

The National Museum of the Royal Navy
(A company limited by guarantee)
Trustees' report and Consolidated Financial
Statements 2011-2012

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The Comptroller and Auditor General, Amyas Morse (C&AG),
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on whether departments and the bodies they fund
have used their resources efficiently, effectively and with economy.
Our studies evaluate the value for money of public spending, nationally and locally.
Our recommendations and reports on good practice help government improve public services,
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Legal and administrative information

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Professor John Craven MA (Cantab)
Sir Robert W K Crawford CBE
Mr A N R Davidson FCA
Dame Mary Fagan DCVO JP (Until 26 April 2012)
Lieutenant General Sir Robert Fulton KBE (From 26 January 2012)
Rear Admiral Roger Lane-Nott CB (Until 7 April 2011)
Rear Admiral Terence W Loughran CB
Vice Admiral Sir Tim McClement KCB OBE (From 7 April 2011)
Ms K A Marshall
Mr B Miller (Until 26 April 2012)
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Report of the Trustees (incorporating the director's report) for the year ended 31 March 2012

The Trustees present their report and the financial statements for the year ended 31 March 2012. The Trustees, who are also 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 2. The Trustees have had regard to the Charity Commission guidance on Public Benefit.

Structure, governance and management

The company is governed by its Memorandum and Articles of Association, which provide for the appointment and re-appointment of trustees. Trustees are appointed in accordance with guidelines issued by the Office of the Commissioner for Public Appointments (OCPA).

The governing body is the Board of Trustee Directors, which comprises up to 15 members.

The National Museum of the Royal Navy group consists of the company itself, and by virtue of its controlling influence, the four Naval Service museums; *Royal Naval Museum*, *Royal Navy Submarine Museum*, *Royal Marines Museum* and the *Fleet Air Arm Museum* and each of their subsidiary trading companies. The group also includes the *HMS Victory Preservation Company* and its charitable subsidiary, *HMS Victory Preservation Trust*.

Trustee induction and training procedures

A formal induction process for Trustees is in place which combines a large pack of background reading material including items such as the governing document, 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 Company's corporate plan and a copy of the Museum Association publication 'Code of Ethics for Trustees' with a day visit to the Museum to meet key members of staff and to discuss current issues. Recent appointees have confirmed their satisfaction with this process.

Objectives and activities

The charitable objectives of the company, as defined in the Memorandum of Association, are

- a 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 the Naval Service and Auxiliaries.
- b the promotion and enhancement of military efficiency by assisting recruitment and retention and fostering the esprit de corps of men and women who are serving in the Naval Service or Auxiliaries, and
- c 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.

Vision and mission

The vision of *the National Museum* is:

To be the world's most respected naval museum underpinned by a spirit of enterprise and adventure.

Its goal is:

To promote the traditions and public understanding of the Royal Navy and its constituent branches, past, present and future.

and its mission is:

To be a beacon of excellence in enabling people to learn, enjoy and engage with the story of the Royal Navy and understand its impact in shaping the modern world.

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 the 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 permanent displays and special exhibitions as well as developing a world-class virtual presence.
- Building partnerships with other sites relevant to the story of the Royal Navy, the holders of other Naval collections and with other bodies eager to tell a part of the Naval story.
- Acting as a focus for the Royal Navy in commemoration, motivation and recruitment.

Public Benefit

The group consists of the four naval service museums as well as operating *HMS Victory* as a visitor attraction. From 29 March 2012, the group also includes the *HMS Victory Preservation Company* and the *HMS Victory Preservation Trust*. Its objectives include promoting the education of the general public about the history, deeds and traditions of the Royal Navy and encouraging the public recognition of the sacrifice of those members of the naval service who have died on active service.

The company operates a fee paying attraction and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. In addition, the company offers free admission and workshops to schoolchildren in support of the 'National Curriculum' and operates a community outreach programme in the local area for children, their parents and carers.

Review of the year (including achievement and performance)

Museum Mergers

The Royal Marines Museum, the *Royal Navy Submarine Museum* and the *Fleet Air Arm Museum* all completed their legal juncture with NMRN in the course of the year. The date of juncture was 1 June for the *Royal Navy Submarine Museum*, 1 July for the *Royal Marines Museum* and 1 August for *Fleet Air Arm Museum*. This completed some two years of work in the creation of the NMRN.

HMS Victory

On 29 March 2012, the ownership of *HMS Victory* transferred to the *HMS Victory Preservation Trust* ('the trust'), a newly created subsidiary of the NMRN's subsidiary the *HMS Victory Preservation Company*. An agreement was signed which allows the use of the ship by the Navy for the foreseeable future. *HMS Victory* thus remains a commissioned warship and the Royal Navy's flagship. In order to help care for the ship MoD transferred £25 million into an independent charitable trust for this purpose. At the same time The Gosling Foundation made an exceptionally generous grant of £25 million to the *HMS Victory Preservation Company*.

In addition MoD transferred to the *HMS Victory Preservation Trust* its stock of wood for the restoration of the ship, with an approximate value of £7.3 million, the associated racking and handling equipment and the tools in the *Victory* workshop as well as the collections on and related to the ship including the *Victory* sail.

The Deed of Gift entered into with the Secretary of State for Defence for the transfer of *HMS Victory* contained no specific restrictions on the use of the ship as *HMS Victory Preservation Company* and its subsidiary trust operate under their charitable object and the main objective of these arrangements is to preserve, restore and maintain *HMS Victory* and her ethos. Additionally, the following obligations (as distinct from restrictions) are contained in the Deed of Gift;

- For the duration of the agreement, the Secretary of State for Defence is allowed to use the ship as a commissioned warship and flagship of the Royal Navy.
- The ship may only be moved permanently with the written consent of the Secretary of State for Defence, and
- The trust shall use its best endeavours to procure that the Maintenance Contract for the upkeep and repair of the ship is novated as soon as reasonably possible from the Ministry of Defence.

For the purpose of these financial statements, the ship has been valued at £19.375 million.

Portsmouth Historic Dockyard

Throughout 2011-2012 NMRN continued to work with its partners in developing a strategic vision for the Historic Dockyard. This strategy was completed and accepted by all the partners and has the immediate target of raising visitor numbers to 650,000 a year within a five year timescale. A clear set of actions towards implementation has been agreed and will be carried into action in 2012-13, this includes a revision and simplification of governance.

Grant Programme

In this year, as in last, the majority of the Grant in Aid paid to NMRN was disbursed to the four Naval Service museums, with only around 15 per cent being retained for central funding. Funding to the four Naval Service museums is now regulated by a Financial Framework, replacing the Service Level Agreements. The centralised system for financial reporting introduced in 2009-10 and revised 2010-11 has been further improved.

Visitor Services

In the year there were 631,618 visits to *the National Museum of the Royal Navy*. In addition there were another 20,000 visitors to RNAS Culdrose and a further 70,000 visitors to our affiliates: a grand total of 721,618 visitors. There were also 622,344 unique visits made to the websites of the NMRN group. Press and PR reached 655,316 people and had an Advertising Equivalent Value of £1,183,824. Our visitor services were helped and supported immeasurably by our corps of volunteers; 195 people gave a total of 22,880 hours equivalent to the work of 22 full time employees. We owe them a huge debt of gratitude.

Learning and Access

In the year we provided 42,421 formal learning visits across the Group. A further 32,164 foreign language school children visited the museum. The amount of time learning staff were engaged with direct delivery to schools, colleges and universities amounted to 8,755 contact hours. In excess of 1,156 school workshops and curriculum-linked tours were delivered.

Collections and Scholarship

Material has continued to flow from the Navy to the NMRN as ships decommission and the armed forces are re-shaped. For example, a Harrier GR9, a Westland Wessex 5 helicopter which served in both the Falklands campaign and in Northern Ireland, and much material from *HMS Ark Royal* has been transferred to the *Fleet Air Arm Museum*. There were also a series of important private donations such as a silver cup presented by Admiral Rodney in 1782. The work on cataloguing the Devonport collection was completed and the material moved to new, more accessible accommodation. Further progress was also made in cataloguing the important collection at *HMS Collingwood*.

A new research programme was launched in October 2011, the centrepiece of which is the First Sea Lord's Lecture on Naval History and Strategy. Over the next few years we anticipate producing up to 14 popular volumes on the history of the Royal Navy, and a publishing agreement is in place.

Affiliates

We have continued to have a fruitful relationship with *HMS Trincomalee* our first affiliate. *HMS Unicorn*, a frigate built in 1824 but never commissioned and located in Dundee, formally joined the NMRN as its second affiliate at a launch event in May 2011 attended by HRH the Princess Royal, who is patron of both trusts. The Coastal Forces Trust became the NMRN's third affiliate in 2011.

Capital Projects

Very good progress was made with the *HMS Alliance* project at the *Royal Navy Submarine Museum* in the course of this year, with the project receiving a Round 2 Heritage Lottery Fund (HLF) grant of £3.4 million and progressing to the implementation phase. Work has progressed on the creation of a coffer dam and level platform below the vessel allowing maintenance work to be much more easily undertaken. After that restoration work on the vessel herself will proceed.

