the Royal Navy team and volunteers to give curatorial assistance with the significant collections and the last of the Valiant Class submarines, HMS *Courageous* (Devonport). In July 2016, the HMS *Courageous* Association was accepted as an Affiliate of the National Museum.

Activities and Achievements

Integration within the National Museum of the Royal Navy

The National Museum's integration programme to create a modern, effective and efficient governance and operational structure across its diverse group of assets and undertakings has continued throughout 2015-16. The Museum's day-to-day operation is overseen by the Executive Directors within the context of an overarching strategy framework, and underpinned by a suite of Group policies, procedures and operating models.

Planning is well underway for the total integration of the National Museum's operating activities into a new subsidiary, NMRN Operations. Integration will realise benefits from operating as a larger organisation, improving visitor experience, enhancing access to collections and demonstrating greater cohesion in the delivery of the charitable objectives. The subsidiary museums' assets will be retained within independent charitable trusts, whose corporate trustee will be the National Museum of the Royal Navy.

SeaMore Project

The Chancellor's autumn statement of November 2015 announced £2million LIBOR funding for the SeaMore project. This £17million project includes the creation of a separate Centre for Discovery to transform public access to our collections and the development of a New Royal Marines Museum within Portsmouth Historic Dockyard. In April 2016, the decision was made by the Heritage Lottery Fund to award £13.8million to this important project which will have a hugely positive effect on the Museum's plans.

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HMS Caroline

As a result of difficulties over securing the leases necessary for the capital funding from both the Heritage Lottery Fund (HLF) and the Department of Enterprise, Trade and Investment (now the Department for the Economy)/Tourism Northern Ireland to be released, it was decided in May 2015 to decouple the project into a phased approach. The dry docking of HMS *Caroline*, the preparation of the Pump House as a visitor centre and permanent exhibition space, and the landscaping works to the Alexandra Dock are delayed. The project could only proceed with those elements that are independent of the lease arrangements: essentially the ship, its adaptation, interpretation and fit out. On 29 May 2016, both capital funders committed to this phased approach.

The phased approach, whilst allowing the project to deliver the ship by 31 May 2016 (the 100th Anniversary of the Battle of Jutland) made it much more complex, longer and brings with it prolongation costs. The overall project cost, including the original grant provision, grant uplift, prolongation, interim measures and additional costs is now in the order of £20,100,000. A request for grant uplift of £3,085,000 was made to the grant providers. At their Board meeting on 26 July 2016, HLF approved the request for a grant increase. On 27 July 2016, the Minister for the Department for the Economy approved the submission for the addendum to the business case, which secures the additional funding for interim costs, prolongation of the project and the Northern Ireland Government's proportion of the grant increase.

HMS *Caroline* opened to the public on 1 June 2016. The ship will, however, move into dry dock in October 2016 for a further programme of work expected to last 5-6 weeks. It is planned that the ship will return to Alexandra Dock for the 2017 visitor season.

HMS Victory

Conservation efforts in the year have been concentrated in the areas of stabilisation, developing the conservation approach and interpretation. Building on the work of previous years, efforts to prevent rainwater from entering the Ship have continued, reducing water ingress and future efforts will be directed towards maintaining the Ship's weather envelope until such time as major conservation work begins. The total cost of this essential stabilisation work will be in the region of £7-8million. Following three years of development, the design of a fire suppression system was approved and installation began in October 2015 and was completed in June 2016. The presence of the fire suppression system alongside the fire detection system installed in 2014 and a detailed safety plan ensures the Ship's protection against fire sets new standards for the sector. The detailed design for a new support system has been developed and refined and a prototype prop has been produced and tested in-situ at several points on the Ship's hull in order to test procedures for the installation and maintenance of the new system. Further analysis work is needed to understand the mechanism by which the Ship's load will be transferred between the existing system and the new system, with installation likely to begin in early 2017.

In May 2015, the Conservation Programme Plan (CPP) for the Ship was accepted. Developed in association with subject matter experts, the purpose of the CPP is to define what conservation work is required to deliver a fully conserved HMS *Victory*, in an open environment and in a condition to survive for 50 years without major work beyond a programme of planned maintenance.

NMRN Hartlepool

During the period, the National Museum has worked with Hartlepool Borough Council and HMS Trincomalee Trust to deliver a single site operator agreement for the Hartlepool Maritime Experience, including HMS Trincomalee. This strategically important site enables the National Museum to gain a foothold in the North East of England, whilst providing opportunities to contribute to the region's regeneration through the development and growth of a tourist attraction in partnership with the local authority. On 3 June 2016, the transfer of the business took place and the business was fully integrated into the National Museum's operations.

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HM Monitor M33

The 'Commemorating Gallipoli 1915 – the HM Monitor *M33* Project', which aimed to conserve and provide public access to this First World War Monitor, was completed on time and opened to visitors on 6 August 2015, following the delivery of a successful project in partnership with Hampshire County Council. The project won a Commendation award at the Civic Trust Awards and its website won the First Sea Lord's Digital Media Award at the Maritime Foundation's ceremony. The innovative interpretation and conservation approaches to the Ship have proved popular, with the 100,000th visitor coming on board in early July 2016. The latest visitor satisfaction is 97.3% with 100% recommending a visit.

Visitor Services

From 1 April 2015 to 31 March 2016, there were 1,010,329 visits (2014-15: 878,945) to the National Museum across all its sites, with figures published by ALVA (the Association of Leading Visitor Attractions) showing the National Museum as the third most visited attraction outside London. This 15% increase has primarily resulted from the National Museum's continued inclusion within the Portsmouth Historic Dockyard "All Attractions" ticket, which ensures access and exposure to the wider Naval story, and has benefited from the success of new attractions such as HM Monitor *M33* to the site. The National Museum's websites, including the Portsmouth Historic Dockyard site which is managed by the National Museum, received 2,079,435 visits, a 29% increase on the previous period. Press, PR and media coverage increased by 21% in the period, realising over £5million in Advertising Value Equivalent. The most significant media coverage centred on the Chancellor's announcement in his Autumn Statement that £2million funds from banking fines would be allocated to the charity's SeaMore project, with a media campaign that will increase in pace and breadth as the SeaMore project develops.

Volunteers

The National Museum's activities are supported by a team of 250 volunteers providing 29,863 hours of work in 2015-16, assisting in a range of tasks including: research, exhibitions, conservation, restoration and cataloguing of artefacts, collections and historic ships, community roadshows, opening events, front of house guides, learning events. Among the many projects undertaken by volunteers was the refurbishment of breech loading 6-inch guns and the Hotchkiss gun at Explosion!, restoration of a naval gun from the German torpedo boat SMS B.98, and the research and update of information to support the Jutland Interactive Map project. The HM Monitor *M33* visitor host team was recognised for its efforts in the Portsmouth Inspiring Volunteer Awards 2016 as Arts Culture and Heritage Volunteer Team Award Winners.

Learning and Access

In this year, the National Museum provided 34,479 formal learning visits to schools, colleges and universities across our sites. A further 42,789 foreign language pupils visited, with the majority (98%) visiting the National Museum of the Royal Navy Portsmouth and HMS *Victory*. The amount of time learning staff were engaged in direct delivery equated to over 91,069 learning contact hours through 970 school workshops and 489 curriculum-linked tours. In addition, we delivered 537 activities to families, adult and community audiences reaching some 37,697 informal learning participants.

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Exhibitions, Collections and Scholarship

The National Museum has continued to develop its exhibitions during the period through “The Great War at Sea” programme, detailing the Royal Navy’s key role in the First World War and focusing on: the myths surrounding the Gallipoli Campaign; the role of the Royal Navy Air Service in the Dardanelles; the pioneers of the Submarine Service; and the heroics of people like Reginald Warneford, the first Royal Navy pilot to shoot down a German Zeppelin.

A £400,000 project as the first phase of the redisplay and reinterpretation of HMS *Victory* was completed by the Historic Ships team for Easter 2016. Most notably, the Ship has been repainted externally in the exact colours she wore in October 1805 and internally, a new route allows access to 80% more of the visitor route and sets out a clear narrative for the interpretation that will be developed in coming years.

The main summer exhibition at the Fleet Air Arm Museum, delivered in collaboration with the National Maritime Museum, Falmouth, was “Saved! 100 Years of Search and Rescue” which explored the development of the Search and Rescue Service from earliest days to the nationally loved service that came to an end in 2016, being replaced by a civilian contracted service.

The development focus has been on the major exhibition “36 Hours: Jutland 1916: The Battle that Won the War” which was formally opened in Portsmouth by HRH the Princess Royal on 24 May 2016. This exhibition was formally in collaboration with the Imperial War Museum, which loaned over 80 artefacts and received contributions from across our collections. This major scale exhibition uses over 600m² in a specially created new space in Boathouse 5 at Portsmouth Historic Dockyard.

The National Museum has continued to build its collections for the future, with around 450 separate accessions to the National Museum’s collections over the year. Significant additions (a number of which have been able to go straight on to public view) have included:

- The only naval Victoria Cross awarded in the United Kingdom itself, awarded to Leading Seaman Jack Foreman Mantle. Mantle was killed in action while manning an anti-aircraft gun on HMS *Foylebank* in Portland Harbour, July 1940.
- Collection of caricatures on naval themes relating principally to the invasion scares of 1797-8 and 1803;
- Rescue Motor Launch 497;
- Blue silk Chinese pennant with gold printed design acquired at the Capture of Chusan during the Opium War in 1841 by First Lieutenant William Haskoll, RM;
- Portable medicine dispensary which belonged to Sick Berth Steward Uriah Harry Harvey, circa 1900;
- Collection of drawings and paintings by Philip Dark, WW2 RNVR created as a Prisoner of War, c.1943;
- Flying helmet, belonging to JWR Lynn, with bullet hole caused by Operation Meridian attack on Japanese oil refineries c. 1945; and
- Control Room Clock from HM Submarine *Dreadnought*.

The National Museum has also continued to expand its portfolio of books and has published two further volumes in the ‘History of the Royal Navy’ in association with IB Tauris: D. Spence, “A History of the Royal Navy: the British Empire: Empire and Imperialism” and M. Robson, “A History of the Royal Navy: the Seven Years War”. The National Museum has continued publication of its popular series of souvenir guides: new additions have been published for HM Monitor *M33* and ‘Explosion! The Museum of Naval Firepower’. In addition, the National Museum has further facilitated and supported publications by its staff and / or external partners: R. Johnstone-Bryden, “Illustrious (V), 1982-2014”, D.Morris, “RoyalNavy: Search and Rescue”, Navy Dockyards Society, “Twentieth Century Naval Dockyards Devonport and Portsmouth Characterisation Study”.

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Trading

Three subsidiary trading companies operated within the reporting period: National Museum of the Royal Navy Trading, Fleet Air Arm Museum Trading Ltd and HMS Trincomalee (1817) Enterprise Company Ltd. In October 2015, Fleet Air Arm Museum Trading Ltd transferred its trade, assets and liabilities into the National Museum of the Royal Navy Trading. HMS Trincomalee (1817) Enterprise Company Ltd transferred on 3 June 2016. The National Museum of the Royal Navy Trading now operates across all of the National Museum's sites as a single, merged trading entity, reporting to a single board of Directors. In 2015-16, the company turned over £2,115,849 generating a profit of £443,004. Fleet Air Arm Museum Trading Ltd and HMS Trincomalee (1817) Enterprise Company Ltd produced a combined turnover of £464,024 generating a further £104,843 profit. At the discretion of its directors, the National Museum of the Royal Navy Trading will gift £420,440 from its net profits to the National Museum. The trading company oversees income streams such as cafés, retail, guidebooks, weddings, corporate and private hires, wholesale and brand licensing. New product ranges have been developed and all packaging redesigned to create a strong brand identity.

Post balance sheet events

Post balance sheet events are disclosed in note 29 to the accounts.

Plans for Future Periods

The National Museum will continue to work to identify and deliver opportunities for a more efficient governance structure and closer integration across the Group. Planning is well underway for the total integration of the National Museum's operating activities into a new subsidiary, NMRN Operations, which will enable us to realise benefits from operating as a larger organisation, improving our visitor experience, transforming access to our collections and demonstrating cohesion in the delivery of our charitable objects.

The decision by the Heritage Lottery Fund in April 2016 to award £13.8million to the £17million "SeaMore" project will have a hugely positive effect on the National Museum's plans. The Chancellor's autumn statement of November 2015 announced £2million LIBOR funding for the project. The funding includes the creation of a New Royal Marines Museum within Portsmouth Historic Dockyard and a separate Centre for Discovery to transform public access to our internationally significant naval collections. The confirmation of this funding will affect many aspects of the Museum's operation, including how we develop the interpretation we offer to visitors. As we finalise plans for 2016-2020 it will now be possible to create firm plans, not just for the Centre, but also for the programme of special exhibitions, gallery development and interventions.

The future plans for HMS *Caroline* involve her dry-docking at the end of October 2016 and the provision of a visitor centre and exhibition space in Blocks 1 to 3 of the Pump House and landscaping works to the Alexandra dock. It is planned that the ship will return to Alexandra Dock in good time for the 2017 visitor season. The Pump House plan is less secure as lease discussions with the Northern Ireland Science Park (NISP) have been more protracted. The Pump House solution is now on the critical path as no lease was in place to allow work to start in April 2016, this element of the project cannot be completed by the start of the 2017 visitor season. Inevitably, if there is further delay, and with one year to completion, then the Pump House may be delayed until the start of the 2018 visitor season.

Over the next eighteen months, the company will procure and install a new support system for HMS *Victory*, completing the stabilisation phase of work and allow large-scale conservation work to begin. Implementation of the conservation programme plan is expected to take twelve years and cost £35million. Work to the Ship will be split into four phases, the first of which (conservation of the starboard side) will begin once installation of the new support system has been completed.

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Following the successful business transfer and establishment of a single site operator at the National Museum of the Royal Navy Hartlepool in June 2016, work will be underway to determine a funded development plan for the site, to establish it as a major heritage visitor attraction within the North East and to make a significant contribution to the regeneration of the area.

The Ministry of Defence (MOD) concluded its review of its Services Museums in July 2016 and confirmed that the functions of the National Museum of the Royal Navy continued to support MOD objectives. It recommended that the National Museum should remain as a Non-Departmental Public Body sponsored by the MOD. As detailed in this report, the National Museum has made clear progress against its strategic priorities and has performed well within the reporting period. It continues to take actions to respond to fluctuations in self-generated operational income and address the operating cost base. As such, the Board is satisfied that the National Museum of the Royal Navy is a going concern.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2016

Total incoming resources for the National Museum in 2015-16 amounted to £19,927,149 (2014-15: £18,094,350). In addition to Grant in Aid and admissions income (including gift aid), a large proportion of this inflow is exceptional and relates to grant income and donations for major capital projects including: HMS *Victory* conservation; HMS *Caroline*; HM Monitor *M33*; and, the SeaMore project. Other income relates to increased turnover from the National Museum of the Royal Navy Trading (NMRN Trading).

Total resources expended for 2015-16 amounted to £20,749,478 (2014-15: £18,006,490). The increase in outflow relates to largely to increased expenditure on project activity (such as HMS *Caroline*, HMS *Victory* and HMS Monitor *M33*) for which project funding was received. It also relates to increased fundraising costs as the National Museum gears up to secure match-funding for future capital projects (notably SeaMore) and increased marketing costs for the first full-year of operation of Portsmouth Historic Dockyard. The costs of operational activities in furtherance of the objects of the charity (including staff costs) for the Group were, however, reduced.

After adjustment for other recognised but unrealised losses on investments totalling (£1,426,115) and gains on revaluation of fixed assets of £2,821,531, the net movement in funds for the year was an increase of £573,087.

Balance Sheet

The net assets as at 31 March 2016 amounted to £146,275,093 (31 March 2015: £145,702,006).

Movements in fixed assets are shown in notes 14-15 to the accounts. Fixed assets acquired by either purchase or donation, with a value of £2,500 and over are capitalised in accordance with the accounting policies set out in note 1.8. Heritage assets added to the collection are included in the accounts on the basis of internal valuations estimated by the curatorial staff and determined by their experience and judgement as set out in note 1.9.

Reserves

The Trustees continually monitor the levels of the charitable company's reserves and seek to take correction action as necessary. As at 31 March 2016, the charitable company's unrestricted funds (excluding the revaluation reserve) stood at (£199,739) (31 March 2015: (£591,836)).

