

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

Trustees' Report and Consolidated
Financial Statements 2014-15

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

Ordered by the House of Commons to be printed on 10th December
2015

Charity number: 1126283
Company number: 06699696

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Legal and administrative information

Charity number 1126283

Company registration number 06699696

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

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

Trustees

Admiral Sir Jonathon Band GCB DL
Mr Michael J Bedingfield
Mr John R Brookes OBE
Captain Dan Conley OBE - appointed 23/10/14
Professor John Craven CBE
Sir Robert W K Crawford CBE
Rear Admiral Tom Cunningham - appointed 17/03/15
Mr Neil Davidson - resigned 07/01/15
Lieutenant General Sir Robert Fulton KBE - resigned 07/01/15
Mr Mike Gambazzi
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC
Rear Admiral Terence W Loughran CB - resigned 13/02/15
Major General Jeffrey S Mason - appointed 07/01/15
Vice Admiral Sir Tim McClement KCB OBE - resigned 23/10/14
Ms Kimberley A Marshall
Mr Tim Schadla-Hall
Mr Gavin Whitter - appointed 07/01/15
Dr Caroline Williams
Mr Charles Wilson

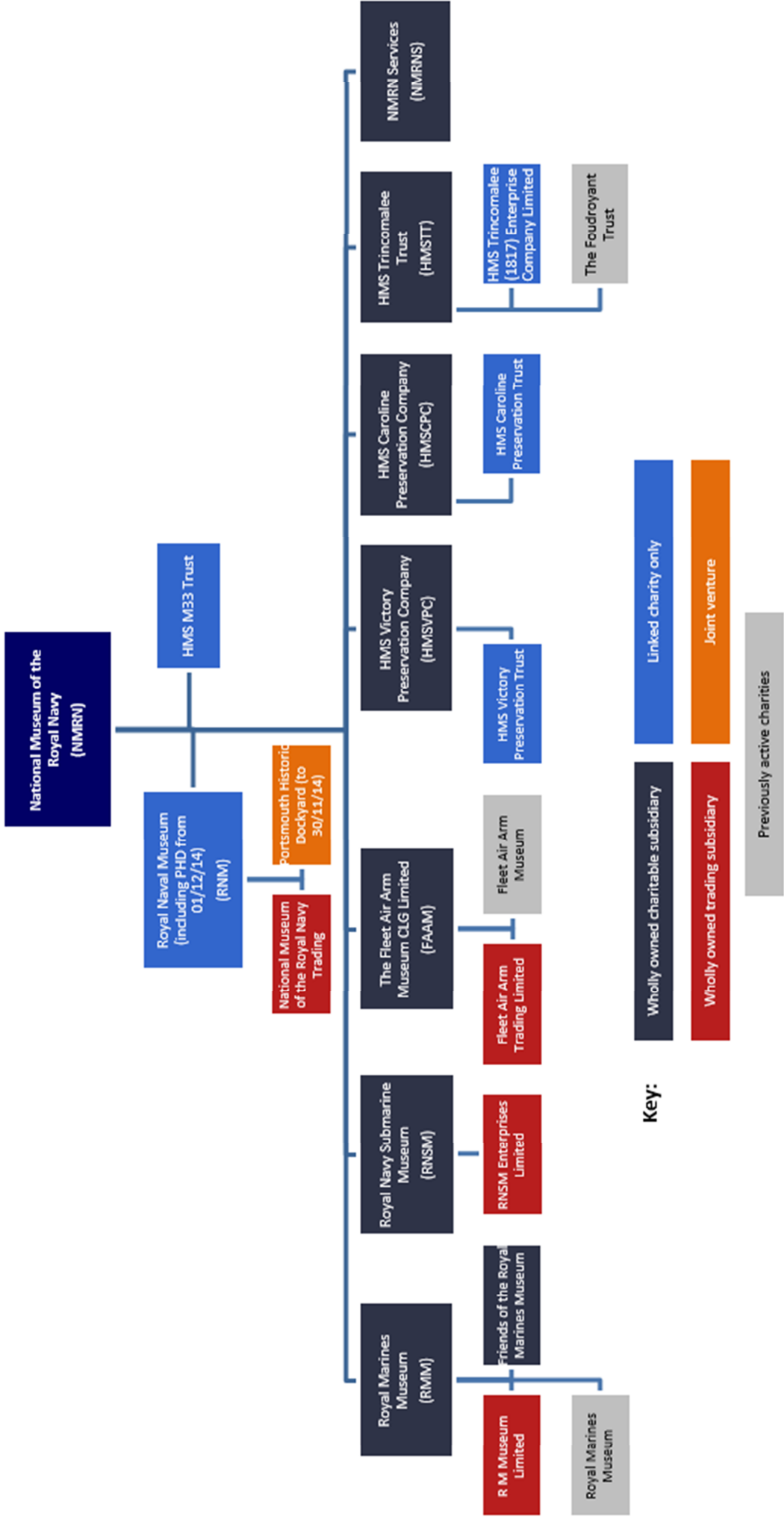
Auditors Comptroller & Auditor General
157 - 197 Buckingham Palace Road
Victoria
London SW1W 9SP

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

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

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Organisation chart



Key:

- Wholly owned charitable subsidiary
- Wholly owned trading subsidiary
- Previously active charities
- Linked charity only
- Joint venture

The National Museum of the Royal Navy
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Report of the trustees (incorporating the directors' report)
for the year ended 31 March 2015

The Trustees present their report and the financial statements for the year ended 31 March 2015. The Trustees, who are also the members and directors of The National Museum of the Royal Navy [the company] 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 1. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit.

Structure, governance and management

The company is governed by its Articles of Association, which incorporates its charitable objects, the powers of the company and provides for the appointment and re-appointment of directors. Trustees are appointed in accordance with the guidelines issued by the Office of the Commissioner for Public Appointments (OCPA).

The governing body is the Board of Trustee Directors, who are also members of the company and comprise 15 in number.

The National Museum of the Royal Navy Group [the National Museum] consists of the company itself and by virtue of its controlling interest, the four Naval Service museums: the Royal Naval Museum (a linked charity as sole corporate Trustee), the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum (as the controlling corporate member) and each of their subsidiary trading companies. The Royal Naval Museum, as the National Museum of the Royal Navy (Portsmouth), also operates Explosion! The Museum of Naval Firepower and HMS Victory as visitor attractions and from December 2014, has also operated Portsmouth Historic Dockyard. The group also includes the HMS Victory Preservation Company (and Trust), the HMS Caroline Preservation Company (and Trust), the HMS Trincomalee Trust, the HMS M33 Trust and the NMRN Services Company.

Trustee induction and training procedures

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

Objectives and activities

The charitable objectives of the company, as defined in the Articles 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 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.

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Vision and Mission

In order to deliver its objects, the vision of the company 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 time 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

A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. In their charitable objects, the companies seek to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encouraging the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The National Museum operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The National Museum offers workshops to schoolchildren in support of the National Curriculum, operates community outreach programmes in the local areas for children, their parents and carers, and hosts foreign language school pupils. The National Museum's activities are supported by a team of 250 volunteers providing 32,385 hours of work, assisting in a range of tasks including collections management, restoration of objects, conservation, learning, guiding and tours. Current capital projects focus on preserving historic ships of national importance (HMS Monitor M33, HMS Caroline, LCT 7074) and the restoration of the world's only Fairey Barracuda DP872 torpedo bomber.

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STRATEGIC REPORT

Achievements and Performance

The wider network of charities and companies within the National Museum

Deeper integration of the National Museum has continued throughout 2014-15. The replication of staff functions within the companies which supported the five separate museum sites, has now been reshaped to a functional structure, with the majority of staff transferring (under Transfer of Undertakings (Protection of Employment) Regulations 2006) into the company or NMRN Services from 1 April 2014, to enable outputs to be delivered across the National Museum in an efficient and coherent manner. The National Museum's day to day operations are now overseen by the Executive Directors within the context of an overarching strategy framework, and the development of a suite of Group policies and procedures for human resources, finance, information technology, operations, learning, collections management and volunteering matters has continued to progress.

On 31 March 2015, the trading subsidiaries of the Royal Naval Museum, the Royal Marines Museum and the Royal Navy Submarine Museum were integrated, transferring their trade, assets and liabilities into the National Museum of the Royal Navy Trading.

HMS Caroline

On 15 October 2014, the Heritage Lottery Fund (HLF) announced a successful Round 2 outcome for the HMS Caroline Project. The HLF Letter of Offer (LOO) of 12 November 2014 confirmed the largest ever grant awarded to Northern Ireland of £11,450,000 and this was matched by £2,700,000 from the Northern Ireland Government (Department of Enterprise, Trade and Investment (DETI) and Tourism Northern Ireland (TNI)). This is the largest HLF award ever given to Northern Ireland.

This was the culmination of 5 years' work to save Caroline with notable land marks along the way. On 11 October 2012 the National Heritage Memorial Fund (NHMF) awarded a grant of £1,092,000 to save HMS Caroline in Belfast, Northern Ireland; followed by a successful Round 1 outcome announced on 9 May 2013 onboard HMS Caroline. Both NHMF and HLF awards were conditional upon the transfer of title of HMS Caroline from the MoD to the National Museum; this was completed on the 18 November 2013, after a period of lengthy negotiation at Ministerial level.

Portsmouth Historic Dockyard

The trustees of Portsmouth Historic Dockyard (a joint venture between the Royal Naval Museum, Portsmouth Naval Base Property Trust, the Mary Rose Trust and the Warrior Preservation Trust) determined that the charitable undertakings managed and operated by it could be more conveniently and efficiently managed and operated by the National Museum and therefore the company would best achieve its charitable objects by transferring those undertakings to the National Museum of the Royal Navy. This transfer of Portsmouth Historic Dockyard undertaking, as a going concern, took place on 1 December 2014 and included full title guarantee, free from all liens, charges and encumbrances, and all assets. From that date, the undertaking has been fully integrated into the National Museum's operations. The National Museum continues to work with the entities in Portsmouth Historic Dockyard (PHD) to take forward the Master Plan initiative to deliver the future strategy and brand identity for the site.

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Grant Programme

In this year, the Grant in Aid paid to the company has been retained by it and utilised to pay for staff costs under the new integrated structure. Grant in Kind has been disbursed, through Framework Agreements, to the four Naval Service Museums through availability of the National Museum's management, staff and resources to support the museums in the fulfilment of their objectives.

Visitor Services

From 1 April 2014 to 31 March 2015, there were 902,313 visits to the National Museum across its sites. This 18% increase in visitor numbers over last year was most evident in the Gosport museums, the Royal Navy Submarine Museum and Explosion! as a result of the opening of HMS Alliance, coupled with the inclusion of the museums within the Portsmouth Historic Dockyard "All Attractions" ticket and the provision of a free Waterbus service across the harbour from Portsmouth to Gosport. The Royal Marines Museum, Royal Navy Submarine Museum, HMS Victory and the Fleet Air Arm Museum have each received a TripAdvisor "Rating of Excellence" for consistently good reviews. The National Museum saw a 16% increase in the number of unique visits (954,734) to its websites and an upsurge in social media followers. In all, the National Museum reached an audience of 4,824,298 people. Press and PR coverage in broadcast, print media, trade and web realised £3,973,537 in Advertising Value Equivalent, a 2% increase on last year. The National Museum also appeared on several major TV programmes, including Heir Hunters, Coast and Gardens from Above.

Learning and Access

During this year the National Museum provided 38,263 formal learning visits to schools, colleges and universities across our sites. The amount of time Learning Staff were engaged in direct delivery to schools, colleges and universities equated to over 85,014 contact hours with 1,101 school workshops and 729 curriculum-linked tours delivered across the museums. A further 42,573 foreign language school pupils visited the National Museum.

Across our five sites the National Museum's team delivered almost 1,083 learning activities to adult, community and family audiences – participants in these activities totalled 49,291. These included Community Roadshows, family holiday activities and special interest tours as well as special projects and events delivered as part of the Heritage Lottery Funded HMS – Hear My Story and M33 Projects at the National Museum of the Royal Navy in Portsmouth.

Exhibitions, Collections and Scholarship

In addition to enhancements of exhibitions, the National Museum has invested in developing a significant series of special exhibitions during the year, with a particular focus on marking centenaries relating to 'The Great War at Sea'.

'Weighing Anchor: An Artist at Sea Onboard HMS Argyll and Tireless' - National Museum of the Royal Navy, Portsmouth December 2014 – March 2015

This exhibition of paintings and drawings by the artist Jules George attracted £15,000 grant funding from the Arts Council

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'Gallipoli Myth and Memory' - National Museum of the Royal Navy, Portsmouth opened March 2015 to run to January 2016

This exhibition tells the Royal Navy's story of the bloody and failed Gallipoli Campaign of 1915. Gallipoli is a misunderstood story, generally understood to have been courageously fought by Australians and New Zealanders, and lost by bungling British generals. Almost always overlooked is the naval dimension. Gallipoli began life as a naval campaign. Developed by Winston Churchill, the First Lord of the Admiralty Winston Churchill and his friend and mentor, the First Sea Lord Admiral 'Jacky' Fisher, the plan was to open a new front and break the deadlock on the Western Front by sea power alone. However even after the focus of the struggle had switched to the murderous trench fighting ashore, the army was sustained, supported, moved, supplied and eventually evacuated by all branches of the naval service.

'First In, Last Out' - Royal Navy Submarine Museum opened March 2015 to run to 2016

This new exhibition focuses on the role of the Royal Navy's submarines during the First World War. Drawing on every aspect of the collections, objects, photographs, rare moving images and personal accounts, this is a story of extraordinary courage and daring.

'The Royal Naval Air Service in the Dardanelles' – Fleet Air Arm Museum

As part of the wider Gallipoli programme this temporary exhibition will focus on the role of the Royal Naval Air Service in the 1915 Dardanelles campaign. Telling the stories of courage and endurance from the aircrews and ground personnel who battled not only with enemy action but trench warfare, disease and the psychological pressures of war - from reconnaissance during the early bombardments through to bombing strategic targets and limiting enemy reconnaissance during preparations for the evacuation.

The National Museum continues to invest in building and creating collections which can tell our very significant story. Artefacts vary hugely in scale and come from many different sources – through transfer, purchase, donation and direct commission. At one end of the scale, Hampshire County Council transferred the 580 ton First World War monitor HMS M33, and the vital supporting research archive, to the National Museum in May. At the other end, we have benefited greatly from personal generosity of donors; just one example is the personal collection of Royal Marine Eric Raymond Hughes which contains not only his medals and papers, but also the prosthetic limb which he used following injury sustained at Salerno in 1943. Significant purchases have been made in the sale room, alongside artistic commissions which include a bronze bust of the extraordinary pilot Eric 'Winkle' Brown by the artist Jenna Gearing. The focus of conservation work has been on items prepared for exhibition – a prime example is the painstaking restoration of the builder's model of the pre-dreadnought battleship HMS *Swiftsure* of 1903. This was transferred to the National Museum from the Imperial War Museum in 2013, still in the original crate in which it was placed following bomb damage in the Second World War, but has now been seen by many 10,000's of visitors in the 'Gallipoli: Myth and Memory' exhibition.