HLF also awarded the *Royal Naval Museum* (NMRN(portsmouth)) a round 2 pass for its project to develop new 20th and 21st Century galleries. HLF have offered £1.407 million towards the £4.5 million total, other pledges are mounting up to the extent that we have given the green light for the delivery phase of this project to start. However, we still need around £1 million. This project fills a crucial gap in Royal Navy narrative at the NMRN, one which must be filled by 2014, the centenary of the First World War.

HMS Caroline

On 3 October 2012, the NMRN entered into a legal agreement with the Department of Enterprise, Trade and Investment. The agreement paves the way for a joint submission to HLF, which in turn will secure the future of the ship in Northern Ireland. The ship will be passed as a gift to NMRN and the Trustees have determined the conditions under which they proceed. It remains important to NMRN and to the Navy story that this, the last survivor of the Battle of Jutland, is saved for the nation. Meanwhile *Caroline's* important collection has been catalogued and removed. It is held in safe storage in Portsmouth for eventual return to the ship.

Related Parties

The related parties of *the National Museum of the Royal Navy* are disclosed in note 28 to the accounts.

Financial Review

Results for the Year Ended 31 March 2012

Total incoming resources for the NMRN Group in 2011-12 amounted to £88,565,452 (2010-11: £4,582,231). The huge majority of these inflows relate to the consolidation of the *Royal Navy Submarine Museum*, *Royal Marines Museum* and *Fleet Air Arm Museum*, the 'one off' gift of £25million from the Gosling Foundation and the transfer of *HMS Victory* from the MoD. Total resources expended amounted to £7,995,785 (2010-11: £4,771,279). After adjustment for other recognised gains and losses totalling £147,816 (2010-11: £122,356), the net movement in funds for the year was an increase of £80,717,483 (2010-11: decrease £66,692).

The Group's net assets as at 31 March 2012 amounted to £85,184,624 (31 March 2011: £4,467,141).

Changes in Fixed Assets

Movements in fixed assets are shown in notes 15-16 to the accounts.

Policy on Unrestricted Reserves

The Trustees continually monitor the levels of the Company's reserves, defined for the purposes of this policy as the amounts shown as 'Net Current Assets' in the accounts of the Company, and which are attributable to Unrestricted Funds. As at 31 March 2012, the level of the Company's reserves stood at £311,807 (31 March 2011: £30,735).

The Company needs to retain a viable reserve in order to:

- cover liabilities;
- cover annual deficits;
- provide income; and
- fund development.

A formal policy is to be drafted and approved in the coming financial year.

Investment Policy

All reserves are currently maintained in bank deposits. In light of the significant inflow of cash funds in the last twelve months, the Trustees are developing a Formal Investment Policy which will operate in line with the Reserves Policy.

Payment of Creditors

The National Museum of the Royal Navy aims to settle all undisputed bills within 30 days of receipt or in accordance with the supplier's terms of business. The Company's actual payment performance during 2011-12 was that these criteria were met in 97.92 per cent of all bills paid (2010-11: 97.80 per cent).

Sickness absence data

The Company employs 25 members of staff (24.5 full time equivalents) and monitors staff sickness absence as part of its Human Resources processes. The Trustees receive data annually and discusses potential risks arising from any patterns that are identified. During 2011-12, there were 255 (full time equivalent) days lost to sick absence, of which 199 (full time equivalent) were for long term absences (of four members of staff) associated with hospitalisation and recuperation periods.

Personal data loss

The Company has not identified any personal data related incidents during 2011-12 or in the previous five 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, source or extent of the information, is treated as protected personal data by the Company.

Policy on the Employment of Disabled Persons

The Company is committed to managing staff solely on the basis of actual performance in the job, and considering new applicants solely on the basis of ability to do the job. The Company follows MoD and civil service guidelines on such practices and, in particular, has taken the contents of the MOD Civilian Equal Opportunities Policy Statement with reference to the Equality and Diversity Policy Declaration as its Equal Opportunities Policy.

Post Balance Sheet Events

Post Balance Sheet Events are disclosed in note 29 to the accounts.

Auditors

The C&AG is the statutory auditor under the Government Resources and Accounts Act 2000.

So far as the Trustees and Accounting Officer are aware, there is no relevant audit information of which the Company's auditors are unaware. Trustees have taken all the steps to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Small company provisions

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

On behalf of the board:

Admiral Sir Jonathon Band GCB DL
Chairman

7 December 2012

Professor Dominic Tweddle
Director General and Accounting Officer

7 December 2012

Remuneration Report

Remuneration Policy

Salary and pension entitlements (Subject to audit)

Professor Dominic Tweddle was appointed Director General of *the National Museum of the Royal Navy* on 1 January 2009. Trustees decided not to make this appointment subject to a fixed-term: Standard age for retirement from the company remains at 65 although requests can be made to work beyond this point, each request being considered on a case by case basis. The Director General is entitled to, and required to give, six months notice to terminate his appointment. Professor Tweddle had a basic salary during the year ended 31 March 2012 of £88,456 (2011: £86,275) per annum. Professor Tweddle also received a performance related bonus of £8,628 during the year ended 31 March 2012 (2011: £8,620). This bonus was awarded by the Board after recommendation by the NMRN Nomination and Remuneration Committee. In awarding this bonus, the committee had considered the Director General's 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.

The Director General did not receive any Benefits in Kind.

No trustees received remuneration during the year (2011: NIL). Four trustees were reimbursed for travel expenses totalling £6,079 (2011: £482).

'Salary' includes gross salary, performance pay or bonuses; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

For 2011-12, employer's pension contributions of £8,846 (2011: £8,659) were payable in accordance with the Director General's contract.

Pay multiple disclosure

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 banded remuneration of the Director General of *the National Museum of the Royal Navy* in the financial year 2011-12 was £97,500 (2010-11: £92,500). This was 3.62 times (2010-11: 6.38) the median remuneration of the workforce, which was £26,906 (2010-11: £14,500). The number of higher paid staff employed has increased during the year and the median remuneration of the workforce has risen accordingly. With a higher median remuneration, the ratio to the Director General's banded remuneration has fallen.

Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits

Pension benefits are provided through a money purchase pension scheme.

Admiral Sir Jonathon Band GCB DL
On behalf of the Board of Trustees

7 December 2012

Professor Dominic Tweddle
Director General and Accounting Officer

7 December 2012

Governance Statement for the year ended 31 March 2012

Scope of responsibility

I, as Chairman of the Trustees, on behalf of the Board of Trustees of *the National Museum of the Royal Navy*, am responsible for confirming that a sound system of governance and internal control is maintained within the company and that 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.

I, as Accounting Officer of the NMRN, have responsibility for ensuring that there is a sound system of governance and internal control structures in place; and the *National Museum of the Royal Navy's* policies, aims and objectives set by the Board of Trustees are met whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

The purpose of the governance statement

The Governance Statement, for which I as Accounting Officer take personal responsibility, gives a clear understanding of the operation of the NMRN and its control structures. These control structures provide an adequate insight into the business of the organisation and its use of resources to allow me to make informed decisions about progress against the objectives set by the Trustees and to provide feedback to the Trustee body and its supporting committees. In doing this I am supported by a Governance framework which includes the Board, its committees and the Senior Management Group.

Review of the governance structure

The NMRN is a Non-Departmental Public Body sponsored by the Ministry of Defence. It is also a charitable company registered in England and Wales. Overall control of the NMRN is the responsibility of the Board of Trustees, who are also directors for the purposes of the Companies Act 2006.

The Board of Trustees meet periodically through the year to set the long term strategic objectives of the Company, agree the Corporate Plan and review performance against previous objectives set and the Plan. The board does not formally appraise itself but its membership and skills set is periodically reviewed and new appointments made on the basis of what skills Trustees either 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.

Governance and Reporting arrangements of the NMRN group

Each Board of Trustees of the respective charities remain responsible for their day to day operations and governance issues which are clearly set out between the NMRN and its constituent members. There are also monthly meetings of all Museum Directors, chaired by the Director General and with a representative of the Sponsor Branch and the Commanding Officer of *HMS Victory* in attendance which also discusses pertinent issues.

Strategy for the group is developed through the various sub-committees of the main board (set out below) for ultimate presentation to the Board of Trustees. Implementation is then passed to museums or group appointments such as the Director of Finance, where appropriate.

Quality of data

All data is passed through the various committees which have specific membership and specific skill sets on them to ensure close scrutiny and review before reaching the Board. The flow of information, its quality and accuracy and the process of review is considered sufficient for the Board to ensure that it fulfils its responsibilities and maintains an efficient system of internal control.

