

Charity number: 1126283

Company Number: 06699696

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

Trustees' Report and Consolidated Financial Statements 2016-17

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

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The National Museum of the Royal Navy

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Trustees' performance report and
consolidated financial statements

for the year ended 31 March 2017

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The National Museum of the Royal Navy
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Legal and administrative information

Charity number	1126283
Company registration number	06699696
Registered office	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH
Director General and Accounting Officer	Professor Dominic Tweddle
Trustees	Admiral Sir Jonathon Band GCB DL Mr Michael J Bedingfield Mr John R Brookes OBE Captain Dan Conley OBE Professor John Craven CBE Sir Robert W K Crawford CBE Rear Admiral Tom Cunningham (Resigned 19 April 2017) Mr Mike Gambazzi Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC Councillor Donna Jones (Appointed 19 April 2017) Mrs Kimberley A Marshall Major General Jeffrey S Mason Mr Tim Schadla-Hall Mr Gavin Whitter Dr Caroline Williams Mr Charles Wilson
Auditors	Comptroller and Auditor General National Audit Office 157 - 197 Buckingham Palace Road Victoria, London SW1W 9SP
Accountants	Compass Accountants Limited Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR
Bankers	Lloyds TSB Bank Plc 38 London Road, North End, Portsmouth, Hampshire PO2 0LR

Foreword

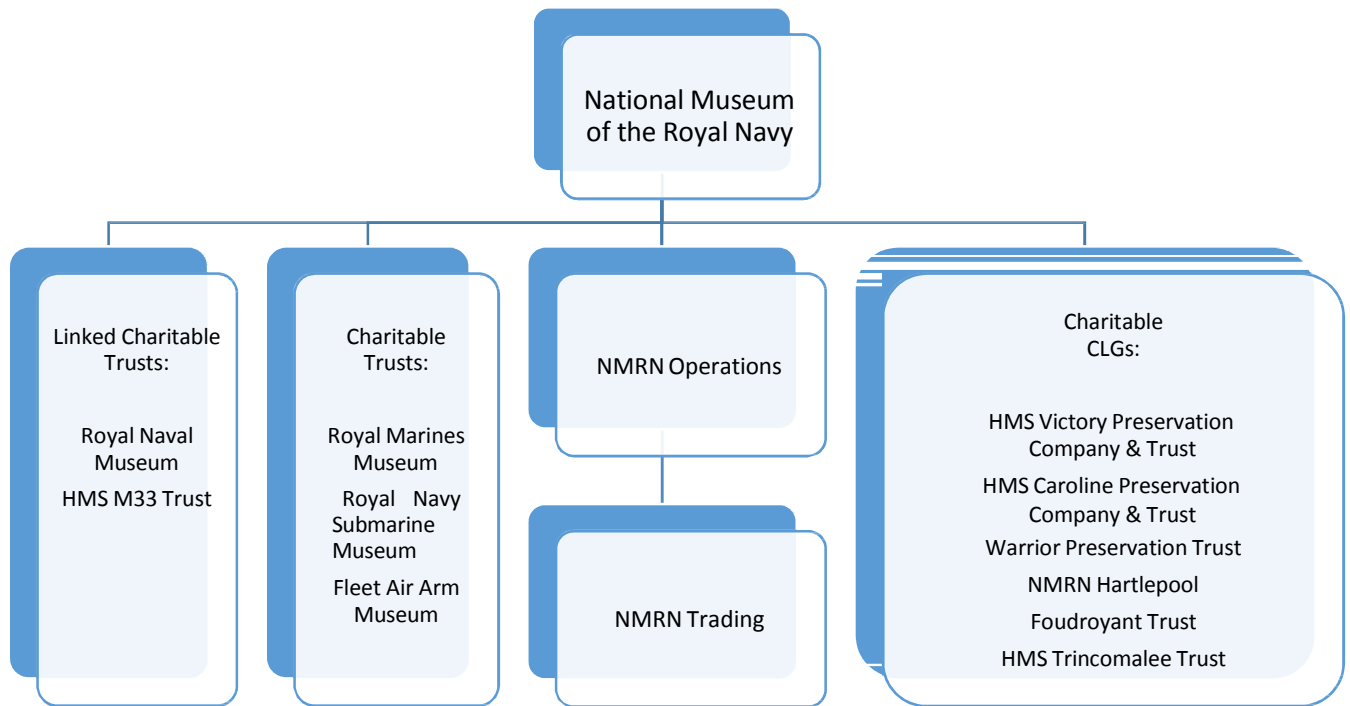
The charitable objectives of the National Museum of the Royal Navy, as defined within its Articles of Association are:

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

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

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

Organisation chart



Inactive charitable CLGs awaiting strike off:

- Royal Marines Museum
- Royal Navy Submarine Museum
- Fleet Air Arm Museum
- NMRN Services

Inactive trading companies awaiting strike off:

- Warrior Trading Limited
- HMS Trincomalee Trading Limited
- HMS Trincomalee (1817) Enterprise Company Limited

Performance Report

Overview

The National Museum of the Royal Navy [the National Museum] was established in 2008 and is the holding company of the National Museum of the Royal Navy Group. The Group includes the Royal Naval Museum, the Fleet Air Arm Museum, the Royal Navy Submarine Museum with HMS Alliance, Explosion! The Museum of Naval Firepower, the Royal Marines Museum, HMS *Victory*, HMS *Caroline*, HMS *M33* and from 3 June 2016, NMRN Hartlepool (including HMS *Trincomalee*). Since December 2014, the National Museum has also operated Portsmouth Historic Dockyard. The Warrior Preservation Trust, including HMS *Warrior*, joined the NMRN Group on the 1 April 2017.

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

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

The Ministry of Defence (MOD) concluded its review of its Services Museums in July 2016 and confirmed that the functions of the National Museum of the Royal Navy continued to support MOD objectives. It recommended that the National Museum should remain as a Non-Departmental Public Body sponsored by the MOD.

Activities and Achievements

Integration within the National Museum of the Royal Navy

The National Museum's integration programme to create a modern, effective and efficient governance and operational structure across its diverse group of assets and undertakings has continued throughout 2016-17. The National Museum's day-to-day operation is overseen by the Executive Directors within the context of an overarching strategy framework, and underpinned by a suite of Group policies, procedures and operating models.

On 1 December 2016, the National Museum integrated its operating activities into a new charitable subsidiary, NMRN Operations. The creation of NMRN Operations provided the final cornerstone for completion of integration within the National Museum, simplifying the governance structure and consolidating all operating activity and undertakings within the Group. This new structure enables the benefits of operation of the museums through a large organisation to be realised, improving visitor experience, enhancing access to the collections and demonstrating greater cohesion in the delivery of the charitable objectives. The National Museum's heritage assets are retained within independent charitable trusts, with the National Museum of the Royal Navy as the sole corporate trustee. The transfer of these assets took place on 30 November 2016 and are disclosed in note 28 to the accounts.

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SeaMore Project

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

HMS Caroline

The work to HMS Caroline was completed on time for the commemoration of the Battle of Jutland on 31 May 2016. HMS Caroline thus provided a unique backdrop to the commemoration of the sacrifice of the Irish Sailor in World War 1. The dry docking of HMS Caroline (28 October 2016 to 19 December 2016) was the most critical phase of the capital project. The ship had not been dry docked for almost three decades and the state of the exterior hull below the wind and water line was largely unknown. The works took place at Harland and Wolff's ship repair dock and consisted of an environmental pollution control regime, some 1,500 rivet repairs, plate repairs using a propriety marine product (Belzona), ballast removal from the fore peak tank, application of a full modern paint scheme and the fixing of permanent mooring plates. Following returning from dry-docking and the installation of a new mooring system, the ship reopened to the public on 1 July 2017.