The National Museum is actively researching its ships, aircraft and collections. HMS Victory has benefited from a range of research work which recognises its importance as both a heritage and archaeological asset. Studies into shipwrights' marks, painted surfaces, dendrochronology, and a 3 Dimensional laser scan survey have added immeasurably to our knowledge of the structure of the ship and how it interacts with the

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environment and has been instrumental in informing the Programme Plan for the ship's conservation and stabilising its structure. We also continue to promote the research and scholarship of others; a successful series of 8 seminars presented new research on aspects of naval history, between October 2014 and June 2015.

The National Museum continues to expand its portfolio of books on the history of the Royal Navy, the first three have been published and there are eleven to follow. The National Museum continues its policy of building its collections for the future. Significant additions (a number of which have been able to go straight on to public view) include: a large collection of photographs relating to HMS Caroline; an oil painting by John Schetcky, 'The Frigate Pique being re-floated off Labrador, 1835'; an oil painting by Charles William Wyllie, 'The Dying Giant'; a Portrait bust of Sir Philip Watts; the bell from the König class Battleship, SMS Grosser Kurfürst (The Great Elector); and a nightie, made from a White Ensign and given to the wife of the submarine Commander ACC Miers, VC RN. The Collections, Research, Learning and Access Committee, under new Chairmanship, continues to develop the National Museum's strategic approach to collections policies and the National Museum continues in its academic partnerships with Portsmouth and Birmingham Universities, to name but two.

Affiliates

The National Museum's affiliation programme continues to expand with both new additions and as longer term affiliations deepen and develop. The regional partnership with Hampshire County Council to deliver HMS M33 in Portsmouth has progressed well with the ship opening to the public in August 2015. Progress is being made with the partnerships with the Department of Enterprise, Trade and Investment in Northern Ireland for HMS Caroline and Hampshire County Council to deliver HMS Monitor M33 in No 1 Dock in Portsmouth. We continue to explore regional relationships with Hull City Council and Hartlepool Borough Council.

Capital Projects

The HMS Caroline project is now fully funded with NHMF, HLF and Northern Ireland grants totalling £15,242,000. The permission to start the delivery phase has, however, been delayed by difficulties over securing the lease arrangements necessary for the capital funding from both HLF and DETI/TNI to be released. This is very likely to result in additional costs to the project.

An application was submitted to the Heritage Lottery Fund in November 2014 for the 'Sea More' project which will secure the future of the National Museum's collections within a unified 'Centre for Discovery' and will include the relocation of the Royal Marines Museum into Portsmouth Historic Dockyard. This application was considered by the Heritage Lottery Fund Trustees on 28 April 2015, but unfortunately, whilst it was supported in principle there were 'insufficient funds' to support the scheme in this round. Following more detailed feedback the Collections Relocation Steering Group will be considering the timetable and plan for further progress.

The D-Day Landing Craft LCT7074 was raised from Birkenhead Dock and transported to Portsmouth following a successful NHMF application. Work is now underway to develop a programme of restoration and reinterpretation for this important vessel.

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Related Parties

The related parties of the National Museum of the Royal Navy are disclosed in note 31 to the accounts.

Financial Review

Results for the Year Ended 31 March 2015

Total incoming resources for the National Museum in 2014-15 amounted to £18,094,350 (2013-14 £22,146,148). In addition to Grant in Aid, a large proportion of this inflow is exceptional and relates to the donation of the ship HMS M33 to the HMS M33 Trust, and grant income for the capital projects – HMS Victory, HMS M33, HMS Caroline, and LCT 7074.

Total resources expended for 2014-15 amounted to £17,961,227 (2013-14 £13,437,244). After adjustment for other recognised gains and losses totalling £5,972,409 and reserves acquired on acquisition of Portsmouth Historic Dockyard and HMS Trincomalee Trust of £22,064,870, the net movement in funds for the year was an increase of £6,105,532. It should be noted that this is not a true reflection of underlying operating surplus, but has arisen from the movement in other restricted funds (described in the first paragraph above).

This surplus on restricted funds will reduce in future years as increasing expenditure on the preservation of HMS Victory, HMS M33, HMS Caroline, and LCT7074 and depreciation on the capital expenditure is expensed through the SOFA. The endowment fund surplus should remain on the Balance Sheet for the foreseeable future, as will the gifts of the Ships, as the Ships are heritage assets and will not be depreciated.

The National Museum's net assets as at 31 March 2015 amounted to £145,702,006 (2013-14 £117,531,604 *restated*).

Changes in Fixed Assets

Movements in fixed assets are shown in note 16 to the accounts. Major movements in the year were the addition of HMS M33 to the HMS M33 Trust, the acquisition of HMS Trincomalee through its Trust, the completion of the 'Hear My Story' project in the Royal Naval Museum, and a prior period adjustment for the revaluation of HMS Alliance in the accounts of the Royal Navy Submarine Museum.

Policy on Unrestricted Reserves

The Trustees continually monitor the levels of the company's reserves and seek to take corrective action as necessary. The Group policy is that each company should build free reserves sufficient to cover essential operating costs for a three month period should the company be unable to operate, covering liabilities and deficits; provide income; and to provide working capital. The company seeks to build a 'free reserve' in accordance with Group policy and defined as the amounts shown as Net Current Assets in the accounts of the company, and which are attributable to Unrestricted Funds.

The company receives no income other than gift aid from the trading subsidiary NMRN Trading, donations and Grant in Aid (GiA) from the MOD. Under the current terms of the Financial Framework with the MOD,

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the company is only permitted to carry over a maximum 2% of the National Museum's total GiA into the next financial year and this carry forward may be taken into account in reducing the following year's GiA. If not carried forward, the balance of GiA not spent must be repaid to the MOD. Based on the 2014-15 GiA of £3.45m the maximum carry forward is in the order of £69K. As such, the company's ability to build its reserves is limited.

The company's reserves are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands. As at 31 March 2015, the level of the company's free reserves stood at (£566,013) (31 March 2014: £51,157). The negative position of the company's reserves arises from an accrual of £507,335 for redundancies identified in 2014-15 but taking effect in 2015-16. A group wide structural reorganisation took place, resulting in 30 redundancies identified within the financial year and 2 more after the financial year end; the majority of these redundancies were voluntary. The restructure was aimed at developing collaborative working across Directorates and with stakeholders and wider business partners and delivering operational efficiencies. The exercise resulted in operating cost savings of approximately £600,000 (staff and non-staff costs) in 2015-16 and future years and will address the reserve position. The MOD was unable to directly support this exercise and in 2015-16 it has been necessary for the company to enter into commercial borrowing to meet the redundancy costs.

The Trustees are content that the going concern basis continues to apply as both expenditure and the cash flow position are carefully monitored to minimise these risks and the corrective actions taken will address the reserve position.

Investment Policy

The only substantial investments within the National Museum are those of the HMS Victory Preservation Company. In light of the subsequent investment of funds held by HMS Victory Preservation Company, the Trustees of the HMS Victory Preservation Company have developed a formal Investment Policy which will operate in line with the Reserves Policy. This was approved at a Trustees' meeting of HMS Victory Preservation Company on 13 March 2014 and is as follows:

Investment Objectives

The Company seeks to produce the best possible financial return within an acceptable level of risk.

The investment objective is to generate a total return of inflation plus 3% per annum over the long term. Returns from these funds are required to maintain HMS Victory in perpetuity and it is therefore essential to invest with a long term perspective. If achieved, the Company should be able to maintain the value of its investment portfolio while funding annual expenditure for maintenance and repair in the region of 3% of capital per annum.

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

Attitude to Risk

The Company relies on the investment return to fund its objective. The key risk to the long term achievement of its objective is inflation, and the assets are invested accordingly. The Trustees understand that this will

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mean that investments are likely to be predominantly invested in equities, where dividends can be expected to grow, and that capital value will fluctuate. The Company's attitude to risk is therefore described as progressive.

Assets

The Company's assets can be invested widely and are expected to be diversified by asset class, by manager and by security. Asset classes can include cash, bonds, equities, property funds, hedge funds, structured products, private equity, commodities and any other asset class that is deemed suitable for the Company. The Trustees do not wish to invest in direct property.

Payment of Creditors

The National Museum 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 2014-15 was that these criteria were met in 82.36% of all bills paid (2013-14 94.23%). The Royal Naval Museum's payment performance during 2014-15 was that these criteria were met in 77.77% of all bills paid (2013-14 91.17%). The introduction of a new finance and workflow system in April 2015 will enable this performance to be significantly improved.

Sickness Absence data

During 2014-15 the company has employed, on average, 72 members of staff (a total of 67.5 full time equivalents) and a further 11 (7.8FTE) on the Royal Naval Museum payroll. The company monitors sickness absence as part of its Human Resources processes. A review is underway to design a new Attendance Management process for the National Museum which will see the introduction of triggers used for managing short term sickness absence as well as focusing on supporting health and wellbeing at work to help staff attend work on a regular basis. During 2014-15 there were 370 (full time equivalent) days lost to sickness absence of which 111 (full time equivalent) days were for long term absences (i.e. sickness absence of 28 days or more). These long term absences related to stress/ depression (non-work related).

Personal data loss

The company has not identified any personal data related incidents during 2014-15 or in the previous 7 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

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

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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 33 to the accounts.

Plans for Future Periods

The National Museum will continue to work to identify opportunities for closer integration across the Group to realise benefits from operating as a larger organisation, improving value for money, our visitor experience, transforming access to our collections and demonstrating greater cohesion in the delivery of our charitable objects.

As we look towards future periods, we see many opportunities on the horizon including the public opening of HMS Monitor M33, allowing visitors to go aboard for the first time and experience her contributions to the Gallipoli Campaign of 1915; the restoration of HMS Caroline, the last survivor of the First World War British Grand Fleet on the 100th Anniversary of the Battle of Jutland; the preservation and interpretation of the D-Day landing craft LCT7074; and a major exhibition to commemorate the centenary of the Battle of Jutland (31 May 1916). We are developing a new interpretation strategy for HMS Victory for Spring 2016 which sets out a robust and rigorous framework for future presentation of the ship and its history. This will be extended to include a phased plan of work up to 2018 which will intensify the focus for what visitors see on the ship, and in both the Sir Donald Gosling Victory and the Trafalgar Sail Galleries. We are continuing to explore options for improving the long term financial sustainability of HMS Trincomalee including the opportunity to merge its operations with the Hartlepool Maritime Experience to bring a unified vision to the presentation and marketing of the site, ahead of its bicentenary in October 2017.

The Sea More project will transform access to the internationally significant naval collections and to their stories in Portsmouth Historic Dockyard. It realises the National Museum's radical goal of having 30% of its collections on public display, is the first major project born from its new unified structure, and provides leadership to partner organisations by delivering new ways of engaging audiences. The project will digitise and make a significant part of this heritage accessible online. It will unite collections in an exceptional 'Centre for Discovery', enabling visitors to dive into or immerse themselves in the heritage and contribute their own story. It creates an exciting New Royal Marines Museum with a Discovery Zone to connect visitors to the Centre. This connection provides a new model to link visitors from the ships, museums and buildings across the site to their related collections in the Centre, engaging and connecting audiences and world-class naval heritage.

A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK and globally. As we develop links with new affiliates, we will continue to maintain active discussions with the Frigate Unicorn, the Wellington Trust, RML 526 and the Medusa Trust, as well as supporting the Scottish Submarine Museum initiative. We will continue to develop our formal affiliation with Portsmouth's D-Day Museum to increase the understanding and importance of the Navy to Britain's wartime heritage. We continue to develop partnerships with universities including Portsmouth University's History Department and Birmingham University's Engineering Department.

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Report of the trustees (incorporating the directors' report)
for the year ended 31 March 2015

We will also seek to deepen our relationship with the American Friends of the National Museum of the Royal Navy, who have agreed a key role to play in our fundraising efforts in USA in 2015 as well as general awareness raising.

Principal Risks and Uncertainties

The principal risks faced by the National Museum continue to centre around future income streams. Grant in Aid, provided by the Ministry of Defence, remains a major source of funds for the National Museum. This source of funding is subject to a triennial agreement with a review planned for 2015. The National Museum is seeking to establish an early dialogue with the Ministry of Defence on future funding requirements and is continuing to develop its Finance Strategy supported by a mid to long-term budget that builds financial sustainability and flexibility. A significant organisational restructure was delivered in 2015, to reduce operating costs and establish a sustainable but flexible staffing structure for future years. Further financial risk arises from the volatility of admissions numbers and commercial activity impacting on revenue. Strategies continue to be developed to strengthen brand loyalty, ensure appropriate pricing to balance visitor attraction with revenue generation and develop the commercial offering. Funding and effective control of major capital projects will always present a risk to the National Museum. This is mitigated through the establishment of a robust project management framework, appropriate governance and oversight for all major projects, and the ongoing development of cash flow forecasting that reflects operational and major project demands and fundraising requirements.

Auditors

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

So far as 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.

On behalf of the board

Admiral Sir Jonathon Band GCB DL
Chairman

Date: 25th November 2015

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 25th November 2015

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Remuneration Report
for the year ended 31 March 2015

This Report has been prepared in accordance with the Government Financial Reporting Manual, which requires disclosure of information about directors' remuneration where 'directors' is interpreted to mean the chairman, chief executive, and those persons having authority or responsibility for directing or controlling the major activities of the National Museum of the Royal Navy as a whole.

Remuneration Policy

The Nomination and Remuneration Committee meets annually to consider the pay award for the Director General. Following integration of the Group structure from 1 April 2014, the Committee is also responsible for setting the pay for the Executive Team. The Committee comprises the Deputy Chairman of the Board of Trustees and three other Trustees. The Director General is entitled to a non-consolidated performance related bonus set by the Committee annually and based on performance in the year against the Objectives and Key Priorities in the Corporate Plan and his significant personal contribution towards the achievement of key areas of work. Non-consolidated performance related bonuses may also be awarded to other members of the Executive Team based on exceptional performance.

Salary and pension entitlements

The audited salary and pension entitlements of senior staff with authority or responsibility for directing or controlling the major activities of the National Museum of the Royal Navy as at 31 March 2015 were as follows:

	Salary £'000		Benefits in kind £'000		Bonus Payment £'000		Pension benefits £'000		Total £'000	
	2014 -15	2013 -14	2014 -15	2013 -14	2014 -15	2013 -14	2014 -15	2013- 14	2014 -15	2013 -14
D Tweddle Director General	100- 105	100- 105	Nil	Nil	Nil	8	10	10	110- 115	115- 120
G Dobbin * Deputy Director General	210- 215	N/A	Nil	N/A	Nil	N/A	15	15	225- 230	N/A
S Dennis Director of Finance	75-80	N/A	Nil	N/A	Nil	N/A	8	N/A	80-85	N/A
G Mottram * Director of CLRA	120- 125	N/A	Nil	N/A	Nil	N/A	14	14	135- 140	N/A
R Bruce ** Director of Operations	30-35	N/A	Nil	N/A	Nil	N/A	6	N/A	40-45	N/A
A Dufosse ** Director of FRMC	50-55	N/A	Nil	N/A	Nil	N/A	Nil	N/A	50-55	N/A

* G Dobbin and G Mottram left the employment of NMRN in February and March 2015 respectively. The figures disclosed include salaries, (in the range £70-75,000 and £60-65,000, respectively), and redundancy and other departure costs that have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. (See table 'Reporting of Civil Service and other compensation schemes - exit packages' on page 17.)