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 NMRN Strategy and the policies flowing from it. The agreement and monitoring of the Strategic policies for each planning period.
- The annual allocation of GIA to meet the Strategic Objectives of the NMRN.
- Fundraising and the balancing of effort and resources between the projects within the NMRN, making decisions on priorities where appropriate.
- Full access to the financial data across the NMRN is available to allow effective judgements to be made. Any amendments suggested to financial reporting systems are agreed with the Audit Committee and the Director General in his role as Accounting Officer.
- The longer range development of the NMRN 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 NMRN staff including advising on appropriate salary schemes for all permanent staff of the NMRN and on the award of personal performance related bonuses and additional payments.

The membership of these committees consists of both Trustees and non-Trustees and meets twice each year.

Membership and attendance at board, Development and Finance, Audit and Governance and Nomination and Remuneration Committee meetings

	Board of Trustees	Development and Finance Committee	Audit and Governance Committee	Nomination and Remuneration Committee
Total number of meetings in the period	4	4	2	1
Chairman: Admiral Sir Jonathon Band GCB DL	4/4	4/4	–	–
Nominated Trustees:				
Mr J R Brookes OBE	4/4	4/4	–	1/1
Professor John Craven MA (Cantab)	4/4	4/4	0/2	–
Sir Robert W K Crawford CBE	4/4	3/4	–	–
Mr A N R Davidson FCA	4/4	4/4	–	–
Dame Mary Fagan DCVO JP (Until 26 April 2012)	2/4	–	–	–
Lieutenant General Sir Robert Fulton KBE (From 26 January 2012)	1/1	–	–	–
Rear Admiral Roger Lane- Nott CB (Until 7 April 2011)	1/1	–	–	–
Rear Admiral Terence W Loughran CB	3/4	–	–	–
Vice Admiral Sir Tim McClement KCB OBE (From 7 April 2011)	4/4	–	–	–
Ms K A Marshall	4/4	–	–	1/1
Mr B Miller (Until 26 April 2012)	3/4	–	2/2	–
Major General David A S Pennefather CB OBE (Until 26 January 2012)	3/3	–	–	–
Mr T Schadla-Hall	3/4	–	–	–
Dr Caroline Williams	3/4	3/4	–	–
Non- Trustees:				
Dr M Copp	–	–	2/2	–
Mr M Gambazzi	–	4/4	2/2	1/1
Ms V Hardman	–	3/4	–	–
Mr G Whitter	–	4/4	–	–
Mr C Wilson	–	3/4	–	–

Other Committees of the Board are:

Collections and Research 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;
- to establish a Collections Strategy and Collecting Priorities for the NMRN;
- to set up a Collections Management Policy and determine the appropriate level of resources in accommodation, staffing, systems and documentation;
- to develop a Conservation Policy and Priorities, as they apply to procurement and resource allocation;
- 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.

During the year these matters were covered by the Committee.

Fundraising 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;
- 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;
- to ensure that it is completely coherent and transparent across the entirety of the National Museum;
- 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.

During the year these matters were covered by the Committee.

Day to day operation 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 and Audit Committees of all four component museums as well as for NMRN. He chairs a monthly meeting (latterly bi-monthly) of all Museum CEOs together with the Commanding Officer of *HMS Victory* and a representative from MOD Sponsor Branch which will discuss issues pertinent to the entire group. The intention is to reconstitute this into an Executive Board in due course.

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 system of internal control has been in place in the *National Museum of the Royal Navy* for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

A comprehensive risk register is in use, which identifies the risks relevant to the successful continuation of the company's current operations and its future development. Risk management is now incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

The risk and control framework

The management of risk is exercised through the company's Senior Management Group which reviews on a regular basis the company's principal activities and events, with associated risks. The Board of Trustees receiving periodic reports on the principal risks and the steps being taken to manage them effectively.

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

Due to the changes in the structure of the group during the year, the annual Internal Audit was undertaken by Defence Internal Audit in September 2012. Their report identified several minor points which will be addressed during the coming period.

Review of effectiveness

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 museums, with company officers in attendance, as required. The Committee reports directly to the Board of Trustees. This Committee has visibility across the whole sphere of company internal management and is developing approaches to monitor the effectiveness of internal controls and management of risk.

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.

Risk Assessment and summary of key risks for the year

The NMRN itself has a compact Risk Register which focuses on finances because this is the area that it has direct control over. Each of the subsidiary Museums has a live Risk Register relevant to their specific operations and the NMRN is currently working towards uniformity in the way that these are presented. The transfer of the ship, *HMS Victory*, and the associated assets and funds only took place on 29 March 2012 and accordingly it was impractical to have a Risk Register in place by the year end. However, this is actively under review and consideration by the *HMS Victory Preservation Company*.

In the current financial climate the major risk to NMRN lies in funding. During the financial year we have, however, agreed a three-year funding deal with MoD which takes us through to April 2015. This funding round is tight, but MoD has offered capital funding of £900,000 towards the crucial 20th and 21st century galleries as part of the deal. A key challenge will be to diversify sources of funding. NMRN has continued to build good relationships across the Navy and MoD; the Naval Heritage Strategic Steering Group and the quarterly meetings with Navy Command have been important in cementing those relationships. The advent of our current Chairman, Admiral Sir Jonathon Band, the previous First Sea Lord, has been important in helping the NMRN to build this network of support and in 2011-12 we were given direct access to the Navy Board for the first time.

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.

Admiral Sir Jonathon Band GCB DL
On behalf of the Board of Trustees
7 December 2012

Professor Dominic Tweddle
Director General and Accounting Officer
7 December 2012

Statement of Board of Trustees' and Accounting Officer's responsibilities for the year ended 31 March 2012

The Board of Trustees and the Accounting Officer are responsible to prepare financial statements in accordance with the requirements of the Statement of Recommended Practice *Accounting and Reporting by Charities* issued in March 2005 (SORP 2005), the Companies Act 2006, the Charities Act 2011 and the *Government Financial Reporting Manual*.

Under the Government Resources and Accounts Act 2000, the Secretary of State for Defence has directed *the National Museum of the Royal Navy* to prepare for each financial year a statement of accounts in the form and on the basis set out in the Financial Framework. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of *the National Museum of the Royal Navy* and of its income and expenditure and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the Financial Framework issued by the Secretary of State for Defence, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the financial statements on a going concern basis.

The Secretary of State for Defence has appointed the Director-General as Accounting Officer of *the National Museum of the Royal Navy*. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding *the National Museum of the Royal Navy's* assets, are set out in *Managing Public Money* published by the HM Treasury.

The trustees (who are also directors of *the National Museum of the Royal Navy* for the purpose of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company 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 methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping proper 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Admiral Sir Jonathon Band GCB DL
On behalf of the Board of Trustees
7 December 2012

Professor Dominic Tweddle
Accounting Officer, NMRN
7 December 2012

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

I certify that I have audited the financial statements of *the National Museum of the Royal Navy* for the year ended 31 March 2012 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, incorporating the Consolidated Income and Expenditure Accounts, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Trustees, Accounting Officer and Auditor

As explained more fully in the Statement of the Board of Trustees' and Accounting Officer's responsibilities, the Trustees and the Accounting Officer 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 *the National Museum of the Royal Navy's* and the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by *the National Museum of the Royal Navy* and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the sections entitled 'Legal and administrative information', 'Trustees' report', 'Remuneration report', 'Governance Statement' and 'Statement of Trustees' and the Accounting Officer's responsibilities' to identify material inconsistencies with the audited financial statements. 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.

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 company and group's affairs as at 31 March 2012 and of its total incoming resources and total resources expended, including income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion the information given in the sections entitled 'Legal and administrative information' and '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 or returns adequate for my audit have not been received from branches not visited by my staff;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; +
- 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.

Amyas C E Morse
Comptroller and Auditor General

12 December 2012

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

Consolidated Statement of Financial Activities (incorporating the Income and Expenditure Account) for the year ended 31 March 2012

	Notes	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Endowment funds £	2012 Total £	2011 Total £
Incoming resources							
Incoming resources from generating funds:							
Voluntary income:							
Grant in Aid (revenue)	2	–	3,371,806	–	–	3,371,806	2,797,843
Grant in Aid (capital)	2	–	87,600	–	–	87,600	50,000
Other donations and grants	2	158,936	43,598	31,574,426	25,000,000	56,776,960	102,459
Legacies	3	9,803	–	–	–	9,803	–
Investment income	4	12,219	–	7,316	–	19,535	5,804
Income from charitable subsidiary		17,810	–	–	–	17,810	–
Admissions	5	2,323,619	1,941	–	–	2,325,560	1,292,356
Activities for generating funds:							
Fundraising activities		–	–	57,883	–	57,883	–
Income from Trading Companies and share of Joint Venture	6	1,433,412	–	–	–	1,433,412	660,551
Gifts from predecessor charities	33	10,140,188	6,265,591	8,240,924	–	24,646,703	–
Other incoming resources	7	130,361	6,580	45	–	136,986	43,666
		14,226,348	9,777,116	39,880,594	25,000,000	88,884,058	4,952,679
Deduct share of Joint Venture Income	6	(318,606)	–	–	–	(318,606)	(370,448)
Total incoming resources		13,907,742	9,777,116	39,880,594	25,000,000	88,565,452	4,582,231
Resources expended							
Costs of generating funds:							
Fundraising:							
Operating costs	8	481,874	580,551	57,359	–	1,119,784	218,132
Investment management costs		781	–	–	–	781	–
Charitable activities	9	1,966,484	2,760,971	631,032	–	5,358,487	4,082,722
Governance costs	10	261,713	145,561	–	146,679	553,953	186,488
Expenses of Trading Companies		956,083	–	–	–	956,083	283,937
Expenses of Charitable Subsidiary		6,697	–	–	–	6,697	–
Total resources expended		3,673,632	3,487,083	688,391	146,679	7,995,785	4,771,279