The Group policy is that each charitable company builds a 'free reserve', defined as the amounts shown as Net Current Assets in the accounts of the company and which are attributable to Unrestricted Funds. The Group policy

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is that each charitable company should build free reserves sufficient to: cover essential operating costs for a three-month period should the company be unable to operate, covering liabilities and deficits; provide income; and to provide working capital. As at 31 March 2016, the level of the charitable company's free reserves stood at £318,124 (31 March 2015: (£477,260)).

Whilst the free reserve position shows a significant improvement of an increase of £795,384 on the previous period, the company's reserves remain insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands. The Trustees are, however, satisfied from the reports received by the Board and its committees that both expenditure and the cash flow position are carefully monitored and managed to minimise these risks. Moreover, the Trustees will seek to improve the reserve position in accordance with its reserve policy through the consolidation of operational activity and cost across the National Museum of the Royal Navy Group in future periods.

The surplus on restricted funds will reduce in future years as increasing expenditure on the preservation of HMS Victory, HMS Trincomalee, HM Monitor M33, HMS Caroline, LCT 7074 and RML 497 and depreciation on capital expenditure is expensed through the SOFA. The endowment funds surplus should remain on the Balance Sheet for the foreseeable future, as will the gifts of the Ships as the Ships are held as heritage assets and not depreciated.

Investment Policy

The charitable company's investment policy seeks to produce the best possible financial return within an acceptable level of risk. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. Returns from these funds are required to maintain HMS *Victory* in perpetuity and it is therefore essential to invest with a long term prospective. If achieved, the charitable company should be able to maintain the value of its investment portfolio whilst funding annual expenditure for the maintenance and repair in the region of 3% of its capital per annum.

The charitable company adopts a total return approach to investment, generating the investment return from income and capital gains and losses. It is expected that if in any one year the total return is insufficient to fund the ongoing expenditure, in the long term the value of the portfolio will still be maintained in accordance with the investment objective stated above.

The key risk to the long-term achievement of the investment objective is inflation and the assets are invested accordingly. The Trustees understand that this will mean that investments are likely to be predominantly invested in equities where dividends can be expected to grow and that capital value will fluctuate. The company's attitude to risk is therefore described as progressive.

The company's assets can be invested widely and are expected to be diversified by asset class, by manager and by security. Asset classes can include cash, bonds, equities, property funds, hedge funds, structured products, private equity, commodities and any other asset class that is deemed suitable for the company. The Trustees do not wish to invest in property directly. The HMS *Victory* Investment Committee is charged with agreeing a suitable asset allocation framework with two appointed professional fund managers.

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Auditors

The Comptroller and Auditor General is the statutory auditor under the Government Resources and Accounts Act 2000 for the National Museum of the Royal Navy and for the group consolidation.

So far as we, as the Trustees of the National Museum of the Royal Navy, and I, as its Accounting Officer are aware:

- there is no relevant audit information of which the company's auditors are unaware; and
- the Trustees have taken all the steps necessary to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

On behalf of the board

Admiral Sir Jonathon Band GCB DL
Chairman on Behalf of the Board of Trustees

11 October 2016

Professor Dominic Tweddle
Director General and Accounting Officer

11 October 2016

Accountability Report

Trustees' Report and Governance Statement

This report sets out the arrangements for the governance of the National Museum of the Royal Navy, including the Board and committee structure for the Trustees. The Trustees, who are also the Members and Directors of the National Museum of the Royal Navy for the purposes of company law and who served during the year and up to the date of this report are set out on page 3. Overall control of the National Museum is the responsibility of the Board of Trustees.

The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. Through its charitable objects, the National Museum seeks to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encourages the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The National Museum operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The National Museum offers educational workshops to schoolchildren in support of the National Curriculum, operates community outreach programmes in the local areas for children, their parents and carers, and hosts foreign language school pupils. The National Museum has an extensive volunteer programme and its activities are supported by a team of 250 volunteers.

This report demonstrates how the system of governance and internal control is maintained within the National Museum and how the major risks to which the company is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

The Governance Framework

The National Museum of the Royal Navy is a company limited by guarantee (company number: 06699696) and a charity registered with the Charity Commission (registration number: 1126283). It is governed by its Articles of Association dated 26 October 2011, which incorporates its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the guidelines issued by the Officer of the Commissioner for Public Appointments (OCPA).

The National Museum of the Royal Navy is also a Non-Departmental Public body, sponsored by the Ministry of Defence, and as such is obliged to comply with HM Treasury financial reporting requirements. There is a Financial Framework in place, which defines the arrangements between the National Museum and its sponsor, which is currently being updated in light of the department's triennial review.

The Trustees ensure the distinct legal responsibilities and charitable objectives of the charitable company are fulfilled within an overall policy and strategy framework. The day-to-day operation of the charitable company within that framework is delegated to the Director General and Accounting Officer and to the Executive Directors.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the Articles of Association, copies of minutes of recent meetings, a copy of the Charity Commission publication, "The Essential Trustee: what you need to know", a copy of the National Museum's strategy, the company's corporate plan and a copy of the Museum Association publication, "Code of Ethics for Trustees" with a day visit to the National Museum to meet key members of staff and to discuss current issues. Recent appointees continue to confirm their satisfaction with this process.

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The Board of Trustees meets periodically through the year to set the long-term strategic objectives of the company, agree the Corporate Priorities and review performance against previous objectives set. The Board undertakes a periodic review of its membership and skills set and new appointments made on the basis of what skills Trustees believe the Board is lacking or believe are needed to tackle specific issues.

In addition to the Board of Trustees, there are several sub-committees covering the key areas of operations. The majority of Board decisions are only taken after the appropriate sub-committee has met and discussed the issue and made their recommendations.

Each Board of Trustees of the respective subsidiary companies remains responsible for their governance issues, which are clearly set out between the National Museum and its constituent members.

The sub-committees of the board include:

Development and Finance Committee

This committee meets on a quarterly basis and is responsible for:

- The periodic review of the Strategy and the policies flowing from it. The agreement and monitoring of the Strategic policies for each planning period.
- The annual allocation of Grant in Aid (GIA) to meet the Strategic Objectives.
- Full access to the financial data across the Group is available to allow effective judgements to be made. Any amendments suggested to financial reporting systems are agreed with the Audit and Governance Committee and the Director General in his role as Accounting Officer.
- The longer-range development of the National Museum in line with the agreed Strategic Objectives, including approval of joint ventures, partnerships, mergers and acquisitions.

Audit and Governance Committee

This Committee takes delegated responsibility on behalf of the Board of Trustees for overseeing all auditing, risk management and governance aspects of the company, reporting back to the Board when necessary.

Nomination and Remuneration Committee

This committee is responsible for leading the process for Board appointments and for identifying and nominating for Board approval, candidates for appointment to the Board and its constituent Committees; and determining and making recommendations to the Board on the performance and remuneration of the National Museum's Director General and Executive team including the award of personal performance related bonuses.

Collections, Research, Learning and Access Committee

This committee meets periodically through the year and its responsibility is:

- To articulate the Acquisitions, Disposals and Loans Policy for the NMRN, establishing such procedures as required; and,
- to establish a Collections Strategy and Collecting Priorities for the NMRN; and,
- to set up a Collections Management Policy and determine the appropriate level of resources in, accommodation, staffing, systems and documentation; and,
- to develop a Conservation Policy and Priorities, as they apply to procurement and resource allocation; and,

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- to determine an Access Policy, which inter alia addresses; an enquiry policy, Readers services and charging policy, on line access (including charges), digitisation of collections items and collections information; and,
- to establish a Research Policy and Research Priorities.

Operations and HR Committee

This committee meets periodically through the year and its responsibility is to monitor, review, and advise the Board on:

- Visitor numbers and income
- Reported Health and Safety issues
- Terms and Conditions of employment (excluding those for the DG and Functional Directors which remain the responsibility of the Nominations and Remuneration Committee)
- HR Policies and procedures
- Employment Legislation
- Annual Staff Survey
- Training and Professional Development of Staff
- Staff Morale

Fundraising and Marketing Committee

This committee meets periodically through the year and its responsibility is:

- To lead on all aspects of fundraising for the NMRN, recognising that the individual museums will fundraise; and,
- to construct a strategy that docks with the agreed Strategic Objectives and Plan of the National Museum in terms of its scale, scope and reach; and,
- to ensure that it is completely coherent and transparent across the entirety of the National Museum; and,
- to develop a national and international context for the exploitation of the National Museum and HMS Victory; and,
- to make, inter alia, recommendations to the Board on the co-ordinated approach to the private, public and corporate sectors; High Net Worth Individuals, sponsorship and the nature, degree and frequency of events.

Day to day operation of the National Museum is the responsibility of the Director General who is appointed by the Trustees and who is also the Accounting Officer of the organisation. The Director General attends Board meetings of all subsidiary museums and also attends the National Museum's committees

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Membership and attendance of key meetings	Board of Trustees	Development and Finance Committee	Audit and Governance Committee	Nomination and Remuneration Committee	Collections Research Learning and Access	Operations and HR Committee	Fundraising and Marketing Committee
Total number of meetings in the period	3	4	4	2	4	3	3
Chairman:							
Admiral Sir Jonathon Band GCB DL	3/3	4/4	-	-	-	-	-
Trustees:							
Mr M Bedingfield	2/3	-	-	-	-	-	3/3
Mr J R Brookes OBE	3/3	4/4	-	2/2	-	-	-
Captain Dan Conley	3/3	-	-	-	-	-	-
Professor John Craven CBE	3/3	-	2/4	-	4/4	3/3	-
Sir Robert W K Crawford CBE	3/3	4/4	-	-	-	-	-
Rear Admiral T Cunningham	2/3	-	-	-	-	-	-
Mr M Gambazzi	3/3	4/4	-	1/2	-	-	-
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	2/3	3/4	-	2/2	-	3/3	-
Ms K A Marshall	3/3	-	3/4	2/2	-	-	-
Major General J Mason	1/3	3/4	-	-	-	-	-
Mr T Schadla-Hall	3/3	2/4	-	-	4/4	-	-
Mr G Whitter	3/3	4/4	4/4	-	-	-	-
Dr Caroline Williams	2/3	-	-	-	-	-	-
Mr Charles Wilson	3/3	2/4	-	-	-	-	-
Non- Trustees:							
Mr Adrian Babbidge	-	-	-	-	4/4	-	-
Dr M Copp	-	-	4/4	-	-	-	-
Mrs Anne Dixon	-	-	-	-	-	2/3	-
Admiral Sir Anthony Dymock KBE CB FRSA	-	-	-	-	-	-	3/3
Mr R Hatfield	-	3/4	-	-	-	-	-
Ms Sarah Humphrey	-	-	3/3	-	-	-	-
Ms Caroline MacDonald	-	-	-	-	4/4	-	-
Ms Carol Marlow	-	-	-	-	-	-	3/3
Mr Keith Morris	-	-	-	-	-	1/3	-
Mr Mark Pemberton	-	-	-	-	1/4	-	-
Mrs Sandi Rhys-Jones	-	-	-	-	-	-	2/3
Mr Ken Robinson CBE	-	-	-	-	-	-	3/3
Professor Sara Selwood	-	-	-	-	4/4	-	3/3

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Register of Interests

A register of Trustees', Committee Members' and Executives' interests is maintained, requiring declaration of any interest, pecuniary or otherwise, in any matter being considered by the Board or the Committee.

Personal data loss

The company has not identified any personal data related incidents during 2015-16 or in the previous eight financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

System of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the National Museum of the Royal Navy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The review of the effectiveness of the system of internal controls is exercised through the Audit and Governance Committee of the Board of Trustees. This Committee is chaired by a Trustee of the Main Board of Trustees and draws expertise from other Trustees and committee members, with company officers in attendance, as required. The Committee also has access to the independent accountants and external auditors engaged for all companies within the Group, providing review and oversight of the financial control systems and the creation of company and consolidated group accounts. The Committee reports directly to the Board of Trustees.

Internal Audit

The National Museum has an independent internal audit function, provided through BDO UK LLP, which undertakes a rolling programme of risk based audit activity, agreed at the start of each financial year with the Accounting Officer and the Audit and Governance Committee. Internal audit provides assurance to management and the Audit and Governance Committee on the adequacy of internal control arrangements, including risk management and governance. The internal audit conforms to the Public Sector Internal Audit Standards.

In their report to the Audit and Governance Committee, the internal auditors were able to provide limited assurance that in the year ended 31 March 2016 there was generally a sound system of internal control, designed to meet the organisation's objectives, and that controls were generally being applied consistently. There were a number of audit findings which led to the limited assurance opinion in respect of reviews of Group and Agency Sales and Promotions, Key Financial Controls – System Implementation, HR Controls and Strategic Planning and Implementation.

This limited assurance opinion was partially as a result of the organisation taking a more risk-based view on the use of its internal audit resource in providing assurance in areas where there were known areas of concern and also the organisation's request for early internal input into systems under development. The NMRN has undertaken large-scale organisational change throughout 2015-16, consolidating its group structure, systems and procedures. The organisation had made good progress in implementing recommendations made by the internal auditors over the course of this and last year.

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External Audit

The external auditor for the National Museum of the Royal Navy is the Comptroller and Auditor General, with the audit conducted by the National Audit Office. The external audit of the subsidiary companies is conducted by Compass Accountants, or in the case of the Fleet Air Arm Museum, RSM UK Group LLP and for HMS Trincomalee Trust, Waltons Clark Whitehill Ltd. The Audit and Governance Committee receives and reviews all external auditor reports.

Risk Management

For the year ended 31 March 2016, a comprehensive suite of uniformly presented Strategic, Directorate and Project Risk Registers have been in place, which identify the risks relevant to the successful continuation of the company's current operations and its future development. Risk Management is incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

The management of risk is exercised through the company's Leadership Group, which regularly reviews the National Museum's principal activities and events, with associated risks. The Audit and Governance Committee and the Board of Trustees receive reports to each meeting on the principal risks and the steps being taken to manage them effectively, including risks relating to new project proposals.

The key risks faced by the company centre around future income streams with volatility of admissions numbers and commercial activity impacting on revenue. Strategies continue to be developed to strengthen brand loyalty, ensure appropriate pricing to balance visitor attraction with revenue generation and develop the commercial offering. The National Museum continues to review and consolidate its governance and operating structure to ensure it is fit for purpose with sound control of operating costs within a sustainable but flexible staffing model for future years. Funding and effective control of major capital projects will always present a risk to the National Museum. This is mitigated through the establishment of a robust project management framework, appropriate governance and oversight for all major projects, and cash flow forecasting that reflects operational and major project demands and fundraising requirements.

In October 2016 the NMRN was subject to one instance of external fraud which could potentially result in a financially immaterial loss. An investigation is currently ongoing.

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Assurance Statement by the Audit and Governance Committee

The Audit and Governance Committee is reasonably confident that

Based on the above, the Board and Accounting Officer of the National Museum of the Royal Navy believe that the organisation complies with the Corporate Governance in Central Government: Code of Good Practice 2011, to the extent that it is relevant to the company and as far as the Charities Act 2011 and Companies Act 2006 permit. There were no significant control issues during the year.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the National Museum of the Royal Navy's system of internal control in accordance with Treasury guidance and recommendations. The system of internal control has been in place in the National Museum of the Royal Navy for the year ended 31 March 2016 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Admiral Sir Jonathon Band GCB DL
Chairman on Behalf of the Board of Trustees

11 October 2016

Professor Dominic Tweddle
Director General and Accounting Officer

11 October 2016

The National Museum of the Royal Navy
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Statement of Board of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 2016

The Board of Trustees and the Accounting Officer are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP FRS102) (effective 1 January 2015), the Companies Act 2006, the Charities Act 2011 and the Government Financial Reporting Manual.

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- observe the method and principles of the Charities SORP;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable UK Accounting Standards and statements of recommended practice have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Admiral Sir Jonathon Band GCB DL
Chairman on Behalf of the Board of Trustees

11 October 2016

Professor Dominic Tweddle
Director General and Accounting Officer

11 October 2016

**Remuneration and Staff Report
for the year ended 31 March 2016**

This report has been prepared in accordance with the Government Financial Reporting Manual, which requires the disclosure of certain information about directors' remuneration, where "directors" is interpreted to mean those persons in senior positions having authority or responsibility for directing or controlling the major activities of the National Museum of the Royal Navy.