The refurbishment works to the Pump House blocks 1-3, including the Alexandra Dock, are subject to DETI (now part of the Department of the Economy) securing the lease and licence agreements with the NISP and BHC. Agreements were signed by all parties in December 2016. The works officially commenced on site with Tracy Bros on 9 January 2017 and are programmed to complete in late 2017 with an element of interpretation and fit out to be completed by January 2018.

HMS Victory

In May 2015, the Conservation Programme Plan (CPP) for the Ship was accepted. Developed in association with subject matter experts, the purpose of the CPP is to define what conservation work is required to deliver a fully conserved HMS Victory, in an open environment and in a condition to survive for 50 years without major work beyond a programme of planned maintenance. Over the past year a number of tests have been underway on a full-scale model of the ship's side, intended to establish the validity of the assumptions underpinning the CPP. Looking to the future, these tests will continue and early results examined in order to make adjustments as necessary.

Building upon the success of last year's project to redisplay and reinterpret the Ship, in December 2016 a new audio tour was introduced. The tour takes visitors through Victory's Trafalgar experience, from leaving Portsmouth on 14 September 1805, through the Battle on 21 October, to the ship arriving in the Bay of Gibraltar on 28 October 1805. The tour has met with enthusiastic reception from visitors, and over the next year efforts will be made to extend the range of languages the tour is available in.

Throughout the period, efforts have concentrated on completion of the detailed design of a new support system, and preparations for its installation. The final design, installation and procurement strategy for the support system was accepted in November 2016, manufacture of the new props began shortly thereafter and installation will commence in mid-2017.

Alongside the work to procure a new support system, works have been undertaken to both HMS Victory and the dock in which she sits to ensure both are capable of bearing the loads imposed during the critical process of

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transferring the ship from the existing cradles to the new props. Number 2 dock has been subject to stonework repairs, whilst Victory's orlop and lower gun decks have been fitted with additional fixings and repairs made to the timber structure.

NMRNHartlepool

On 3 June 2016, the transfer took place of the undertakings and assets relating to the operation of the Hartlepool Maritime Experience, as a going concern and with full title guarantee from Hartlepool Borough Council and HMS Trincomalee Trust. From this date, the National Museum became the single operator of the site through its subsidiaries NMRN Trading and NMRN Operations. This strategically important site enables the National Museum to gain a foothold in the North East of England, whilst providing opportunities to contribute to the region's regeneration through the development and growth of a tourist attraction in partnership with the local authority.

Visitor Services

From 1 April 2016 to 31 March 2017, there were 1,150,154 visits (2015-156: 1,010,329) to the National Museum across all its sites, with figures published by ALVA (the Association of Leading Visitor Attractions) showing the National Museum as the 6th most visited attraction outside of London and Scotland. The National Museum's websites, including the Portsmouth Historic Dockyard site which is managed by the National Museum, received 2,035,896 visits. Press, PR and media coverage tripled, realising £15million in Advertising Value Equivalent.

Volunteers

The National Museum's activities are supported by a team of 330 volunteers completing over 34,500 hours in 2016-17, assisting in a range of tasks including: research, exhibitions, conservation, restoration and cataloguing of artefacts, collections and historic ships, community roadshows, opening events, front of house guides and learning events. This year saw new opportunities created for volunteers: on HMS *Victory* they have helped with visitor interaction, sharing insights of the ship and her history, and others have assisted with the new sleepover events at the Royal Navy Submarine Museum.

Learning and Access

In this year, the National Museum provided 43,424 formal learning visits to schools, colleges and universities across our sites. A further 31,737 foreign language pupils visited, with the majority (98%) visiting the National Museum of the Royal Navy Portsmouth and HMS *Victory*. The amount of time learning staff were engaged in direct delivery equated to over 52,843 learning contact hours through 876 school workshops and 6,879 curriculum-linked tours. In addition, we delivered 138 activities to families, adult and community audiences reaching some 13,555 informal learning participants.

Exhibitions

To mark the centenary of the Battle of Jutland, the museum opened major new exhibitions in Portsmouth and Yeovilton in May 2016. "36 Hours. The Battle that Won the War" opened in Portsmouth in May 2016 and attracted 86,995 visitors across the year. Following its success the exhibition run has been extended to the summer of 2019. The Fleet Air Arm Museum's exhibition, "The Navy's Air War: Jutland 2016" focussed on reinterpretation of the Short 184, with a combination of high-quality projection and interpretation boards telling the story of the aircraft's role at the Battle of Jutland and of its pilot and observer, Lt Fredrick Rutland and Assistant Paymaster George Trewin.

In support of an event held at RNAS Yeovilton to mark the life of Captain Eric Brown following his death in February 2016, a commemorative display opened at the Fleet Air Arm Museum in July 2016.

Following the decommissioning of the Fleet Air Arm's Sea King helicopters in March 2016, the National Museum was able to take the longest-serving example of this aircraft into its collection. ZA298 had served in numerous operations around the world from the Falklands to Afghanistan and an exhibition highlighting the life and times of this iconic aircraft opened at Fleet Air Arm Museum in August 2016.

We have continued to present a changing programme of exhibitions across our sites. "A Long Shadow", a solo exhibition of works by Helen Snell, opened in November 2016, featuring new pieces inspired by the museum's collections during a three-year tenure as artist in residence.

In November 2016, the Sopwith Baby reinterpretation was completed at the Fleet Air Arm Museum with the installation of a large touch-screen interactive funded by the Society of Friends of the Fleet Air Arm Museum. This enables visitors to 'fly' the aircraft in operational mode, battling with enemy aircraft and a zeppelin.

"Pioneers to Professionals. Women and the Royal Navy" was opened in Portsmouth by HRH the Princess Royal on 8 March 2017. One hundred years after the formation of the Women's Royal Naval Service (WRNS), this exhibition celebrates the achievements of women who served as Wrens but also draws attention to women who contributed to the Navy in other ways over two hundred years, from the age of sail to the present day.

Collections

The National Museum has continued to build its collections for the future, with significant acquisitions including:

- Papers of Admiral Hawke (1705-1781) relating to his service in the War of Austrian Succession (1739-1748), and the Seven Years' War (1756-1763), with many relating to the Battle of Quiberon Bay in November 1759.
- Portrait by George Henry Harlow of Midshipman John Windham Dalling who served in HMS *Defence* at Trafalgar.
- Material relating to Admiral Sir Ralph Croke, the first commanding officer of HMS Caroline, including the order book for HMS Caroline portrait of Commander Croke RNR (later Admiral) and a nineteen-piece Spode tea set.
- Bronze bell recovered from the wreck of HMS Hood (1918) in August 2015. Inscriptions on the bell identify it to have been used in the battleship Hood between 1891 and 1914 before being presented to the Battlecruiser Hood on the day of its launch in 1918 by Lady Hood, in memory of her husband Sir Horace Hood who was killed at Jutland.
- Transfer of 777 items from the MOD Art Collection in March 2017. The collection features many significant pieces which are currently dispersed throughout Defence Estate buildings in the UK, and to a lesser extent, overseas.
- Three Royal Naval Air Service duty rosters for March and July 1916 and for one week in an unidentified month, RN Airship Station Folkestone, Capel le Ferne.
- Flying Log Books and correspondence of Ian M N Mudie RN.
- Swordfish aircraft fabric with 822 Squadron badge.
- RNAS Yeovilton WWII WRNS bicycle.
- Escape pack of Captain Michael Torrens-Spence, potentially with him during raid on Taranto.
- Medal group and flying logs related to George Douglas.
- Medal group and flying log books relating to Captain Eric "Winkle" Brown.