The notes on pages 25 to 46 form an integral part of these financial statements

Net incoming resources before transfers		10,234,110	6,290,033	39,192,203	24,853,321	80,569,667	(189,048)
Transfer between funds		<u>(167,781)</u>	<u>167,781</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Net incoming resources for the year		10,066,329	6,457,814	39,192,203	24,853,321	80,569,667	(189,048)
Other recognised gains and losses							
(Losses)/Gains on revaluations of fixed assets for the group's own use	16	40,787	8,919	112,857	–	162,563	140,842
Share of results of Joint Venture		(19,937)	–	–	–	(19,937)	(29,747)
Gains/(Losses) on investment assets		<u>5,300</u>	<u>–</u>	<u>(110)</u>	<u>–</u>	<u>5,190</u>	<u>11,261</u>
Net movement in funds		10,092,479	6,466,733	39,304,950	24,853,321	80,717,483	(66,692)
Total funds brought forward		<u>573,983</u>	<u>308,412</u>	<u>3,584,746</u>	<u>–</u>	<u>4,467,141</u>	<u>4,533,833</u>
Total funds carried forward		<u>10,666,462</u>	<u>6,775,145</u>	<u>42,889,696</u>	<u>24,853,321</u>	<u>85,184,624</u>	<u>4,467,141</u>

The statement of financial activities includes all gains and losses in the year and therefore a separate statement of total recognised gains and losses has not been prepared.

All of the above amounts relate to continuing activities. The activities relating to the organisations referred to in note 1.2 were acquired during the year.

The notes on pages 25 to 46 form an integral part of these financial statements

Balance Sheet (Company only) as at 31 March 2012

	Notes	£	2012 £	£	2011 £
Fixed assets					
Tangible assets	15		11,342		8,125
Current assets					
Debtors	19	100,456		23,562	
Cash at bank and in hand	20	730,492		80,662	
			830,948	104,224	
Creditors: amounts falling due within one year	21	(124,999)		(45,277)	
Net current assets			705,949		58,947
Net assets			717,291		67,072
Funds	23				
GIA Restricted funds			20,000		2,736
Other Restricted funds			385,484		33,601
Unrestricted income funds			311,807		30,735
Total funds			717,291		67,072

The financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the board and authorised for issue on 7 December 2012 and signed on its behalf by

Admiral Sir Jonathon Band GCB DL
Trustee
7 December 2012

Professor Dominic Tweddle
Director General and Accounting Officer
7 December 2012

The notes on pages 25 to 46 form an integral part of these financial statements

Consolidated Balance sheet as at 31 March 2012

	Notes	2012		2011	
		£	£	£	£
Fixed assets					
Tangible assets	16		22,197,525		3,708,963
Heritage assets	16		24,457,575		166,567
Investments	17		306,933		277,185
Investment in Joint Venture	6		3,179		23,116
			<u>46,965,212</u>		<u>4,175,831</u>
Current assets					
Stocks	18	7,528,410		78,439	
Debtors	19	2,585,021		80,363	
Cash at bank and in hand	20	29,085,416		345,301	
		<u>39,198,847</u>		<u>504,103</u>	
Creditors: amounts falling due within one year					
	21	<u>(979,435)</u>		<u>(212,793)</u>	
Net current assets					
			<u>38,219,412</u>		<u>291,310</u>
Net assets					
			<u>85,184,624</u>		<u>4,467,141</u>
Funds					
GIA Restricted funds	23				
	24		6,775,145		308,412
Other Restricted funds	25		42,889,696		3,584,746
Endowment funds			24,853,321		–
Unrestricted income funds			10,666,462		573,983
Total funds					
			<u>85,184,624</u>		<u>4,467,141</u>

The financial statements are prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

The financial statements were approved by the board and authorised for issue on 7 December 2012 and signed on its behalf by

Admiral Sir Jonathon Band GCB DL
Trustee

Professor Dominic Tweddle
Director General and Accounting Officer

The notes on pages 25 to 46 form an integral part of these financial statements

Consolidated Cash Flow Statement for the year ended 31 March 2012

	Notes	Company 2012 £	Group 2012 £	Group 2011 £
Net incoming/(outgoing) resources for the year		649,839	80,569,667	(189,048)
Transferred from predecessor charities:				
Fixed assets		-	(21,604,981)	-
Investments		-	(170,277)	-
Interest and dividends receivable		(281)	(19,535)	(5,804)
Depreciation and impairment		1,753	703,105	226,271
Loss on disposal of fixed assets		-	3,212	2,353
Donations of Heritage Assets		-	(19,450,000)	-
(Increase) in stocks		-	(7,449,971)	(1,629)
(Increase)/Decrease in debtors		(76,894)	(2,509,136)	34,412
Increase/(Decrease) in creditors		79,722	771,120	(163,147)
Net cash (outflow)/inflow from operating activities		654,139	30,843,204	(96,587)
Returns on investments and servicing of finance	30	281	165,254	5,804
Capital expenditure	30	(4,590)	(2,268,343)	(133,210)
Increase/(decrease) in cash in the year		649,830	28,740,115	(223,993)
Reconciliation of net cash flow to movement in net debt	31			
Increase/(decrease) in cash in the year		649,830	28,740,115	(223,993)
Net cash at 1 April 2011		80,662	345,301	569,294
Net cash at 31 March 2012		730,492	29,085,416	345,301

The notes on pages 25 to 46 form an integral part of these financial statements

Notes to the Financial Statements for the year ended 31 March 2012

1 Accounting policies

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

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed assets at their value to the business by reference to current costs, and in accordance with applicable accounting standards, the Statement of Recommended Practice *Accounting and Reporting by Charities* issued in March 2005 (SORP 2005), the Companies Act 2006, the Charities Act 2011 and guidance issued by HM Treasury.

1.2 Basis of consolidation

Consolidated financial statements have been prepared which include the Royal Naval Museum, as the company had a controlling influence over the board of the Museum throughout the year. During the year, the company also took a controlling influence over the respective boards of the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum. The results of each Museum have been included in these financial statements from the dates on which the company took a controlling influence, as set out below.

Royal Navy Submarine Museum	1 June 2011
Royal Marines Museum	1 July 2011
Fleet Air Arm Museum	1 August 2011

The Consolidated Statement of Financial Activities and the Consolidated Balance Sheet include the results and assets of each museum on a line by line basis. The company has taken advantage of the exemption to produce 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 towards the end of this document (which are not subject to audit).

The company also has a controlling influence over The HMS Victory Preservation Company, a charitable company, formed on 3 February 2012, and The HMS Victory Preservation Trust, a charitable trust, formed on 29 March 2012. Both organisations have charitable status. 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.

1.3 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 per cent of the capital will be spent at any one time.

1.4 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 is virtually certain to 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.

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 the individual museums with the remainder, which is specifically a contribution towards wage costs, paid direct to staff by the People Pay and Pensions Agency (PPPA) 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

1.5 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 Galleries 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.

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 are those costs incurred directly in support of expenditure on the objects of the company.

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 Tangible fixed assets

Tangible fixed assets with a cost or value greater than £750 and a useful life exceeding one year are capitalised at historic cost and revalued annually using Ministry of Defence derived indices.

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

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 – 25 years.
Motor vehicles	5 years.

1.8 Investments

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

1.9 Stock

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

Together with the gift of HMS Victory by the Ministry of Defence to the HMS Victory Preservation Trust on 29 March 2012, a gift of the timber used in her preservation and conservation was also received. The timber, primarily consisting of 600 cu m of teak has been commercially valued at £7,321,931

1.10 Heritage assets held by the group

The heritage assets are owned by the 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 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 believed that these assets can be valued internally with sufficient accuracy and without incurring a disproportionate cost. Valuations are reviewed every five years. As heritage assets, aircrafts 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 £750, have been capitalised. In accordance with Guidelines issued by HM Treasury these assets are not revalued or depreciated.