Remuneration Policy

The Nomination and Remuneration Committee meets annually to consider the pay award for the Director General and the Executive Team. The Director General is entitled to a non-consolidated performance related payment set by the Committee annually and based on performance in the year against the Objectives and Key Priorities in the Corporate Plan and his significant personal contribution towards the achievement of key areas of work. Non-consolidated payments are performance related and may also be awarded to other members of the Executive Team based on exceptional performance.

Total remuneration table (subject to audit)

Employee	Salary £'000		Non-consolidated payments £'000		Pension benefits £'000		Total £'000	
	2015 -16	2014 -15	2015 -16	2014 -15	2015 -16	2014 -15	2015 -16	2014 -15
D Tweddle Director General	105-110	100-105	5-10	Nil	10-15	5-10	125-130	110-115
S Dennis Executive Director	80-85	75-80	0-5	Nil	5-10	5-10	90-95	80-85
*J Rawlinson Executive Director From 1 July 2016	*55-60	N/A	Nil	N/A	5-10	N/A	65-70	N/A
M Sheldon Executive Director	70-75	N/A	Nil	N/A	5-10	N/A	75-80	N/A

*The figure quoted is for the period 1 July 2015 – 31 March 2016. The full time equivalent is in the range: £75k-80K

Employer's contribution to defined contribution pension scheme table (subject to audit)

Employee	2015-16 Nearest £100	2014-15 Nearest £100
D Tweddle Director General	11,100	10,100
S Dennis Executive Director	8,400	7,500
J Rawlinson Executive Director (*Full year equivalent)	*8,200	N/A
M Sheldon Executive Director	7,000	N/A

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The Director General and the Executive Directors did not receive any non-cash benefits (benefits in kind). Pension benefits are provided through a defined contribution group pension scheme at the rate of 10% of salary (see note 1.16). None of the directors is a member of the PCSPS and the National Museum did not fund any Civil Service pension contributions for them in 2015-16

The Director General and the Executive Directors have permanent contracts of employment with 6 and 3 months' notice respectively.

The total number of staff whose emoluments for the year exceeded £60,000 is given in note 11, together with information on staff numbers and costs. In 2015-16, no employees (2014-15: Nil) received remuneration in excess of the highest paid executive director.

No Trustees received remuneration during the year (2014-15: Nil). Six Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £3,009 (2014-15: £799) – the increase in travel expenses reflects the requirement for trustees to attend the National Museum's new locations in Belfast and Hartlepool.

Median Pay Disclosure (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The remuneration ratio is 4.55:1 (2015 4.1:1). This represents the pay of the highest paid director (including performance related bonus) as a multiple of the median pay award – the median pay is £25,250 (2015: £24,425).

Sickness absence

The National Museum employed an average of 279 members of staff during 2015-16. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 6 per employee excluding days lost due to long-term sickness absence.

Exit packages table - reporting civil service and other compensation schemes (subject to audit)

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	6	-	6
£10,000-£25,000	1	-	1
Total number of exit packages	7	-	7
Total resource cost/ £	58,724	-	58,724

Exit costs are accounted for in full in the year the employee was confirmed redundant.

Other staff costs

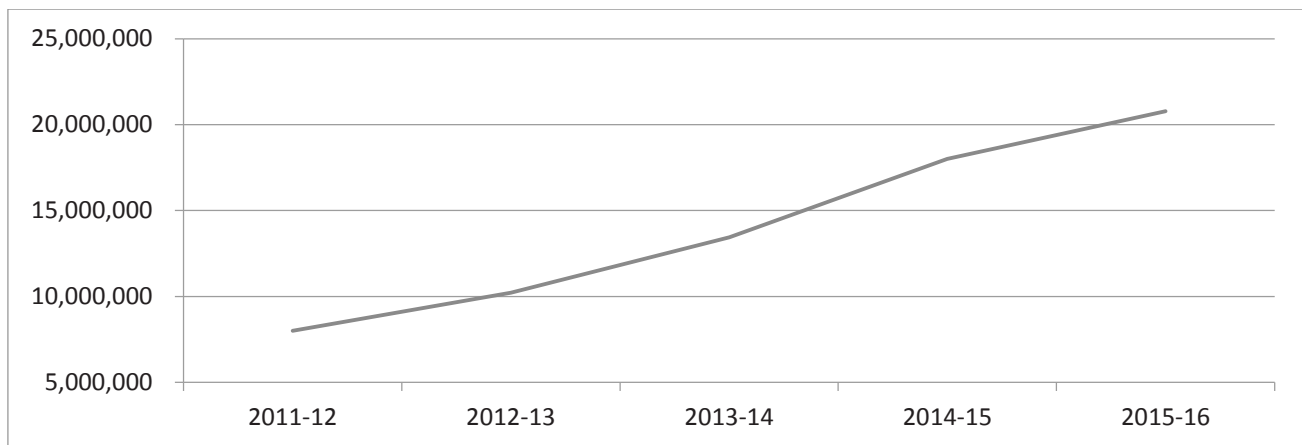
Further details relating to the National Museum's other staff costs can be found in note 11 to the financial statements.

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Parliamentary accountability and audit report

All expenditure is regular and has been applied as intended by donors and the National Museum’s sponsor body. There are no contingent liabilities, gifts, fees, charges or losses and special payments requiring further disclosure that have not been reported elsewhere in these financial statements. This paragraph is subject to audit.

Expenditure trends over the past five years are shown below.



The increase of expenditure over the past five years is a result of the growth and expansion of the National Museum as it has pursued its strategy to increase its scale, scope and reach. During the five year period, the National Museum has successfully delivered a number of significant projects and increased its visitor numbers by 60% to 1,010,329 in 2015-16. The Grant in Aid received from the sponsor body has reduced by 2.2% in the same period to £3.38m (including purchase of exhibits grant) in 2015-16 and the National Museum’s growth has been funded through self-generated income, grants and donations.

Admiral Sir Jonathon Band GCB DL
Chairman on Behalf of the Board of Trustees

11 October 2016

Professor Dominic Tweddle
Director General and Accounting Officer

11 October 2016

The National Museum of the Royal Navy
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The Certificate and Report of the Comptroller and Auditor General to the Members of the National Museum of the Royal Navy

I certify that I have audited the financial statements of National Museum of the Royal Navy for the year ended 31 March 2016 under the Government Resources and Accounts Act 2000. The financial statements comprise the Consolidated Statement of Financial Activities, Consolidated Balance Sheet, Consolidated Cash flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out in them. I have also audited the information in the Remuneration and Staff Report, and the Parliamentary Accountability Report that is described in that report as having been audited.

Respective responsibilities of the trustees and the auditor

As explained more fully in the Statement of Board of Trustee's and Accounting Officer's responsibilities, the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to National Museum of the Royal Navy and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Trustees' Performance Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

The National Museum of the Royal Navy
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Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the National Museum of the Royal Navy's affairs as at 31 March 2016 and of the its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued thereunder

Opinion on other matters

In my opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Charities Act 2011 and Secretary of State directions issued thereunder; and
- the information given in the Trustees' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the National Museum of the Royal Navy returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration and Staff Report, and Parliamentary accountability and audit report disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

5th December 2016

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

The National Museum of the Royal Navy
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Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2016

Notes	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds		2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds		2015 Total
			£	£	£	£	£	£				£	£	£	£	£	£	
Income from:																		
Donations and legacies																		
Grant in Aid (revenue)	2	3,263,526	-	-	-	-	-	3,263,526		3,333,147	-	-	-	-	-	-	-	3,333,147
Grant in Aid (capital)	2	121,342	-	-	-	-	121,342		119,490	-	-	-	-	-	-	-	-	119,490
Donations	2	241,572	6,142,461	2,337,565	-	-	8,721,598		138,405	2,007,933	3,629,257	1,092,378	-	-	-	-	-	6,867,973
Legacies	3	2,000	-	-	-	-	2,000		3,000	-	-	-	-	-	-	-	-	3,000
Charitable activities																		
Admissions	4	1,717,794	-	2,719,163	-	-	4,436,957		1,724,262	-	3,177,227	-	-	-	-	-	-	4,901,489
Other trading activities																		
Fundraising events		53,372	-	-	-	-	53,372		97,862	91,270	-	-	-	-	-	-	-	189,132
Trading subsidiary	5	464,024	-	2,115,849	-	-	2,579,873		1,122,199	-	812,914	-	-	-	-	-	-	1,935,113
Investments	6	430,723	-	6,623	-	171,416	608,762		389,080	194	7,845	-	215,979	-	-	-	-	613,098
Other		31,329	-	108,390	-	-	139,719		53,932	6,450	71,526	-	-	-	-	-	-	131,908
Total income		6,325,682	6,142,461	7,287,590	-	171,416	19,927,149		6,981,377	2,105,847	7,698,769	1,092,378	215,979	-	-	-	-	18,094,350
Expenditure on:																		
Raising funds																		
Fundraising and publicity	7	761,039	612	831,249	-	-	1,592,900		586,641	4,511	411,973	-	-	-	-	-	-	1,003,125
Investment management costs		1,626	-	-	-	227,550	229,176		1,265	-	300	-	226,962	-	-	-	-	228,527
Trading subsidiary	5	359,181	-	1,672,845	-	-	2,032,026		951,649	-	715,696	-	-	-	-	-	-	1,667,345
Charitable activities	8	6,376,068	424,723	10,094,585	-	-	16,895,376		6,600,681	576,969	7,884,580	-	-	-	-	-	-	15,062,230
Net expenditure in joint venture		-	-	-	-	-	-		-	-	45,263	-	-	-	-	-	-	45,263
Total expenditure		7,497,914	425,335	12,598,679	-	227,550	20,749,478		8,140,236	581,480	9,057,812	-	226,962	-	-	-	-	18,006,490

The notes on pages 30 to 64 form an integral part of these financial statements.

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2016

Notes	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum		HMS M33 Trust		Endowment funds	2015 Total
			£	£	£	£					£	£	£	£		
Net gains/(losses) on investments	(26,174)	(8,708)	-	-	(1,391,233)	(1,426,115)	15,547	-	(561)	-	2,712,041	2,727,027				
Net income/(expenditure)	(1,198,406)	5,708,418	(5,311,089)	-	(1,447,367)	(2,248,444)	(1,143,312)	1,524,367	(1,359,604)	1,092,378	2,701,058	2,814,887				
Transfer between funds	872,145	(3,945,361)	3,573,216	-	(500,000)	-	445,216	(2,221,926)	1,899,075	-	(122,365)	-				
Other recognised gains/(losses):																
Gains on revaluations of fixed assets	864,281	1,415,643	334,329	207,278	-	2,821,531	2,464,226	217,706	133,309	475,404	-	3,290,645				
Net movement in funds	538,020	3,178,700	(1,403,544)	207,278	(1,947,367)	573,087	1,766,130	(479,853)	672,780	1,567,782	2,578,693	6,105,532				
Reconciliation of funds:																
Total funds brought forward	18,711,336	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006	16,321,087	52,666,792	9,328,161	-	27,118,059	105,434,099				
Reserves on acquisition	-	-	-	-	-	-	624,119	21,087,467	348,284	-	5,000	22,064,870				
Prior year adjustment	-	-	-	-	-	-	-	12,097,505	-	-	-	12,097,505				
Restated funds brought forward	18,711,336	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006	16,945,206	85,851,764	9,676,445	-	27,123,059	139,596,474				
Total funds carried forward	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093	18,711,336	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006				

The notes on pages 30 to 64 form an integral part of these financial statements.

The National Museum of the Royal Navy
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Consolidated Balance Sheet
as at 31 March 2016

	Notes	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Fixed assets					
Tangible assets	14	28,384,580	27,144,528	7,822,002	7,081,383
Heritage assets	14	74,258,708	72,496,696	2,755,063	2,225,801
Investments	16	32,818,721	34,871,263	-	-
		<u>135,462,009</u>	<u>134,512,487</u>	<u>10,577,065</u>	<u>9,307,184</u>
Current assets					
Stocks	17	7,249,371	7,389,698	511,858	459,374
Debtors	18				
Amounts falling due within one year		5,380,685	3,700,652	7,234,071	3,431,620
Amounts falling due after one year		407,779	450,000	-	-
Cash at bank and in hand		4,396,621	4,897,132	1,430,074	2,753,031
		<u>17,434,456</u>	<u>16,437,482</u>	<u>9,176,003</u>	<u>6,644,025</u>
Creditors falling due within one year	19	<u>(6,012,567)</u>	<u>(5,014,706)</u>	<u>(6,701,784)</u>	<u>(4,487,417)</u>
Net current assets		<u>11,421,889</u>	<u>11,422,776</u>	<u>2,474,219</u>	<u>2,156,608</u>
Total assets less current liabilities		<u>146,883,898</u>	<u>145,935,263</u>	<u>13,051,284</u>	<u>11,463,792</u>
Creditors falling due after more than one year	20	(608,805)	(98,000)	(520,000)	-
Provisions for liabilities	21	-	(135,257)	-	(135,257)
Net assets		<u><u>146,275,093</u></u>	<u><u>145,702,006</u></u>	<u><u>12,531,284</u></u>	<u><u>11,328,535</u></u>
Funds					
Unrestricted funds		16,079,673	15,940,047	(199,739)	(591,836)
Revaluation reserve		3,169,683	2,771,289	492	496
Total unrestricted funds		<u>19,249,356</u>	<u>18,711,336</u>	<u>(199,247)</u>	<u>(591,340)</u>
Restricted funds		53,067,044	50,274,946	2,009,693	2,770
Revaluation reserve		35,483,567	35,096,965	97	98
Royal Naval Museum		8,945,681	10,349,225	8,945,681	10,349,225
HMS M33 Trust		1,775,060	1,567,782	1,775,060	1,567,782
Total restricted funds		<u>99,271,352</u>	<u>97,288,918</u>	<u>12,730,531</u>	<u>11,919,875</u>
Endowment funds		<u>27,754,385</u>	<u>29,701,752</u>	<u>-</u>	<u>-</u>
Total funds	22	<u><u>146,275,093</u></u>	<u><u>145,702,006</u></u>	<u><u>12,531,284</u></u>	<u><u>11,328,535</u></u>

NMRN is exempt from an audit under Part 16 of the Companies Act 2006 under section 485 (non-profit-making companies subject to public sector audit) of the Companies Act 2006.

The financial statements were approved by the board on 11 October 2016 and signed on its behalf by

Admiral Sir Jonathon Band GCB DL
Chairman

Professor Dominic Tweddle
Director General and Accounting Officer

The notes on pages 30 to 64 form an integral part of these financial statements.

**Consolidated Cash flow statement
for the year ended 31 March 2016**

	Company 2016 £	Group 2016 £	Group 2015 £
	Notes		
Cash flows from operating activities:			
Net cash provided by (used in) operating activities	(369,219)	(483,886)	1,444,464
Cash flows from investing activities:			
Dividends and interest from investments	6,916	638,339	613,098
Purchase of property, plant and equipment	(975,104)	(1,073,960)	(996,587)
Purchase of investments	-	(205,501)	(24,415)
Sale of investments	-	607,884	110,751
Net cash provided by (used in) investing activities	<u>(968,188)</u>	<u>(33,238)</u>	<u>(297,153)</u>
Change in cash and cash equivalents in the reporting period	<u>(1,337,407)</u>	<u>(517,124)</u>	<u>1,147,311</u>
Cash and cash equivalents at 1 April 2015	2,753,031	4,899,835	3,752,524
Total cash and cash equivalents at 31 March 2016	30 <u>1,415,624</u>	<u>4,382,711</u>	<u>4,899,835</u>
Net income/expenditure for the year (as per the statement of financial activities)	661,147	(2,248,444)	2,814,887
Depreciation	413,825	1,210,427	1,149,506
(Gains)/losses on investments	-	1,416,289	(2,681,765)
Adjustment for non-cash fees from gains/losses	-	231,706	220,085
Dividends and interest from investments	(6,916)	(638,339)	(613,098)
Donated heritage assets	(167,000)	(317,000)	(1,141,570)
Other (gains)/losses:			
Fixed assets on acquisition	-	-	(21,096,554)
Investments on acquisition	-	-	(266,909)
Reserves on acquisition	-	-	22,064,870
Other (gains)/losses	-	-	5,140
(Increase)/decrease in stocks	(52,484)	140,328	95,435
(Increase)/decrease in debtors	(3,802,451)	(1,637,812)	(972,534)
Increase/(decrease) in creditors	2,199,917	983,411	1,633,714
Increase/(decrease) in long term liabilities	520,000	510,805	98,000
Increase/(decrease) in provisions	(135,257)	(135,257)	135,257
Net cash provided by (used in) operating activities	<u>(369,219)</u>	<u>(483,886)</u>	<u>1,444,464</u>

The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 6699696

Notes to financial statements for the year ended 31 March 2016

1. Accounting policies

The principal accounting policies are summarised below. The accounting policies have been applied consistently throughout the year and the preceding year.