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- Album of 32 watercolours painted by Marine Ernest W Young while stationed in North Africa (Libya and Algeria) with the Royal Marines during the Second World War, 1943.
- The “Captain General Royal Marines Baton” presented to His Royal Highness The Duke of Edinburgh KG KT, on completion of the 1664 Challenge, to commemorate the 350th Anniversary of the Royal Marines.
- ‘Sniper at Work’ sign acquired by Marine Matt Collins RM, whilst he was serving in South Armagh, Northern Ireland, 1998-1999, as part of 42 Commando (Cdo) K Company (coy). It has been signed by the members of call sign N10B, Commander Sergeant Si Welch.
- Ring presented to Leonora Pirie on the event of her launching HMS H4.
- Medals awarded to LGW Triggs of HMS Rorqual (includes Distinguished Service Medal and British Empire Medal).
- Portrait of Admiral Lord Fieldhouse. Purchased from the family who originally had it commissioned and displayed in the family home for many years.

Scholarship

The National Museum has also continued to expand its portfolio of books and has published a further volume in the ‘History of the Royal Navy’ in association with IB Tauris: “The Seven Years War” by Martin Robson. The publication of the National Museum’s popular series of souvenir guides has continued with new additions for the Fleet Air Arm Museum, HMS Trincomalee, Portsmouth Historic Dockyard, HMS Caroline and HMS Victory. A catalogue and smaller souvenir guide for the exhibition “36 Hours. The Battle that Won the War” has also been published. The National Museum has facilitated and supported publication by external partners: Julian Thompson “The Royal Navy 100 years of Maritime Warfare in the Modern age” and the Haynes manual “Dreadnought Battleships.

Trading

Two subsidiary trading companies operated within the reporting period: National Museum of the Royal Navy Trading, and HMS Trincomalee (1817) Enterprise Company Ltd. On 3 June 2016, HMS Trincomalee (1817) Enterprise Company transferred its trade, assets and liabilities into the National Museum of the Royal Navy Trading. The National Museum of the Royal Navy Trading now operates across all of the National Museum’s sites as a single, merged trading entity, reporting to a single board of Directors. In 2016-17, the company turned over £3,171,097 (2015-16: £2,115,849) generating a profit of £488,139 (2015-16: £447,591). At the discretion of its directors, the National Museum of the Royal Navy Trading will distribute through gift aid £495,800 from its reserves to the National Museum. The trading company oversees income streams such as cafés, retail, guidebooks, weddings, corporate and private hires, wholesale and brand licensing. New product ranges have been developed and all packaging redesigned to create a strong brand identity.

Post balance sheet events

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

Plans for Future Periods

The National Museum received confirmation from Heritage Lottery Fund (HLF) in May 2016 that it would be awarded £13.85million towards its major capital project ‘SeaMore: sharing the newest national collection’. The project, which will transform access to our collection and create a new Royal Marines Museum in Portsmouth Historic Dockyard, is in an intensive Development Phase leading to a Round 2 HLF application in March 2018. Following the closure of the Royal Marines Museum galleries at the end of March 2017, the exhibition ‘The Making of a Royal Marines Commando’ has been refreshed and relocated to the ground floor of ‘Action Stations’ within

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Boathouse 6 in Portsmouth Historic Dockyard. This is the future location of the new Royal Marines Museum and the exhibition will enhance 'Action Stations', and will also be used as part of the communication about the style and design of the new museum.

The National Museum has developed a funding application with our affiliate the Maritime Archaeology Sea Trust (MAST) for a project based on the 1758 wreck of HMS Invincible, called 'Diving Deep: the HMS Invincible 1744 Project'. If the application is successful this will provide £567,122 (£425,900 from HLF) to deliver a programme of activity supporting 3 dive seasons, leading to exhibition and publication, across 2017-2021.

The National Museum has developed a funding application with Portsmouth City Council based on the only Landing Craft Tank to survive from D-Day, called 'LCT 7074: Resurrecting a D-Day Hero'. The project will see the conserved vessel interpreted outside the D-Day Museum in Southsea, opening in June 2019. If the application is successful, this will provide £5,962,665 (£4,770,132 from HLF) across 2017-2019.

HMS Caroline was reopened to the public on 3 July 2017. All works to the public realm of Alexandra Dock and the refurbishment to Blocks 1 to 3 of the Pump House are expected to complete in November/December 2017. If this programme is achieved, the full HMS Caroline solution will "soft launch" in late February 2018 with a formal opening in April 2018.

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

The National Museum is currently planning an exhibition based on the paintings of the artist Lachlan Gaudie which record the construction, fitting out and commissioning of HMS *Queen Elizabeth*. This will open in the special exhibitions space in Portsmouth in early 2018.

Developments at Fleet Air Arm Museum include a new playground opened in August 2017, inspired by the flight deck of the new HMS *Queen Elizabeth* and a new Orientation Space that will provide visitors with an exciting, engaging and informative start to their journey into the Museum using up-to-date concepts and technology. A new exhibition for summer 2017 is '*Cold War to Kabul*' focusing on the role of the Fleet Air Arm around the world since the Falklands War and including the display of the Harrier dubbed 'Dirty Harry' which saw action in Afghanistan and the Lynx XZ720 which attacked and sank five Iraqi gunboats during the 1991 Gulf War.

Improvements will be made to interpretation at the Royal Navy Submarine Museum, including a re-interpretation of the midget submarine X24, with a projection onto her hull which tells her story, and offers a wider introduction to submarine development.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2017

Total incoming resources for the National Museum in 2016-17 amounted to £19,873,323 (2015-16: £19,927,149). In addition to Grant in Aid and admissions income (including gift aid), a large proportion of this inflow is exceptional and relates to grant income and donations for major capital projects including: HMS *Victory* conservation and HMS *Caroline*. Other income relates to increased turnover from the National Museum of the Royal Navy Trading (NMRN Trading) and a new subsidy from Hartlepool Borough Council in relation to the operation of NMRN Hartlepool.

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Total resources expended for 2016-17 amounted to £22,274,464 (2015-16: £20,749,478). The increase in outflow relates to largely to increased expenditure on project activity on HMS *Caroline* for which project funding was received. It also relates to increased exhibition expenses flowing from the significant exhibition activity during the year. Staff costs have also increased following the transfer of staff relating to the NMRN Hartlepool operation.

The net expenditure in unrestricted funds for the period of (£477,340) (2015-16: (£1,198,406)) arose from an increase in unrestricted donations, admissions and trading income and a reduction in cost of collections and research, offset by the increased cost of operational activities arising from the addition of HMS *Caroline* and NMRN Hartlepool to the Group.

After adjustment for other recognised but unrealised gains on investments totalling £3,918,855 and gains on revaluation of fixed assets of £4,633,050, the net movement in funds for the year was an increase of £6,150,764.

Balance Sheet

The net assets as at 31 March 2017 amounted to £152,425,857 (31 March 2016: £146,275,093).

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

Reserves

The Trustees regularly monitor the levels of the charitable company's reserves and seek to take correction action as necessary. As at 31 March 2017, the charitable company's unrestricted funds (excluding the revaluation reserve) stood at a deficit of (£250,678) (31 March 2016: (£199,739)).

The Group policy is that each charitable company builds a 'free reserve', defined as the amounts shown as Net Current Assets (before long term liabilities) in the accounts of the company and which are attributable to Unrestricted Funds. 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. As at 31 March 2017, the level of the company's free reserves stood at £138,273 (31 March 2016: £318,124). The Group's free reserves (including designated funds) stood at £960,712.