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; 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 Marines Museum	Royal Naval Museum	Royal Navy Submarine Museum	Fleet Air Arm Museum	Total
Large items	20	42	21	173	256
Works of Art/Models	2,842	4,940	1,008	1,228	10,018
Documentary Archive	27,000	32,035	22,289	1,032,020	1,113,344
Uniforms/Badges and Insignia	4,785	7,164	337	3,950	16,236
Orders and Decorations	8,610	5,018	164	1,302	15,094
Weapons/Armaments	1,600	272	83	172	2,127
Photographs/Microfilm/Fiche	2,000,000	160,025	60,000	876,000	3,096,025
Film and Sound Recordings	300	600	0	150	1,050
Other	3,640	3,667	1,308	16,910	25,525

Heritage assets maintenance and management policies

Each museum has set policies for the maintenance and management of their respective collections.

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 the National Museum of the Royal Navy by reference to the costs incurred by the Hermione-La Fayette Association in their recent construction of the replica frigate Hermione on a pro-rata basis on respective tonnage displacement of the two ships.

The value of HMS Victory, on the basis of full renewal cost of re-build, has been calculated as £50 million. 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 1,166tonnes) 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 £30.625 million (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 £19.375 million, 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.

Royal Naval Museum

The Curatorial Accession Committee which meets monthly assesses and approves all potential acquisitions, whether by gift, purchase, bequest, transfer or fieldwork. The Head of the Curatorial Department then submits a report on items acquired to the meetings of the Trustees Curatorial Working Party.

The Museum maintains an acquisition budget to enable the purchase of suitable material for the collections. In the case of high value purchases the Museum may also apply for additional funding from other sources such as the National Art Collection Fund, V&A Purchase Grant and PRISM Fund.

The Museum places great emphasis on the collection of items, which are complete, and in useable condition. Only items for which the Museum can provide appropriate facilities for storage and care are acquired. Further consideration is also given towards the long-term potential of material for use in display and interpretative activities. The Museum always seeks to establish donor's wishes in relation to copyright at the time of donation (as far as it is held by donors) and advises transfer of copyright to the Trustees of the RNM.

All acquisitions are recorded in the Accession Register which is updated in writing following agreement at the monthly accessions meetings. This records the assigned accession number, a brief description of the item or groups of items acquired, information on the donor (name and address), method of acquisition (including amount purchased), and date of acquisition. This and fuller information about the collection items is also recorded on the collections management database 'Calm'. Since 1996 all library acquisitions are no longer recorded within the Accession Register. Instead they are recorded directly onto the library catalogue using the 'Liberty3 library management system'.

The Museum has a long-term purpose and should possess (or intend to acquire) permanent collections in relation to its stated objectives. Museum collections often represent the generosity of past and current generations. Donations, bequests and other acquisitions are made in the expectation that they will be preserved in perpetuity.

The Trustees accept the principle that there is a strong presumption against the disposal of any items in its collection except for the sound curatorial reasons as detailed in the full 'Acquisition and Disposal Policy'.

The full 'Acquisition and Disposal Policy' is published and reviewed from time to time and at least once every five years.

As the Museum holds archives, including photographs and printed ephemera, the Trustees are be guided by the Code of Practice on Archives for Museums and Galleries in the United Kingdom.

Royal Navy Submarine Museum

The Management of the Collection is set-out in the RNSM Collection Management Plan (CMP). Acquisitions & Disposals are governed by the policy detailed in the CMP which complies with the national standards set out under the Museums Accreditation Scheme.

RNSM was granted Accredited status under the Museums, Libraries & Archives Council scheme in 2006.

Royal Marines Museum

The Museum has been formally collecting material since 1958. Collections arrive at the Museum as a result of gift, bequest, purchase or loans. In addition the Museum undertakes proactive collecting and commissioning of work, especially in relation to more recent activity. Any items coming into the Museum have to be in accordance with the Museum's Acquisition and Disposal Policy, which is reviewed at least every five years.

The volume of loans is kept deliberately low for insurance and administrative reasons. Similarly the number of items purchased in any one year is generally low, and would typically number between 6 and 12 accessions, compared to an overall ingest of approximately 150 accessions per year.

All material is documented to a procedural standard SPECTRUM, which is administered by the Collections Trust. This enables all material to be managed for location, indexing, and conservation, as well as display purposes and public enquiries.

Occasional disposal activity is also undertaken, when material is found to be outside of the Museum's Collecting Policy, or where duplication has occurred. Any disposals have to be approved by the Museum's Trustees at a formal meeting and are carried out in accordance with the Museums Association's Code of Ethics and Disposal Tool kit.

Fleet Air Arm Museum

It is the Museum's policy to maintain its collection, maintenance costs are charged to the SOFA when incurred.

The aircraft and memorabilia are deemed to have indeterminate lives and the trustees do not therefore consider it appropriate to charge depreciation for capitalised items.

Subject to the approval of the trustees, the Museum may dispose of items from the collection, although this will only happen in exceptional circumstances, for example when the item cannot be properly displayed or the disposal proceeds can be used to purchase a better example and this does not detract from the integrity of the collection.

At any time approximately 15 per cent of the 3D items in the collections items are on display. The majority of the remaining items are held in the reserve collection in a Heritage Lottery funded climate-controlled building called Cobham Hall.

Cobham Hall opens to the public at least once a year when it attracts visitors from all over the UK to see its unique collection of aircraft, records and artefacts, many of which have never before been seen on public display.

Within Cobham Hall there are over forty historic aircraft and some five miles of shelving accommodating many of the Museum's two million records and thirty thousand artefacts.

1.11 Leased assets

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

1.12 Pensions

The National Museum of the Royal Navy only had one permanent member of staff during the year, who is covered by a money purchase pension scheme. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

During the year contributions for the Director General only, totalling £8,846 (2010-11: £8,659) were paid into the scheme. There were no outstanding or prepaid contributions at the balance sheet date.

Staff of the individual museums are covered either by the provisions of the Principal Civil Service Pension Scheme, which provides benefits based on final pensionable pay, or by a group money purchase pension scheme, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund. The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Paymaster General at rates determined from time to time by the Government Actuary, which for 2011-12 were as follows:

Non-industrial staff:	
Band one – £21,000 and under	16.7%
Band two – £21,001 – £43,500	18.8%
Band three – £43,501 – £74,500	21.8%
Band four – £74,501 and over	24.3%

The PCSPS is an unfunded multi employer defined benefit scheme but the individual museums are unable to identify their respective share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2007. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservicepensions.gov.uk).

The Employer's contributions made by each museum are set out below and were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. Rates will remain the same for the next two years, subject to revalorisation of the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

Each museum, other than the Royal Marines Museum, also operates a group scheme, which is a defined contribution scheme. The employer's contribution rates for each museum are as follows:

Royal Naval Museum	9.0%
Royal Navy Submarine Museum	12.5%
Fleet Air Arm Museum	3.5%

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.

	PCSPS	Group scheme
	£	£
Royal Naval Museum	53,806	53,548
Royal Navy Submarine Museum	1,326	21,947
Royal Marines Museum	27,261	0
Fleet Air Arm Museum	17,434	2,443

1.13 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.

2 Voluntary income

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	2012 Total	Restated 2011 Total
	£	£	£	£	£	£
Grant in Aid	–	3,371,806	–	–	3,371,806	2,797,843
Grant (capital)	–	87,600	–	–	87,600	50,000
Other donations and grants						
Received by company:						
The Gosling Foundation	5,000	–	–	–	5,000	–
Microsoft	–	23,598	–	–	23,598	–
Ministry of Defence	–	–	400,000	–	400,000	–
Miscellaneous donations and grants	899	–	–	–	899	324
BAE SSS Ltd	–	20,000	–	–	20,000	6,794
Mr Johnstone	–	–	–	–	–	1,196
John Oliver Wright	–	–	–	–	–	2,000
Carnival UK	10,000	–	–	–	10,000	–
Coutts Charitable trust	1,000	–	–	–	1,000	–
Received by:						
Royal Naval Museum	5,967	–	2,017,188	–	2,023,155	92,145
Royal Navy Submarine Museum	4,722	–	2,247,032	–	2,251,754	–
Royal Marines Museum	36,523	–	5,000	–	41,523	–
Fleet Air Arm Museum	94,825	–	–	–	94,825	–
HMS Victory Preservation Company	–	–	–	25,000,000	25,000,000	–
HMS Victory Preservation Trust	–	–	26,905,206	–	26,905,206	–
	<u>158,936</u>	<u>43,598</u>	<u>31,574,426</u>	<u>25,000,000</u>	<u>56,776,960</u>	<u>102,459</u>

3 Legacies

	Unrestricted funds	2012 Total	2011 Total
	£	£	£
Received by:			
Royal Naval Museum	1,303	1,303	–
Royal Navy Submarine Museum	1,000	1,000	–
Royal Marines Museum	7,500	7,500	–
Fleet Air Arm Museum	–	–	–
	<u>9,803</u>	<u>9,803</u>	<u>–</u>

4 Investment income

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£
Bank interest received	3,946	–	6,699	–	10,645	168
Dividends received	8,273	–	617	–	8,890	5,636
	<u>12,219</u>	<u>–</u>	<u>7,316</u>	<u>–</u>	<u>19,535</u>	<u>5,804</u>

5 Admissions

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£
HMS Victory	1,164,543	–	–	–	1,164,543	969,628
Royal Naval Museum	316,181	–	–	–	316,181	322,728
Royal Navy Submarine Museum	181,088	–	–	–	181,088	–
Royal Marines Museum	47,710	–	–	–	47,710	–
Fleet Air Arm Museum	614,097	1,941	–	–	616,038	–
	<u>2,323,619</u>	<u>1,941</u>	<u>–</u>	<u>–</u>	<u>2,325,560</u>	<u>1,292,356</u>

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

6 Income and expenses from trading activities of subsidiaries

The NMRN has effective control of the Board of the Royal Naval Museum, which in turn owns 100% of the issued share capital of R N M Functions Limited and has effective control of the Board of the Royal Naval Museum Trading Company Limited. Its results for the year have been consolidated into the Company's results.