1.1. Charity information

The National Museum of the Royal Navy is a private company limited by guarantee and incorporated in England and Wales. The registered office is the National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

The National Museum of the Royal Navy meets the definition of a public benefit entity under section 34 of FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value, unless otherwise stated in the relevant accounting policy.

The principal objectives of the charity are detailed in the Trustees report.

1.2. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Companies Act 2006 and guidance issued by HM Treasury.

The financial statements have been prepared on a going concern basis, due to on-going grant in aid funding from the Ministry of Defence (please see 'Policy on unrestricted reserves' on pages 10 and 11).

The financial statements are presented in sterling which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

1.3. Basis of consolidation

Consolidated financial statements have been prepared which include the following charities over which the National Museum of the Royal Navy (NMRN) has a controlling interest: The Royal Naval Museum and the HMS M33 Trust, linked charities and Special Trusts of NMRN; The Royal Navy Submarine Museum; The Royal Marines Museum; The Fleet Air Arm Museum; The HMS Victory Preservation Company (incorporating the HMS Victory Preservation Trust); The HMS Caroline Preservation Company (incorporating the HMS Caroline Preservation Trust), The HMS Trincomalee Trust and NMRN Services.

The Consolidated Statement of Financial Activities and the Consolidated Balance Sheet include the results and assets of each charity on a line by line basis. The company has taken advantage of the exemption from providing an individual company SOFA and instead discloses a separate consolidated SOFA of both NMRN's and the individual museums' activities following NMRN taking control. The individual results of the company can be found in the detailed statements of financial activities (Note 32).

1.4. Fund accounting

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

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

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term. It is the intention that the capital value of the donation will be maintained in real terms. However, if it becomes necessary, no more than 5% of the capital will be spent at any one time.

1.5. Incoming resources

All incoming resources are included in the statement of financial activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy and it is probable that the income will be received. The following specific policies are applied to particular categories of income:

Voluntary income is received by way of grants, donations and gifts and is included in full in the statement of financial activities when receivable. Grants where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant.

The National Museum of the Royal Navy

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Notes to financial statements for the year ended 31 March 2016

Gifts in kind are included in the accounts at their current market value where this is readily identifiable. Where current market value is unavailable then gifts in kind are included in the accounts on the basis of internal valuations estimated by relevant staff and determined by their experience and judgement, unless this is not possible without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

Grant in Aid (GiA) funding is received from the Ministry of Defence (MoD) as a contribution towards the operating costs of the National Museum of the Royal Navy (NMRN) and the four individual naval service museums. The majority of the GiA is received by NMRN and then distributed to NMRN's service company, NMRN Services, with the remainder, which is specifically a contribution towards wage costs, paid direct to staff by the Defence Business Services (DBS) on behalf of the individual museums.

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

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

1.6. Grants receivable

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

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

1.7. Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is reported as part of the expenditure to which it relates.

Costs of generating funds comprise costs incurred in encouraging people and organisations to contribute financially to the work of the company and the individual museums and to promote each organisation as a visitor attraction.

Charitable expenditure includes expenditure associated with Collections and Exhibitions, Curatorial Matters and Education and includes costs directly attributable to each activity. Costs not directly attributable to one activity, including the proportion of support costs relating to charitable expenditure, have been allocated on a reasonable basis of resources used, as determined by each museum.

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

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

1.8. Tangible fixed assets

Tangible fixed assets with a cost or value greater than £2,500 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices.

Land and buildings are stated at a valuation of depreciated replacement cost and depreciated over the lease term. The Royal Marines Museum, the Royal Navy Submarine Museum and the Fleet Air Arm Museum obtain a professional valuation at least every five years and indices are used to reflect the change in value in the intervening years.

Depreciation has been provided at rates calculated to spread the cost of each asset over its expected useful life as follows:

Improvements to property	over the lease term
Short leasehold property	over the lease term
Exhibitions	10 years
Fixtures and fittings	3 - 25 years
Computer and office equipment	3 - 10 years
Plant and machinery	3 - 30 years
Motor vehicles	5 years

Notes to financial statements
for the year ended 31 March 2016

1.9. Heritage assets held by the group

The heritage assets are owned by each of the four naval service museums individually and have been included in the consolidated financial statements as set out below.

Background

Each museum holds in trust artefacts comprising its collection. The main and reserve collections (other than assets acquired since 1 April 2000 - see below) have not been included in the financial statements due to their historic and inalienable nature and, except in the case of aircraft held by the Fleet Air Arm Museum, due to the specific and individual nature of the artefacts held, it is not believed to be possible to obtain a reliable value of the collection without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

Aircraft held by the Fleet Air Arm Museum have been included in the balance sheet at market value as it is believed these assets can be valued internally with sufficient accuracy and without incurring a disproportionate cost. Valuations are reviewed every five years. As heritage assets, aircraft are not depreciated.

Assets acquired prior to 1 April 2000 have not been capitalised and included in the accounts but with effect from 1 April 2000, additions to the collection with a cost in excess of £2,500, have been capitalised. In accordance with Guidelines issued by HM Treasury these assets are not revalued or depreciated.

Heritage assets donated to the Museums with a value in excess of £2,500 are included in the accounts on the basis of internal valuations estimated by the relevant curatorial staff and determined by their experience and judgement.

Heritage assets: policies for maintenance, management, acquisition and disposal

In October 2015, a single set of Collections Management policies for the National Museum was approved by the Board. These policies were the basis of a new single application to the Arts Council for Museum Accreditation to the higher standards required of a national museum collection, replacing the individual accreditations of the subsidiary museums. These policies set out a common approach for the maintenance and management of collections at different museum sites.

Acquisitions to the museums are now guided by a single Collections Development Policy; this sets out priorities and processes for acquisition. There are two principal methods of acquisition:

Acquisition by gift - Collections Officers and Archives Collections Officers have authority to propose collecting in line with the 'Themes and Priorities for Future Collecting'. On occasion, a donation may need to be passed to an Acquisitions Committee, chaired by the Head of Collections Management. This Committee sits on a bi-monthly basis to assess those offers that require further group consideration, such as very large donations, donations of hazardous or sensitive information and donations that cross multiple fields of expertise. The decision on whether to pass offers to the Acquisitions Committee falls to the Head of Collections Management.

Acquisition by purchase - All Heritage Directorate staff can recommend purchases of material from any source and may authorise purchases up to £50,000 in accordance with a laid out scheme of delegation. Any purchases of a value above £50,000 should go to the Director General for assessment.

Significant acquisitions are discussed at the Collections, Research, Learning and Access Committee. This Committee also receives quarterly reports on key acquisitions and an annual report of all items added to the collection.

Significant Historic Ships - The National Museum of Royal Navy has established an accounting policy for the initial recognition and valuation of historic ships which are donated to, or acquired by, the group. This accounting policy is based on the estimated rebuild cost of each ship worked up from figures for original build cost; this is discounted to take into account the state of repair of the ship at the time of gift.

1.10. Operating Leases

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against incoming resources on a straight line basis over the life of the lease.

1.11. Investments

Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

The Company adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to fund the on-going expenditure, in the long term the value of the portfolio will still be maintained in accordance with the investment objective above.

The National Museum of the Royal Navy

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Notes to financial statements for the year ended 31 March 2016

Attitude to Risk

The Company relies on the investment return to fund its objective. The key risk to the long term achievement of its objective is inflation, and the assets are invested accordingly. The Trustees understand that this will mean that investments are likely to be predominantly invested in equities, where dividends can be expected to grow, and that capital value will fluctuate. The Company's attitude to risk is therefore described as progressive.

1.12. Taxation

The tax expense represents the current tax expense. Current tax assets are recognised when tax paid exceeds the tax payable. Current tax is charged or credited to the SOFA.

Current tax assets and current tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profits for the year. Taxable profit differs from total comprehensive income because it excludes items of income or expense that are taxable or deductible in other periods. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

1.13. Stock

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell, after making due allowance for obsolescence and slow moving items.

1.14. Financial Instruments

The company's financial assets and liabilities consist of cash and cash equivalents, short term investments, trade debtors, trade creditors and accrued expenses. The fair value of these items approximates their carrying value due to their short term value. Unless otherwise noted, the company is not exposed to significant interest, foreign exchange or credit risks arising from these instruments.

1.15. Estimation techniques

Estimate	Assumption
Valuation of Historic Ships	<p>The valuation of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown.</p> <p>This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).</p>
Valuation of HMS Victory Preservation Company timber stock	<p>The valuation of the timber stock has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale.</p> <p>Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 17).</p>

1.16. Pensions

During the year contributions for the Director General only, totalling £11,076 (2014-15 £10,087), were paid into a defined contribution group pension scheme. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

The majority of staff of the National Museum of the Royal Navy and the subsidiaries are covered by the provisions of a defined contributions group pension plan, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund.

A small number of staff, who have transferred into the National Museum of the Royal Navy under the Transfer of Undertakings (Protection of Employment) Regulations, have retained membership of their former employers' pensions schemes which provides benefits based on final pensionable pay, and include the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

The National Museum of the Royal Navy

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Notes to financial statements for the year ended 31 March 2016

Group Pension Plan

Historically, each museum (other than the Royal Marines Museum) operated a pension scheme, which was a defined contribution scheme. Between 1 April 2014 and 1 October 2015, the staff of these individual museums transferred to one of The National Museum of the Royal Navy, NMRN Services, the Royal Naval Museum or its trading subsidiary, the National Museum of the Royal Navy Trading. Employer's contributions continued to be made into the legacy pensions schemes at the rate that applied when staff members were employed directly by the individual museums as follows:

National Museum of the Royal Navy (excl. Director General)	9.0%
Royal Naval Museum	9.0%
Royal Navy Submarine Museum	12.5%
Fleet Air Arm Museum	3.5%

In August 2015 a single new NMRN Group Pension Plan was introduced as part of the broader arrangements made to meet statutory pension auto-enrolment requirements and the employer's contribution rate was standardised at either 6% or 10%. Under this new plan a "salary exchange" scheme was also implemented whereby employees may elect to give up the right to receive part of their salary remuneration in return for an additional employer's contribution into the NMRN Group Pension Plan of the same amount.

The pension cost charged to the Statement of Financial Activities represents the contributions paid.

Principal Civil Service Pension Scheme (PCGPS)

The PCSPS is an unfunded multi-employer defined benefit schemes but the National Museum of the Royal Navy is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (<http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/>).

For 2015-16, employer contributions were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2015-16 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme. The National Museum of the Royal Navy is an admitted member of the Hampshire Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 2013. Details can be found in the Hampshire Pension Fund annual report and accounts: (<http://www3.hants.gov.uk/pensions /lgps/pensions-reportsandaccounts.htm>)

The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the LGPS including a past service deficit contribution at 17.3% of pensionable pay.

Total contributions

The contributions made to each scheme during the year are set out below. There were no outstanding or prepaid contributions at the balance sheet date:

	Group Schemes	Personal Schemes	PCSPS	LGPS
	£	£	£	£
National Museum of the Royal Navy	148,422	2,985	16,361	-
NMRN Services	70,604	-	34,275	9,364
Royal Naval Museum	(1,391)	-	-	-
Fleet Air Arm Museum	2,448	-	-	-
Fleet Air Arm Museum Trading (reported within trading subsidiary expenditure)	411	-	-	-
NMRN Trading (reported within trading subsidiary expenditure)	23,346	183	-	-
	<u>243,840</u>	<u>3,168</u>	<u>50,636</u>	<u>9,364</u>

The National Museum of the Royal Navy

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Notes to financial statements for the year ended 31 March 2016

1.17. Streamlining of funds

As part of the implementation of the new Charities SORP (FRS 102) the National Museum considered the presentation of the financial statements and concluded that a streamlining of funds was appropriate and that a separate column for Grant in Aid (GIA) was no longer required. The National Museum analysed GIA at 31 March 2015 and concluded that the balance of £6,359,404 should be reclassified as unrestricted funds. As a result unrestricted funds brought forward have been increased to £18,711,336 from the previously reported £12,351,932.

1.18. Reconciliation with previous Generally Accepted Accounting Practice

These financial statements are the first financial statements of the National Museum of the Royal Navy prepared in accordance with the Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Charities SORP (FRS 102). The financial statements of the National Museum of the Royal Navy for the year ended 31 March 2015 were prepared in accordance with UK GAAP and Charities SORP 2005. The transition date to FRS 102 and the Charities SORP (FRS 102) was 1 April 2014.

Some of the FRS 102 and SORP (FRS 102) recognition, measurement, presentation and disclosure requirements and accounting policy choices differ from UK GAAP and SORP 2005. Consequently the trustees have amended certain accounting policies to company with FRS 102 and SORP (FRS 102). The trustees have also taken advantage of certain exemptions from the requirements to FRS 102 permitted by FRS 102 section 35 'Transition to this FRS'.

Governance costs are now required to be included within support costs and split between charitable activities. The governance costs from the previous year have been re-analysed and apportioned between charitable activities on the basis of staff utilisation as follows:

Governance costs comparative (Company)

	Total	Operations	Collections & Research	Learning
	£	£	£	£
Staff costs	224,399	140,331	71,911	12,157
Accountancy & payroll	68,734	48,014	17,474	3,246
Auditor remuneration	8,115	7,142	730	243
Auditor remuneration - NAO	26,600	16,521	8,627	1,452
Legal and professional	238,929	209,886	21,840	7,203
Support costs	26,199	22,899	2,500	800
	<u>592,976</u>	<u>444,793</u>	<u>123,082</u>	<u>25,101</u>

Governance costs comparative (Group)

	Total	Operations	Collections & Research	Learning
	£	£	£	£
Staff costs	225,264	137,571	71,911	15,782
Accountancy & payroll	110,021	84,020	21,028	4,973
Auditor remuneration	51,088	45,767	3,178	2,143
Auditor remuneration - NAO	26,600	16,521	8,627	1,452
Legal and professional	248,599	218,761	21,980	7,858
Support costs	73,214	62,522	7,628	3,064
	<u>734,786</u>	<u>565,162</u>	<u>134,352</u>	<u>35,272</u>

In preparing the accounts, the directors have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items is required, and confirmed that no restatement is required other than the presentational changes described above.