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for the year ended 31 March 2015

** R Bruce and A Dufosse left the employment of NMRN during the year and these figures have been annualised.

The Director General and the Executive Directors did not receive any Benefits in Kind. Pension benefits are provided through a defined contribution pension scheme.

For 2014-15, employer's pension contributions of £10,087 (2013-14: £10,012) were payable in accordance with the Director General's contract.

Pay multiples

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.

Band of Highest Paid Director's total remuneration	2014-15	2013-14
£'000	100-105	105-110
Median total remuneration (£)	24,425	16,501
Ratio	4.1	6.2

The banded remuneration of the highest paid director in the financial year was £100-105k (2013-14 £105-110k). This was 4.1 times the median remuneration of the workforce which was £24,425 (2013-14 £16,501). During 2014-15, following the Integration programme, payrolls were centralised in NMRN and NMRN Services. The mix of payroll remaining in NMRN had a higher average salary than the population in the previous year.

In 2014-15, no employees (2013-14 Nil) received remuneration in excess of the highest paid director.

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

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

Pension benefits

	Accrued pension at pension age as at 31 March 2015 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31 March 2015	CETV at 31 March 2014	Real increase in CETV	Employer contribution to pension account
	£'000	£'000	£'000	£'000	£'000	£'000
G Dobbin * Deputy Director General	115	12	571	492	53	15
G Mottram ** Director of CLRA	137	3	696	686	13	14

* G Dobbin left the employment of NMRN in February 2015

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** G Mottram transferred to NMRN after March 2014, and left the employment of NMRN in March 2015
No Cash Equivalent Transfer Values (CETV) are disclosed for the remaining senior staff as they are not members of the Principal Civil Service Pension Scheme, and any defined contribution scheme in which they may be a member is not funded by the exchequer.

Principal Civil Service Pension Scheme (PCSPS)

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

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefits schemes; either a 'final salary' scheme (classic, premium, or classic plus) or a 'whole career' scheme (nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus and nuvos are increased annually in line with Pensions Increase Legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 1.5% and 6.85% of pensionable earnings for classic and 3.5% and 8.85% for premium, classic plus and nuvos. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 calculated as in premium. In nuvos a member builds up a pension based on pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

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

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus and 65 for members of nuvos.

Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

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New Career Average pension arrangements will be introduced from 1st April 2015 and the majority of classic, premium, classic plus and nuvos members will join the new scheme. Further details of this new scheme are available at www.civilservicepensionscheme.org.uk/members/the-new-pension-scheme-alpha/

Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service Pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

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Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	2014-15			2013-14		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	Nil	Nil	Nil	Nil	Nil	Nil
£10,000 - £25,000	Nil	Nil	Nil	Nil	Nil	Nil
£25,000 - £50,000	Nil	Nil	Nil	Nil	Nil	Nil
£50,000 - £100,000	Nil	1	1	Nil	Nil	Nil
£100,000 - £150,000	Nil	1	1	Nil	Nil	Nil
£150,000 - £200,000	Nil	Nil	Nil	Nil	Nil	Nil
Total number of exit packages	Nil	2	2	Nil	Nil	Nil
Total cost /£	£Nil	£211,912	£211,912	£Nil	£Nil	£Nil

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the department and not by the Civil Service pension scheme.

Trustees

No Trustees received remuneration during the year (2014: Nil). Four Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £799 (2014: £1,798), and no Members of the Management Board of the Royal Naval Museum were reimbursed for travel expenses (2014: £786).

Admiral Sir Jonathon Band GCB DL
Chairman

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 25th November 2015

Date: 25th November 2015

The National Museum of the Royal Navy
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Statement of Board of Trustees' and Accounting Officer's Responsibilities for the year ended 31 March 2015

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 Permanent Under-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;

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Statement of Board of Trustees' and Accounting Officer's Responsibilities
for the year ended 31 March 2015

- 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
Chairman

Date: 25th November 2015

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 25th November 2015

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Governance Statement
for the year ended 31 March 2015

1. 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 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.

2. 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 and its committees.

3. 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 and members of the company for the purposes of the Companies Act 2006.

The Board of Trustees meets 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 undertakes an annual appraisal of its performance and effectiveness and periodically reviews its membership and skills set, making new appointments 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 museums is responsible for review of performance against objectives set and governance issues which are clearly set out between the NMRN and its constituent members.

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Strategy for the group is developed through the various sub-committees of the Board (set out below) for ultimate presentation to the Board of Trustees. Responsibility for implementation, delivery and day-to-day operations lies with the executive team.

Quality of data

All data is passed through the relevant committees which have the specific membership and skill sets to enable 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 Grant in Aid (GIA) to meet the Strategic Objectives of the NMRN.
- 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 and Governance 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 the effectiveness of the system of internal controls and all auditing, risk management and governance aspects of the company, reporting back to the Board when necessary.

Nomination & 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 sub-committees; and determining and making recommendations to the Board on the performance and remuneration of senior NMRN staff.

The Trustees recognise the pay guidance issued by HM Treasury, and the tight restraint called for in the current economic climate. This year the NMRN payrolls were increased by a 1.0% annual award, in line with Treasury guidelines.

Salaries within the organisation, where comparable, remain well within the limits outlined in the Financial Framework, which requires that salaries should be not greater than those paid for equivalent MoD roles.

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During this year there has been a programme of integration of staff across all museums, which has necessitated a small number of redundancies. Generally, severance payments relating to these redundancies were limited to statutory and contractual obligations. There were no special payments requiring approval by Treasury.

Integration Committee

This committee was established in October 2013 as the successor to the Convergence Project Board. It supports and assists the implementation of the NMRN Integration Project in line with guidelines set out by the Board, monitoring progress, ensuring coherence between the various components of functional integration, and advising the NMRN Board and Boards of the constituent museums on appropriate structural and governance options.

Membership and attendance at Board, Development and Finance, Audit and Governance, Nomination and Remuneration, and Integration Committee meetings:

National Museum of the Royal Navy	Board of Trustees	Development and Finance Committee	Audit and Governance Committee	Nomination and Remuneration Committee	Integration Committee
Total number of meetings in the period	5	4	4	5	4
<u>Chairman:</u> Admiral Sir Jonathon Band GCB DL	4/5	4/4	-	-	-
<u>Trustees:</u>					
Mr M Bedingfield	5/5	-	-	-	-
Mr J R Brookes OBE	5/5	3/4	-	5/5	-
Captain Dan Conley	3/3	-	-	-	-
Professor John Craven CBE	4/5	4/4	4/4	-	-
Sir Robert W K Crawford CBE	3/5	3/4	-	-	-
Rear Admiral T Cunningham	1/1	-	-	-	-
Mr A N R Davidson	3/4	3/3	3/3	-	-
Lieutenant General Sir Robert Fulton KBE	1/4	-	-	-	-
Mr M Gambazzi	5/5	4/4	-	5/5	4/4
Rear Admiral Terence W Loughran CB	4/4	-	-	-	-
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	5/5	4/4	-	5/5	-
Vice Admiral Sir Tim McClement KCB OBE	3/3	-	-	-	-
Ms K A Marshall	5/5	-	3/4	5/5	-
Major General J Mason	1/2	1/1	-	-	-
Mr T Schadla-Hall	5/5	1/4	-	-	-
Mr G Whitter	2/2	2/2	1/1	-	-
Dr Caroline Williams	2/5	-	-	-	-
Mr Charles Wilson	3/5	4/4	-	-	-

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<u>Non- Trustees:</u>					
Ms V Hardman	-	2/3	-	-	-
Mr R Hatfield	-	4/4	-	-	-
Mr G Whitter	-	-	3/3	-	-
Dr M Copp	-	-	4/4	-	-
Mr M Hagen	-	-	-	-	-
Mr P Webb	-	-	-	-	2/4
Mr K Morris	-	-	-	-	3/4
Mr M Caroe	-	-	-	-	-
Mr S Face	-	-	-	-	3/4
Mr J Rawlinson	-	-	-	-	4/4
Mr K Robinson	-	-	-	-	4/4
Mr C Tite	-	-	-	-	-

Other Committees of the Board are:

Collections, Research, Learning and Access Committee:

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

- To articulate the Acquisitions, Disposals and Loans Policy for the NMRN, establishing such procedures as required.
- 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.
- 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.

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- 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, ensuring that it is 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.
- To make 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.

Operations and HR Committee

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

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

During the year these matters were covered by the Committee.

Day to day operation of the National Museum is the responsibility of the Director General who is appointed by the Trustees and who is also the Accounting Officer of the organisation. The Director General attends Board meetings of all four component museums (as a Trustee). He also attends the National Museum's committees.

4. 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 2015 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

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Governance Statement
for the year ended 31 March 2015

5. Capacity to handle risk

For the year ended 31 March 2015 each directorate and key project had a live Risk Register relevant to their specific operations. This has been developed into a Strategic Risk Registers, which identify the key risks relevant to the successful continuation of the company's current operations and its future development. Risk Management is incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key decisions. The Risk Management policy identifies responsibilities, strategies and reporting of risk management across the Group.

6. The risk and control framework

The management of risk is exercised through the company's executive team which reviews on a regular basis the company's principal activities and events, with associated risks. The Board of Trustees receives periodic reports on the strategic risks and also risks relating to key decisions and the steps being taken to mitigate 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 team within the company which has 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.

An internal audit function was in place for the year and completed a programme of work in accordance with a plan approved by the Audit and Governance Committee in accordance with the recognised professional auditing standards from the Chartered Institute of Internal Auditors and the Public Sector Internal Audit Standards. In their report to the Audit and Governance Committee (27 May 2015), the internal auditors were able to provide reasonable assurance that in the year ended 31 March 2015 there was a generally sound system of internal control, designed to meet the organisation's objectives, and that controls were being applied consistently. However, within this opinion the internal auditors were only able to provide limited assurance over the controls in place within the Fleet Air Arm Museum, based on deficiencies in financial controls in relation to income and cash collection and the payroll processes. Action has been taken to transfer responsibilities for income, cash collection and payroll processes into the central NMRN team and processes from October 2015 to resolve these control weaknesses. The organisation had made satisfactory progress in implementing recommendations made by the internal auditors over the course of this and last years.

7. Review of effectiveness

The review of the effectiveness of the system of internal controls is exercised through the Audit and Governance Committee. This Committee is chaired by a Trustee of the Main Board who is a Chartered Accountant and Chartered Tax Advisor with considerable experience of the charity sector. The Chair is supported by members with a breadth of relevant experience and the Director General as Accounting Officer and the Finance Director report to each meeting. The meeting are also attended by the internal and external auditors. The Committee reports directly to the Board of Trustees. This Committee has visibility across the

The National Museum of the Royal Navy
(A company limited by guarantee)
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Governance Statement
for the year ended 31 March 2015

whole sphere of company internal management and is continuing to develop 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.

8. Risk Assessment and summary of key risks for the year

The National Museum's Strategic Risk Register focuses on the current financial climate and its risk to funding. The NMRN will always be at risk from the volatility of admissions numbers and the impact on revenue, which it seeks to mitigate through developing new major projects to extend its reach and encourage repeat visitors, combined with effective site marketing and pricing strategies. The National Museum is about to enter a triennial review of its funding deal with the Ministry of Defence and any diminution of funding will clearly impact its ability to deliver the range of attractions and services through which it meets its charitable objects. The National Museum also considers the risk to corporate knowledge and reputation to be significant through ability to attract, retain and train appropriately qualified and experienced staff and is developing a comprehensive suite of Human Resources policies and procedures to mitigate these, including learning and development and succession strategies and plans.

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.

Admiral Sir Jonathon Band GCB DL
Chairman

Date: 25th November 2015

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 25th November 2015

The National Museum of the Royal Navy
(A company limited by guarantee)
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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 2015 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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 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, Organisation Chart, Trustees Report (incorporating the Strategic Report), Remuneration Report, Statement of Trustees' and Accounting Officer's Responsibilities and Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

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.

The National Museum of the Royal Navy
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Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the National Museum of the Royal Navy's and group's affairs as at 31 March 2014 and of its incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the financial statements have been properly prepared in accordance with the Companies Act 2006.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in information in the sections entitled Legal and administrative information, Organisation Chart, Trustees Report (incorporating the Strategic Report), Remuneration Report, Statement of Trustees' and Accounting Officer's Responsibilities and Governance Statement 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; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date 3rd December 2015

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

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2015

	Notes	Unrestricted funds	£	Restricted funds	£	GIA Restricted funds	£	Other Restricted funds	£	Royal Naval Museum	£	HMS M33 Trust	£	Endowment funds	£	2015 Total	£	Restated 2014 Total	£
Incoming resources																			
Incoming resources from generating funds:																			
Voluntary income:																			
Grant in Aid (revenue)	2	-		3,333,147		-		-		-		-		-		3,333,147		3,565,734	
Grant in Aid (capital)	2	-		119,490		-		-		-		-		-		119,490		289,435	
Other donations and grants	2	138,405		-		2,007,933		3,629,257		1,092,378		-		-		6,867,973		11,490,045	
Legacies	3	3,000		-		-		-		-		-		-		3,000		19,261	
Investment income	4	389,080		-		194		7,845		-		-		215,979		613,098		716,125	
Income from charitable subsidiary	6	16,048		-		-		-		-		-		-		16,048		14,907	
Admissions	5	1,724,262		-		-		3,177,227		-		-		-		4,901,489		4,127,794	
Activities for generating funds:																			
Fundraising activities		97,862		-		-		91,270		-		-		-		189,132		157,906	
Income from trading companies and share of joint venture	6	1,106,151		-		-		-		1,379,166		-		-		2,485,317		2,199,579	
Other incoming resources		53,932		-		-		6,450		71,526		-		-		131,908		175,456	
		3,528,740		3,452,637		2,105,847		8,265,021		1,092,378		-		215,979		18,660,602		22,756,242	
Deduct share of joint venture income		-		-		-		(566,252)		-		-		-		(566,252)		(610,094)	
Total incoming resources		3,528,740		3,452,637		2,105,847		7,698,769		1,092,378		-		215,979		18,094,350		22,146,148	

The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2015

	Notes	Unrestricted funds	£	GIA Restricted funds	£	Other Restricted funds	£	Royal Naval Museum	£	HMS M33 Trust	£	Endowment funds	£	2015 Total	£	2014 Total	£
Resources expended																	
Costs of generating funds:																	
Fundraising:																	
Operating costs	7	367,904		218,737		4,511		411,973		-		-		1,003,125		752,658	
Investment management costs		1,265		-		-		300		-		226,962		228,527		208,823	
Charitable activities	8	2,674,521		3,488,509		575,303		7,589,111		-		-		14,327,444		10,244,165	
Governance costs	10	268,016		169,635		1,666		295,469		-		-		734,786		906,976	
Expenses of trading companies	6	944,256		-		-		715,696		-		-		1,659,952		1,317,836	
Expenses of charitable subsidiary	6	7,393		-		-		-		-		-		7,393		6,786	
Total resources expended		4,263,355		3,876,881		581,480		9,012,549		-		226,962		17,961,227		13,437,244	
Net incoming resources before transfers		(734,615)		(424,244)		1,524,367		(1,313,780)		1,092,378		(10,983)		133,123		8,708,904	
Transfer between funds		148,772		296,444		(2,221,926)		1,899,075		-		(122,365)		-		-	
Net incoming resources for the year		(585,843)		(127,800)		(697,559)		585,295		1,092,378		(133,348)		133,123		8,708,904	

The notes on pages 38 to 80 form an integral part of these financial statements.