The free reserve position for the company shows a decrease of £179,851 on the previous period and the reserves remain insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands. The Trustees are, however, satisfied from the reports received by the Board and its committees that a budget has been set to build the reserves and that both expenditure and the cash flow position are carefully monitored and managed to minimise these risks. Moreover, the consolidation of operational activity and cost into NMRN Operations should continue to improve the reserve position in accordance with its reserve policy.

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

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Investment Policy

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

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

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

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

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Auditors

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

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

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

On behalf of the board

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

24 October 2017

Professor Dominic Tweddle
Director General and Accounting Officer

24 October 2017

Accountability Report

Trustees' Report and Governance Statement

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

The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit. A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. Through its charitable objects, the National Museum seeks to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encourages the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The National Museum operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The National Museum offers educational workshops to schoolchildren in support of the National Curriculum, operates community outreach programmes in the local areas for children, their parents and carers, and hosts foreign language school pupils. The National Museum has an extensive volunteer programme and its activities are supported by a team of 350 volunteers.

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

The Governance Framework

The National Museum of the Royal Navy is a company limited by guarantee (company number: 06699696) and a charity registered with the Charity Commission (registration number: 1126283). It is governed by its Articles of Association dated October 2016, which incorporates its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the guidelines issued by the Officer of the Commissioner for Public Appointments (OCPA).

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

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

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

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

The NMRN Operations Board is charged with responsibility for operational delivery of the Corporate Priorities to meet the National Museum's strategic objectives. The Chair of the NMRN Operations Board reports back to the main Board of Trustees on progress.

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

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

The Board is committed to the principles of good governance and undertakes regular assessments of its effectiveness and compliance with the UK Corporate Governance Code. The Board's self-assessment is supplemented by a programme of internal audit reviews. In this reporting period, a review of the risk maturity of the National Museum and its risk management systems was undertaken and a programme of work is underway to further develop and embed the risk management approach. The Board has taken steps to improve its governance through the simplification of its group structure to improve transparency and effectiveness of delivery. Board decisions are informed by appropriately detailed management reports, which have passed through the relevant committees or subsidiary boards which in turn have the specific membership and skill sets to enable close scrutiny and challenge 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 effectively.

The sub-committees of the board include:

Audit and Governance Committee

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

Nomination and Remuneration Committee

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

Collections, Research, Learning and Access Committee

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

- To articulate the Acquisitions, Disposals and Loans Policy for the National Museum, establishing such procedures as required; and,
- to establish a Collections Strategy and Collecting Priorities for the National Museum; and,
- to set up a Collections Management Policy and determine the appropriate level of resources in, accommodation, staffing, systems and documentation; and,

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

Fundraising and Marketing Committee

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

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

From July 2017, this committee will only be responsible for the fundraising aspects of the group with the trustees deciding that the responsibility for marketing is better situated within its operating company, NMRN Operations.

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 the meetings of the main Board and subsidiaries and also attends the National Museum's committees

Development and Finance Committee and Operations and HR Committee

The company previously maintained a Development and Finance committee and an Operations and HR committee. With the consolidation of activity into NMRN Operations, the Board of Trustees agreed that the most efficient way to operate would be to dissolve the two subcommittees and transfer these duties to NMRN Operations or retain them at Board level.

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Membership and attendance of key meetings	Board of Trustees	Development and Finance Committee	Audit and Governance Committee	Nomination and Remuneration Committee	Collections Research Learning and Access	Operations and HR Committee	Fundraising and Marketing Committee
Total number of meetings in the period	4	2	4		4	1	3
<u>Chairman:</u>							
Admiral Sir Jonathon Band GCB DL	3/4	1/2					
<u>Trustees:</u>							
Mr M Bedingfield	4/4						3/3
Mr J R Brookes OBE	4/4	2/2		1/1			
Captain Dan Conley	4/4					1/1	
Professor John Craven CBE	3/4				3/4		
Sir Robert W K Crawford CBE	3/4	1/2					
Rear Admiral T Cunningham	3/4						
Mr M Gambazzi	4/4	2/2	1/2	1/1			
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	4/4	1/2		1/1		1/1	
Councillor Donna Jones	0/0						
Ms K A Marshall	3/4		3/4	0/1			
Major General J Mason	3/4	1/2					
Mr T Schadla-Hall	1/4	2/2			3/4		
Mr G Whitter	4/4	2/2	4/4				
Dr Caroline Williams	1/4						
Mr Charles Wilson	4/4	1/2					3/3
<u>Non- Trustees:</u>							
Mr Adrian Babbidge					3/4		
Dr M Copp			3/4				
Mrs Anne Dixon						1/1	
Vic e Admiral Sir Anthony Dymock KBE CB FRSA							3/3
Mr R Hatfield		2/2					
Ms Sarah Humphrey			4/4				
Ms Caroline MacDonald					2/4		
Ms Carol Marlow							3/3
Mr Keith Morris						1/1	
Mr Mark Pemberton					0/4		
Mrs Sandi Rhys-Jones							3/3
Mr Ken Robinson CBE							2/3
Professor Sara Selwood					4/4		

Register of Interests

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

Personal data loss

The company has not identified any personal data related incidents during 2016-17 or in the previous eight financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

System of internal control

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

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

Internal Audit

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

In their report to the Audit and Governance Committee, the internal auditors were able to provide limited assurance that in the year ended 31 March 2017 there was generally a sound system of internal control, designed to meet the organisation's objectives, and that controls were generally being applied consistently. There were a number of audit findings which led to the limited assurance opinion in respect of reviews of Payment Controls, the new Ticketing System and Gift Aid, Fundraising and Legacies, Trading Company and the governance of the HMS Trincomalee Trust.

This limited assurance opinion was partially as a result of the organisation taking a more risk-based view on the use of its internal audit resource in providing assurance in areas where there were known areas of concern and also the organisation's request for early internal input into systems under development. The National Museum has undertaken large-scale organisational change throughout 2016-17, consolidating its group structure, systems and procedures. The organisation had made good progress in implementing recommendations made by the internal auditors over the course of this and last year.

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External Audit

The external auditor for the National Museum of the Royal Navy is the Comptroller and Auditor General, with the audit conducted by the National Audit Office. The external audit of the subsidiary companies is conducted by Compass Accountants. The Audit and Governance Committee receives and reviews all external auditor reports.

Risk Management

For the year ended 31 March 2017, a comprehensive suite of uniformly presented Strategic, Operational and Project Risk Registers have been in place, which identify the risks relevant to the successful continuation of the company's current operations and its future development. Risk Management is incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

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

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

In October 2016, the National Museum was subject to an external fraud which resulted in a material loss of £73,800. In light of this incident, a full investigation and review of relevant controls was undertaken by the internal auditors. The findings were presented to the Audit and Governance Committee and actions have been taken to ensure that a robust system of control is now in place to prevent a repeat incident.

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Assurance Statement by the Audit and Governance Committee

The Audit and Governance Committee is reasonably confident that:

Based on the above, the Board and Accounting Officer of the National Museum of the Royal Navy believe that the organisation complies with the Corporate Governance in Central Government: Code of Good Practice 2011, to the extent that it is relevant to the company and as far as the Charities Act 2011 and Companies Act 2006 permit.