The National Museum of the Royal Navy
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Notes to financial statements
for the year ended 31 March 2016

2. Voluntary income (Company and Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2015 Total
	£	£	£	£	£	£	£	£	£
Grant (operating)	3,263,526	-	-	3,263,526	3,333,147	-	-	-	3,333,147
Grant (capital)	121,342	-	-	121,342	119,490	-	-	-	119,490
Total Grant in Aid	<u>3,384,868</u>	<u>-</u>	<u>-</u>	<u>3,384,868</u>	<u>3,452,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,452,637</u>
Other donations and grants									
Grant in kind (NMRN Services)	-	-	-	-	-	-	453,586	-	453,586
HMS Victory Preservation Co	-	-	1,000,000	1,000,000	-	-	1,250,000	-	1,250,000
HMS Victory Preservation Endowment Fund	-	-	1,000,000	1,000,000	-	-	-	-	-
<u>HLF Grants</u>									
Hear My Story	-	-	-	-	-	-	39,334	-	39,334
HMS M33	-	-	819,775	819,775	-	-	848,430	-	848,430
HMS Caroline	-	3,540,288	-	3,540,288	-	647,788	-	-	647,788
RML 497	-	-	81,540	81,540	-	-	-	-	-
<u>NHMF Grants</u>									
HMS Caroline	-	-	-	-	-	-	594,557	-	594,557
LCT 7074	-	-	126,176	126,176	-	-	816,511	-	816,511
<u>HM Treasury</u>									
SeaMore	-	2,000,000	-	2,000,000	-	-	-	-	-
Significant projects	-	-	-	-	-	-	500,000	-	500,000
Northern Ireland Tourist Board	-	417,855	-	417,855	-	91,395	-	-	91,395
Historic Dockyard Projects	-	-	-	-	-	-	309,000	-	309,000
Hants County Council M33	-	-	-	-	-	-	250,000	-	250,000
American Friends of NMRN	71,759	-	-	71,759	-	-	-	-	-
Royal Marines Charitable Trust Fund	-	-	-	-	-	-	40,000	-	40,000
Portsmouth Naval Base Property Trust	-	-	-	-	-	-	35,000	-	35,000
SBS Association	-	-	-	-	-	-	20,000	-	20,000
Arts Council	-	-	-	-	-	-	15,000	-	15,000
Miscellaneous donations and grants	22,265	3,000	143,074	168,339	21,828	-	146,425	-	168,253
	<u>94,024</u>	<u>5,961,143</u>	<u>3,170,565</u>	<u>9,225,732</u>	<u>21,828</u>	<u>739,183</u>	<u>5,317,843</u>	<u>-</u>	<u>6,078,854</u>
Gifts in kind:									
HMS M33	-	-	-	-	-	-	-	1,092,378	1,092,378
HMS Hood Bell	-	-	30,000	30,000	-	-	-	-	-
Victoria Cross (Leading Seaman Jack Mantle)	-	-	100,000	100,000	-	-	-	-	-
Other donated assets	-	-	37,000	37,000	-	-	15,000	-	15,000
	<u>-</u>	<u>-</u>	<u>167,000</u>	<u>167,000</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>1,092,378</u>	<u>1,107,378</u>
Received by company	<u>94,024</u>	<u>5,961,143</u>	<u>3,337,565</u>	<u>9,392,732</u>	<u>21,828</u>	<u>739,183</u>	<u>5,332,843</u>	<u>1,092,378</u>	<u>7,186,232</u>

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	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2015 Total
	£	£	£	£	£	£	£	£	£
Received by:									
Royal Navy Submarine Museum	57,182	-	-	57,182	1,589	(15,398)	-	-	(13,809)
Royal Marines Museum	19,150	-	-	19,150	55,850	(5,214)	-	-	50,636
Fleet Air Arm Museum	27,077	158,218	-	185,295	35,694	17,195	-	-	52,889
HMS Victory Preservation Co	21,717	-	-	21,717	6,786	1,250,000	-	-	1,256,786
HMS Caroline Preservation Co	300	-	-	300	-	-	-	-	-
HMS Trincomalee Trust	22,122	23,100	-	45,222	16,658	22,167	-	-	38,825
Consolidation adjustments:									
HMS Victory Preservation Co (1)	-	-	(1,000,000)	(1,000,000)	-	-	(1,250,000)	-	(1,250,000)
NMRN Services (2)	-	-	-	-	-	-	(453,586)	-	(453,586)
	<u>147,548</u>	<u>181,318</u>	<u>(1,000,000)</u>	<u>(671,134)</u>	<u>116,577</u>	<u>1,268,750</u>	<u>(1,703,586)</u>	<u>-</u>	<u>(318,259)</u>
Received by group	<u>241,572</u>	<u>6,142,461</u>	<u>2,337,565</u>	<u>8,721,598</u>	<u>138,405</u>	<u>2,007,933</u>	<u>3,629,257</u>	<u>1,092,378</u>	<u>6,867,973</u>

1) Income received by HMS Victory Preservation Company from the HMS Victory Preservation Endowment Fund and subsequently granted directly to the Royal Naval Museum

2) Grant in kind received by the Royal Naval Museum from NMRN Services, eliminated on consolidation

3. Legacies (Company and Group)

	Unrestricted funds	2016 Total	Unrestricted funds	2015 Total
	£	£	£	£
Received by company:				
Other legacies	-	-	-	-
Received by:				
Royal Marines Museum	2,000	2,000	3,000	3,000
	<u>2,000</u>	<u>2,000</u>	<u>3,000</u>	<u>3,000</u>

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4. Admissions (Company and Group)

	Unrestricted funds £	Royal Naval Museum £	2016 Total £	Unrestricted funds £	Royal Naval Museum £	2015 Total £
Museum admissions						
HMS Victory	-	1,207,657	1,207,657	-	1,998,723	1,998,723
Royal Naval Museum	-	406,534	406,534	-	689,027	689,027
Royal Navy Submarine Museum	374,479	-	374,479	436,477	-	436,477
Royal Marines Museum	53,230	-	53,230	97,653	-	97,653
Fleet Air Arm Museum	1,161,893	-	1,161,893	1,092,029	-	1,092,029
Explosion! Museum	-	36,689	36,689	-	62,948	62,948
HMS Trincomalee	128,192	-	128,192	98,103	-	98,103
	<u>1,717,794</u>	<u>1,650,880</u>	<u>3,368,674</u>	<u>1,724,262</u>	<u>2,750,698</u>	<u>4,474,960</u>
Other site income						
Portsmouth Historic Dockyard	-	1,068,283	1,068,283	-	426,529	426,529
	<u>1,717,794</u>	<u>2,719,163</u>	<u>4,436,957</u>	<u>1,724,262</u>	<u>3,177,227</u>	<u>4,901,489</u>

Admissions income includes amounts reclaimed from HM Revenue and Customs under the Gift Aid Scheme.

Prior to 1 December 2014, admissions for HMS Victory and the Royal Naval Museum were reported gross of a levy charged by Portsmouth Historic Dockyard (2015: £651,717). From 1 December 2014 the operations of Portsmouth Historic Dockyard transferred to the Royal Naval Museum. Admissions from 1 December 2014 exclude this levy and the result is a fall in admissions income, and a similar fall in site costs. The levy is now charged by the Royal Naval Museum to the Mary Rose Trust, the Warrior Preservation Trust, and Portsmouth Naval Base Property Trust and is shown above.

The % share of admissions to Portsmouth Historic Dockyard were renegotiated during 2015 and the share for HMS Victory and the Royal Naval Museum have fallen to 20.12% (2015: 25.8%) and 7.10% (2015: 9.10%) respectively. These shares will increase to 20.64% and 7.28% in 2016-17 and 21.16% and 7.46% in 2017-18.

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5. Income and expenses from trading activities of subsidiaries

NMRN has effective control of the following entities, which are all charitable companies limited by guarantee:

Royal Navy Submarine Museum (company number 07637385, charity number 1142123)
 Royal Marines Museum (company number 07635447, charity number 1142186)
 Fleet Air Arm Museum (company number 07570620, charity number 1143023)
 HMS Trincomalee Trust (company number 02678419, charity number 1007784)
 HMS Victory Preservation Company (company number 07935358, charity number 1146376)
 HMS Caroline Preservation Company (company number 08303946, charity number 1149930)
 NMRN Services (company number 08843356, charity number 1156012)

The Fleet Air Arm Museum and HMS Trincomalee Trust each have their own non-charitable trading subsidiaries. At 1 October 2015, the decision was made to transfer the undertaking of the trading subsidiary of the Fleet Air Arm Museum to NMRN Trading, this decision being aimed at achieving more convenient and efficient management and operation of the undertakings of the group's trading subsidiaries.

The results of each charity for the year were as follows:

5.1 Statement of Financial Activities (Subsidiaries)

	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	HMS Trincomalee Trust	NMRN Services	2016	2015
	£	£	£	£	£	£	£	£	£
Income from:									
Donations and legacies	302,912	437,149	767,659	21,717	300	95,222	227,590	1,852,549	3,916,308
Charitable activities	374,479	53,230	1,161,893	-	-	128,192	-	1,717,794	1,724,262
Other trading activities									
Fundraising events	48,198	-	-	-	-	5,174	-	53,372	189,082
Trading subsidiary	-	-	414,857	-	-	49,167	-	464,024	1,122,199
Investments	1,082	81	4,030	620,724	-	(24,071)	-	601,846	604,763
Other	833	26,139	-	-	-	-	1,574,889	1,601,861	675,155
Total income	727,504	516,599	2,348,439	642,441	300	253,684	1,802,479	6,291,446	8,231,769

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5.1 Statement of Financial Activities (Subsidiaries)
continued

	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	HMS Trincomalee Trust	NMRN Services	2016	2015
	£	£	£	£	£	£	£	£	£
Expenditure on:									
Raising funds	62,445	36,143	5,158	-	-	40,703	-	144,449	304,514
Trading subsidiary	-	-	396,920	-	-	-	-	396,920	945,151
Investment management costs	-	-	-	227,550	-	1,626	-	229,176	228,227
Charitable activities	815,214	697,566	2,204,670	1,158,325	78	326,045	1,802,479	7,004,377	7,265,107
Total expenditure	877,659	733,709	2,606,748	1,385,875	78	368,374	1,802,479	7,774,922	8,742,999
Net gain/(loss) on investments	(8,708)	(9,825)	(2)	(1,391,233)	-	(16,347)	-	(1,426,115)	2,728,107
Net income/(expenditure)	(158,863)	(226,935)	(258,311)	(2,134,667)	222	(131,037)	-	(2,909,591)	2,216,877
Other recognised gains/(losses)									
Revaluation of fixed assets	162,062	388,318	650,839	(171)	1,079,000	(119)	-	2,279,929	2,681,249
(Loss) on disposal of operations	-	-	-	-	-	-	-	-	(71,663)
Net movement in funds	3,199	161,383	392,528	(2,134,838)	1,079,222	(131,156)	-	(629,662)	4,826,463
Reconciliation of funds									
Fund balances brought forward	23,658,006	7,129,576	12,644,191	61,712,555	7,556,000	21,673,143	-	134,373,471	107,830,422
Reserves on acquisition	-	-	-	-	-	-	-	-	21,716,586
Fund balances carried forward	23,661,205	7,290,959	13,036,719	59,577,717	8,635,222	21,541,987	-	133,743,809	134,373,471

Notes to financial statements
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5.2 Balance Sheet (Subsidiaries)

	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	HMS Trincomalee Trust	NMRN Services	2016	2015
	£	£	£	£	£	£	£	£	£
Tangible fixed assets	4,667,908	6,332,076	9,329,234	178,878	-	54,482	-	20,562,578	20,063,145
Heritage assets	18,651,273	734,241	3,108,131	19,375,000	8,635,000	21,000,000	-	71,503,645	70,270,895
Investments	21,712	-	-	32,669,281	-	127,728	-	32,818,721	34,871,265
	<u>23,340,893</u>	<u>7,066,317</u>	<u>12,437,365</u>	<u>52,223,159</u>	<u>8,635,000</u>	<u>21,182,210</u>	<u>-</u>	<u>124,884,944</u>	<u>125,205,305</u>
Current assets	782,050	279,199	1,162,376	7,583,825	222	467,921	2,137,391	12,412,984	10,423,210
Current liabilities	(461,738)	(54,557)	(563,022)	(229,267)	-	(19,339)	(2,137,391)	(3,465,314)	(1,157,044)
Long term liabilities	-	-	-	-	-	(88,805)	-	(88,805)	(98,000)
Total Funds	<u><u>23,661,205</u></u>	<u><u>7,290,959</u></u>	<u><u>13,036,719</u></u>	<u><u>59,577,717</u></u>	<u><u>8,635,222</u></u>	<u><u>21,541,987</u></u>	<u><u>-</u></u>	<u><u>133,743,809</u></u>	<u><u>134,373,471</u></u>

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5.3 Income and expenses from the trading subsidiary of the Royal Naval Museum

National Museum of the Royal Navy Trading

The Royal Naval Museum, a linked charity of NMRN, controls the National Museum of the Royal Navy Trading (NMRNT), a company limited by guarantee incorporated in England and Wales. NMRNT operates a number of retail outlets and cafes within the Museums and the corporate events.

At the discretion of its directors, NMRNT distributes its net profit to the National Museum of the Royal Navy (the ultimate parent).

A summary of the company's trading results is shown below:

	2016	2015
	£	£
Turnover	2,115,849	812,914
Cost of sales	(807,096)	(406,221)
Gross Profit	<u>1,308,753</u>	<u>406,693</u>
Administration	(861,162)	(310,849)
Net profit / (loss)	<u>447,591</u>	<u>95,844</u>
Tax on ordinary activities	(4,587)	1,374
Available for distribution	<u>443,004</u>	<u>97,218</u>
Amount gifted to the National Museum of the Royal Navy	(420,440)	(100,350)
Gain on acquisition of RNSM Enterprises Limited	-	65,165
Retained in subsidiary	<u><u>22,564</u></u>	<u><u>62,033</u></u>

5.4 Agency funds (Royal Naval Museum)

From 1 December 2014 the Royal Naval Museum was responsible for the collection and distribution of ticketing income for the four members (Mary Rose Trust, Warrior Preservation Trust, Portsmouth Naval Base Property Trust, and the Royal Naval Museum itself) of the former joint venture - Portsmouth Historic Dockyard. A summary of the agency fund activity for the year is shown below.

Portsmouth Historic Dockyard was dissolved on 14 June 2016.

	2016	2015
	Total	Total
	£	£
Income received	7,646,210	1,389,775
Distributions	(7,646,210)	(1,389,775)
Net incoming/(outgoing) resources	<u>-</u>	<u>-</u>
<u>Balance Sheet</u>	£	£
Current assets	209,172	287,747
Current liabilities	(209,172)	(287,747)
Net assets	<u>-</u>	<u>-</u>

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6. Investments (Company and Group)

	Unrestricted funds	Restricted Funds	Royal Naval Museum	Endowment funds	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	Endowment funds	2015 Total
	£	£	£	£	£	£	£	£	£	£
Interest income	6,302	-	6,623	60,539	35,891	5,263	194	7,247	64,763	77,467
Dividend income	424,421	-	-	110,877	572,871	383,817	-	598	151,216	535,631
	<u>430,723</u>	<u>-</u>	<u>6,623</u>	<u>171,416</u>	<u>608,762</u>	<u>389,080</u>	<u>194</u>	<u>7,845</u>	<u>215,979</u>	<u>613,098</u>

7. Fundraising costs (Company)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2015 Total
	£	£	£	£	£	£	£	£
Staff costs	588,120	-	4,726	592,846	348,806	-	-	348,806
Fundraising and publicity	46,469	612	489,718	536,799	-	-	234,875	234,875
Marketing	36,699	-	336,805	373,504	1,920	-	177,098	179,018
	<u>671,288</u>	<u>612</u>	<u>831,249</u>	<u>1,503,149</u>	<u>350,726</u>	<u>-</u>	<u>411,973</u>	<u>762,699</u>

2016 includes a full year of site-wide marketing for Portsmouth Historic Dockyard (2015: 4 months only).

Fundraising costs (Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2015 Total
	£	£	£	£	£	£	£	£
Staff costs	588,120	-	4,726	592,846	376,967	-	-	376,967
Fundraising and publicity	95,407	612	489,718	585,737	100,101	4,335	234,875	339,311
Marketing	77,512	-	336,805	414,317	109,573	176	177,098	286,847
	<u>761,039</u>	<u>612</u>	<u>831,249</u>	<u>1,592,900</u>	<u>586,641</u>	<u>4,511</u>	<u>411,973</u>	<u>1,003,125</u>

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8. Costs of charitable activities - by fund type (Company)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2015 Total
	£	£	£	£	£	£	£	£
Operations	627,573	8,247	10,165,803	10,801,623	1,635,633	26,464	8,477,004	10,139,101
Collections & research	1,459,425	-	844,846	2,304,271	831,939	-	240,883	1,072,822
Learning	442,990	-	132,502	575,492	257,900	-	34,016	291,916
Grant funding	387,590	-	5,000	392,590	1,075,694	10	-	1,075,704
	<u>2,917,578</u>	<u>8,247</u>	<u>11,148,151</u>	<u>14,073,976</u>	<u>3,801,166</u>	<u>26,474</u>	<u>8,751,903</u>	<u>12,579,543</u>

The basis for allocation of costs between charitable activities has been reviewed and amended this year.