**The National Museum of the Royal
Navy
(A company limited by guarantee)
Company number: 06699696**

**Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2015**

Notes	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
Other recognised gains and losses								
Realised gains on disposal of investment assets	-	-	-	(561)	-	419,258	418,697	409,574
Gains on revaluations of fixed assets for the company's own use	2,376,722	87,504	217,706	133,309	475,404	-	3,290,645	475,808
Share of results of Joint Venture	-	-	-	(45,263)	-	-	(45,263)	42,084
Gains on investment assets	15,547	-	-	-	-	2,292,783	2,308,330	429,133
Net movement in funds	1,806,426	(40,296)	(479,853)	672,780	1,567,782	2,578,693	6,105,532	10,065,503
Total funds brought forward	9,921,387	6,399,700	52,666,792	9,328,161	-	27,118,059	105,434,099	95,728,158
Reserves on acquisition	624,119	-	21,087,467	348,284	-	5,000	22,064,870	-
Prior year adjustment	-	-	12,097,505	-	-	-	12,097,505	11,737,943
Restated funds brought forward	10,545,506	6,399,700	85,851,764	9,676,445	-	27,123,059	139,596,474	107,466,101
Total funds carried forward	12,351,932	6,359,404	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006	117,531,604

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 notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Balance sheet (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) as at 31 March 2015

	Notes	2015		2014	
		£	£	£	£
Fixed assets					
Tangible assets	16		7,081,383		6,900,072
Heritage assets	16		2,225,801		488,327
Investment assets	17		-		24,479
Investment in joint venture			-		45,264
Total fixed assets			<u>9,307,184</u>		<u>7,458,142</u>
Current assets					
Stocks	18	459,374		410,354	
Debtors	19	3,431,620		2,455,312	
Cash at bank and in hand	20	2,753,031		1,897,329	
Total current assets		<u>6,644,025</u>		<u>4,762,995</u>	
Creditors: amounts falling due within one year	21	<u>(4,487,417)</u>		<u>(2,519,954)</u>	
Net current assets			<u>2,156,608</u>		<u>2,243,041</u>
Total assets less current liabilities			11,463,792		9,701,183
Creditors: amounts falling due					
Provisions for liabilities	23		<u>(135,257)</u>		<u>-</u>
Net assets			<u><u>11,328,535</u></u>		<u><u>9,701,183</u></u>
Funds					
Restricted funds:	24				
Grant (operating)			6,086		4,961
Grant (purchases)			86,344		56,555
Other restricted funds			2,868		260,349
Royal Naval Museum			10,349,225		9,328,161
HMS M33 Trust			1,567,782		-
Unrestricted funds			<u>(683,770)</u>		<u>51,157</u>
Total funds			<u><u>11,328,535</u></u>		<u><u>9,701,183</u></u>

The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Balance sheet (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) as at 31 March 2015

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

The financial statements were approved by the board on 20 October 2015 and signed on its behalf by

Admiral Sir Jonathon Band GCB DL
Chairman

Professor Dominic Tweddle
Director General and Accounting Officer

The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Consolidated Balance sheet
as at 31 March 2015

	Notes	2015		Restated 2014	
		£	£	£	£
Fixed assets					
Tangible assets	16		27,144,528		24,856,252
Heritage assets	16		72,496,696		49,630,759
Investment assets	17		34,871,263		31,967,251
Investment in Joint Venture			-		45,264
Total fixed assets			<u>134,512,487</u>		<u>106,499,526</u>
Current assets					
Stocks	18	7,389,698		7,485,133	
Debtors	19	4,150,652		3,178,118	
Cash at bank and in hand	20	4,897,132		3,749,820	
Total current assets		<u>16,437,482</u>		<u>14,413,071</u>	
Creditors: amounts falling due within one year	21	<u>(5,014,706)</u>		<u>(3,380,993)</u>	
Net current assets			<u>11,422,776</u>		<u>11,032,078</u>
Total assets less current liabilities			<u>145,935,263</u>		<u>117,531,604</u>
Creditors: amounts falling due after more than one year	22		(98,000)		-
Provisions for liabilities	23		(135,257)		-
Net assets			<u>145,702,006</u>		<u>117,531,604</u>
Funds					
Restricted funds:	24				
Grant (operating)			4,743,453		4,816,366
Grant (purchases)			1,615,951		1,583,334
Other restricted funds			85,371,911		64,764,297
Royal Naval Museum			10,349,225		9,328,161
HMS M33 Trust			1,567,782		-
Endowment funds			29,701,752		27,118,059
Unrestricted funds			12,351,932		9,921,387
Total funds			<u>145,702,006</u>		<u>117,531,604</u>

The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Consolidated Balance sheet
as at 31 March 2015

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

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The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
 Company number: 06699696

Consolidated Cash flow statement
for the year ended 31 March 2015

	Notes	Company 2015 £	Group 2015 £	Group 2014 £
Net (outgoing)/incoming resources for the year		650,851	133,123	8,708,904
On acquisition:				
Fixed assets		-	(21,096,554)	-
Investment assets		-	(266,909)	-
Interest and dividends receivable		(8,335)	(613,098)	(716,125)
Reserves on acquisition		413,449	22,064,870	-
Depreciation and impairment		384,652	1,149,506	954,672
Loss on disposal of fixed assets		-	5,140	344,190
Non-cash management fees		-	220,085	192,757
(Increase)/Decrease in stocks		(49,020)	95,435	(295,392)
(Increase)/Decrease in debtors		(976,308)	(972,534)	(67,585)
Increase/(Decrease) in creditors		1,967,463	1,633,714	1,011,784
Increase/(Decrease) in provisions		135,257	135,257	-
Net cash inflow/(outflow) from operating activities		<u>2,518,009</u>	<u>2,488,035</u>	<u>10,133,205</u>
Returns on investments and servicing of finance	34	8,335	613,098	716,125
Capital expenditure and financial investment	34	(1,670,642)	(2,051,821)	(12,054,419)
Cash outflow before use of liquid resources and financing		<u>855,702</u>	<u>1,049,312</u>	<u>(1,205,089)</u>
Financing	34	-	98,000	-
Increase/(decrease) in cash in the year		<u><u>855,702</u></u>	<u><u>1,147,312</u></u>	<u><u>(1,205,089)</u></u>
Reconciliation of net cash flow to movement in net debt	35			
Increase/(decrease) in cash in the year		855,702	1,147,312	(1,205,089)
Loan on acquisition		-	(98,000)	-
Movement in net debt in the year		<u>855,702</u>	<u>1,049,312</u>	<u>(1,205,089)</u>
Net cash at 1 April 2014		<u>1,897,329</u>	<u>3,749,820</u>	<u>4,954,909</u>
Net cash at 31 March 2015		<u><u>2,753,031</u></u>	<u><u>4,799,132</u></u>	<u><u>3,749,820</u></u>

The notes on pages 38 to 80 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
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Notes to financial statements
for the year ended 31 March 2015

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. The financial statements have been prepared on a going concern basis, due to on-going grant in aid funding from the Ministry of Defence (please see 'Policy on unrestricted reserves' on pages 9 and 10).

1.2. Basis of consolidation

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

The Consolidated Statement of Financial Activities and the Consolidated Balance Sheet include the results and assets of each charity on a line by line basis. The company has taken advantage of the exemption from providing an individual company SOFA and instead discloses a separate consolidated SOFA of both NMRN's and the individual museums' activities following NMRN taking control. The individual results of the company can be found in the detailed statements of financial activities towards the end of this document (which are not subject to audit).

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% 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.

The National Museum of the Royal Navy
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Notes to financial statements
for the year ended 31 March 2015

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

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

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

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

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

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

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

1.6. 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.

Notes to financial statements
for the year ended 31 March 2015

1.7. Tangible fixed assets

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

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

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

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

1.8. Investment assets

Investment assets are revalued at the market value at the balance sheet date and the realised and unrealised gains and/or losses 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.

1.10. Heritage assets held by the group

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

Background

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

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

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

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

Heritage assets maintenance and management policies

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

Royal Naval Museum

The Curatorial Accession Committee 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).

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.

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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.

Significant Historic Ships

The National Museum of Royal Navy has established an accounting policy for the initial recognition and valuation of historic ships which are donated to, or acquired by, the group. This accounting policy is based on the estimated rebuild cost of each ship, discounted to take into account the state of repair of the ship at the time of gift.

1.11. Leased assets

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

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1.12. Pensions

During the year contributions for the Director General only, totalling £10,087 (2013-14 £10,012), were paid into a money purchase pension scheme. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

Staff of the National Museum of the Royal Navy and the subsidiaries are covered either by the provisions of the Principal Civil Service Pension Scheme (PCSPS), 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.

Principal Civil Service Pension Scheme

The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Cabinet Office at rates determined from time to time by the Government Actuary, which for 2014-15 were as follows:

Non-industrial staff:	
Band one - £21,500 and under	16.7%
Band two - £21,501 - £44,500	18.8%
Band three - £44,501 - £74,500	21.8%
Band four - £74,501 and over	24.3%

The PCSPS is an unfunded multi-employer defined benefit scheme but the National Museum of the Royal Navy is unable to identify its share of the underlying assets and liabilities. A full actuarial valuation was carried out at 31 March 2012. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation (www.civilservice.gov.uk/pensions).

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.

Group money purchase pension scheme

Until 1 April 2014, each museum other than the Royal Marines Museum operated a group scheme, which was a defined contribution scheme. From 1 April 2014 the staff of these individual museums transferred to the one of The National Museum of the Royal Navy, NMRN Services, the Royal Naval Museum or its trading subsidiary, the National Museum of the Royal Navy Trading. Each of these entities operates a group scheme, which is a defined contribution scheme. The employer's contribution rates continued at the %'s that applied when staff members were employed directly by the individual museums as follows:

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

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.

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In August 2015 the employer's contribution rate has been standardised as part of the broader arrangements made to meet statutory Pension Auto-enrolment requirements.

	PCSPS	Group scheme
	£	£
National Museum of the Royal Navy	53,024	108,711
NMRN Services	44,834	43,562
Royal Naval Museum (including the National Museum of the Royal Navy Trading)	-	16,348

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.

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

Attitude to Risk

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

1.14. Estimation techniques

Estimate	Assumption
Valuation of Historic Ships	<p>The valuation of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown.</p> <p>This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).</p>
Valuation of HMS Victory Preservation Company timber stock	<p>The valuation of the timber stock has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale.</p> <p>Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 18).</p>

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1.15. Restatement of comparative information

Comparative information for 2014 has been restated to reflect the changes described below:

During the year the Royal Navy Submarine Museum changed its accounting policy for one of its Heritage Assets, HMS Alliance, from a policy of cost to a policy of revaluation to reflect its estimated rebuild cost. The reason for this change was for consistency with the National Museum for the Royal Navy's policy for its significant ships. The impact of this change in accounting policy is to increase the opening value of Heritage Assets by £12,097,505, with a corresponding increase to the value of opening restricted reserves. This change in accounting policy has had no effect on the statement of financial position for the current or previous period.

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2. Voluntary income (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	HMS Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Grant in Aid	-	3,333,147	-	-	-	-	3,333,147	3,565,734
Grant (capital)	-	119,490	-	-	-	-	119,490	289,435
	<u>-</u>	<u>3,452,637</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,452,637</u>	<u>3,855,169</u>
Other donations and grants								
Grant (in kind, from NMRN Services)	-	-	-	453,586	-	-	453,586	-
HMS Victory Preservation Co	-	-	-	1,250,000	-	-	1,250,000	597,600
HLF Grants - Hear My Story	-	-	-	39,334	-	-	39,334	936,640
HLF Grants - HMS M33	-	-	-	848,430	-	-	848,430	-
HLF Grants - HMS Caroline	-	-	647,788	-	-	-	647,788	-
National Heritage Memorial Fund	-	-	-	594,557	-	-	594,557	-
Northern Ireland Tourist Board	-	-	91,395	-	-	-	91,395	38,957
HM Treasury	-	-	-	500,000	-	-	500,000	-
National Heritage Memorial Fund	-	-	-	816,511	-	-	816,511	-
Portsmouth Historic Dockyard	-	-	-	309,000	-	-	309,000	-
Hampshire County Council	-	-	-	250,000	-	-	250,000	-
Elisabeth Murdoch	-	-	-	-	-	-	-	250,000
Garfield Weston	-	-	-	-	-	-	-	100,000
Royal Marines Charitable Trust Fund	-	-	-	40,000	-	-	40,000	-
Portsmouth Naval Base								
Property Trust	-	-	-	35,000	-	-	35,000	50,000
Society of Friends	-	-	-	-	-	-	-	30,000
Warners	-	-	-	-	-	-	-	25,000
Lady Tadjell	-	-	-	-	-	-	-	22,500
Society of Nautical Research	-	-	-	-	-	-	-	21,559
SBS Association	-	-	-	20,000	-	-	20,000	-
Arts Council	-	-	-	15,000	-	-	15,000	-
RN & RM Charity	-	-	-	-	-	-	-	10,000
Miscellaneous donations and grants	21,828	-	-	146,425	-	-	168,253	97,721
	<u>21,828</u>	<u>-</u>	<u>739,183</u>	<u>5,317,843</u>	<u>-</u>	<u>-</u>	<u>6,078,854</u>	<u>2,179,977</u>
Gifts in kind:								
Hampshire County Council:								
HMS M33	-	-	-	-	1,092,378	-	1,092,378	-
Donated Assets	-	-	-	15,000	-	-	15,000	10,000
Arnold & Son - HMS Victory Watch	-	-	-	-	-	-	-	22,350
	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>	<u>1,092,378</u>	<u>-</u>	<u>1,107,378</u>	<u>32,350</u>

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Received by:

Royal Navy Submarine Museum	1,589	-	(15,398)	-	-	-	(13,809)	1,415,973
Royal Marines Museum	55,850	-	(5,214)	-	-	-	50,636	58,963
Fleet Air Arm Museum	35,694	-	17,195	-	-	-	52,889	65,782
HMS Victory Preservation Co	6,786	-	1,250,000	-	-	-	1,256,786	778,600
HMS Caroline Preservation Co	-	-	-	-	-	-	-	7,556,000
HMS Trincomalee Trust	16,658	-	22,167	-	-	-	38,825	-
Consolidation adjustments:								
HMS Victory Preservation Co (1)	-	-	-	(1,250,000)	-	-	(1,250,000)	(597,600)
NMRN Services (2)	-	-	-	(453,586)	-	-	(453,586)	-
	<u>116,577</u>	<u>-</u>	<u>1,268,750</u>	<u>(1,703,586)</u>	<u>-</u>	<u>-</u>	<u>(318,259)</u>	<u>9,277,718</u>
Total: Received by group	<u>138,405</u>	<u>-</u>	<u>2,007,933</u>	<u>3,629,257</u>	<u>1,092,378</u>	<u>-</u>	<u>6,867,973</u>	<u>11,490,045</u>