The Royal Naval Museum is a member of Portsmouth Historic Dockyard (PHD), a joint venture with three other members. PHD is responsible for the collection and distribution of ticketing income for the four members. The total admission income distributed in the year is disclosed in the Consolidated Statement of Financial Activities.

From the dates set out in note 1.2, the NMRN also took effective control of the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum. Each of these organisations have their own non-charitable trading subsidiaries of which they own 100% of the issued share capital. The results of each charity, including their trading subsidiaries, have been consolidated into the company's results.

The results for the period were as follows:

Statement of Financial Activities	Royal Naval Museum		Royal Navy Submarine Museum		Royal Marines Museum		Fleet Air Arm Museum		HMS Victory Preservation Company		HMS Victory Preservation Trust		Year ended 31 March 2011	
	12 Months	£	10 Months	£	9 Months	£	8 Months	£	£	£	£	£	£	£
Grants and donations	3,057,918		2,727,598		622,818		442,405		25,000,000		26,905,206		58,755,945	1,202,790
Legacies	1,303		1,000		7,500		-		-		-		9,803	9,990
Admissions	316,181		181,088		47,710		616,038		-		-		1,161,017	322,728
Gift from predecessor charity	-		6,233,334		7,177,586		11,235,783		-		-		24,646,703	-
Activities of generating funds:														
Fundraising activities	-		57,883		-		-		-		-		57,883	-
Income of Trading Companies and share of Joint Venture	773,000		79,726		114,885		465,801		-		-		1,433,412	660,551
Income from charitable subsidiary	-		-		17,810		-		-		-		17,810	-
Investment income	5,807		8,021		2,646		-		-		-		16,474	5,636
Other incoming resources	63,560		2,072		34,985		35,704		-		-		136,321	41,679
Deduct share of Joint Venture income	(318,606)		-		-		-		-		-		(318,606)	(370,448)
Total incoming resources	3,899,163		9,290,722		8,025,940		12,795,731		25,000,000		26,905,206		85,916,762	1,872,926
Fundraising and publicity	(194,634)		(84,759)		(68,550)		-		-		-		(347,943)	(124,894)
Expenses of Trading Companies	(354,207)		(70,736)		(107,488)		(423,652)		-		-		(956,083)	(283,937)
Charitable activities	-		-		(6,697)		-		-		-		(6,697)	(1,549,555)
Investment management costs	-		-		(781)		-		-		-		(781)	-

	Royal Naval Museum 12 Months	Royal Navy Submarine Museum 10 Months	Royal Marines Museum 9 Months	Fleet Air Arm Museum 8 Months	HMS Victory Preservation Company	HMS Victory Preservation Trust	Year ended 31 March 2012	Year ended 31 March 2011
	£	£	£	£	£	£	£	£
Charitable activities	(1,632,731)	(731,046)	(593,700)	(1,308,781)	-	(1,742)	(4,268,000)	-
Governance costs	(80,484)	(37,582)	(56,078)	(96,657)	(146,679)	-	(417,480)	(111,077)
Total resources expended	(2,262,056)	(924,123)	(833,294)	(1,829,090)	(146,679)	(1,742)	(5,996,984)	(2,069,463)
Net incoming/(outgoing) resources	1,637,107	8,366,599	7,192,646	10,966,641	24,853,321	26,903,464	79,919,778	(196,537)
Net gain/(loss) on sale of investments	-	-	(1,538)	-	-	-	(1,538)	-
Share of results of Joint Venture	(19,937)	-	-	-	-	-	(19,937)	(29,747)
Revaluation of fixed assets	36,514	67,055	9,943	48,671	-	-	162,183	140,512
Revaluation of investments	6,838	(110)	-	-	-	-	6,728	11,261
Net movements in fund	1,660,522	8,433,544	7,201,051	11,015,312	24,853,321	26,903,464	80,067,214	(74,511)
Fund balances brought forward	4,400,120	-	-	-	-	-	4,400,120	4,474,631
Fund balances carried forward	6,060,642	8,433,544	7,201,051	11,015,312	24,853,321	26,903,464	84,467,334	4,400,120

	Royal Naval Museum	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Victory Preservation Trust	Year ended 31 March 2012	Year ended 31 March 2011
	£	£	£	£	£	£	£	£
Balance Sheet								
Tangible fixed assets	3,771,485	4,577,191	6,432,763	7,196,469	-	208,275	22,186,183	3,700,888
Heritage assets	166,567	1,719,228	346,850	2,849,930	-	19,375,000	24,457,575	166,567
Investments	284,023	22,910	-	-	-	-	306,933	277,185
Investment in Joint Venture	3,179	-	-	-	-	-	3,179	23,116
	4,225,254	6,319,329	6,779,613	10,046,399	-	19,583,275	46,953,870	4,167,756
Current assets	1,937,701	2,190,960	550,510	1,165,421	25,000,010	7,532,189	38,376,791	399,880
Current liabilities	(102,313)	(76,745)	(129,072)	(196,508)	(146,689)	(212,000)	(863,327)	(167,516)
Total Funds	6,060,642	8,433,544	7,201,051	11,015,312	24,853,321	26,903,464	84,467,334	4,400,120

7 Other incoming resources

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£
Other income	130,361	6,580	45	–	136,986	43,666

8 Fundraising costs

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£
Fundraising operating costs	481,874	580,551	57,359	–	1,119,784	218,132
	481,874	580,551	57,359	–	1,119,784	218,132

9 Costs of charitable activities – by activity

	Activities undertaken directly	Grant funding activities	Support costs	Group 2012 Total	Group 2011 Total
	£	£	£	£	£
Charitable activities	612,884	–	998,748	1,611,632	542,542
Grant funding	–	–	3,461	3,461	1,282
– Royal Naval Museum	–	–	–	–	–
– Royal Navy Submarine Museum	–	101,511	–	101,511	587,169
– Royal Marines Museum	–	192,480	–	192,480	777,655
– Fleet Air Arm Museum	–	187,971	–	187,971	624,518
Education	19,353	–	57,879	77,232	71,051
Curatorial	21,622	–	–	21,622	284,205
Collections	2,685,603	–	475,955	3,161,558	1,193,959
Sea Your History	–	–	–	–	340
Grant Making	1,020	–	–	1,020	–
	3,340,482	481,962	1,536,043	5,358,487	4,082,722

10 Governance costs

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Endowment funds	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£
Staff costs	43,381	55,914	–	–	99,295	23,815
Motor and travel expenses	2,144	–	–	–	2,144	–
Accountancy	73,636	16,674	–	–	90,310	32,441
Auditor remuneration – NAO	14,000	–	–	–	14,000	13,350
Auditor remuneration – other auditors	16,100	24,000	–	–	40,100	–
Legal and professional	99,295	26,291	–	146,679	272,265	97,226
Support costs	13,157	22,682	–	–	35,839	–
Other costs	–	–	–	–	–	19,656
	<u>261,713</u>	<u>145,561</u>	<u>–</u>	<u>146,679</u>	<u>553,953</u>	<u>186,488</u>

11 Analysis of support costs

	Charitable activities	Grant funding	Education	Collections	Governance costs	Group 2012 Total	Group 2011 Total
	£	£	£	£	£	£	£
Staff costs	408,119	–	44,794	305,999	–	758,912	145,168
Repairs and maintenance	36,350	–	–	–	–	36,350	–
Insurance	26,572	85	–	–	5,859	32,516	–
Premises expenses	297,562	–	9,866	96,274	21,018	424,720	122,415
Travelling expenses	26,697	762	–	–	–	27,459	16,984
Entertainment	18,203	456	–	–	–	18,659	12,915
Legal and professional fees	22,919	–	–	–	–	22,919	–
Education	13,284	–	–	–	–	13,284	6,143
Communication and IT	35,924	1,486	–	13,941	1,961	53,312	1,735
Printing, postage and stationery	26,883	442	–	–	7,001	34,326	22,809
Bank charges & interest	6,698	–	–	–	–	6,698	2,226
Amortisation and impairment	3,587	189	–	–	–	3,776	2,373
Depreciation	1,753	–	–	–	–	1,753	906
Health and safety	14,904	–	–	–	–	14,904	8,319
Staff recruitment costs	781	41	–	–	–	822	2,397
Sundry expenses	58,512	–	3,219	59,741	–	121,472	1,343
Subscriptions	–	–	–	–	–	–	4,922
	<u>998,748</u>	<u>3,461</u>	<u>57,879</u>	<u>475,955</u>	<u>35,839</u>	<u>1,571,882</u>	<u>350,655</u>

12 Employees

Employment costs	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Wages and salaries	705,340	2,844,956	230,891	1,137,769
Social security costs	57,919	233,063	92,118	102,720
Pension costs	75,162	260,726	8,659	126,505
	<u>838,421</u>	<u>3,338,745</u>	<u>331,668</u>	<u>1,366,994</u>

Number of employees

The number of higher paid employees accruing pension benefit was:

	Company 2012	Company 2011
Defined contributions scheme	<u>1</u>	<u>1</u>

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

	Company 2012 Number	Company 2011 Number
Charitable expenditure	20	11
Cost of generating funds	2	2
Governance costs	2	–
	<u>24</u>	<u>13</u>

No trustees received remuneration during the year (2011: NIL). Four trustees were reimbursed for travel expenses totalling £6,079 (2011: £482).