Costs of charitable activities - by fund type (Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2015 Total
	£	£	£	£	£	£	£	£
Operations	3,154,115	314,367	9,117,237	12,585,719	3,880,801	291,110	7,609,681	11,781,592
Collections & research	2,617,418	96,857	844,846	3,559,121	2,220,147	275,256	240,882	2,736,285
Learning	604,535	13,499	132,502	750,536	497,782	10,593	34,017	542,392
Grant funding	-	-	-	-	1,951	10	-	1,961
	<u>6,376,068</u>	<u>424,723</u>	<u>10,094,585</u>	<u>16,895,376</u>	<u>6,600,681</u>	<u>576,969</u>	<u>7,884,580</u>	<u>15,062,230</u>

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9. Costs of activities in furtherance of the objects of the charity (Company)

	Operations	Collections & research	Learning	Grant funding	2016 Total	2015 Total
	£	£	£	£	£	£
Staff costs	1,634,386	1,251,840	383,762	-	3,269,988	3,533,664
Site costs	-	-	-	-	-	660,433
Conservation	-	2,138	-	-	2,138	2,094
Curatorial	-	207,216	-	-	207,216	68,809
Purchase of exhibits	-	32,286	-	-	32,286	17,374
Exhibition expenses	-	161,520	-	-	161,520	64,020
RNM Phase II set up costs	-	-	-	-	-	11,142
Steam Pinnacle Project 199 costs	6,891	-	-	-	6,891	17,746
Waterbus & harbour tour subsidy	254,080	-	-	-	254,080	179,378
Depreciation	265,716	110,374	32,703	-	408,793	378,115
Other costs	207,560	-	-	-	207,560	112,020
Governance and support costs	898,062	538,897	159,027	-	1,595,986	1,247,712
	<u>3,266,695</u>	<u>2,304,271</u>	<u>575,492</u>	<u>-</u>	<u>6,146,458</u>	<u>6,292,507</u>
Project costs						
HMS Caroline	4,589,078	-	-	-	4,589,078	1,639,141
HMS M33	1,078,186	-	-	-	1,078,186	1,228,034
HMS Victory Preservation	1,841,823	-	-	-	1,841,823	1,496,297
Landing Craft (Tank) - LCT7074	4,214	-	-	-	4,214	842,719
SeaMore (formerly Location study)	21,627	-	-	-	21,627	-
HMS Trincomalee	-	-	-	-	-	6,724
Explosion!	-	-	-	-	-	378
	<u>7,534,928</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,534,928</u>	<u>5,213,293</u>
Grant funding						
Royal Navy Submarine Museum	-	-	-	-	-	1,500
Royal Marines Museum	-	-	-	115,000	115,000	122,104
Fleet Air Arm Museum	-	-	-	-	-	10,000
HMS Trincomalee	-	-	-	50,000	50,000	50,000
NMRN Services	-	-	-	227,590	227,590	890,139
	<u>10,801,623</u>	<u>2,304,271</u>	<u>575,492</u>	<u>392,590</u>	<u>14,073,976</u>	<u>12,579,543</u>

The Royal Naval Museum was charged a levy by Portsmouth Historic Dockyard until the operations of Portsmouth Historic Dockyard transferred to the Royal Naval Museum on 1 December 2014. The levy is included in the site costs comparative (2015: £660,433).

Support grants payable to subsidiary charities in the year are shown above.

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Costs of activities in furtherance of the objects of the charity (Group)

	Operations	Collections & research	Learning	Grant funding	2016 Total	2015 Total
	£	£	£	£	£	£
Staff costs	2,289,315	1,251,840	461,255	-	4,002,410	4,221,270
Site costs	37,237	237,260	-	-	274,497	694,605
Conservation	10,077	21,327	-	-	31,404	210,748
Curatorial	-	212,420	-	-	212,420	74,354
Purchase of exhibits	-	32,286	-	-	32,286	30,355
Exhibition expenses	-	161,520	-	-	161,520	64,020
RNM Phase II set up costs	-	-	-	-	-	11,142
Steam Pinnacle Project 199 costs	6,891	-	-	-	6,891	17,746
Waterbus & harbour tour subsidy	254,080	-	-	-	254,080	179,378
Depreciation	590,614	545,947	57,248	-	1,193,809	1,125,262
Other costs	213,250	112,511	3,128	-	328,889	206,052
Governance and support costs	1,515,214	984,010	228,905	-	2,728,129	2,782,342
	<u>4,916,678</u>	<u>3,559,121</u>	<u>750,536</u>	<u>-</u>	<u>9,226,335</u>	<u>9,617,274</u>
Project costs						
HMS Caroline	4,589,078	-	-	-	4,589,078	1,639,141
HMS M33	1,078,186	-	-	-	1,078,186	1,228,034
HMS Victory Preservation	1,980,620	-	-	-	1,980,620	1,611,170
Landing Craft (Tank) - LCT7074	4,214	-	-	-	4,214	842,719
SeaMore (formerly Location study)	16,943	-	-	-	16,943	116,790
HMS Trincomalee	-	-	-	-	-	6,724
Explosion!	-	-	-	-	-	378
	<u>7,669,041</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,669,041</u>	<u>5,444,956</u>
	<u><u>12,585,719</u></u>	<u><u>3,559,121</u></u>	<u><u>750,536</u></u>	<u><u>-</u></u>	<u><u>16,895,376</u></u>	<u><u>15,062,230</u></u>

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10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2016 Total	2015 Total
	£	£	£	£	£
Staff costs	30,077	12,493	3,702	46,272	224,399
Accountancy & payroll	22,585	37,616	11,035	71,236	68,734
Auditor remuneration	5,340	2,218	657	8,215	8,115
Auditor remuneration - NAO	10,225	23,722	6,953	40,900	26,600
Legal and professional	186,507	157,402	46,328	390,237	238,929
Insurance	41,485	17,472	5,176	64,133	77,975
Premises expenses	334,590	138,984	41,181	514,755	365,674
Travelling expenses	41,427	42,044	12,361	95,832	80,236
Entertainment	5,469	2,515	744	8,728	9,079
Education	28,336	11,770	3,487	43,593	8,474
Communication and IT	4,462	2,219	657	7,338	5,459
Printing, postage and stationery	91,580	38,938	12,673	143,191	61,895
Bank charges & interest	56,854	30,921	9,132	96,907	14,983
Depreciation	270	627	184	1,081	1,611
Health & safety	23,785	9,880	2,927	36,592	29,997
Sundry expenses	6,504	3,323	982	10,809	12,975
Subscriptions	8,566	6,753	848	16,167	12,577
	<u>898,062</u>	<u>538,897</u>	<u>159,027</u>	<u>1,595,986</u>	<u>1,247,712</u>

Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2016 Total	2015 Total
	£	£	£	£	£
Staff costs	158,722	123,787	25,666	308,175	933,384
Accountancy & payroll	117,673	40,862	13,786	172,321	110,021
Auditor remuneration	47,192	6,499	4,124	57,815	51,088
Auditor remuneration - NAO	10,225	23,722	6,953	40,900	26,600
Legal and professional	230,359	158,890	46,933	436,182	261,026
Repairs and maintenance	71,812	9,165	2,861	83,838	63,193
Insurance	78,882	25,719	10,773	115,374	145,631
Premises expenses	444,792	426,404	60,454	931,650	710,738
Travelling expenses	55,803	42,338	12,451	110,592	82,442
Entertainment	5,518	2,525	747	8,790	12,742
Education	28,336	11,770	6,347	46,453	10,097
Communication and IT	15,207	13,160	2,804	31,171	51,853
Printing, postage and stationery	123,952	45,922	17,596	187,470	103,913
Bank charges & interest	62,029	32,231	9,551	103,811	24,783
Depreciation	11,860	627	184	12,671	14,295
Health & safety	26,114	9,880	3,190	39,184	35,583
Sundry expenses	16,068	3,701	3,620	23,389	130,437
Subscriptions	10,670	6,808	865	18,343	14,516
	<u>1,515,214</u>	<u>984,010</u>	<u>228,905</u>	<u>2,728,129</u>	<u>2,782,342</u>

Notes to financial statements
for the year ended 31 March 2016

11. Employees

	Group 2016	Group 2015	Company 2016	Company 2015
	£	£	£	£
Employment costs				
Wages and salaries	4,864,343	5,211,927	2,770,329	3,025,428
Social security costs	371,219	369,544	250,395	218,062
Pension costs	311,359	279,519	194,256	178,747
Employee benefits	21,809	13,901	21,809	13,901
	<u>5,568,730</u>	<u>5,874,891</u>	<u>3,236,789</u>	<u>3,436,138</u>

The comparative figures, originally reported as follows, have been amended to include employee benefits and the staff costs in the trading companies (which are reported within trading company expenditure):

	Group 2015	Company 2015
	£	£
Wages and salaries	5,004,953	2,910,261
Social security costs	349,761	211,949
Pension costs	272,738	173,432
	<u>5,627,452</u>	<u>3,295,642</u>

Key management personnel

Employee benefits received by key management personnel total £362,256 for the year to 31 March 2016 (2014-15 £628,839). The previous year includes a larger management team and redundancy costs arising from the management team restructure.

Higher paid employees

The number of employees who earned more than £60,000 during the year was as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
£60,001 to £70,000	1	3	1	3
£70,001 to £80,000	2	2	2	2
£100,001 to £110,000	-	1	-	1
£110,001 to £120,000	1	-	1	-
	<u>4</u>	<u>6</u>	<u>4</u>	<u>6</u>

The number of higher paid employees accruing pension benefit during the year was as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Defined benefits scheme	-	2	-	2
Defined contributions scheme	4	3	4	3
	<u>4</u>	<u>5</u>	<u>4</u>	<u>5</u>

The total contributions paid by the charity, and the group, into the defined benefits scheme for higher paid employees was £Nil (2015: £29,596)

The total contributions paid by the charity, and the group, into the defined contributions scheme for higher paid employees was £36,051 (2015: £23,539).

Notes to financial statements
for the year ended 31 March 2016

Number of employees

The average monthly numbers of employees during the year, was as follows:

	Group 2016	Group 2015	Company 2016	Company 2015
Charitable expenditure	273	263	111	88
Cost of generating funds	2	5	2	5
Governance costs	4	3	4	3
	<u>279</u>	<u>271</u>	<u>117</u>	<u>96</u>

The above includes workers engaged under Casual Worker Agreements. 140 of the above staff are female and 102 male. 92 staff are employed on full time contracts with all other staff employed on a part time contracts. The average full time equivalent number of staff for the year was 144.3.

Staff costs for the year include an accrual of £16,740 for short-term compensated absences arising from employee entitlement to annual leave following the implementation of Charities SORP (FRS 102). No adjustment has been made to 2014-15.

During this financial year 7 redundancies were identified and contractual/redundancy costs of £62,870 were paid.

11.1. Trustees' emoluments

No trustees received remuneration during the year (2015: Nil). Six trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £3,009 (2015: £799) – the increase in travel expenses reflects the requirement for trustees to attend the National Museum's new locations in Belfast and Hartlepool.

12. Net outgoing resources for the year

	2016 £	2015 £
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,210,427	1,149,505
Auditors' remuneration - National Audit Office	40,900	26,600
Auditors' remuneration - Subsidiary Auditors	57,815	51,088
Auditors' remuneration for non-audit work	<u>113,025</u>	<u>110,021</u>

The National Audit Office fee in relation to the audit of the 2015 accounts was £37,900 (initially £35,000 but increased with the agreement of the Audit and Governance Committee on 8 October 2015). This fee reflects the increased complexity of the audit arising from changes to the structure and governance of the National Museum of the Royal Navy. 2016 includes an under-accrual of £3,900 in relation to the audit of the 2015 accounts. The fee in relation to the 2016 accounts is £37,000.

13. Taxation

The activities of the company and the individual charities fall within the exemptions afforded by the provisions of the Corporation Tax Act 2010. Accordingly, there is no taxation charge in these accounts.

The Royal Naval Museum and the HMS Trincomalee Trust each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

Notes to financial statements
for the year ended 31 March 2016

14. Tangible fixed assets (Company)

	Improvements and short leasehold £	Computer and office equipment £	Plant and machinery £	Fixtures, fittings and equipment £	Heritage assets £	Total £
Cost or valuation						
At 1 April 2015	5,100,196	2,334,731	4,133	5,521,549	2,225,801	15,186,410
Additions	-	50,970	740,000	29,150	321,984	1,142,104
Revaluation	386,221	(8,824)	(668)	(4,834)	207,278	579,173
At 31 March 2016	<u>5,486,417</u>	<u>2,376,877</u>	<u>743,465</u>	<u>5,545,865</u>	<u>2,755,063</u>	<u>16,907,687</u>
Depreciation						
At 1 April 2015	575,286	1,846,925	2,925	3,454,090	-	5,879,226
Charge for the year	70,428	123,502	24,845	195,050	-	413,825
On revaluation	42,783	(2,227)	(1)	(2,984)	-	37,571
At 31 March 2016	<u>688,497</u>	<u>1,968,200</u>	<u>27,769</u>	<u>3,646,156</u>	<u>-</u>	<u>6,330,622</u>
Net book values						
At 31 March 2016	<u>4,797,920</u>	<u>408,677</u>	<u>715,696</u>	<u>1,899,709</u>	<u>2,755,063</u>	<u>10,577,065</u>
At 31 March 2015	<u>4,524,910</u>	<u>487,806</u>	<u>1,208</u>	<u>2,067,459</u>	<u>2,225,801</u>	<u>9,307,184</u>

Heritage assets relating to the Royal Naval Museum and the HMS M33 Trust are shown in note 15.

Tangible fixed assets (Group)

	Freehold property £	Improvements and short leasehold £	Computer and office equipment £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Exhibitions £	Heritage assets £	Total £
Cost or valuation									
At 1 April 2015	15,364,505	8,578,396	2,741,043	1,205,545	7,166,512	382	323,584	72,496,696	107,876,663
Additions	-	-	50,970	740,761	39,074	-	3,000	475,734	1,309,539
Disposals	-	-	-	-	-	(382)	-	-	(382)
Revaluation	1,089,142	642,670	(12,659)	(2,241)	(9,371)	-	(259)	1,286,278	2,993,560
At 31 March 2016	<u>16,453,647</u>	<u>9,221,066</u>	<u>2,779,354</u>	<u>1,944,065</u>	<u>7,196,215</u>	<u>-</u>	<u>326,325</u>	<u>74,258,708</u>	<u>112,179,380</u>
Depreciation									
At 1 April 2015	853,481	575,286	2,068,248	647,879	3,941,616	382	148,547	-	8,235,439
Charge for the year	403,368	214,679	175,713	76,507	303,345	-	36,815	-	1,210,427
On disposals	-	-	-	-	-	(382)	-	-	(382)
On revaluation	59,484	42,783	(4,606)	(1,025)	(5,909)	-	(119)	-	90,608
At 31 March 2016	<u>1,316,333</u>	<u>832,748</u>	<u>2,239,355</u>	<u>723,361</u>	<u>4,239,052</u>	<u>-</u>	<u>185,243</u>	<u>-</u>	<u>9,536,092</u>
Net book values									
At 31 March 2016	<u>15,137,314</u>	<u>8,388,318</u>	<u>539,999</u>	<u>1,220,704</u>	<u>2,957,163</u>	<u>-</u>	<u>141,082</u>	<u>74,258,708</u>	<u>102,643,288</u>
At 31 March 2015	<u>14,511,024</u>	<u>8,003,110</u>	<u>672,795</u>	<u>557,666</u>	<u>3,224,896</u>	<u>-</u>	<u>175,037</u>	<u>72,496,696</u>	<u>99,641,224</u>

The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 6699696

Notes to financial statements for the year ended 31 March 2016

Land and buildings owned by the Royal Marines Museum and Royal Navy Submarine Museum were revalued in 2012 by Hellier Langston Limited, and land and buildings owned by the Fleet Air Arm were revalued in 2015 by DVS Property Specialists, in accordance with the stated accountancy policy. The revaluations were conducted by qualified surveyors on a depreciated replacement cost basis and in accordance with the RICS Appraisal and Valuation manual (5th Edition).

15. The Collections

The collections are held by each Museum individually and consist of artefacts, physical, written and oral reflecting the history of the Royal Navy and its people throughout the area of its worldwide operations. In addition to covering the Royal Navy as a whole, the particular branches of the service (Surface Fleet, Submarines, Royal Marines and Fleet Air Arm) are also well represented.