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

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

3. Legacies (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Received by company:								
Other legacies	-	-	-	-	-	-	-	-
Received by:								
Royal Navy Submarine Museum	-	-	-	-	-	-	-	-
Royal Marines Museum	3,000	-	-	-	-	-	3,000	19,261
Fleet Air Arm Museum	-	-	-	-	-	-	-	-
HMS Victory Preservation Co	-	-	-	-	-	-	-	-
HMS Caroline Preservation Co	-	-	-	-	-	-	-	-
	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000</u>	<u>19,261</u>

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4. Investment income (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Interest received	5,263	-	194	7,247	-	64,763	77,467	82,081
Dividends received	383,817	-	-	598	-	151,216	535,631	634,044
	<u>389,080</u>	<u>-</u>	<u>194</u>	<u>7,845</u>	<u>-</u>	<u>215,979</u>	<u>613,098</u>	<u>716,125</u>

5. Admissions (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Museum admissions								
HMS Victory	-	-	-	1,998,723	-	-	1,998,723	2,009,263
Royal Naval Museum	-	-	-	689,027	-	-	689,027	654,797
Royal Navy Submarine Museum	436,477	-	-	-	-	-	436,477	239,406
Royal Marines Museum	97,653	-	-	-	-	-	97,653	91,891
Fleet Air Arm Museum	1,092,029	-	-	-	-	-	1,092,029	1,078,080
Explosion! Museum	-	-	-	62,948	-	-	62,948	54,357
HMS Trincomalee	98,103	-	-	-	-	-	98,103	-
	<u>1,724,262</u>	<u>-</u>	<u>-</u>	<u>2,750,698</u>	<u>-</u>	<u>-</u>	<u>4,474,960</u>	<u>4,127,794</u>
Other site income								
Portsmouth Historic Dockyard	-	-	-	426,529	-	-	426,529	-
	<u>1,724,262</u>	<u>-</u>	<u>-</u>	<u>3,177,227</u>	<u>-</u>	<u>-</u>	<u>4,901,489</u>	<u>4,127,794</u>

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

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6. Income and expenses from trading activities of subsidiaries

NMRN has effective control of the Royal Navy Submarine Museum, the Royal Marines Museum, the Fleet Air Arm Museum and the HMS Trincomalee Trust. Each of these organisations have their own non-charitable trading subsidiaries of which they own 100% of the issued share capital. At 31 March 2015, the decision was made to transfer the undertakings of the trading subsidiaries of the Royal Marines Museum and the Royal Navy Submarine Museum to the trading subsidiary of the Royal Naval Museum (a linked charity of NMRN), this decision being aimed at achieving more convenient and efficient management and operation of the undertakings of the group's trading subsidiaries.

NMRN also has effective control of the HMS Victory and the HMS Caroline Preservation Companies, each of these companies having control of a charitable Trust, and NMRN Services, a charitable company incorporated on 13 January 2014 to employ the group's operational staff. The results of each charity, including their trading subsidiaries and Trusts, have been consolidated into the company's results.

The results for the year were as follows:

	Royal Navy Submarine Museum		Royal Marines Museum		Fleet Air Arm Museum		HMS Victory Preservation Company		HMS Caroline Preservation Company		HMS Trincomalee Trust		NMRN Services		Restated		
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	2014	
Grants and donations	487,474	647,084	543,000	1,256,786	-	88,825	3,913,308	11,605,190	-	-	-	-	-	-	-	-	-
Legacies	-	3,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Admissions	436,477	97,653	1,092,029	-	-	98,103	-	-	-	-	-	-	-	-	-	-	-
Activities of generating funds:																	
Fundraising activities	102,940	-	81,364	-	-	4,778	-	-	-	-	-	-	-	-	-	-	-
Income of trading companies and share of joint venture *	142,834	250,725	673,683	-	-	38,909	-	-	-	-	-	-	-	-	-	-	-
Income from charitable subsidiary	-	16,048	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	1,778	459	3,721	592,958	-	5,847	-	-	-	-	-	-	-	-	-	-	-
Other incoming resources	8,691	51,522	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total incoming resources	1,180,194	1,066,491	2,393,797	1,849,744	-	236,462	8,231,769	15,022,005	-	-	1,505,081	8,231,769	15,022,005	-	-	15,022,005	-

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Fundraising and publicity	84,885	122,854	62,355	-	-	34,420	-	304,514	280,709
Expenses of trading companies *	101,935	222,244	613,579	-	-	-	-	937,758	930,060
Expenses of charitable subsidiary	-	7,393	-	-	-	-	-	7,393	6,786
Investment management costs	-	-	-	226,962	-	1,265	-	228,227	208,823
Charitable activities	991,044	924,031	2,053,881	1,377,557	-	237,576	1,500,046	7,084,135	4,350,681
Governance costs	62,353	42,980	34,348	11,911	-	24,345	5,035	180,972	232,539
Total resources expended	1,240,217	1,319,502	2,764,163	1,616,430	-	297,606	1,505,081	8,742,999	6,009,598
Net incoming/(outgoing) resources	(60,023)	(253,011)	(370,366)	233,314	-	(61,144)	-	(511,230)	9,012,407
Net gain/(loss) on sale of investments	-	-	-	419,257	-	-	-	419,257	414,953
(Loss) on disposal of operations	(71,663)	-	-	-	-	-	-	(71,663)	-
Revaluation of fixed assets	192,344	87,719	2,393,688	5,344	-	2,154	-	2,681,249	401,311
Revaluation of investments	520	-	-	2,292,783	-	15,547	-	2,308,850	430,295
Net movements in fund	61,178	(165,292)	2,023,322	2,950,698	-	(43,443)	-	4,826,463	10,258,966
Fund balances brought forward	23,596,828	7,294,868	10,620,869	58,761,857	7,556,000	-	-	107,830,422	97,571,456
Reserves on acquisition	-	-	-	-	-	21,716,586	-	21,716,586	-
Fund balances carried forward	23,658,006	7,129,576	12,644,191	61,712,555	7,556,000	21,673,143	-	134,373,471	107,830,422

* See 6 c. for the National Museum of the Royal Navy Trading and the Joint Venture, Portsmouth Historic Dockyard

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6 b. Balance Sheet (Subsidiaries)

	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	HMS Trincomalee Trust	NMRN Services	2015	2014	Restated
	£	£	£	£	£	£	£	£	£	£
Tangible fixed assets	4,612,690	6,162,256	9,021,090	190,639	-	76,470	-	20,063,145	17,956,180	
Heritage assets	18,647,523	734,241	2,958,131	19,375,000	7,556,000	21,000,000	-	70,270,895	49,142,432	
Investments	30,420	-	-	34,620,805	-	220,040	-	34,871,265	31,942,772	
	<u>23,290,633</u>	<u>6,896,497</u>	<u>11,979,221</u>	<u>54,186,444</u>	<u>7,556,000</u>	<u>21,296,510</u>	<u>-</u>	<u>125,205,305</u>	<u>99,041,384</u>	
Current assets	508,067	277,454	922,482	7,767,563	-	489,235	458,409	10,423,210	10,253,857	
Current liabilities	(140,694)	(44,375)	(257,512)	(241,452)	-	(14,602)	(458,409)	(1,157,044)	(1,464,819)	
Long term liabilities	-	-	-	-	-	(98,000)	-	(98,000)	-	
Total Funds	<u><u>23,658,006</u></u>	<u><u>7,129,576</u></u>	<u><u>12,644,191</u></u>	<u><u>61,712,555</u></u>	<u><u>7,556,000</u></u>	<u><u>21,673,143</u></u>	<u><u>-</u></u>	<u><u>134,373,471</u></u>	<u><u>107,830,422</u></u>	

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6 c. Income and expenses from trading activities of subsidiaries of the Royal Naval Museum

Summary of income and expenditure

	2015	2014
	£	£
Income		
National Museum of the Royal Navy Trading	812,914	530,420
Portsmouth Historic Dockyard	566,252	610,094
	<u>1,379,166</u>	<u>1,140,514</u>
Expenditure		
National Museum of the Royal Navy Trading	816,046	524,796
Portsmouth Historic Dockyard	-	568,010
	<u>816,046</u>	<u>1,092,806</u>

National Museum of the Royal Navy Trading

The Royal Naval Museum, a Special Trust of NMRN, controls the National Museum of the Royal Navy Trading (NMRNT, formerly the Royal Naval Museum Trading Company Limited), a company limited by guarantee incorporated in England and Wales. NMRNT operates a number of souvenir shops within the Museums and the corporate events.

On 31 March 2015 the decision was made to transfer the undertakings of RM Museum Limited (the trading company of the Royal Marines Museum) and RNSM Enterprises Limited (the trading company of the Royal Navy Submarine Museum) to NMRNT. This decision was made after NMRN (group parent) offered to centralise the activities of the trading subsidiaries in the group. The proposal was aimed at achieving more convenient and efficient management and operation of the undertakings of the group's trading subsidiaries.

At the discretion of its directors, NMRNT distributes its net profit amongst the Royal Naval Museum, the National Museum of the Royal Navy (the ultimate parent), and The Society for Nautical Research, retaining the balance.

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

	2015	2014
	£	£
Turnover	812,914	530,420
Cost of sales	(406,221)	(179,508)
Gross Profit	<u>406,693</u>	<u>350,912</u>
Administration	(310,849)	(215,473)
Net profit / (loss)	95,844	135,439
Tax on ordinary activities	1,374	(1,416)
Available for distribution	<u>97,218</u>	<u>134,023</u>
Distributed to other charities	-	-
Net profit / (loss) after distribution to other charities	97,218	134,023
Amount gifted to the National Museum of the Royal Navy	(100,350)	(128,400)
Gain on acquisition of RNSM Enterprises Limited	65,165	-
Retained in Subsidiary	<u>62,033</u>	<u>5,623</u>

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Portsmouth Historic Dockyard (Joint Venture)

The Royal Naval Museum is a member of Portsmouth Historic Dockyard (PHD), a joint venture with three other members. Until 1 December 2014, PHD was responsible for the collection and distribution of ticketing income for the four members. The total admission income distributed in the period is disclosed in the Consolidated Statement of Financial Activities.

The comparative total funds have been restated by £1,660 to account for a difference between the total resources expended incorporated into the 31 March 2014 accounts and the final figures for PHD for the year to 31 March 2014.

	2015		2014	
	Museum Share	Total	Museum Share	Total
	£	£	£	£
<u>Statement of Financial Activities</u>				
Incoming resources	566,252	2,265,008	610,094	2,440,376
Total resources expended	(546,378)	(2,183,849)	(568,010)	(2,273,702)
Exceptional item	(65,138)	(260,553)	-	-
Net incoming/(outgoing) resources	(45,264)	(179,394)	42,084	166,674
Fund balances brought forward at 31st March 2014	45,264	179,394	3,180	12,720
Fund balances carried forward at 31st March 2015	-	-	45,264	179,394
	£	£	£	£
<u>Balance Sheet</u>				
Tangible Fixed Assets	-	-	5,981	23,923
Current assets	58,765	235,060	219,160	875,337
Current liabilities	(58,765)	(235,060)	(179,877)	(719,866)
Net assets	-	-	45,264	179,394
General unrestricted funds	-	-	45,264	179,394

The Royal Naval Museum is charged a levy by Portsmouth Historic Dockyard. During the year this totalled £651,717 (2014: £660,500) and is included in Site costs shown in note 9.

6 d. Agency funds (Royal Naval Museum)

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

From 1 December 2014 the undertaking of its joint venture, Portsmouth Historic Dockyard, transferred to the Royal Naval Museum. From this date the Royal Naval Museum was responsible for the collection and distribution of ticketing income for the four members of the former joint venture. A summary of the agency fund activity from 1 December is shown above.

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7. Fundraising costs (Company)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Staff costs	130,062	218,737	-	-	-	-	348,806	249,280
Fundraising and publicity	-	-	-	234,875	-	-	234,875	150,467
Marketing	1,920	-	-	177,098	-	-	179,018	72,202
	<u>131,989</u>	<u>218,737</u>	<u>-</u>	<u>411,973</u>	<u>-</u>	<u>-</u>	<u>762,699</u>	<u>471,949</u>

Fundraising costs (Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Staff costs	158,230	218,737	-	-	-	-	376,967	323,879
Fundraising and publicity	100,101	-	4,335	234,875	-	-	339,311	262,526
Marketing	109,573	-	176	177,098	-	-	286,847	166,253
	<u>367,904</u>	<u>218,737</u>	<u>4,511</u>	<u>411,973</u>	<u>-</u>	<u>-</u>	<u>1,003,125</u>	<u>752,658</u>

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

	Unrestricted funds	Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Operations	654,902	795,954	26,464	8,216,990	-	-	9,694,310	5,776,073
Collections & research	62,411	673,037	-	214,292	-	-	949,740	519,473
Learning	-	241,661	-	25,152	-	-	266,813	194,372
Grant funding	1,810	1,073,884	10	-	-	-	1,075,704	1,711,777
	<u>719,123</u>	<u>2,784,536</u>	<u>26,474</u>	<u>8,456,434</u>	<u>-</u>	<u>-</u>	<u>11,986,567</u>	<u>8,201,695</u>

Costs of charitable activities - by fund type (Group)

	Unrestricted funds	Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Operations	1,094,082	2,482,739	289,944	7,349,667	-	-	11,216,432	7,444,848
Collections & research	1,365,460	746,926	275,256	214,292	-	-	2,601,934	2,352,632
Learning	213,169	258,703	10,093	25,152	-	-	507,117	445,519
Grant funding	1,810	141	10	-	-	-	1,961	1,166
	<u>2,674,521</u>	<u>3,488,509</u>	<u>575,303</u>	<u>7,589,111</u>	<u>-</u>	<u>-</u>	<u>14,327,444</u>	<u>10,244,165</u>

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Notes to financial statements
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9. Costs of activities in furtherance of the objects of the charity (Company)

	Operations	Collections & research	Learning	Grant funding activities	2015 Total	2014 Total
	£	£	£	£	£	£
Staff costs	2,548,736	743,267	241,661	-	3,533,664	1,761,569
Site costs	660,433	-	-	-	660,433	666,498
Conservation	-	2,094	-	-	2,094	12,600
Curatorial	-	68,809	-	-	68,809	87,376
Purchase of exhibits	-	17,374	-	-	17,374	18,427
Exhibition expenses	-	64,020	-	-	64,020	1,818
Royal Naval Museum -						
Phase II set up costs	11,142	-	-	-	11,142	13,610
Steam Pinnacle Project 199 costs	17,746	-	-	-	17,746	19,201
Waterbus & harbour tour subsidy	179,378	-	-	-	179,378	31,361
Depreciation	333,061	33,771	11,283	-	378,115	228,784
Loss on disposal of fixed assets	-	-	-	-	-	341,496
Other costs	112,020	-	-	-	112,020	92,112
Support costs	618,502	20,404	13,869	1,961	654,736	441,434
	<u>4,481,018</u>	<u>949,739</u>	<u>266,813</u>	<u>1,961</u>	<u>5,699,531</u>	<u>3,716,286</u>
Grant funding						
Royal Navy Submarine Museum	-	-	-	1,500	1,500	528,812
Royal Marines Museum	-	-	-	122,104	122,104	680,083
Fleet Air Arm Museum	-	-	-	10,000	10,000	501,716
HMS Trincomalee	-	-	-	50,000	50,000	-
NMRN Services	-	-	-	890,139	890,139	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,073,743</u>	<u>1,073,743</u>	<u>1,710,611</u>
Project costs						
HMS Calcutta	-	-	-	-	-	2,636
HMS Caroline	1,639,141	-	-	-	1,639,141	165,812
HMS M33	1,228,034	-	-	-	1,228,034	74,913
HMS Victory Preservation	1,496,297	-	-	-	1,496,297	2,469,845
Landing Craft (Tank) - LCT7074	842,719	-	-	-	842,719	22,830
HMS Trincomalee	6,724	-	-	-	6,724	-
Explosion!	378	-	-	-	378	38,762
	<u>5,213,293</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,213,293</u>	<u>2,774,798</u>
	<u><u>9,694,311</u></u>	<u><u>949,739</u></u>	<u><u>266,813</u></u>	<u><u>1,075,704</u></u>	<u><u>11,986,567</u></u>	<u><u>8,201,695</u></u>