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the National Museum of the Royal Navy's system of internal control in accordance with Treasury guidance and recommendations. The system of internal control has been in place in the National Museum of the Royal Navy for the year ended 31 March 2017 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Gavin Whitter
Chairman of the Audit and Governance Committee
on Behalf of the Board of Trustees

24 October 2017

Professor Dominic Tweddle
Director General and Accounting Officer

24 October 2017

Statement of Board of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 2017

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

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

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

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

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

24 October 2017

Professor Dominic Tweddle
Director General and Accounting Officer

24 October 2017

Remuneration and Staff Report
for the year ended 31 March 2017

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

Remuneration Policy

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

Total remuneration table (subject to audit)

Employee	Salary £'000		Non-consolidated payments £'000		Pension benefits £'000		Total £'000	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
D Tweddle Director General	105-110	105-110	5-10	5-10	10-15	10-15	125-130	125-130
S Dennis Executive Director	80-85	80-85	0-5	0-5	5-10	5-10	95-100	90-95
*J Rawlinson Executive Director From 1 July 2016	75-80	*55-60	0-5	Nil	5-10	5-10	90-95	65-70
M Sheldon Executive Director	70-75	70-75	0-5	Nil	5-10	5-10	80-85	75-80

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

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

Employee	2016-17 Nearest £100	2015-16 Nearest £100
D Tweddle Director General	11,000	11,100
S Dennis Executive Director	8,500	8,400
J Rawlinson Executive Director (*Full year equivalent)	8,000	*8,200
M Sheldon Executive Director	7,200	7,000

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

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

The total number of staff whose emoluments for the year exceeded £60,000 is given in note 11, together with information on staff numbers and costs. In 2016-17, no employees (2015-16: Nil) received remuneration in excess of the highest paid executive director.

No Trustees received remuneration during the year (2015-16: Nil). Eight Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £3,421 (2015-16: £3,009) – the increase in travel expenses reflects the requirement for trustees to attend the National Museum's new locations in Belfast and Hartlepool.

Median Pay Disclosure (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median (mid-point) remuneration of the organisation's workforce based on the full time equivalent pay. The remuneration ratio is 7.35:1 (2016 4.55:1). This represents the pay of the highest paid director (including performance related bonus) as a multiple of the median pay award – the median pay is £15,995 (2016: £25,250). The variation of median pay on the previous year arises from the inclusion of new businesses in Hartlepool and Belfast and also from the transfer of employees from NMRN Trading into NMRN Operations, which significantly skewed the median with increased numbers of staff on lower salary bands. The Director General and the Executive Directors did not receive a pay award within the reporting period.

Sickness absence

The National Museum group employed an average of 331 members of staff or 207 full time equivalent staff during 2016-17. Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 2.8 per employee excluding days lost due to long-term sickness absence.

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	19	-	19
£10,000-£25,000	-	-	-
Total number of exit packages	19	-	19
Total resource cost/ £	40,174	-	40,174

Exit costs are accounted for in full in the year the employee was confirmed redundant. All compensation was paid as statutory (capped) redundancy plus pay in lieu of notice.

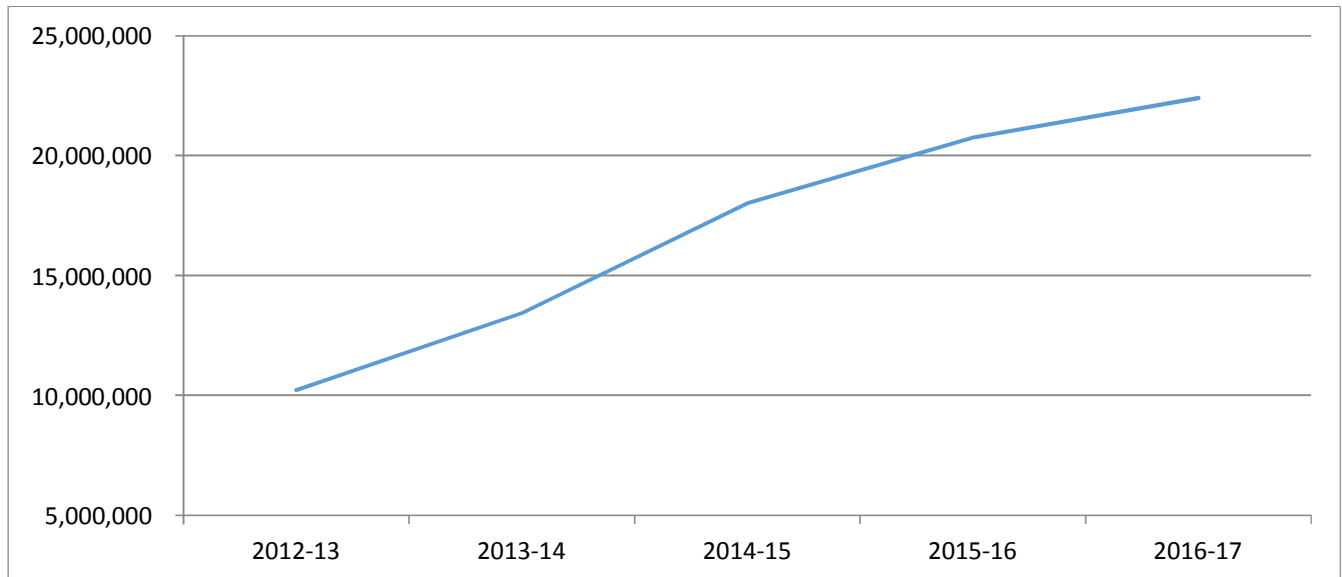
Other staff costs

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

Parliamentary accountability and audit report

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

Expenditure trends over the past five years are shown below.



The increase of expenditure over the past five years is a result of the growth and expansion of the National Museum as it has pursued its strategy to increase its scale, scope and reach. During the five year period, the National Museum has successfully delivered a number of significant projects and increased its visitor numbers to 1,150,154 in 2016-17. The Grant in Aid received from the sponsor body has reduced by 2.2% in the same period to £3.38m (including purchase of exhibits grant) in 2016-17 and the National Museum’s growth has been funded through self-generated income, grants and donations.

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

24 October 2017

Professor Dominic Tweddle
Director General and Accounting Officer

24 October 2017

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

I certify that I have audited the financial statements of National Museum of the Royal Navy for the year ended 31 March 2017 under the Government Resources and Accounts Act 2000. The financial statements comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, Consolidated Cash Flow Statement and the related notes. The financial statements have been prepared under the accounting policies set out therein and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report, and the Parliamentary accountability and audit report that is described in that report as having been audited.

Respective responsibilities of the trustees and the auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the National Museum of the Royal Navy's affairs as at 31 March 2017 and of the incoming resources and application of resources for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- 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 and Staff Report, and the Parliamentary accountability and audit report disclosures to be audited has been properly prepared in accordance with the Government Financial Reporting Manual; and
- the information given in the Legal and administrative information, Foreword, Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and these reports have been prepared in accordance with the applicable legal requirements; and
- In light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Legal and administrative information, Foreword, Performance Report and Accountability Report.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the National Museum of the Royal Navy 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 and Staff Report, and Parliamentary accountability and audit report disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- Certain disclosures of trustees' remuneration specified by law are not made; 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
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Date 12 December 2017

The National Museum of the Royal Navy
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Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2017