The number of artefacts held by each Museum is summarised below, by category:

Category	Royal Naval Museum	Explosion Museum	HMS M33 Trust	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Pres. Co	HMS Caroline Pres. Co	HMS Trincomalee Trust	Total
Large Items	58	13	1	8	22	180	1	1	1	285
Works of Art/Models	5,076	260	-	957	2,099	1,310	-	-	-	9,702
Documentary Archive	33,173	4,109	-	22,000	27,737	1,034,148	-	-	-	1,121,167
Uniforms/Badges & Insignia	7,381	-	-	848	5,015	4,403	-	-	-	17,647
Orders & Decorations	5,113	-	-	235	8,792	1,555	-	-	-	15,695
Weapons/Armaments	283	1,251	-	64	1,581	194	-	-	-	3,373
Photograph/Microfilm/Fiche	162,230	2,978	-	60,793	2,002,026	881,452	-	-	-	3,109,479
Film and Sound Recordings	614	22	-	825	301	164	-	-	-	1,926
Other	3,898	5,147	-	3,600	3,772	17,265	-	-	-	33,682
Total	217,826	13,780	1	89,330	2,051,345	1,940,671	1	1	1	4,312,956

Royal Naval Museum

In 2011/12 the title to, and beneficial ownership of, the collection relating to HMS Caroline passed to the Royal Naval Museum. This collection consists of around 400 items including pictures, photographs, flags and other items. Information regarding cost or value of this collection is not readily available and the charity considers that the cost of obtaining such valuation for the collection of assets held is significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the financial statements.

On 28 March 2013 the title to, and beneficial ownership of, the collection belonging to the Explosion Museum, Gosport, passed to the Royal Naval Museum. This extensive collection includes small arms, cannon and guns, shells and munitions, mines, torpedoes, modern missiles, and an atom bomb. The collection has been included within heritage asset additions at the purchase price of £145,000.

Two other significant Second World War items accessioned to the collection of the Royal Naval Museum are: Landing Craft (Tank) Mk III, LCT 7074, gifted to the National Museum of the Royal Navy (NMRN) from the Mersey Docks and Harbour Company Limited on 7 November 2014; and Motor Torpedo Boat MTB 71, gifted to NMRN from the Imperial War Museum on 20 April 2015. The methodology of valuation of significant ships should be consistent with that used by NMRN, using the total rebuild basis discounted for the ship's current state of repair. Whilst the cost of rebuild of both items can be established using the original cost of building uplifted for today's value, information regarding the cost or value of this conservation required to bring them to an 'as new' condition is not readily available, therefore no value has been applied to these gifts at this stage. The values will be revisited in future years when further information regarding the costs of conservation have been established.

Royal Navy Submarine Museum

HMS Alliance is valued at £18.48million to reflect its estimated rebuild cost. The value is based on a full renewal cost of rebuild discounted to take account of its proximity to original condition and completeness.

The National Museum of the Royal Navy

(A company limited by guarantee)

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Notes to financial statements

for the year ended 31 March 2016

HMS Victory Preservation Company (Incorporating the HMS Victory Preservation Trust)

The ship, HMS Victory, was gifted to the Trust on 29 March 2012 by the Ministry of Defence. The ship has been included in the accounts at a value of £19.375million, calculated on a total rebuild basis discounted to take account of the ship's current state of repair. This value was calculated by staff of NMRN by reference to the costs incurred by the Hermione-La Fayette Association in their recent construction of the replica frigate Hermione.

The value of HMS Victory, on the basis of full renewal cost of re-build, has been calculated as £50million. The calculation is based on the comparable cost of the Frigate 'Hermione' project, completed in 2012. This cost was pro-rated for the relative displacement tonnages, (Victory 3,500 tonnes; Hermione 1,166 tonnes) to arrive at this figure. HMS Victory today is far from 'new build' condition and during the next 10-20 years, it is projected that a sum in the region of £30.625million (at current costs) will be expended in bringing the Ship to (something close to) new condition. Whilst HMS Victory will not then be literally 'as good as new', any lower value would be offset by it being, at least in perception, the original ship. Based on the above, the ship has been recognised in these accounts at a valuation of £19.375million, reflecting an 'as new' value, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the ship.

In addition to the gift of the ship on 29 March 2012, the title to, and beneficial ownership of, the collection on board HMS Victory passed to the HMS Victory Preservation Trust. Information regarding cost or value of this collection is not readily available and the Trust considers that the cost of obtaining such valuation for the collection of assets held is significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the financial statements.

HMS Caroline Preservation Company (Incorporating the HMS Caroline Preservation Trust)

The ship, HMS Caroline, was gifted to the Trust on 18 November 2013 by the Ministry of Defence. The gift was initially recognised in the accounts at a value of £7.556m, calculated on a total build basis discounted to take account of the ship's current state of repair.

In 1914, the original build cost of HMS Caroline was £300,000. Uplifted for current value (2013), this cost was the equivalent of £25.120million. The ship will be brought to sound and original condition, as far as possible, in the course of the refurbishment programme. However substantial elements of the original ship including the boilers, and armaments, will not be replaced. It was therefore the view of the project management team that 50% of the original value was a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12.560million. It should be noted that any change in the final value of the ship on completion of the works will result in a change in the discounted value. For example a change of +/- 5% would result in a change in the discounted value of +/- £628,000. The estimated cost of renovation of the ship was expected to be £5.004million. Based on the above, the ship was initially recognised in the accounts at a value of £7.556million, reflecting the value on completion of £12.560million, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the ship.

Total expenditure by the Royal Naval Museum in the year, which was attributable to the improved condition of the ship, was £1,079,000. Therefore the value of the heritage asset has been increased from £7,556,000 to £8,635,000. The methodology of valuation of HMS Caroline as a heritage asset in the company balance sheet is consistent with that used by the National Museum of the Royal Navy with similar artefacts, gifted in similar circumstances, in the past. It should be noted however that the valuation relies in some part on the subjective, albeit expert, view of members of the HMS Caroline project team and the staff of NMRN.

HMS M33 Trust

The ship, HMS M33, was gifted to the Trust on 19 May 2014 by Hampshire County Council. The gift was initially recognised in the accounts at a value of £1,092,378, calculated on a total build basis discounted to take account of the ship's current state of repair.

In 1915, the original build cost of HMS M33 was £40,000. Uplifted for current value (2014), this cost is the equivalent of £2.863million when the ship was gifted to NMRN. The ship will be brought to sound and original condition, as far as possible, in the course of the conservation programme. However substantial elements of the original ship, notably the boilers and engines, were removed in the past and will not be replaced. It is therefore the view of the project management team that 62% of the original value is a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £1,775,060. Based on the above, the ship has been recognised in the accounts as follows:

- At the date of gifting, a value of £1,092,378 reflecting the value on completion of £1,775,060 less the projected conservation expenditure of £682,682
- At 31 March 2015, a value of £1,567,782. Being the value of the gift plus the expenditure incurred to date of £475,404
- At 31 March 2016, a value of £1,775,060. Being the final value of the ship on completion of the works in the year to 31 March 2016

The methodology of valuation of HMS M33 as a heritage asset in the Trust's balance sheet is consistent with that used by the National Museum of the Royal Navy with similar artefacts, gifted in similar circumstances, in the past. It should be noted however that the valuation relies in some part on the subjective, albeit expert, view of members of the HMS M33 project team and the staff of NMRN.

Notes to financial statements
for the year ended 31 March 2016

Significant historic ships summary

The methodology of valuation of significant historic ships by the NMRN group is total rebuild basis, discounted for the ship's current state of repair.

Reporting entity	Name of ship	Donor	Date of gift	Uplifted original build cost apportioned for value on completion	Estimated cost or repair	Value of gift	Value b/f at 1 April 2015	Increase in value in year	Value c/f at 31 March 2016
HMS Victory Preservation Trust	HMS Victory	Ministry of Defence	29 March 2012	£50,000,000	£30,625,000	£19,375,000	£19,375,000	-	£19,375,000
HMS Caroline Preservation Trust	HMS Caroline	Ministry of Defence	18 November 2013	£12,560,000	£5,004,000	£7,556,000	£7,556,000	£1,079,000	£8,635,000
HMS M33 Trust	HMS M33	Hampshire County	19 May 2014	£1,775,060	£682,682	£1,092,378	£1,567,782	£207,278	£1,775,060
HMS Trincomalee Trust	HMS Trincomalee	N/A - purchased for £1	N/A	£21,000,000	N/A	N/A	£21,000,000	-	£21,000,000

Notes to financial statements
for the year ended 31 March 2016

16. Investment assets

	Company		Group	
	Listed 2016 £	Unlisted 2016 £	Listed 2016 £	Unlisted 2016 £
Valuation				
At 1 April 2015	-	-	34,867,810	3,453
	-	-	34,867,810	3,453
Additions	-	-	205,500	113,548
Disposals	-	-	(607,884)	(115,712)
Realised and unrealised gains and losses	-	-	(1,647,994)	-
At 31 March 2016	-	-	32,817,432	1,289
Historical cost as at 31 March 2016	-	-	30,805,943	1,289
Historical cost as at 31 March 2015	-	-	30,700,054	3,453
Investments By fund:				
Unrestricted funds	-	-	111,394	1,289
Other restricted funds	-	-	4,906,757	-
Endowment funds	-	-	27,799,281	-
	-	-	32,817,432	1,289

Included in the above investments are:

Royal Navy Submarine Museum - shares with a value of £21,712 (2015: £30,420)

HMS Trincomalee Trust - investments with a value of £127,728 (2015: £220,038)

HMS Victory Preservation Company:

The HMS Victory Preservation Company holds two portfolios of investments, managed by Ruffers and Cazenove respectively. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. The market valuation at the year end is provided by the Fund Managers, the results of which are summarised as follows:

		2016 £	2015 £
<u>UK</u>	UK government and fixed interest securities	4,275,462	4,294,543
	UK bonds and equities	7,961,118	8,280,480
	Portfolio funds	626,577	590,430
	Others	4,645,919	4,449,502
	Capital account	1,799,101	1,558,402
		19,308,177	19,173,357
<u>Overseas</u>	Fixed interest	2,896,326	2,273,582
	International bonds and equities	10,127,848	12,859,625
	Others	336,930	314,241
		13,361,104	15,447,448
		32,669,281	34,620,805

Notes to financial statements
for the year ended 31 March 2016

17. Stocks

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Held by:				
Royal Naval Museum	216,637	239,651	216,637	239,651
HMS Victory Preservation Company	6,729,925	6,863,049	-	-
Fleet Air Arm Museum	-	1,599	-	-
Trading subsidiaries	302,809	285,399	295,221	219,723
	<u>7,249,371</u>	<u>7,389,698</u>	<u>511,858</u>	<u>459,374</u>

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Company (HMSVPC) received approximately 500m³ of teak, procured by MoD in order to undertake repairs to the ship's planking. At the HMSVPC Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of HMS Victory. The durability of the oak in stock will be confirmed in around 18 months' time.

The teak timber stocks held are in laminated board form; that is, the boards have been manufactured from smaller pieces of timber. The University of Ljubljana and BMTRADA (formerly the Timber Research and Development Agency) were contracted to undertake testing of the quality of the laminates, both with a view to the use of teak in the Ship (should oak prove unable to meet the conservation objectives), and also to understand the timber's value should disposal be considered. The teak has been tested and found to have a durability test score of class one and a laminate strength of 'strength three' which is adequate for cladding but not necessarily marine usage. It is estimated that around 50% of the 500m³ of teak in stock will be required for use on the Ship.

It has not been possible to obtain reliable valuations for the unneeded teak stock and there appears to be little market demand for wild grown teak laminates. In the absence of a reliable alternative valuation, no adjustment has been made to the value of the teak stock carried forward in the balance sheet.

In addition to the timber gifted by MoD, a further amount of timber is also held for use in the preservation of the Ship. This timber remains the property of the Crown. Although the charitable company has day to day use of this timber, ultimate control remains with the Crown. Accordingly, movements of this stock are recorded to recognise the donation of timber by the Crown as it is used on the Ship.

Notes to financial statements
for the year ended 31 March 2016

18. Debtors

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Trade debtors	2,432,585	186,023	2,373,739	111,343
Amounts owed by group undertakings	-	-	2,041,088	153,441
Other debtors	636,815	931,362	201,766	251,719
Prepayments & accrued income	1,849,220	2,694,968	1,790,790	2,582,081
VAT	869,844	338,299	826,688	333,036
	<u>5,788,464</u>	<u>4,150,652</u>	<u>7,234,071</u>	<u>3,431,620</u>

At the balance sheet date HMS Trincomalee had debtors due after more than one year of £407,779 (2015: £450,000).

The National Museum of the Royal Navy is required to disclose the value of any year end debtor balances with other bodies within the Whole of Government Accounts (WGA) boundary. There were year end balances held as follows:

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Balances with other central government bodies	3,006,826	1,072,699	2,963,670	1,058,967
Balances with local authorities	-	1,784	-	-
Total intra government balances	<u>3,006,826</u>	<u>1,074,483</u>	<u>2,963,670</u>	<u>1,058,967</u>
Balances with bodies external to government	2,781,638	3,076,169	4,270,401	2,372,653
	<u>5,788,464</u>	<u>4,150,652</u>	<u>7,234,071</u>	<u>3,431,620</u>

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Notes to financial statements
for the year ended 31 March 2016

19. Creditors: amounts falling due within one year

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Bank overdraft	14,450	-	14,450	-
Other loans	144,858	-	144,858	-
Trade creditors	2,713,671	963,725	2,611,703	850,870
Other creditors	316,560	510,061	105,248	324,117
Amounts owed to group undertakings	-	-	1,472,376	119,948
Other taxes and social security	343,219	124,153	143,998	66,998
Accruals and deferred income	2,479,809	3,416,766	2,209,151	3,125,484
	<u>6,012,567</u>	<u>5,014,706</u>	<u>6,701,784</u>	<u>4,487,417</u>

The National Museum of the Royal Navy is required to disclose the value of any year end creditor balances with other bodies within the Whole of Government Accounts (WGA) boundary. There were year end balances held as follows:

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Balances with other central government bodies	343,218	135,365	143,998	96,027
Balances with local authorities	142	17,788	-	-
Total intra government balances	<u>343,360</u>	<u>153,153</u>	<u>143,998</u>	<u>96,027</u>
Balances with bodies external to government	5,669,207	4,861,553	6,557,786	4,391,390
	<u>6,012,567</u>	<u>5,014,706</u>	<u>6,701,784</u>	<u>4,487,417</u>

20. Creditors: amounts falling due after more than one year after more than one year

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Within 5 years:				
Other loans	608,805	98,000	520,000	-
	<u>608,805</u>	<u>98,000</u>	<u>520,000</u>	<u>-</u>

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21. Provisions for liabilities

	Other provisions £	Total £
At 1 April 2015	135,257	135,257
Utilised in the year	(135,257)	(135,257)
At 31 March 2016	-	-

The provisions for liabilities related to redundancy costs and a legal claim, both of which were released within the accounting period.

22. Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net current assets £	Long term liabilities £	Total £
Restricted funds:					
Restricted funds	1,358	-	2,008,432	-	2,009,790
Royal Naval Museum	8,798,018	-	147,663	-	8,945,681
HMS M33 Trust	1,775,060	-	-	-	1,775,060
	<u>10,574,436</u>	<u>-</u>	<u>2,156,095</u>	<u>-</u>	<u>12,730,531</u>
Unrestricted funds	<u>2,629</u>	<u>-</u>	<u>318,124</u>	<u>(520,000)</u>	<u>(199,247)</u>
Total Company funds at 31 March 2016	<u>10,577,065</u>	<u>-</u>	<u>2,474,219</u>	<u>(520,000)</u>	<u>12,531,284</u>
Funds held by:					
Royal Navy Submarine Museum	23,319,181	21,712	320,312	-	23,661,205
Royal Marines Museum	7,066,317	-	224,642	-	7,290,959
Fleet Air Arm Museum	12,437,365	-	599,354	-	13,036,719
HMS Victory Preservation Company	19,553,878	32,669,281	7,354,558	-	59,577,717
HMS Caroline Preservation Company	8,635,000	-	222	-	8,635,222
HMS Trincomalee Trust	21,054,482	127,728	448,582	(88,805)	21,541,987
Total Group funds at 31 March 2016	<u>102,643,288</u>	<u>32,818,721</u>	<u>11,421,889</u>	<u>(608,805)</u>	<u>146,275,093</u>

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23. Restricted funds and endowment funds

	At	Incoming	Outgoing		Gains and		At
	1 April 2015	resources	resources	Transfers	losses	31 March 2016	
	£	£	£	£	£	£	£
Restricted funds:							
Company:							
HMS Caroline fund	2,868	3,958,143	(8,247)	(3,945,361)	(1)		7,402
LIBOR funding SeaMore	-	2,003,000	(612)	-	-		2,002,388
Royal Naval Museum	10,349,225	8,287,590	(13,652,245)	3,626,782	334,329		8,945,681
HMS M33 Trust	1,567,782	-	-	-	207,278		1,775,060
	<u>11,919,875</u>	<u>14,248,733</u>	<u>(13,661,104)</u>	<u>(318,579)</u>	<u>541,606</u>		<u>12,730,531</u>
Other museums:							
Royal Navy Submarine Museum	22,401,335	-	(148,611)	-	114,766		22,367,490
Royal Marines Museum	570,303	-	(44,967)	-	28,564		553,900
Fleet Air Arm Museum	2,459,906	158,218	(54,746)	-	184,817		2,748,195
HMS Victory Preservation Company	31,303,028	-	(144,714)	-	(171)		31,158,143
HMS Caroline Preservation Company	7,556,000	-	-	-	1,079,000		8,635,000
HMS Trincomalee Trust	21,078,471	23,100	(23,439)	-	(39)		21,078,093
	<u>97,288,918</u>	<u>14,930,051</u>	<u>(14,077,581)</u>	<u>(318,579)</u>	<u>1,948,543</u>		<u>99,271,352</u>
Endowment funds:							
Other museums:							
HMS Victory Preservation Company	29,696,752	171,416	(227,550)	(500,000)	(1,391,233)		27,749,385
HMS Trincomalee Trust	5,000	-	-	-	-		5,000
	<u>29,701,752</u>	<u>171,416</u>	<u>(227,550)</u>	<u>(500,000)</u>	<u>(1,391,233)</u>		<u>27,754,385</u>

The restricted funds of the individual museums are detailed in the accounts of the respective organisations.

Endowment funds include funds donated by the Gosling Foundation for the maintenance and upkeep of HMS Victory.

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23.1 Funds held by the Royal Naval Museum

The Royal Naval Museum is a linked charity of the National Museum. SORP 2015 (FRS 102) requires the activities of the Royal Naval Museum to be shown separately within these accounts in a manner similar to the presentation of restricted funds. The funds of the Royal Naval Museum are made up of the following:

	At	Incoming	Outgoing	Gains and	At
	1 April 2015	resources	resources	losses	31 March 2016
	£	£	£	£	£
Unrestricted funds of the Royal Naval Museum	2,121,453	6,771,288	(7,465,695)	5,223	1,432,269
Restricted funds of the Royal Naval Museum:					
RNM Development fund	7,270,865	-	(371,481)	329,772	7,229,156
HMS Victory Preservation fund	118,883	2,000,000	(1,866,467)	(666)	251,750
HMS M33 fund	278,640	823,275	(1,077,736)	-	24,179
HMS Caroline fund	(14,622)	4,076,295	(4,582,141)	-	(520,468)
LIBOR significant projects fund	473,902	-	(127,215)	-	346,687
LIBOR SeaMore fund	74,686	19,858	(21,627)	-	72,917
Arts Council fund	1,500	-	(1,500)	-	-
Johnstone Library fund	23,918	-	-	-	23,918
RML 497 Fairmile fund	-	86,540	(1,267)	-	85,273
Jutland Exhibition fund	-	16,788	(16,788)	-	-
	<u>8,227,772</u>	<u>7,022,756</u>	<u>(8,066,222)</u>	<u>329,106</u>	<u>7,513,412</u>
Total funds	<u>10,349,225</u>	<u>13,794,044</u>	<u>(15,531,917)</u>	<u>334,329</u>	<u>8,945,681</u>

In 2000 the Museum completed phase I of a major capital development programme to redesign and refit existing galleries and bring new display and office space into use. The movements on the Development fund shown represent the income raised by donations and grants from the National Heritage Memorial Fund and other organisations, less the revenue expenditure and depreciation incurred up to the balance sheet date.

The HMS Victory Preservation fund is for the conservation and ongoing maintenance of the ship, work which is funded by grants from the HMS Victory Preservation Company and the HMS Victory Preservation Endowment Fund.

The HMS M33 fund is for the conservation and presentation/interpretation of the ship, work which has been primarily funded by the Heritage Lottery Fund (HLF), and supported by funding from Hampshire County Council.

The HMS Caroline fund is for the conservation of the ship and its development as a visitor attraction. This work has been fully funded by HLF and the Northern Ireland Tourist Board (NITB) to NMRN. The fund was in deficit at the year end due to a delay in drawdown of NITB grants.

The LIBOR fund for significant projects represents LIBOR funding received to support NMRN projects, for example LCT 7074 and the Jutland exhibition.

The LIBOR fund for SeaMore represents LIBOR funding received for the SeaMore project which will include the relocation of the Royal Marines Museum to Portsmouth Historic Dockyard, and the development of a central repository for historic artefacts and documents of the various museums within the NMRN group.

The Arts Council fund represents funding received towards artworks depicting the modern Royal Navy.

The Johnstone library fund represents funds received for the repair and maintenance of the books, documents and journals in the museum library.

The RML Fairmile fund represents funding received towards the purchase, and transport to the museum, of the WWII rescue launch.

The Jutland Exhibition Fund represents contributions received for the development and refresh of the major temporary exhibition "36 Hours: Jutland 1916: The Battle that Won the War" which was formally opened in Portsmouth on 24 May 2016 for the 100th anniversary of the battle. The exhibition is planned to remain in situ for three years.

Notes to financial statements
for the year ended 31 March 2016

Royal Naval Museum Balance Sheet summary	2016 £	2015 £
Fixed assets		
Tangible assets	7,818,015	7,076,310
Heritage assets	980,003	658,019
Current assets		
Stocks	511,858	459,374
Debtors	4,187,646	3,355,003
Cash at bank and in hand	1,244,428	2,653,608
Current liabilities	(5,796,269)	(3,835,589)
Provisions for liabilities	-	(17,500)
Net assets	<u>8,945,681</u>	<u>10,349,225</u>
Funds		
Unrestricted funds	1,200,955	1,917,171
Revaluation reserve	19,128	14,659
Restricted funds	6,357,101	7,383,661
Revaluation reserve	1,156,311	844,111
Trading funds	212,186	189,623
	<u>8,945,681</u>	<u>10,349,225</u>

23.2 Funds held by the HMS M33 Trust

The HMS M33 Trust is a linked charity of the National Museum. SORP 2015 (FRS 102) requires the activities of the HMS M33 Trust to be shown separately within these accounts in a manner similar to the presentation of restricted funds. The funds of the HMS M33 Trust are made up of the following:

	At 1 April 2015 £	Incoming resources £	Outgoing resources £	Gains and losses £	At 31 March 2016 £
Unrestricted funds of the HMS M33 Trust	<u>1,567,782</u>	<u>-</u>	<u>-</u>	<u>207,278</u>	<u>1,775,060</u>
HMS M33 Trust Balance Sheet summary				2016 £	2015 £
Heritage assets				<u>1,775,060</u>	<u>1,562,782</u>
Net assets				<u>1,775,060</u>	<u>1,562,782</u>
Funds					
Unrestricted funds				1,092,378	1,092,378
Revaluation reserve				682,682	475,404
				<u>1,775,060</u>	<u>1,562,782</u>

24. Transfers between funds

Company

A total of £3,945,361 (2015: £970,421) was transferred from other restricted funds to the Royal Naval Museum, and a total of £318,579 (2015: £217,000) was transferred from the Royal Naval Museum to unrestricted funds. These transfers reflect the movement of restricted grants relating to the HMS Caroline project, unrestricted grants, and the transfer of gift aid from the Royal Naval Museum's trading subsidiary to the NMRN.

Group

A total of £500,000 (2015: £122,365) was transferred from endowment funds to unrestricted funds in the accounts for the HMS Victory Preservation Company to reflect the amount withdrawn from the Investment capital account in order that this may be granted to the Royal Naval Museum.

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25. Financial commitments

At 31 March 2016 the group, and company, had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Within one year	5,467	144,356	-	137,728
Between one and five years	78,244	114,496	63,567	91,819
In over five years	541,833	-	541,420	-
	<u>625,544</u>	<u>258,852</u>	<u>604,987</u>	<u>229,547</u>

26. Capital commitments and contingent liabilities

The company, and group, had capital commitments contracted but not provided for in the financial statements amounting to £1,616,497 (2015: £1,524,932). There were no contingent liabilities at 31 March 2016 or 31 March 2015.

27. Losses and special payments

27.1 Losses statement

There were no cases of losses during the financial year (2015: no cases).

27.2 Special payments

There were no cases of ex-gratia payments during the year (2015: no cases).

28. Related party transactions

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

The National Museum of the Royal Navy is a related party of: the Royal Navy Submarine Museum; the Royal Marines Museum; the Fleet Air Arm Museum; the HMS Victory Preservation Company; the HMS Caroline Preservation Company; the HMS Trincomalee Trust; NMRN Services; NMRN Hartlepool and NMRN Operations, by virtue of the effective control over each organisation. A number of trustees of the National Museum of the Royal Navy are also trustees of the following charities:

Admiral Sir Jonathan Band GCB DL	NMRN Operations (from 4 March 2016)
Captain Dan Conley OBE	Royal Navy Submarine Museum
Sir Robert W K Crawford CBE	Royal Navy Submarine Museum
Rear Admiral Tom Cunningham	Fleet Air Arm Museum
Major General Jeffrey S Mason	Royal Marines Museum
Mr Tim Schadla-Hall	HMS Caroline Preservation Company, HMS Trincomalee Trust, NMRN Hartlepool (from 10 February 2016), NMRN Operations (from 4 March 2016)
Dr Caroline Williams	HMS Victory Preservation Company
Mr Charles Wilson	HMS Caroline Preservation Company

In the previous year J Rawlinson Esq, one of the former trustees of the Royal Marines Museum, was paid £20,165 including travel expenses by the Royal Marines Museum for consultancy work in relation to the Museum Relocation Project. The Board had asked him to undertake this work in the light of his tourism and project management experience.

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The HMS Victory Preservation Endowment Fund is a related party of the HMS Victory Preservation Company by virtue of one of the trustees, Mr Clive Thorne, being a Trustee of both charities. During the year NMRN borrowed £650,000 from the Endowment Fund at a rate of 5% above the Bank of England base rate over a period of 5 years, from November 2015 to November 2020. The loan was used to finance the organisational restructure redundancy costs. At 31 March 2016, in addition to the capital sum, interest of £14,858 was owing to the Endowment Fund from NMRN.

The related parties of the individual museums are disclosed in the accounts of those organisations.

29. Post balance sheet events

Subsequent to the year end, the following post balance sheet events have occurred:

On 3 June 2016, the business, assets and operations of the Hartlepool Maritime Experience and HMS Trincomalee transferred from Hartlepool Borough Council and the HMS Trincomalee Trust respectively, establishing the National Museum of the Royal Navy Hartlepool as the single operator for the site.

Progress has been made on the further consolidation of the Group governance structure with the formation of the new company and charity NMRN Operations, through which it is intended that all future operational activity will take place. Operations will transfer from the subsidiary bodies, Royal Naval Museum, Fleet Air Arm Museum, Royal Marines Museum and Royal Navy Submarine Museum, leaving simple trusts to hold the heritage assets of those bodies.

A decision was made following a referendum on 23 June 2016 that the UK should leave the European Union. At this stage, the financial implications of this result for the National Museum are uncertain, however, it could impact on future funding streams. The impact of the result will be considered as part of future budget planning.

These accounts have been authorised for issue by the Accounting Officer on the same date as the Comptroller and Auditor General's audit certificate.

30. Analysis of cash and cash equivalents

	Group	Group	Company	Company
	2016	2015	2016	2015
	£	£	£	£
Cash at bank and in hand	4,396,621	4,897,132	1,430,074	2,753,031
Cash on deposit (within investments)	540	2,703	-	-
Bank overdraft	(14,450)	-	(14,450)	-
Total cash and cash equivalents at 31 March 2016	<u><u>4,382,711</u></u>	<u><u>4,899,835</u></u>	<u><u>1,415,624</u></u>	<u><u>2,753,031</u></u>

31. Company status

The National Museum of the Royal Navy is a company limited by guarantee registered in England and Wales. The members of the company are the Trustees named on page 1. Every member of the company undertakes to contribute such an amount as may be required not exceeding £1 to the assets of the company in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member. The registered office address is: HM Naval Base PP66 Portsmouth, Hampshire, PO1 3NH

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Notes to financial statements
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32. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2016

	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2016 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	HMS M33 Trust	2015 Total
	£	£	£	£	£	£	£	£	£	£
Income from:										
Donations and legacies										
Grant in Aid (revenue)	3,263,526	-	-	-	3,263,526	3,333,147	-	-	-	3,333,147
Grant in Aid (capital)	121,342	-	-	-	121,342	119,490	-	-	-	119,490
Grant (in kind)	-	-	-	-	-	-	-	453,586	-	453,586
Donations	94,024	5,961,143	3,337,565	-	9,392,732	21,828	739,183	4,879,257	1,092,378	6,732,646
Charitable activities										
Admissions	-	-	2,719,163	-	2,719,163	-	-	3,177,227	-	3,177,227
Other trading activities										
Fundraising events	-	-	-	-	-	50	-	-	-	50
Trading subsidiary	37,739	-	2,115,849	-	2,153,588	-	-	812,914	-	812,914
Investments	293	-	6,623	-	6,916	296	194	7,845	-	8,335
Other	145,460	-	108,390	-	253,850	168	-	71,526	-	71,694
Total income	3,662,384	5,961,143	8,287,590	-	17,911,117	3,474,979	739,377	9,402,355	1,092,378	14,709,089
Expenditure on:										
Raising funds										
Fundraising and publicity	671,288	612	831,249	-	1,503,149	350,726	-	411,973	-	762,699
Investment management costs	-	-	-	-	-	-	-	300	-	300
Trading subsidiary	-	-	1,672,845	-	1,672,845	-	-	715,696	-	715,696
Charitable activities	2,529,988	8,247	11,143,151	-	13,681,386	2,725,472	26,464	8,751,903	-	11,503,839
Grant funding	387,590	-	5,000	-	392,590	1,075,694	10	-	-	1,075,704
Net expenditure in joint venture	-	-	-	-	-	-	-	45,263	-	45,263
Total expenditure	3,588,866	8,859	13,652,245	-	17,249,970	4,151,892	26,474	9,925,135	-	14,103,501

Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) continued

	Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		2016 Total		Unrestricted funds		Restricted funds		Royal Naval Museum		HMS M33 Trust		2015 Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Net gains/(losses) on investments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(561)	-	-	-	(561)
Net income/(expenditure)	73,518	5,952,284	(5,364,655)	-	661,147	-	-	-	-	-	-	(676,913)	712,903	1,092,378	(523,341)	1,092,378	-	-	605,027	-
Transfer between funds	318,579	(3,945,361)	3,626,782	-	-	-	-	-	-	-	(27,226)	(970,421)	997,647	-	-	-	-	-	-	-
Other recognised gains/(losses):																				
Gains on revaluations of fixed assets	(4)	(1)	334,329	207,278	541,602	-	-	-	-	-	126	37	133,309	475,404	608,876	-	-	-	-	-
Net movement in funds	392,093	2,006,922	(1,403,544)	207,278	1,202,749	-	-	-	-	-	(704,013)	(257,481)	607,615	1,567,782	1,213,903	-	-	-	-	-
Reconciliation of funds:																				
Total funds brought forward	(683,770)	2,868	10,349,225	1,567,782	11,328,535	-	-	-	-	-	112,673	260,349	9,328,161	-	9,701,183	-	-	-	-	9,701,183
Reserves on acquisition	-	-	-	-	-	-	-	-	-	-	-	-	413,449	-	413,449	-	-	-	-	413,449
Prior year adjustment	92,430	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total funds brought forward	(591,340)	2,868	10,349,225	1,567,782	11,328,535	-	-	-	-	-	112,673	260,349	9,741,610	-	10,114,632	-	-	-	-	10,114,632
Total funds carried forward	(199,247)	2,009,790	8,945,681	1,775,060	12,531,284	-	-	-	-	-	(591,340)	2,868	10,349,225	1,567,782	11,328,535	-	-	-	-	11,328,535

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