Notes to financial statements
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Costs of activities in furtherance of the objects of the charity (Group)

	Operations	Collections & research	Learning	Grant funding activities	2015 Total	2014 Total
	£	£	£	£	£	£
Staff costs	3,173,702	743,267	304,301	-	4,221,270	2,526,947
Site costs	694,605	-	-	-	694,605	686,167
Conservation	3,050	207,698	-	-	210,748	220,451
Curatorial	-	74,354	-	-	74,354	98,334
Purchase of exhibits	7,520	22,835	-	-	30,355	34,339
Exhibition expenses	-	64,020	-	-	64,020	1,818
Royal Naval Museum -						
Phase II set up costs	11,142	-	-	-	11,142	13,610
Steam Pinnacle Project 199 costs	17,746	-	-	-	17,746	19,201
Waterbus & harbour tour subsidy	179,378	-	-	-	179,378	31,361
Depreciation	601,883	484,620	38,759	-	1,125,262	934,173
Loss on disposal of fixed assets	-	-	-	-	-	341,496
Other costs	112,020	83,915	10,117	-	206,052	177,265
Support costs	970,431	921,224	153,940	1,961	2,047,556	2,330,429
	<u>5,771,477</u>	<u>2,601,933</u>	<u>507,117</u>	<u>1,961</u>	<u>8,882,488</u>	<u>7,415,591</u>
Project costs						
HMS Calcutta	-	-	-	-	-	2,636
HMS Caroline	1,639,141	-	-	-	1,639,141	165,812
HMS M33	1,228,034	-	-	-	1,228,034	74,913
HMS Victory Preservation	1,611,170	-	-	-	1,611,170	2,470,441
Landing Craft (Tank) - LCT7074	842,719	-	-	-	842,719	22,830
HMS Trincomalee	6,724	-	-	-	6,724	-
Location study	116,790	-	-	-	116,790	53,180
Explosion!	378	-	-	-	378	38,762
	<u>5,444,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,444,956</u>	<u>2,828,574</u>
	<u>11,216,433</u>	<u>2,601,933</u>	<u>507,117</u>	<u>1,961</u>	<u>14,327,444</u>	<u>10,244,165</u>

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10. Governance costs (Company)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Staff costs	58,094	162,600	-	3,705	-	-	224,399	280,801
Accountancy	48,174	-	-	20,560	-	-	68,734	54,580
Auditor remuneration	-	-	-	8,115	-	-	8,115	6,500
Auditor remuneration - NAO	26,600	-	-	-	-	-	26,600	56,000
Legal and professional	1,437	-	-	237,492	-	-	238,929	233,896
Support costs	602	-	-	25,597	-	-	26,199	42,660
	<u>134,907</u>	<u>162,600</u>	<u>-</u>	<u>295,469</u>	<u>-</u>	<u>-</u>	<u>592,976</u>	<u>674,437</u>

Governance costs (Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Staff costs	58,959	162,600	-	3,705	-	-	225,264	386,142
Motor and travel expenses	-	-	-	-	-	-	-	779
Accountancy	84,461	5,000	-	20,560	-	-	110,021	89,215
Auditor remuneration	40,973	2,000	-	8,115	-	-	51,088	41,640
Auditor remuneration - NAO	26,600	-	-	-	-	-	26,600	56,000
Legal and professional	11,072	35	-	237,492	-	-	248,599	255,694
Support costs	45,951	-	1,666	25,597	-	-	73,214	77,506
	<u>268,016</u>	<u>169,635</u>	<u>1,666</u>	<u>295,469</u>	<u>-</u>	<u>-</u>	<u>734,786</u>	<u>906,976</u>

Notes to financial statements
for the year ended 31 March 2015

11. Analysis of support costs (Company)

	Operations	Collections & research	Learning	Grant funding	Governance costs	2015 Total	2014 Total
	£	£	£	£	£	£	£
Premises expenses	434,841	-	-	-	8,808	443,649	296,043
Travelling expenses	62,480	15,724	958	920	154	80,236	46,942
Entertainment	8,511	-	-	118	450	9,079	11,841
Education	-	-	8,474	-	-	8,474	47,263
Communication and IT	5,297	-	-	89	73	5,459	5,689
Printing, postage and stationery	60,656	-	-	17	1,222	61,895	27,959
Bank charges & interest	1,651	-	-	87	13,245	14,983	3,203
Depreciation	1,530	-	-	81	-	1,611	1,580
Loss on disposal of assets	-	-	-	-	-	-	1,925
Health & safety	29,997	-	-	-	-	29,997	11,744
Sundry expenses	5,642	-	4,437	649	2,247	12,975	20,235
Subscriptions	7,897	4,680	-	-	-	12,577	9,670
	<u>618,502</u>	<u>20,404</u>	<u>13,869</u>	<u>1,961</u>	<u>26,199</u>	<u>680,935</u>	<u>484,094</u>

Analysis of support costs (Group)

	Operations	Collections & research	Learning	Grant funding	Governance costs	2015 Total	2014 Total
	£	£	£	£	£	£	£
Staff costs	40,172	561,574	94,291	-	12,083	708,120	1,148,424
Repairs and maintenance	49,957	8,562	4,674	-	-	63,193	62,662
Insurance	44,007	6,598	6,339	-	10,712	67,656	48,569
Premises expenses	553,014	201,859	21,690	-	12,150	788,713	682,824
Travelling expenses	64,259	16,151	958	920	154	82,442	52,017
Entertainment	12,174	-	-	118	450	12,742	18,942
Legal and professional fees	6,766	2,290	1,353	-	2,018	12,427	1,375
Education	-	-	10,064	-	33	10,097	51,096
Communication and IT	24,777	19,845	2,388	89	4,754	51,853	51,691
Printing, postage and stationery	90,901	3,033	3,315	17	6,648	103,914	73,676
Bank charges & interest	5,894	1,436	849	87	16,517	24,783	7,537
Depreciation	14,214	-	-	81	-	14,295	13,930
Loss on disposal of assets	-	-	-	-	-	-	1,925
Health & safety	33,526	1,079	978	-	-	35,583	15,561
Sundry expenses	21,582	93,710	6,800	649	7,695	130,436	165,132
Subscriptions	9,188	5,087	241	-	-	14,516	12,574
	<u>970,431</u>	<u>921,224</u>	<u>153,940</u>	<u>1,961</u>	<u>73,214</u>	<u>2,120,770</u>	<u>2,407,935</u>

Notes to financial statements
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12. Auditors' remuneration (Company and Group)

	2015	2014
	£	£
Company Auditors' remuneration - National Audit Office	26,600	56,000
Subsidiary Auditors' remuneration	51,088	41,640
Subsidiary Auditors' non audit services	110,021	89,215
	<u>197,709</u>	<u>186,855</u>

The Company Auditors' remuneration (National Audit Office) for 2014 includes an over-accrual of £7,400 in relation to the audit of the 2014 accounts, arising as a result of fewer unanticipated issues.

The Company Auditors' remuneration (National Audit Office) fee in relation to the audit of the 2015 accounts is £37,900 (initially £35,000 but increased with the agreement of the Audit & Governance Committee on 8 October 2015). This fee reflects the increased complexity of the audit arising from changes to the structure and governance of the National Museum of the Royal Navy.

13. Employees

	Company	Group	Company	Group
Employment costs	2015	2015	2014	2014
	£	£	£	£
Wages and salaries	2,910,261	5,004,953	1,901,636	3,722,765
Social security costs	211,949	349,761	122,718	274,173
Pension costs	173,432	272,738	149,204	257,633
	<u>3,295,642</u>	<u>5,627,452</u>	<u>2,173,558</u>	<u>4,254,571</u>

Number of employees

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

	Company	Group	Company	Group
	2015	2015	2014	2014
£60,001 to £70,000	3	3	3	5
£70,001 to £80,000	2	2	-	-
£100,001 to £110,000	1	1	1	1
	<u>6</u>	<u>6</u>	<u>4</u>	<u>6</u>

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

	Company	Group	Company	Group
	2015	2015	2014	2014
Defined benefits scheme	2	2	1	1
Defined contributions scheme	3	3	2	4
	<u>5</u>	<u>5</u>	<u>3</u>	<u>5</u>

The total contributions paid by the charity into the defined benefits scheme for higher paid employees was £29,596 (2014: £14,670), and paid by the group was £29,596 (2014: £14,670).

The total contributions paid by the charity into the defined contributions scheme for higher paid employees was £23,539 (2014: £25,245), and paid by the group was £23,539 (2014: £42,600).

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

	Company	Group	Company	Group
	2015	2015	2014	2014
Charitable expenditure	67	174	87	179
Cost of generating funds	5	5	6	8
Governance costs	3	3	8	9
	<u>75</u>	<u>182</u>	<u>101</u>	<u>196</u>

During this financial year a group wide structural re-organisation took place, resulting in 30 redundancies identified within the financial year, and 2 more after the financial year end. The majority of these redundancies were voluntary.

One NMRN employee left during the year, and contractual/redundancy costs of £10,957 were paid. A further 6 NMRN employees were confirmed redundant, but not paid, before the financial year end, and costs of £289,464 have been accrued. 3 (of which 2 were NMRN) employees were confirmed redundant after the financial year end, and provision has been made for those costs, totalling £81,601.

The costs of a further 15 redundancies, (13 NMRN Services employees, and 2 RMM Ltd employees), are also accrued/provided in these accounts. The costs of 6 redundancies at FAAM (totalling £81,596) are not included, but are reflected in FAAM company accounts, which are consolidated into the NMRN group accounts

The NMRN Company Accounts reflect the contractual/redundancy costs of 9 NMRN employees, and of 15 NMRN Services and RMM Ltd employees, in all totalling £646,578. (The cost of 2 NMRN employee redundancies, identified and subsequently paid after the financial year end totalling £15,593, have not been included.)

13.1 Trustees' emoluments

No trustees received remuneration during the year (2014: Nil). Four trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £799 (2014: £1,798). No Members of the Management Board of the Royal Naval Museum were reimbursed for travel expenses (2014: £786).

14. Net (outgoing)/incoming resources for the year

	2015	2014
	£	£
Net (outgoing)/incoming resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,149,507	954,672
Auditors' remuneration - National Audit Office (Note 12)	26,600	56,000
Auditors' remuneration - Subsidiary Auditors (Note 12)	51,088	41,640
	<u>1,227,200</u>	<u>1,052,312</u>

15. 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, the Fleet Air Arm Museum and HMS Trincomalee Trust each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

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16. Tangible fixed assets (Company)	Assets under construction	Improvements & short leasehold property	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Heritage assets	Total
Cost or valuation							
At 1 April 2014	3,708,982	2,821,824	1,987,828	4,067	3,763,195	488,327	12,774,223
Additions	185,183	114,504	61,582	-	71,221	1,262,070	1,694,560
Transfers between categories	(3,894,165)	2,088,667	257,980	-	1,547,518	-	-
Disposals	-	-	-	-	-	-	-
Revaluation	-	75,201	27,341	66	139,615	475,404	717,627
At 31 March 2015	-	5,100,196	2,334,731	4,133	5,521,549	2,225,801	15,186,410
Depreciation							
At 1 April 2014	-	502,467	1,703,838	2,169	3,177,350	-	5,385,824
Charge for the year	-	65,457	122,274	731	196,190	-	384,652
On disposals	-	-	-	-	-	-	-
On revaluation	-	7,362	20,813	25	80,550	-	108,750
At 31 March 2015	-	575,286	1,846,925	2,925	3,454,090	-	5,879,226
Net book values							
At 31 March 2015	-	4,524,910	487,806	1,208	2,067,459	2,225,801	9,307,184
At 31 March 2014	3,708,982	2,319,357	283,990	1,898	585,845	488,327	7,388,399

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

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	Tangible fixed assets (Group)										Total £	
	Assets under construction £	Freehold property £	Improvements & short leasehold property £	Computer and office equipment £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Exhibitions £	Heritage assets £			
Cost or valuation												
At 1 April 2014	3,708,982	14,049,312	5,833,713	2,381,317	646,254	5,322,025	372	274,059	37,533,254	69,749,288		
Prior year adjustment	-	-	-	-	-	-	-	-	12,097,505	12,097,505		
At 1 April 2014 (restated)	3,708,982	14,049,312	5,833,713	2,381,317	646,254	5,322,025	372	274,059	49,630,759	81,846,793		
On acquisition	-	-	-	-	535,032	-	-	-	21,000,000	21,535,032		
Additions	185,183	-	114,504	61,582	3,457	125,895	-	41,024	1,390,533	1,922,178		
Transfers between categories	(3,894,165)	-	2,088,667	257,980	-	1,547,518	-	-	-	-		
Disposals	-	(1,859)	-	-	(812)	(15,235)	-	-	-	(17,906)		
Revaluation	-	1,317,052	541,512	40,164	21,614	186,309	10	8,501	475,404	2,590,566		
At 31 March 2015	-	15,364,505	8,578,396	2,741,043	1,205,545	7,166,512	382	323,584	72,496,696	107,876,663		
Depreciation												
At 1 April 2014	-	913,519	794,488	1,862,825	150,100	3,530,613	372	107,865	-	7,359,782		
On acquisition	-	-	-	-	438,909	-	-	-	-	438,909		
Charge for the year	-	376,488	173,363	177,128	55,506	329,250	-	37,772	-	1,149,507		
On disposals	-	(1,859)	-	-	(812)	(10,094)	-	-	-	(12,765)		
On revaluation	-	(434,667)	(392,565)	28,295	4,176	91,847	10	2,910	-	(699,994)		
At 31 March 2015	-	853,481	575,286	2,068,248	647,879	3,941,616	382	148,547	-	8,235,439		
Net book values												
At 31 March 2015	-	14,511,024	8,003,110	672,795	557,666	3,224,896	-	175,037	72,496,696	99,641,224		
At 31 March 2014	3,708,982	13,135,793	5,039,225	518,492	496,154	1,791,412	-	166,194	49,630,759	74,487,011		

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

The Collections

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

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

Category	Royal Naval Museum	Explosion! Museum	HMS M33 Trust	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	HMS Trincomalee Trust	Total
Large Items	56	12	1	8	22	180	1	1	1	282
Works of Art/Models	4,985	260	-	950	2,081	1,290	-	-	-	9,566
Documentary Archive	32,916	4,109	-	22,000	27,634	1,032,863	-	-	-	1,119,522
Uniforms/Badges & Insignia	7,172	-	-	839	5,004	4,347	-	-	-	17,362
Orders & Decorations	5,054	-	-	233	8,755	1,501	-	-	-	15,543
Weapons/Armaments	278	1,251	-	64	1,567	192	-	-	-	3,352
Photographs/Microfilm/Fiche	160,680	2,978	-	60,793	2,001,033	879,632	-	-	-	3,105,116
Film & Sound Recordings	610	22	-	825	301	164	-	-	-	1,922
Other	3,827	5,147	-	3,567	3,719	17,091	-	-	-	33,351
Total	215,578	13,779	1	89,279	2,050,116	1,937,260	1	1	1	4,306,016

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Royal Naval Museum

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

On 28 March 2013 the title to, and beneficial ownership of, the collection belonging to the Explosion Museum, Gosport, passed to the Royal Naval Museum. This extensive collection includes small arms, cannon and guns, shells and munitions, mines, torpedoes, modern missiles, and an atom bomb. In accordance with FRS30, the collection has been included within heritage asset additions at the purchase price of £145,000.