	Notes	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	Endowment funds £	2017 Total £	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	Endowment funds £	2016 Total £
Income from:													
Donations and legacies													
Grant in Aid (revenue)	2	3,260,666	-	-	-	-	3,263,526	-	-	-	-	3,263,526	
Grant in Aid (capital)	2	122,000	-	-	-	-	121,342	-	-	-	-	121,342	
Donations	2	497,723	6,462,514	1,164,351	-	-	241,572	6	-	-	-	8,721,599	
Legacies	3	41,318	-	-	-	-	2,000	-	-	-	-	-	
Charitable activities													
Admissions	4	1,980,859	-	2,384,770	-	-	4,365,629	1,717,794	-	2,719,163	-	-	4,436,957
Other trading activities													
Fundraising events		1,300	6,926	-	-	-	8,226	53,372	-	-	-	-	53,372
Trading subsidiary	5	1,063,397	-	2,114,065	-	-	3,177,462	464,024	-	2,115,849	-	-	2,579,873
Investments	6	483,268	-	3,047	-	174,526	660,841	430,723	-	6,623	-	171,416	608,762
Other		70,915	-	41,678	-	-	112,593	31,329	-	108,390	-	-	139,719
Total income		7,521,446	6,469,440	5,707,911	-	174,526	19,873,323	6,325,682	6,142,461	7,287,590	-	171,416	19,927,149
Expenditure on:													
Raising funds													
Fundraising and publicity	7	672,403	5,335	778,712	-	-	1,456,450	761,039	612	831,249	-	-	1,592,900
Investment management costs		986	-	-	-	229,796	230,782	1,626	-	-	-	227,550	229,176
Trading subsidiary	5	572,425	-	2,119,364	-	-	2,691,789	359,181	-	1,672,845	-	-	2,032,026
Charitable activities	8	6,774,358	3,213,474	7,907,611	-	-	17,895,443	6,376,068	424,723	10,094,585	-	-	16,895,376
Total expenditure		8,020,172	3,218,809	10,805,687	-	229,796	22,274,464	7,497,914	425,335	12,598,679	-	227,550	20,749,478

The notes on pages 32 to 65 form an integral part of these financial statements.

The National Museum of the Royal Navy
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Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2017

	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	Endowment funds £	2017 Total £	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	Endowment funds £	2016 Total £
Net gains/(losses) on investments	21,386	(8,410)	-	-	3,905,879	3,918,855	(26,174)	(8,708)	-	-	(1,391,233)	(1,426,115)
Net income/(expenditure)	(477,340)	3,242,221	(5,097,776)	-	3,850,609	1,517,714	(1,198,406)	5,708,418	(5,311,089)	-	(1,447,367)	(2,248,444)
Transfer between funds	(571,035)	1,375,024	(2,678,989)	-	1,875,000	-	872,145	(3,945,361)	3,573,216	-	(500,000)	-
Other recognised gains/(losses):												
Gains on revaluations of fixed assets	168,585	4,359,996	104,469	-	-	4,633,050	864,281	1,415,643	334,329	207,278	-	2,821,531
Net movement in funds	(879,790)	8,977,241	(7,672,296)	-	5,725,609	6,150,764	538,020	3,178,700	(1,403,544)	207,278	(1,947,367)	573,087
Reconciliation of funds:												
Total funds brought forward	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093	18,711,336	85,371,911	10,349,225	1,567,782	29,701,752	145,702,006
Total funds carried forward	18,369,566	97,527,852	1,273,385	1,775,060	33,479,994	152,425,857	19,249,356	88,550,611	8,945,681	1,775,060	27,754,385	146,275,093

The notes on pages 32 to 65 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 6699696

Consolidated Balance Sheet
as at 31 March 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Fixed assets					
Tangible assets	14	27,981,764	28,384,580	2,952	7,822,002
Heritage assets	14	78,463,802	74,258,708	3,024,527	2,755,063
Investments	16	35,653,730	32,818,721	-	-
		142,099,296	135,462,009	3,027,479	10,577,065
Current assets					
Stocks	17	7,429,546	7,249,371	-	511,858
Debtors	18				
Amounts falling due within one year		1,896,801	5,380,685	2,978,246	7,234,071
Amounts falling due after one year		415,935	407,779	-	-
Cash at bank and in hand	30	5,338,233	4,396,621	812,551	1,430,074
		15,080,515	17,434,456	3,790,797	9,176,003
Creditors falling due within one year	19	(4,273,373)	(6,012,567)	(1,578,684)	(6,701,784)
Net current (liabilities)/assets		10,807,142	11,421,889	2,212,113	2,474,219
Total assets less current liabilities		152,906,438	146,883,898	5,239,592	13,051,284
Creditors falling due after more than one year	20	(480,581)	(608,805)	(390,000)	(520,000)
Net assets		152,425,857	146,275,093	4,849,592	12,531,284
Funds					
Unrestricted funds		18,309,756	16,079,673	(250,678)	(199,739)
Revaluation reserve		59,810	3,169,683	533	492
Total unrestricted funds		18,369,566	19,249,356	(250,145)	(199,247)
Restricted funds		71,164,552	53,067,044	2,051,181	2,009,693
Revaluation reserve		26,363,300	35,483,567	111	97
Royal Naval Museum		1,273,385	8,945,681	1,273,385	8,945,681
HMS M33 Trust		1,775,060	1,775,060	1,775,060	1,775,060
Total restricted funds		100,576,297	99,271,352	5,099,737	12,730,531
Endowment funds		33,479,994	27,754,385	-	-
Total funds	21	152,425,857	146,275,093	4,849,592	12,531,284

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, but subject to audit under the Government Resources and Accounts Act 2000.

The financial statements were approved by the board on 24 October 2017 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 32 to 65 form an integral part of these financial statements.

Consolidated Cash flow statement
for the year ended 31 March 2017

	Notes	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Cash flows from operating activities:					
Net cash provided by (used in) operating activities		(202,197)	(483,886)	(573,638)	(369,219)
Cash flows from investing activities:					
Dividends, interest and rents from investments		652,685	638,339	3,400	6,916
Purchase of property, plant and equipment		(351,178)	(1,073,960)	(32,835)	(975,104)
Purchase of investments		(174,527)	(205,501)	-	-
Sale of investments		1,053,179	607,884	-	-
Net cash provided by (used in) investing activities		1,180,159	(33,238)	(29,435)	(968,188)
Change in cash and cash equivalents in the reporting period		977,962	(517,124)	(603,073)	(1,337,407)
Cash and cash equivalents at 1 April 2016		4,382,711	4,899,835	1,415,624	2,753,031
Total cash and cash equivalents at 31 March 2017	30	5,360,673	4,382,711	812,551	1,415,624
Net income/expenditure for the year		1,517,714	(7,248,444)	179,132	661,147
Depreciation	14	1,367,269	1,210,427	280,690	413,825
Loss/(profit) on disposal of fixed assets	14	87,025	-	46,881	-
(Gains)/losses on investments		(3,918,855)	1,416,289	-	-
Adjustment for non-cash fees from gains/losses		227,092	231,706	-	-
Dividends and interest from investments		(652,685)	(638,339)	(3,400)	(6,916)
Donated heritage assets	14	(272,344)	(317,000)	(264,464)	(167,000)
On acquisition/disposal:					
Fixed assets		-	-	7,623,838	-
Other (gains)/losses		2	-	(206,888)	-
(Increase)/decrease in stocks	17	(180,175)	140,328	511,858	(52,484)
(Increase)/decrease in debtors	18	3,475,728	(1,637,812)	4,255,825	(3,802,451)
Increase/(decrease) in creditors	19	(1,724,744)	983,411	(5,108,650)	2,199,917
Increase/(decrease) in long term liabilities	20	(128,224)	510,805	(130,000)	520,000
Increase/(decrease) in provisions		-	(135,257)	-	(135,257)
Reserves transferred to/from successor charities	28	-	-	(7,758,460)	-
Net cash provided by (used in) operating activities		(202,197)	(483,886)	(573,638)	(369,219)

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 6699696

Notes to the financial statements for the year ended 31 March 2017

1. Accounting policies

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

1.1. Charity information

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

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

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

1.2. Basis of preparation of the financial statements

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

The financial statements have been prepared on a going concern basis, due to on-going grant in aid funding from the Ministry of Defence and the steps being taken to improve the reserve position (please see 'Reserves' on page 12).

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

The 'company' results include the results of the two linked charities of NMRN: Royal Naval Museum and HMS M33 Trust.