13 Net incoming/(outgoing) resources for the year

	Group 2012	Group 2011
	£	£
Net incoming/(outgoing) resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	703,104	226,271
Loss on disposal of tangible fixed assets	–	(2,353)
Auditors' remuneration – National Audit Office	14,000	13,350
Auditors' remuneration – other auditors	<u>40,100</u>	<u>–</u>

14 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, Royal Navy Submarine Museum, Royal Marines Museum and the Fleet Air Arm Museum each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

15 Tangible fixed assets (Company)

	Plant and machinery	Fixtures, fittings and equipment	Total
	£	£	£
Cost or valuation			
At 1 April 2011	–	9,485	9,485
Additions	3,590	1,000	4,590
Revaluation	262	136	398
At 31 March 2012	<u>3,852</u>	<u>10,621</u>	<u>14,473</u>
Depreciation			
At 1 April 2011	–	1,360	1,360
Charge for the year	682	1,071	1,753
On revaluation	–	18	18
At 31 March 2012	<u>682</u>	<u>2,449</u>	<u>3,131</u>
Net book values			
At 31 March 2012	<u>3,170</u>	<u>8,172</u>	<u>11,342</u>
At 31 March 2011	<u>–</u>	<u>8,125</u>	<u>8,125</u>

16 Tangible fixed assets (Group)

	Freehold property	Improvements and short leasehold property	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Motor vehicles	Exhibitions	Heritage assets	Total
	£	£	£	£	£	£	£	£	£
Cost or valuation									
At 1 April 2011	-	2,743,254	1,997,646	-	3,630,359	-	-	166,567	8,537,826
Gifts from predecessor charities	13,490,344	2,873,430	314,634	522,073	991,513	356	231,057	3,181,574	21,604,981
Additions	-	3,312	285,595	31,250	287,689	-	1,063	21,109,434	21,718,343
Disposals	-	-	-	(3,263)	-	-	-	-	(3,263)
Revaluation	23,701	33,636	41,960	60,120	58,780	-	3,017	-	221,214
At 31 March 2012	13,514,045	5,653,632	2,639,835	610,180	4,968,341	356	235,137	24,457,575	52,079,101
Depreciation									
At 1 April 2011	-	390,965	1,475,754	-	2,795,527	-	-	-	4,662,246
Charge for the year	160,693	99,940	155,031	77,226	179,432	356	30,427	-	703,105
On revaluation	-	2,276	22,290	-	34,084	-	-	-	58,650
At 31 March 2012	160,693	493,181	1,653,075	77,226	3,009,043	356	30,427	-	5,424,001
Net book values									
At 31 March 2012	13,353,352	5,160,451	986,760	532,954	1,959,298	-	204,710	24,457,575	46,655,100
At 31 March 2011	-	2,352,289	521,892	-	834,832	-	-	166,567	3,875,530

17 Fixed asset investments

	Group Listed 2012	Unlisted 2012	Group Listed 2011	Unlisted 2011
	£	£	£	£
Valuation				
At 1 April 2011	277,185	–	265,924	–
Gifts from predecessor charities	170,277			
Disposals	(145,719)	–	–	–
Realised loss on disposal	(1,538)			
Net unrealised gains/(losses)	6,728	–	11,261	–
At 31 March 2012	<u>306,933</u>	<u>–</u>	<u>277,185</u>	<u>–</u>
Historical cost as at 31 March 2012	<u>247,071</u>	<u>–</u>	<u>247,071</u>	<u>–</u>
Historical cost as at 31 March 2011	<u>247,071</u>	<u>–</u>	<u>247,071</u>	<u>–</u>

The above investments are held in the name of the Royal Naval Museum, Portsmouth and are held in Treasury Stock. Included in the above are shares held by the Royal Navy Submarine Museum.

All fixed asset investments are held within the United Kingdom.

18 Stocks

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Held by:				
HMS Victory Preservation Trust	–	7,321,931	–	–
Trading subsidiaries	–	206,479	–	78,439
	<u>–</u>	<u>7,528,410</u>	<u>–</u>	<u>78,439</u>

19 Debtors

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Trade debtors	5,777	73,245	20,486	32,734
Other debtors	13	61,986	13	1,013
Prepayments and accrued income	94,666	2,446,335	3,063	43,260
VAT	–	3,455	–	3,356
	<u>100,456</u>	<u>2,585,021</u>	<u>23,562</u>	<u>80,363</u>

At the balance sheet date, there were no debtors due after more than one year (2011: nil).

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:

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Balances with other central government bodies	4,901	997,014	13	6,198
Total intra government balances	<u>4,901</u>	<u>997,014</u>	<u>13</u>	<u>6,198</u>
Balances with bodies external to government	95,555	1,588,007	23,549	74,165
	<u>100,456</u>	<u>2,585,021</u>	<u>23,562</u>	<u>80,363</u>

20 Cash at bank and in hand

	2012	2011
	£	£
Non-public funds	<u>730,492</u>	<u>80,662</u>
Public funds:		
Grant (operating)	–	–
Grant (purchases)	–	–
Cash at bank and in hand – Company	<u>730,492</u>	<u>80,662</u>
Subsidiary charities	<u>28,354,924</u>	<u>264,639</u>
Cash at bank and in hand – Group	<u>29,085,416</u>	<u>345,301</u>

For the purposes of the Cash Flow Statement, cash at bank and in hand comprises:

	£
Cash	29,085,416
Liquid resources	–
	<u>29,085,416</u>

21 Creditors: amounts falling due within one year

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Trade creditors	38,182	428,794	–	87,229
Other creditors	–	11,677	13,577	16,567
Other taxes and social security	–	54,234	–	1,424
Accruals and deferred income	86,817	484,730	31,700	107,573
	<u>124,999</u>	<u>979,435</u>	<u>45,277</u>	<u>212,793</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:

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Balances with other central government bodies	–	74,428	7,313	53,311
Balances with local authorities	–	810	–	–
Total intra government balances	–	75,238	7,313	53,311
Balances with bodies external to government	124,999	904,197	37,964	159,482
	<u>124,999</u>	<u>979,435</u>	<u>45,277</u>	<u>212,793</u>

22 Creditors: amounts falling due after more than one year

At the balance sheet date, there were no creditors due after more than one year (2011: nil).

23 Analysis of net assets between funds

	Tangible Fixed Assets	Investments	Net current assets	Total
	£	£	£	£
Fund balances at 31 March 2012 as represented by:				
Restricted funds:				
Grant in Aid	9,468	–	10,532	20,000
HMS Caroline	1,874	–	383,610	385,484
	<u>11,342</u>	<u>–</u>	<u>394,142</u>	<u>405,484</u>
Unrestricted funds – Company	–	–	311,807	311,807
Total Funds – Company	<u>11,342</u>	<u>–</u>	<u>705,949</u>	<u>717,291</u>
Funds held by:				
Royal Naval Museum	3,941,231	284,023	1,835,387	6,060,641
Royal Navy Submarine Museum	6,296,419	22,910	2,114,215	8,433,544
Royal Marines Museum	6,779,613	–	421,438	7,201,051
Fleet Air Arm Museum	10,046,399	–	968,913	11,015,312
HMS Victory Preservation Company	–	–	24,853,321	24,853,321
HMS Victory Preservation Trust	19,583,275	–	7,320,189	26,903,464
	<u>46,658,279</u>	<u>306,933</u>	<u>38,219,412</u>	<u>85,184,624</u>

24 GIA restricted funds

	At 1 April 2011	Incoming resources	Outgoing resources	Transfers	Gains and losses	At 31 March 2012
	£	£	£		£	£
Company:						
Grant in Aid	2,736	3,503,004	(3,643,651)	157,555	356	20,000
Other museums:						
Royal Naval Museum	305,676	1,025,759	(1,001,236)	–	2,133	322,332
Royal Navy Submarine Museum	–	1,365,029	(452,186)	10,226	772	923,841
Royal Marines Museum	–	5,112,085	(474,787)	–	3,889	4,641,187
Fleet Air Arm Museum	–	1,189,217	(333,201)	–	1,769	857,785
HMS Victory Preservation Company	–	–	–	–	–	–
HMS Victory Preservation Trust	–	–	–	–	–	–
Intra-group eliminations	–	(2,417,978)	2,417,978	–	–	–
	<u>308,412</u>	<u>9,777,116</u>	<u>(3,487,083)</u>	<u>167,781</u>	<u>8,919</u>	<u>6,775,145</u>

Transfers represent amounts transferred from unrestricted funds to restricted funds. The corresponding transfers from unrestricted funds are shown on the Statement of Financial Activities.