On 7 November 2014 the Second World War Landing Craft (Tank) Mk III, LCT 7074, was gifted to the National Museum of the Royal Navy (NMRN) from the Mersey Docks and Harbour Company Limited. The ship was subsequently accessioned to the collection of the Royal Naval Museum. The methodology of valuation of significant ships should be consistent with that used by NMRN, using the total rebuild basis discounted for the ship's current state of repair. Whilst the cost of rebuild can be established using the original cost of building the ship uplifted for today's value, information regarding the cost or value of this conservation required to bring the ship to an 'as new' condition is not readily available, therefore no value has been applied to this gift at this stage. The value of the ship will be revisited in future years when further information regarding the costs of conservation has been established.

Royal Navy Submarine Museum

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

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

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

The value of HMS Victory, on the basis of full renewal cost of re-build, has been calculated as £50million. The calculation is based on the comparable cost of the Frigate 'Hermione' project, completed in 2012. This cost was pro-rated for the relative displacement tonnages, (Victory 3,500 tonnes; Hermione 1,166 tonnes) to arrive at this figure.

HMS Victory today is far from 'new build' condition and during the next 10-20 years, it is projected that a sum in the region of £30.625million (at current costs) will be expended in bringing the Ship to (something close to) new condition. Whilst HMS Victory will not then be literally 'as good as new', any lower value would be offset by it being, at least in perception, the original ship.

Based on the above, the ship has been recognised in these accounts at a valuation of £19.375million, reflecting an 'as new' value, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the ship.

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

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

The ship, HMS Caroline, was gifted to the Trust on 18 November 2013 by the Ministry of Defence. The ship has been included in the accounts at a value of £7.556million, calculated on a total build basis discounted to take account of the ship's current state of repair. This value was calculated by the staff of NMRN by reference to the original build cost of the ship.

In 1914, the original build cost of HMS Caroline was £300,000. Uplifted for current value (2013), this cost is the equivalent of £25.120million today. The ship will be brought to sound and original condition, as far as possible, in the course of the refurbishment programme. However substantial elements of the original ship including the boilers, and armaments, will not be replaced. It is therefore the view of the project management team that 50% of the original value is a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12.560million. It should be noted that any change in the final value of the ship on completion of the works will result in a change in the discounted value. For example a change of +/- 5% would result in a change in the discounted value of +/- £628,000.

The estimated cost of renovation of the ship is expected to be £5.004million.

Based on the above, the ship has been recognised in the accounts at a value of £7.556million, reflecting the value on completion of £12.560million, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the ship.

The methodology of valuation of HMS Caroline as a heritage asset in the company balance sheet is consistent with that used by the National Museum of the Royal Navy with similar artefacts, gifted in similar circumstances, in the past.

It should be noted however that the valuation relies in some part on the subjective, albeit expert, view of members of the HMS Caroline project team and the staff of NMRN.

HMS M33 Trust

The ship, HMS M33, was gifted to the Trust on 19 May 2014 by Hampshire County Council. The gift of the ship has been included in the accounts at a value of £1,092,378 calculated on a total build basis discounted to take account of the ship's current state of repair. This value was calculated by the staff of NMRN by reference to the original build cost of the ship.

In 1915, the original build cost of HMS M33 was £40,000. Uplifted for current value (2014), this cost is the equivalent of £2.863million when the ship was gifted to NMRN. The ship will be brought to sound and original condition, as far as possible, in the course of the conservation programme. However substantial elements of the original ship, notably the boilers and engines, were removed in the past and will not be replaced. It is therefore the view of the project management team that 62% of the original value is a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £1,775,060. It should be noted that any change in the final value of the ship on completion of the works will result in a change in the discounted value. For example a change of +/- 5% would result in a change in the discounted value of +/- £86,707.

The cost of conservation of the ship is expected to be £682,682. At 31 March 2015 the expenditure on conservation totalled £475,404.

Based on the above, the ship has been recognised in the accounts as follows:

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

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The methodology of valuation of HMS M33 as a heritage asset in the Trust's balance sheet is consistent with that used by the National Museum of the Royal Navy with similar artefacts, gifted in similar circumstances, in the past.

It should be noted however that the valuation relies in some part on the subjective, albeit expert, view of members of the HMS M33 project team and the staff of NMRN.

HMS Trincomalee Trust

The HMS Trincomalee was acquired by the Trust for a nominal £1. It is the oldest surviving Royal Navy Frigate, and has been restored to its original condition. It is therefore considered a heritage asset.

The HMS Trincomalee has been included at a valuation designed to reflect the estimated rebuild costs of the ship. This policy is in line with that taken by NMRN. The value of HMS Trincomalee, on the basis of a full renewal cost of rebuild discounted to take account of the ship's current state of repair, has been calculated as £21million. 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, (Trincomalee 1,447 tonnes, Hermione 1,166 tonnes) to arrive at this figure.

The Trustees do not depreciate the Ship as they estimate its remaining useful life to be indefinitely long and the residual value so high that depreciation would be immaterial. The Ship will be subject to an annual impairment review.

17. Investment assets	Company		Group	
	Listed 2015 £	Unlisted 2015 £	Listed 2015 £	Unlisted 2015 £
Valuation				
At 1 April 2014	24,479	-	31,967,251	-
On acquisition	-	-	259,805	3,994
	<u>24,479</u>	<u>-</u>	<u>32,227,056</u>	<u>3,994</u>
Additions	-	-	240,394	(17,315)
Disposals	(23,918)	-	(110,210)	16,774
Realised and unrealised gains and losses	(561)	-	2,510,570	-
	<u>-</u>	<u>-</u>	<u>34,867,810</u>	<u>3,453</u>
At 31 March 2015	<u>-</u>	<u>-</u>	<u>34,867,810</u>	<u>3,453</u>
Historical cost as at 31 March 2015	<u>-</u>	<u>-</u>	<u>30,700,054</u>	<u>3,453</u>
Historical cost as at 31 March 2014	<u>25,000</u>	<u>-</u>	<u>30,324,842</u>	<u>-</u>
Investments By fund:				
Unrestricted funds	-	-	201,540	3,453
Other restricted funds	-	-	4,915,465	-
Endowment funds	-	-	29,750,805	-
	<u>-</u>	<u>-</u>	<u>34,867,810</u>	<u>3,453</u>

Included in the above investments are:

- i) Investments held in the name of the Royal Naval Museum, Portsmouth and held in Treasury Stock (fully disposed of in the year to 31 March 2015);
- ii) Shares with a value of £30,420 (2014: £29,900) held by the Royal Navy Submarine Museum;

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- iii) Investments with a value of £220,038 held by the HMS Trincomalee Trust; and
iv) Two portfolios of investments, managed by Ruffers and Cazenove respectively, and held in the name of the HMS Victory Preservation Company. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. The market valuation at the year end is provided by the Fund Managers, the results of which are summarised as follows:

		2015	2014
		£	£
<u>UK</u>	UK government and fixed interest securities	4,294,543	3,286,759
	UK bonds	827,828	1,278,675
	UK equities	7,452,652	7,266,690
	Portfolio funds	590,430	1,299,400
	Others	4,449,502	1,803,397
	Capital account	1,558,402	3,125,660
		<u>19,173,357</u>	<u>18,060,581</u>
<u>Overseas</u>	Fixed interest	2,273,582	2,063,754
	International bonds	1,571,435	446,037
	International equities	11,288,190	8,856,923
	Others	314,241	1,485,577
		<u>15,447,448</u>	<u>12,852,291</u>
		<u><u>34,620,805</u></u>	<u><u>30,912,872</u></u>

18. Stocks

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Held by:				
Royal Naval Museum	239,651	239,651	255,938	255,938
HMS Victory Preservation Company	-	6,863,049	-	6,962,369
Fleet Air Arm Museum	-	-	-	1,599
Trading subsidiaries	219,723	286,998	154,416	265,227
	<u>459,374</u>	<u>7,389,698</u>	<u>410,354</u>	<u>7,485,133</u>

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

Following that decision, work has progressed to establish the quality of the teak held in store, both with a view to the use of teak in HMS Victory (should oak prove unable to meet the conservation objectives), and also to understand the timber's value should disposal be considered.

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The teak timber stocks are held in laminated board form; that is, the boards have been manufactured from smaller pieces of timber. The University of Ljubljana, and BMTRADA (formerly the Timber Research and Development Agency), were contracted to undertake testing of the laminates. Initial results indicate some laminate failure, and suggest that whilst the adhesives used were appropriate, the lamination technique was poor. These results, if representative of the laminated teak stock, have a potential impact upon the teak's usefulness to the project, and upon the financial value of the stock.

At the date of this report, this work is ongoing. A timber expert has been identified who will be able to review the impact of its findings on the value of the affected stock, and results are expected to be reported in the Accounts to 31st March 2016

In addition to the timber gifted by the MoD, a further amount of timber is also held for use in the preservation of the ship. This timber remains the property of the Crown. Although the Trust has day to day use of this timber, ultimate control remains with the Crown. Accordingly it will be counted, and movements from stock recorded, in order to recognise the donation of timber by the Crown as it is used on the ship.

19. Debtors

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Trade debtors	111,343	186,023	51,639	101,890
Amounts owed by group undertakings	153,441	-	601,764	-
Other debtors	251,719	931,362	640	783,941
Prepayments & accrued income	2,582,081	2,694,968	1,606,868	2,085,066
VAT	333,036	338,299	194,401	207,221
	<u>3,431,620</u>	<u>4,150,652</u>	<u>2,455,312</u>	<u>3,178,118</u>

At the balance sheet date, HMS Trincomalee had debtors due after more than one year of £450,000 (2014: £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	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Balances with other central government bodies	1,058,967	1,072,699	323,325	348,200
Balances with local authorities	-	1,784	383	10,014
Total intra government balances	<u>1,058,967</u>	<u>1,074,483</u>	<u>323,708</u>	<u>358,214</u>
Balances with bodies external to government	2,372,653	3,076,169	2,131,604	2,819,904
	<u>3,431,620</u>	<u>4,150,652</u>	<u>2,455,312</u>	<u>3,178,118</u>

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20. Cash at bank and in hand

	2015	2014
	£	£
Non-public funds	2,727,848	1,840,774
Public funds:		
Grant (operating)	-	-
Grant (purchases)	25,183	56,555
Cash at bank and in hand - Charity	2,753,031	1,897,329
Subsidiary charities	2,144,101	1,852,491
Cash at bank and in hand - Group	4,897,132	3,749,820

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

	£	£
Cash	4,897,132	3,749,820
Liquid resources	-	-
	4,897,132	3,749,820

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21. Creditors: amounts falling due within one year

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Trade creditors	850,870	963,725	549,815	802,584
Other creditors	324,117	510,062	13,471	194,771
Amounts owed to group undertakings	119,948	-	1,517	-
Other taxes and social security	66,998	124,153	44,658	96,954
Accruals and deferred income	3,125,484	3,416,766	1,910,493	2,286,684
	<u>4,487,417</u>	<u>5,014,706</u>	<u>2,519,954</u>	<u>3,380,993</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	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Balances with other central government bodies	96,027	135,365	203,197	255,493
Balances with local authorities	-	17,788	58	6,258
Total intra government balances	<u>96,027</u>	<u>153,153</u>	<u>203,255</u>	<u>261,751</u>
Balances with bodies external to government	4,391,390	4,861,553	2,316,699	3,119,242
	<u>4,487,417</u>	<u>5,014,706</u>	<u>2,519,954</u>	<u>3,380,993</u>

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

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Other loan (secured)	-	98,000	-	-
	<u>-</u>	<u>98,000</u>	<u>-</u>	<u>-</u>

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23. Provisions for liabilities

	Other provisions £	Total £
At 1 April 2014	-	-
Provision for redundancy costs	(117,757)	(117,757)
Other provisions	(17,500)	(17,500)
At 31 March 2015	<u>(135,257)</u>	<u>(135,257)</u>

24. Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net current assets £	Long term liabilities £	Provisions for liabilities £	Total £
Fund balances at 31 March 2015 as represented by:						
Restricted funds:						
Grant (operating)	3,677	-	2,409	-	-	6,086
Grant (purchases)	-	-	86,344	-	-	86,344
Other restricted funds	1,396	-	1,472	-	-	2,868
Royal Naval Museum	7,734,329	-	2,632,396	-	(17,500)	10,349,225
HMS M33 Trust	1,567,782	-	-	-	-	1,567,782
	<u>9,307,184</u>	<u>-</u>	<u>2,722,621</u>	<u>-</u>	<u>(17,500)</u>	<u>12,012,305</u>
Unrestricted funds	<u>-</u>	<u>-</u>	<u>(566,013)</u>	<u>-</u>	<u>(117,757)</u>	<u>(683,770)</u>
Total Funds - Company	<u>9,307,184</u>	<u>-</u>	<u>2,156,608</u>	<u>-</u>	<u>(135,257)</u>	<u>11,328,535</u>
Funds held by:						
Royal Navy Submarine Museum	23,260,213	30,420	367,373	-	-	23,658,006
Royal Marines Museum	6,896,497	-	233,079	-	-	7,129,576
Fleet Air Arm Museum	11,979,221	-	664,970	-	-	12,644,191
HMS Victory Preservation Company	19,565,639	34,620,805	7,526,111	-	-	61,712,555
HMS Caroline Preservation Company	7,556,000	-	-	-	-	7,556,000
HMS Trincomalee Trust	21,076,470	220,038	474,635	(98,000)	-	21,673,143
NMRN Services	-	-	-	-	-	-
Total Funds - Group	<u>99,641,224</u>	<u>34,871,263</u>	<u>11,422,776</u>	<u>(98,000)</u>	<u>(135,257)</u>	<u>145,702,006</u>

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25. GIA restricted funds

	At 1 April 2014 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2015 £
Company:						
Grant (operating)	4,961	3,333,147	(3,156,013)	(176,135)	126	6,086
Grant (purchases)	56,555	119,490	(9,860)	(79,841)	-	86,344
Other museums:						
Royal Navy Submarine Museum	993,225	502,783	(534,749)	4,282	25,192	990,733
Royal Marines Museum	4,500,598	596,448	(711,652)	-	56,101	4,441,495
Fleet Air Arm Museum	844,361	480,111	(495,811)	-	6,085	834,746
HMS Victory Preservation Company	-	-	-	-	-	-
HMS Caroline Preservation Company	-	-	-	-	-	-
HMS Trincomalee Trust	-	50,000	(50,000)	-	-	-
NMRN Services	-	1,505,081	(1,505,081)	-	-	-
	<u>6,399,700</u>	<u>6,587,060</u>	<u>(6,463,166)</u>	<u>(251,694)</u>	<u>87,504</u>	<u>6,359,404</u>

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 individual museums as a grant.