1.3. Basis of consolidation

Consolidated financial statements have been prepared which include the following charities over which NMRN has a controlling interest:

NMRN Operations (NMRNO) (company no. 09988314, charity number 1169061)
Royal Navy Submarine Museum (RNSM) (company number 07637385, charity number 1142123) and Trust (charity number 1169371)
Royal Marines Museum (RMM) (company number 07635447, charity number 1142186) and Trust (charity number 259422)
Fleet Air Arm Museum (FAAM) (company number 07570620, charity number 1143023) and Trust (charity number 250079)
NMRN Hartlepool (NMRNH) (company number 00123456, charity number 1165917)
HMS Trincomalee Trust (HMSTT) (company number 02678419, charity number 1007784)
HMS Victory Preservation Company (HMSVPC) (company 07935358, charity 1146376) incorporating HMS Victory Preservation Trust
HMS Caroline Preservation Company (HMSCPC) (company 08303946, charity 1149930) incorporating HMS Caroline Preservation Trust
NMRN Services (NMRNS) (company number 08843356, charity number 1156012)

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. The individual results of the company can be found in the detailed statements of financial activities (Note 32).

1.4. Fund accounting

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

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

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

1.5. Incoming resources

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

Notes to the financial statements
for the year ended 31 March 2017

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. 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 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 Grant in Aid is received by NMRN and then distributed to NMRN's service companies, NMRN Services and NMRN Operations, with the remainder, which is specifically a contribution towards wage costs, paid direct to staff by the Defence Business Services (DBS) on behalf of the individual museums.

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

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

1.6. Grants receivable

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

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

1.7. Resources expended

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

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

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

Governance and support costs include those costs incurred in the governance of the company and its assets, and central functions, and have been allocated to cost categories on a basis consistent with the use of resources or the floor space occupied, as applicable.

1.8. Tangible fixed assets

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

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

The land and buildings owned by the Royal Marines Museum would normally be revalued on 31 March 2017 as part of the five year revaluation policy. However, as the Museum will close on 1 April 2017 and the land and buildings sold as part of the Museum's move to Portsmouth Historic Dockyard (the "SeaMore Project"), it is not planned to review the valuation.

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

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

Notes to the financial statements
for the year ended 31 March 2017

- 1.9. Heritage assets held by the group
The heritage assets are held in trusts and have been included in the consolidated financial statements as set out below.

Background

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

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

Heritage assets donated to the trusts 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. Where this information is not available, and cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet and the disclosure required by the Government Financial Reporting Manual should be made.

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

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

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

Acquisition by gift - Curators have authority to propose collecting in line with the National Museum's Master Narrative and Collections Development Strategy. Proposed donations requiring further consideration, such as very large donations, donations of hazardous or sensitive information and donations that cross multiple fields of expertise are passed to the Acquisitions and Disposal Panel for approval.

Acquisition by purchase - purchases of material from any source up to £50,000 may be authorised in accordance with a laid out scheme of delegation. Any purchases of a value above £50,000 are assessed by the Director General for approval.

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

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

- 1.10. Operating Leases
Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against incoming resources on a straight line basis over the life of the lease.
- 1.11. Investments
Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

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

Notes to the financial statements
for the year ended 31 March 2017

Attitude to Risk

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

1.12. Taxation

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

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

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

1.13. Stock

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

1.14. Financial Instruments

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

1.15. Estimation techniques

Estimate	Assumption
Valuation of Historic Ships	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. 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).
Valuation of HMS Victory Preservation Company timber stock	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. Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 17).

1.16. Pensions

During the year contributions for the Director General only, totalling £11,000 (2015-16 £11,076), were paid into a defined contribution group pension scheme. In addition, a performance related bonus of £7,500 was awarded to the Director General which was taken as additional pension contribution by way of salary exchange. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

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

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

The National Museum of the Royal Navy
 (A company limited by guarantee)
 Company number: 6699696

Notes to the financial statements
 for the year ended 31 March 2017

Group Pension Plan

The National Museum operates a Group Pension Plan with employer's contributions being payable at either 6% or 10%. Under this plan a "salary exchange" scheme exists whereby employees may elect to give up the right to receive part of their salary remuneration in return for an additional employer's contribution into the Group Pension Plan of the same amount.

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

Principal Civil Service Pension Scheme (PCSPS)

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

For 2016-17, employer contributions were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2016-17 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme. The National Museum of the Royal Navy is an admitted member of the Hampshire Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 2016 with revised contributions being payable from 1 April 2017. Details can be found in the Hampshire Pension Fund annual report and accounts: (http://www3.hants.gov.uk/pensions/_lgps/pensions-reportsandaccounts.htm). The next valuation date is 31 March 2019, with revised contributions being payable from 1 April 2020.

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

Total contributions

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

	Group Schemes	PCSPS	LGPS
	£	£	£
National Museum of the Royal Navy	145,773	9,056	-
NMRN Operations	84,655	12,236	11,508
NMRN Services	56,585	15,751	6,241
NMRN Trading (reported within trading subsidiary expenditure)	44,505	-	12,118
	<u>331,518</u>	<u>37,043</u>	<u>29,867</u>

Notes to the financial statements
for the year ended 31 March 2017

2. Voluntary income (Company and Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Grant (operating)	3,260,666	-	-	3,260,666	3,263,526	-	-	3,263,526
Grant (capital)	122,000	-	-	122,000	121,342	-	-	121,342
Total Grant in Aid	3,382,666	-	-	3,382,666	3,384,868	-	-	3,384,868
Other donations and grants								
<u>Heritage Lottery Fund</u>								
HMS M33	-	-	-	-	-	-	819,775	819,775
HMS Caroline	-	4,338,572	-	4,338,572	-	3,540,288	-	3,540,288
RML 497	-	-	-	-	-	-	81,540	81,540
<u>National Heritage Memorial Fund</u>								
LCT 7074	-	-	-	-	-	-	126,176	126,176
<u>HM Treasury</u>								
SeaMore	-	-	-	-	-	2,000,000	-	2,000,000
Northern Ireland Tourist Board	-	1,425,415	-	1,425,415	-	417,855	-	417,855
HMS Victory Preservation Co	-	-	1,000,000	1,000,000	-	-	1,000,000	1,000,000
HMS Victory Preservation Endowment Fund	-	-	1,000,000	1,000,000	-	-	1,000,000	1,000,000
Adam & Company	-	-	100,000	100,000	-	-	-	-
American Friends of NMRN	-	-	-	-	71,759	-	-	71,759
Gosling Foundation	-	165,000	-	165,000	-	-	-	-
The 1664 Club	-	-	10,000	10,000	-	-	-	-
Miscellaneous donations and grants	31,458	-	39,851	71,309	22,265	3,000	143,074	168,339
	31,458	5,928,987	2,149,851	8,110,296	94,024	5,961,143	3,170,565	9,225,732
Gifts in kind:								
Transferred from NMRN Operations	-	-	249,964	249,964	-	-	-	-
HMS Hood Bell	-	-	-	-	-	-	30,000	30,000
Victoria Cross (Jack Mantle)	-	-	-	-	-	-	100,000	100,000
Other donated assets	-	-	14,500	14,500	-	-	37,000	37,000
	-	-	264,464	264,464	-	-	167,000	167,000
Received by company	31,458	5,928,987	2,414,315	8,374,760	94,024	5,961,143	3,337,565	9,392,732