In addition to the regular Grant in Aid received during the year, incoming resources include the gift of Grant in Aid restricted funds from the predecessor charities of the Royal Navy Submarine Museum, Royal Marines Museum and Fleet Air Arm Museum. Further detail is set out in note 33.

The company receives Grant in Aid funding from the Ministry of Defence (MoD) as a contribution towards operating costs. The company also receives Grant in Aid funding from the MoD throughout the year which it passes to the four individual Naval Service Museums as a grant.

25 Other restricted funds and endowment funds

	At 31 March 2011	Incoming resources	Outgoing resources	Gains and losses	At 31 March 2012
	£	£	£	£	£
Other restricted funds:					
Company:					
HMS Caroline	33,601	400,000	(48,141)	24	385,484
Other museums:					
Royal Naval Museum	3,551,145	2,019,157	(419,103)	32,237	5,183,436
Royal Navy Submarine Museum	–	7,180,054	(156,567)	65,659	7,089,146
Royal Marines Museum	–	677,777	(654)	3,767	680,890
Fleet Air Arm Museum	–	2,698,400	(62,184)	11,060	2,647,276
HMS Victory Preservation Trust	–	26,905,206	(1,742)	–	26,903,464
	<u>3,584,746</u>	<u>39,880,594</u>	<u>(688,391)</u>	<u>112,747</u>	<u>42,889,696</u>
Endowment funds:					
Other museums:					
HMS Victory Preservation Company	–	25,000,000	(146,679)	–	24,853,321

Other restricted funds comprise of a grant of £50,000 received from the Ministry of Defence for securing a heritage solution for the future of HMS Caroline, a light cruiser from World War I which saw action in the Battle of Jutland. A further £400,000 grant was received from the Ministry of Defence during the year towards this fund.

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

Endowment funds comprise of funds donated by the Gosling Foundation for the maintenance and upkeep of HMS Victory. It is the intention to maintain the capital value of the donation in real terms. If it becomes necessary, no more than 5 per cent of the capital can be spent at any one time.

26 Financial commitments

At 31 March 2012 commitments under non-cancellable operating leases were as follows:

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Expiry date:				
Land and buildings:				
Within one year	-	-	-	-
Between one and five years	-	-	-	-
In over five years	-	51,685	-	51,685
Other:				
Within one year	-	-	-	-
Between one and five years	-	19,123	-	6,339
In over five years	-	-	-	-
	<u>-</u>	<u>70,808</u>	<u>-</u>	<u>58,024</u>

27 Capital commitments and contingent liabilities

The company had no capital commitments or contingent liabilities at 31 March 2012 or 31 March 2011.

The group had capital commitments contracted but not provided for in the financial statements amounting to £1,658,100 (2011: NIL). The group has no contingent liabilities at 31 March 2012.

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 separately disclosed in the Statement of Financial Activities. During the year a grant of £400,000 was also received from MOD towards the preservation of HMS Caroline.

On 29 March 2012, the ship HMS Victory was transferred by MoD to the HMS Victory Preservation Trust ('the Trust'), a subsidiary of the HMS Victory Preservation Company. At the same time the MoD's holding of timber and plant and equipment was also transferred to the Trust.

The National Museum of the Royal Navy is related party of the Royal Naval Museum, the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum 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:

Vice Admiral Sir Tim McClement KCB OBE – Royal Navy Submarine Museum
Major General David Pennefather CB OBE – Royal Marines Museum (Until 26 January 2012)
Rear Admiral Terence Loughran CB – Fleet Air Arm Museum
Mr A N R Davidson FCA (HMS Victory Preservation Company)
Dr Caroline Williams (HMS Victory Preservation Company)

The National Museum of the Royal Navy is also a related party of Portsmouth Historic Dockyard (PHD) by virtue of a Trustee, Dr Caroline Williams being a Director and the Chairman of the company. PHD is also a joint venture in which the Royal Naval Museum has a 25 per cent interest is responsible for the collection and distribution of ticketing income on the site. Transactions between PHD and the Royal Naval Museum are disclosed in the accounts of the latter. During the year, the National Museum of the Royal Navy was charged a levy by PHD totalling £269,232 towards its costs of undertaking the collection and distribution of ticketing income.

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:

The Heritage Lottery Fund confirmed a Catalyst Endowment Grant of up to £5 million, towards the ongoing costs of preserving HMS Victory. This is subject to matched funding being in place.

Babcock International Group PLC confirmed the donation of £1 million in support of the Storehouse 10 project at the Royal Naval Museum in Portsmouth, which is developing galleries focussing on the history of the Royal Navy in the 20th and 21st Centuries.

On 15 October 2012 the Ministry of Defence announced the gifting of HMS Caroline, the last surviving warship of the Battle of Jutland, to the NMRN. HMS Caroline will remain in Belfast where she has been berthed since 1924.

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

30 Gross cash flows

	Company 2012	Group 2012	Company 2011	Group 2011
	£	£	£	£
Returns on investments and servicing of finance				
Interest and dividends received	281	19,535	78	5,804
Proceeds from sale of investments	-	145,719	-	-
	<u>281</u>	<u>165,254</u>	<u>78</u>	<u>5,804</u>
Capital expenditure				
Payments to acquire tangible assets	<u>(4,590)</u>	<u>(2,268,343)</u>	<u>(6,620)</u>	<u>(133,210)</u>

31 Analysis of changes in net funds

	Company			Group		
	Opening balance	Cash flows	Closing balance	Opening balance	Cash flows	Closing balance
	£	£	£	£	£	£
Cash at bank and in hand	80,662	649,830	730,492	345,301	28,740,115	29,085,416
Net funds	<u>80,662</u>	<u>649,830</u>	<u>730,492</u>	<u>345,301</u>	<u>28,740,115</u>	<u>29,085,416</u>

32 Company limited by guarantee

The National Museum of the Royal Navy is a company limited by guarantee and accordingly does not have a share capital. Every member of the company undertakes to contribute such 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.

33 Gifts from predecessor charities

As part of the ongoing integration with the National Museum of the Royal Navy, all of the assets, liabilities and operations of the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum were transferred from their previous charitable trusts to newly formed charitable companies, limited by guarantee on the dates set out in note 1.2.

The following pages do not form part of the statutory accounts and are not subject to audit.

Statement of Financial Activities (Company only) for the year ended 31 March 2012

	Unrestricted funds	GIA Restricted funds	Other Restricted	2012 Total	2011 Total
	£	£	£	£	£
Incoming resources					
Incoming resources from generating funds:					
Voluntary income:					
Grant in Aid (revenue)	–	3,371,806	–	3,371,806	2,797,843
Grant in Aid (capital)	–	87,600	–	87,600	–
Other donations and grants	16,899	43,598	400,000	460,497	324
Investment income	281	–	–	281	78
Admissions	1,164,543	–	–	1,164,543	969,628
Other incoming resources	46,736	–	–	46,736	2,078
Total incoming resources	<u>1,228,459</u>	<u>3,503,004</u>	<u>400,000</u>	<u>5,131,463</u>	<u>3,769,951</u>
Resources expended					
Costs of generating funds:					
Fundraising:					
Operating costs	134,523	550,230	38,949	723,702	93,238
Charitable activities	520,900	178,917	188	700,005	596,275
Grant funding	–	2,912,440	9,004	2,921,444	2,997,487
Governance costs	134,409	2,064	–	136,473	75,412
Total resources expended	<u>789,832</u>	<u>3,643,651</u>	<u>48,141</u>	<u>4,481,624</u>	<u>3,762,412</u>
Net incoming resources before transfers	438,627	(140,647)	351,859	649,839	7,539
Transfers between funds	(157,555)	157,555	–	–	–
Net incoming resources for the year	281,072	16,908	351,859	649,839	7,539
Other recognised gains and losses					
(Losses)/Gains on revaluations of fixed assets for the company's own use	–	356	24	380	330
Net movement in funds	281,072	17,264	351,883	650,219	7,869
Total funds brought forward	30,735	2,736	33,601	67,072	59,203
Total funds carried forward	<u>311,807</u>	<u>20,000</u>	<u>385,484</u>	<u>717,291</u>	<u>67,072</u>

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