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26. Other restricted funds and endowment funds

	<i>Restated</i>							
	At	On	Incoming	Outgoing		Gains and		At
	1 April 2014	acquisition	resources	resources	Transfers	losses	31 March 2015	
	£	£	£	£	£	£	£	£
Other restricted funds:								
Company:								
HMS Caroline	260,349	-	739,377	(996,895)	-	37		2,868
Royal Naval Museum	9,328,161	413,449	9,402,355	(9,879,872)	997,647	87,485		10,349,225
HMS M33 Trust	-	-	1,092,378	-	-	475,404		1,567,782
	<u>9,588,510</u>	<u>413,449</u>	<u>11,234,110</u>	<u>(10,876,767)</u>	<u>997,647</u>	<u>562,926</u>		<u>11,919,875</u>
Other museums:								
Royal Navy Submarine Museum	22,314,883	-	82,322	(159,283)	-	163,413		22,401,335
Royal Marines Museum	610,091	-	(5,214)	(44,849)	-	10,275		570,303
Fleet Air Arm Museum	2,613,287	-	27,195	(218,143)	-	37,567		2,459,906
HMS Victory Preservation Company	31,409,687	-	1,250,000	(1,362,003)	-	5,344		31,303,028
HMS Caroline Preservation Company	7,556,000	-	-	-	-	-		7,556,000
HMS Trincomalee Trust	-	21,087,467	22,167	(32,233)	-	1,070		21,078,471
	<u>74,092,458</u>	<u>21,500,916</u>	<u>12,610,580</u>	<u>(12,693,278)</u>	<u>997,647</u>	<u>780,595</u>		<u>97,288,918</u>
Endowment funds:								
Other museums:								
HMS Victory Preservation Company	27,118,059	-	215,979	(226,962)	(122,365)	2,712,041		29,696,752
HMS Trincomalee Trust	-	5,000	-	-	-	-		5,000
	<u>27,118,059</u>	<u>5,000</u>	<u>215,979</u>	<u>(226,962)</u>	<u>(122,365)</u>	<u>2,712,041</u>		<u>29,701,752</u>

Other restricted funds comprise the following: the balance of a grant of £522,000 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; and the Royal Naval Museum and HMS M33 Trust which are linked Charities (and Special Trusts) of the National Museum of the Royal Navy and as such are shown as separate restricted funds.

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

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

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27. Transfers between funds

Company

A total of £255,976 (2014: £1,739,436) was transferred from GIA restricted funds to the Royal Naval Museum, a total of £970,421 (2014: £173,250) was transferred from other restricted funds to the Royal Naval Museum, and a total of £217,000 (2014: £Nil) was transferred from the Royal Naval Museum to unrestricted funds. These transfers reflect the movement of the Grant in Aid funding, restricted grants relating to the HMS Caroline project, and the transfer of gift aid from the Royal Naval Museum's trading subsidiary to the National Museum of the Royal Navy (NMRN).

Group

A total of £4,282 (2014: £80,517) was transferred to/from unrestricted funds to the NMRN restricted grant funds in the accounts for the Royal Navy Submarine Museum to cover shortfalls in expenditure from restricted funds, in particular depreciation charges. It also reflect that the NMRN grant has been spent in full and that the fund values are represented by the net book value of assets attributable to those funds.

A total of £122,365 (2014: £26,685) was transferred from/to endowment funds to unrestricted funds in the accounts for the HMS Victory Preservation Company to reflect balances due to the company which had originally been included in endowment funds.

28. Financial commitments

At 31 March 2015 commitments under non-cancellable operating leases were as follows:

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Expiry date:				
Land and buildings:				
Within one year	60,420	60,420	-	-
Between one and five years	27,900	27,900	-	-
In over five years	77,308	77,308	51,685	51,685
Other:				
Within one year	-	4,645	-	1,387
Between one and five years	6,152	15,944	6,152	19,201
In over five years	-	-	-	-
	<u>171,780</u>	<u>186,217</u>	<u>57,837</u>	<u>72,273</u>
	<u><u>171,780</u></u>	<u><u>186,217</u></u>	<u><u>57,837</u></u>	<u><u>72,273</u></u>

Notes to financial statements
for the year ended 31 March 2015

29. Capital commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £1,524,932 (2014: £335,561). There were no contingent liabilities at 31 March 2015 or 31 March 2014.

The group had capital commitments contracted but not provided for in the financial statements amounting to £1,524,932 (2014: £335,561). There were no contingent liabilities at 31 March 2014.

The HMS Trincomalee Trust has received grants from the National Heritage Memorial Fund of £3,701,271 for the restoration of the Ship. The final claim was in June 2001. The terms of the grant specify that for a period of 25 years the grant will remain repayable if the conditions are not complied with.

30. Losses and special payments

30.1 Losses statement

There were no cases of losses during the financial year (2014: no cases).

30.2 Special payments

There were 20 cases of ex-gratia payments during the year totalling £54,476 accrued wholly out of non-Grant in Aid funds (2014: two cases totalling £30,642 accrued wholly out of non-Grant in Aid funds).

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31. 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.

The National Museum of the Royal Navy is related party of: the Royal Navy Submarine Museum; the Royal Marines Museum; the Fleet Air Arm Museum; the HMS Victory Preservation Company; the HMS Caroline Preservation Company; the HMS Trincomalee Trust; and NMRN Services, 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:

Captain Dan Conley OBE - Royal Navy Submarine Museum - appointed 23/10/14

Sir Robert W K Crawford CBE - Royal Navy Submarine Museum

Rear Admiral Tom Cunningham - Fleet Air Arm Museum - appointed 17/03/15

Mr Neil Davidson FCA - HMS Victory Preservation Company - resigned 07/01/15

Mr Mike Gambazzi - Royal Marines Museum

Rear Admiral Terence Loughran CB - Fleet Air Arm Museum - resigned 13/02/15

Major General Jeffrey S Mason - Royal Marines Museum - appointed 07/01/15

Vice Admiral Sir Tim McClement KCB OBE - Royal Navy Submarine Museum - resigned 23/10/14

Mr Tim Schadla-Hall - HMS Caroline Preservation Company, HMS Trincomalee Trust

Mr Gavin Whitter - Royal Marines Museum - appointed 07/01/15

Dr Caroline Williams - HMS Victory Preservation Company

Mr Charles Wilson - HMS Caroline Preservation Company, Royal Marines Museum

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% interest, and was responsible (until 1 December 2014) 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 National Museum of the Royal Navy, incorporating the Royal Naval Museum. During the year, the National Museum of the Royal Navy was charged a levy by PHD totalling £651,717 (2014: £660,500) towards its costs of undertaking the collection and distribution of ticketing income.

J Rawlinson Esq, one of the trustees of the Royal Marines Museum, was paid £20,165 including travel expenses (2014: £29,107) by the Royal Marines Museum for consultancy work in relation to the Museum Relocation Project; the Board had asked him to undertake this work in the light of his tourism and project management experience.

The related parties of the remaining subsidiaries are disclosed in the accounts of those organisations.

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32. Prior period adjustments

31 March 2015

During the year the Royal Navy Submarine Museum changed its accounting policy for one of its Heritage Assets, HMS Alliance, from a policy of cost to a policy of revaluation to reflects its estimated rebuild cost. The reason for this change was for consistency with the National Museum for the Royal Navy's policy for its significant ships. The impact of this change in accounting policy is to increase the opening value of Heritage Assets by £12,097,505, with a corresponding increase to the value of opening restricted reserves. This change in accounting policy has had no effect on the statement of financial position for the current or previous period.

31 March 2014

The accounts for the HMS Victory Preservation Company for the period ended 31 March 2013 included a donation of timber stock from the Ministry of Defence for £7,321,931. Subsequent to the preparation of the accounts, the quantity of timber was found to be overstated. This resulted in an overstatement of the value of the timber stock of £359,562. A prior period adjustment was made in the HMS Victory Preservation Company accounts to reduce the value of the original donation and the value of the timber stock by £359,562 to £6,962,369.

The donation of the timber was accounted for in the NMRN group accounts in the year ended 31 March 2012 as the donation was made shortly before this date. A prior period adjustment was made to reduce the reserves brought forward and carried forward in the previous year, and reduce the value of the closing stock in the Consolidated Balance Sheet comparatives.

The effect of these changes on reserves is as follows:

	GIA		Other	Royal	HMS			<i>Restated</i>	
	Unrestricted	Restricted	Restricted	Naval	M33	Endowment	2015	2014	
	funds	funds	funds	Museum	Trust	funds	Total	Total	
	£	£	£	£	£	£	£	£	£
Total funds brought forward as previously stated	9,921,387	6,399,700	52,666,792	9,328,161	-	27,118,059	105,434,099	95,728,158	
Prior year adjustment	-	-	12,097,505	-	-	-	12,097,505	11,737,943	
Total funds brought forward as restated	9,921,387	6,399,700	64,764,297	9,328,161	-	27,118,059	117,531,604	107,466,101	
Reserves on acquisition	624,119	-	21,087,467	348,284	-	5,000	22,064,870	-	
Net movement in funds	1,806,426	(40,296)	(479,853)	672,780	1,567,782	2,578,693	6,105,532	10,065,503	
Total funds carried forward	12,351,932	6,359,404	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006	117,531,604	

Notes to financial statements
for the year ended 31 March 2015

33. Post balance sheet events

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

Motorised Torpedo Boat 71 (MTB 71) was constructed by Vosper Limited of Portsmouth in around 1940, one of 4 vessels originally ordered from Vosper by the Royal Norwegian Navy. Two of the batch were transferred to the British Royal Navy shortly after construction and designated the numbers MTB 71 and 72. MTB 71 was owned by the Imperial War Museum until it was gifted to the National Museum of the Royal Navy on 22 April 2015, and was accessioned to the collection of the Royal Naval Museum.

The NMRN receives government funding, through the MoD, in the form of Grant in Aid. This arrangement is subject to regular review, and in September the NMRN was advised, by the MoD, of the commencement of such a review, which is expected to be completed by March 2016. This review process is central to the Public Bodies Reform agenda to ensure that those bodies in receipt of such funding remain open, accountable and efficient.

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

34. Gross cash flows

	Company	Group	Company	Group
	2015	2015	2014	2014
	£	£	£	£
Returns on investments and servicing of finance				
Interest and dividends received	8,335	613,098	26,908	716,125
	<u>8,335</u>	<u>613,098</u>	<u>26,908</u>	<u>716,125</u>
Capital expenditure				
Payments to acquire tangible assets	(587,182)	(996,587)	(2,988,429)	(4,350,011)
Donated tangible assets	(1,107,378)	(1,141,570)	(10,000)	(7,603,760)
Payments to acquire investments	-	-	-	(352,342)
Receipts from sales of investments	23,918	86,336	251,694	251,694
	<u>(1,670,642)</u>	<u>(2,051,821)</u>	<u>(2,746,735)</u>	<u>(12,054,419)</u>
Financing				
New other loans	-	98,000	-	-
	<u>-</u>	<u>98,000</u>	<u>-</u>	<u>-</u>

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35. Analysis of changes in net funds

	Company			Group		
	Opening balance 1 April 2014 £	Cash flows £	Closing balance 31 March 2015 £	Opening balance 1 April 2014 £	Cash flows £	Closing balance 31 March 2015 £
Cash at bank and in hand	1,897,329	855,702	2,753,031	3,749,820	1,147,312	4,897,132
Debt due after one year	-	-	-	-	(98,000)	(98,000)
Net funds	<u>1,897,329</u>	<u>855,702</u>	<u>2,753,031</u>	<u>3,749,820</u>	<u>1,049,312</u>	<u>4,799,132</u>

36. 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.

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

The National Museum of the Royal Navy
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Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2015

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Incoming resources								
Incoming resources from generating funds:								
Voluntary income:								
Grant in Aid (revenue)	-	3,333,147	-	-	-	-	3,333,147	3,443,734
Grant in Aid (capital)	-	119,490	-	-	-	-	119,490	411,435
Grant (in kind)	-	-	-	453,586	-	-	453,586	-
Other donations and grants	21,828	-	739,183	4,879,257	1,092,378	-	6,732,646	2,212,327
Legacies	-	-	-	-	-	-	-	-
Activities for generating funds	50	-	-	-	-	-	50	-
Investment income	296	-	194	7,845	-	-	8,335	26,908
Admissions	-	-	-	3,177,227	-	-	3,177,227	2,718,417
Activities for generating funds:								
Income from Trading Companies and share of Joint Venture	-	-	-	1,379,166	-	-	1,379,166	1,160,298
Other incoming resources	168	-	-	71,526	-	-	71,694	69,329
	22,342	3,452,637	739,377	9,968,607	1,092,378	-	15,275,341	10,042,448
Deduct share of Joint Venture Income	-	-	-	(566,252)	-	-	(566,252)	(610,094)
Total incoming resources	22,342	3,452,637	739,377	9,402,355	1,092,378	-	14,709,089	9,432,354
Resources expended								
Costs of generating funds:								
Fundraising:								
Operating costs	131,989	218,737	-	411,973	-	-	762,699	471,949
Investment management costs	-	-	-	300	-	-	300	-
Charitable activities	717,313	1,710,652	26,464	8,456,434	-	-	10,910,863	6,489,918
Grant funding	1,810	1,073,884	10	-	-	-	1,075,704	1,711,777
Governance costs	134,907	162,600	-	295,469	-	-	592,976	674,437
Expenses of Trading Companies	-	-	-	715,696	-	-	715,696	387,776
Expenses of Charitable Subsidiary	-	-	-	-	-	-	-	-
Total resources expended	986,019	3,165,873	26,474	9,879,872	-	-	14,058,238	9,735,857

The notes on pages 38 to 80 form an integral part of these financial statements.

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Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2015

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	HMS M33 Trust	Endowment funds	2015 Total	2014 Total
	£	£	£	£	£	£	£	£
Net outgoing resources before transfers	(963,677)	286,764	712,903	(477,517)	1,092,378	-	650,851	(303,503)
Transfer between funds	228,750	(255,976)	(970,421)	997,647	-	-	-	-
Net outgoing resources for the year	(734,927)	30,788	(257,518)	520,130	1,092,378	-	650,851	(303,503)
Other recognised gains and losses								
Realised gains on disposal of investment assets	-	-	-	(561)	-	-	(561)	(5,379)
Gains/(Losses) on revaluations of fixed assets for the company's own use	-	126	37	133,309	475,404	-	608,876	74,497
Share of results of Joint Venture	-	-	-	(45,263)	-	-	(45,263)	42,084
Gains on investment assets	-	-	-	-	-	-	-	(1,162)
Net movement in funds	(734,927)	30,914	(257,481)	607,615	1,567,782	-	1,213,903	(193,463)
Total funds brought forward	51,157	61,516	260,349	9,328,161	-	-	9,701,183	9,894,646
Reserves on acquisition	-	-	-	413,449	-	-	413,449	-
Total funds carried forward	(683,770)	92,430	2,868	10,349,225	1,567,782	-	11,328,535	9,701,183

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.

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