Notes to the financial statements
for the year ended 31 March 2017

	Unrestricted funds	Restricted funds	Royal Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Received by:								
NMRN Operations	400,637	518,789	-	919,426	-	-	-	-
Royal Navy Submarine Museum	3,798	9,835	-	13,633	57,182	-	-	57,182
Royal Marines Museum	6,786	-	-	6,786	19,150	-	-	19,150
Fleet Air Arm Museum	26,922	4,903	-	31,825	27,077	158,218	-	185,295
HMS Victory Preservation Co	17,447	-	-	17,447	21,717	-	-	21,717
HMS Caroline Preservation Co	200	-	-	200	300	-	-	300
HMS Trincomalee Trust	10,475	-	-	10,475	22,122	23,100	-	45,222
<u>Consolidation adjustments:</u>								
HMS Victory Preservation Co (1)	-	-	(1,000,000)	(1,000,000)	-	-	(1,000,000)	(1,000,000)
NMRN Operations (2)	-	-	(249,964)	(249,964)	-	-	-	-
	<u>466,265</u>	<u>533,527</u>	<u>(1,249,964)</u>	<u>(250,172)</u>	<u>147,548</u>	<u>181,318</u>	<u>(1,000,000)</u>	<u>(671,134)</u>
Received by group	<u>497,723</u>	<u>6,462,514</u>	<u>1,164,351</u>	<u>8,124,588</u>	<u>241,572</u>	<u>6,142,461</u>	<u>2,337,565</u>	<u>8,721,598</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) Heritage assets transferred to the Royal Naval Museum from NMRN Operations, eliminated on consolidation

3. Legacies (Company and Group)

	Unrestricted funds	2017 Total	Unrestricted funds	2016 Total
	£	£	£	£
Received by company:				
Norman B Grey	10,357	10,357	-	-
Received by:				
<u>NMRN Operations</u>				
Moira McGregor	27,961	27,961	-	-
<u>Royal Marines Museum</u>				
John Noyes	2,000	2,000	-	-
Catherine Traylen	1,000	1,000	-	-
Patrick Lucas	-	-	2,000	2,000
	<u>41,318</u>	<u>41,318</u>	<u>2,000</u>	<u>2,000</u>

Notes to the financial statements
for the year ended 31 March 2017

4. Admissions (Company)

	Unrestricted funds £	Royal Naval Museum £	2017 Total £	Unrestricted funds £	Royal Naval Museum £	2016 Total £
Museum admissions						
HMS Victory	-	917,254	917,254	-	1,207,657	1,207,657
Royal Naval Museum	-	566,559	566,559	-	406,534	406,534
Explosion! Museum	-	17,845	17,845	-	36,689	36,689
HMS Caroline	-	114,839	114,839	-	-	-
	<u>-</u>	<u>1,616,497</u>	<u>1,616,497</u>	<u>-</u>	<u>1,650,880</u>	<u>1,650,880</u>
Other site income						
Portsmouth Historic Dockyard	-	768,273	768,273	-	1,068,283	1,068,283
	<u>-</u>	<u>2,384,770</u>	<u>2,384,770</u>	<u>-</u>	<u>2,719,163</u>	<u>2,719,163</u>

Admissions (Group)

	Unrestricted funds £	Royal Naval Museum £	2017 Total £	Unrestricted funds £	Royal Naval Museum £	2016 Total £
Museum admissions						
HMS Victory	263,051	917,254	1,180,305	-	1,207,657	1,207,657
Royal Naval Museum	116,569	566,559	683,128	-	406,534	406,534
Royal Navy Submarine Museum	354,685	-	354,685	374,479	-	374,479
Royal Marines Museum	42,186	-	42,186	53,230	-	53,230
Fleet Air Arm Museum	822,493	-	822,493	1,161,893	-	1,161,893
Explosion! Museum	4,178	17,845	22,023	-	36,689	36,689
Hartlepool	58,982	-	58,982	128,192	-	128,192
HMS Caroline	372	114,839	115,211	-	-	-
	<u>1,662,516</u>	<u>1,616,497</u>	<u>3,279,013</u>	<u>1,717,794</u>	<u>1,650,880</u>	<u>3,368,674</u>
Other site income						
Portsmouth Historic Dockyard	318,343	768,273	1,086,616	-	1,068,283	1,068,283
	<u>1,980,859</u>	<u>2,384,770</u>	<u>4,365,629</u>	<u>1,717,794</u>	<u>2,719,163</u>	<u>4,436,957</u>

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

Notes to the financial statements
for the year ended 31 March 2017

5. Income and expenses from trading activities of subsidiaries

NMRN has effective control of NMRN Operations (NMRNO), the Royal Navy Submarine Museum (RNSM) (and Trust), the Royal Marines Museum (RMM) (and Trust), the Fleet Air Arm Museum (FAAM) (and Trust), NMRN Hartlepool (NMRNH), the HMS Victory Preservation Company (HMSVPC), the HMS Caroline Preservation Company (HMSCPC), the HMS Trincomalee Trust (HMSTT) and NMRN Services (NMRNS). NMRN Operations and the HMS Trincomalee Trust each have non-charitable trading subsidiaries.

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

5.1 Statement of Financial Activities

(Subsidiaries)	NMRNO	RNSM	RNSM	RMM	RMM	FAAM	FAAM	NMRNH	HMSVPC	HMSCPC	HMSTT	NMRNS	2017	2016
	£'000	£'000	Trust	Trust	Trust	Trust	Trust	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from:														
Donations and legacies	4,129	151	-	128	-	367	-	5	17	-	11	12	4,820	1,853
Charitable activities	997	247	-	33	-	680	-	-	-	-	25	-	1,982	1,718
Other trading activities														-
Fundraising events	-	8	-	-	-	-	-	-	-	-	-	-		
Trading subsidiary	1,057	-	-	-	-	-	-	-	-	-	-	-		
Supply of staff	-	-	-	-	-	-	-	-	-	-	-	-		
Investments	1	5	-	-	-	-	-	-	639	-	12	-	657	602
Other	59	-	-	11	-	-	-	-	-	-	-	-	70	27
Total income	6,243	411	-	172	-	1,047	-	5	656	-	54	1,302	9,890	6,292
Expenditure on:														
Raising funds	361	35	-	20	-	-	-	-	-	-	-	-	416	145
Trading subsidiary	564	-	-	-	-	-	-	-	-	-	9	-	573	397
Investment management	-	-	-	-	-	-	-	-	230	-	1	-	231	229
Charitable activities	5,402	566	3	465	55	1,183	48	-	2,088	-	140	1,302	11,252	7,004
Total expenditure	6,327	601	3	485	55	1,183	48	-	2,318	-	150	1,302	12,472	7,775

Notes to the financial statements
for the year ended 31 March 2017

5.1 Statement of Financial Activities
(Subsidiaries) continued

	NMRNO	RNSM	RNSM	RMM	RMM	FAAM	FAAM	NMRNH	HMSVPC	HMSCPC	HMSTT	NMRNS	2017	2016
	£'000	£'000	Trust	£'000	Trust	£'000	Trust	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net gain/(loss) on investments	-	(5)	(3)	-	-	-	-	-	3,906	-	21	-	3,919	(1,426)
Net income/(expenditure)	(84)	(195)	(6)	(313)	(55)	(136)	(48)	5	2,244	-	(75)	-	1,337	(2,909)
Other recognised gains/(losses)														
Revaluation of fixed assets	225	61	-	90	41	141	42	-	3	3,925	1	-	4,529	2,280
Net movement in funds	141	(134)	(6)	(223)	(14)	5	(6)	5	2,247	3,925	(74)	-	5,866	(629)
Reconciliation of funds														
Fund balances b/f	-	23,661	-	7,291	-	13,037	-	-	59,578	8,635	21,542	-	133,744	134,373
Funds transferred to/from successor charities	16,442	(23,527)	18,995	(7,068)	6,988	(13,042)	9,177	-	-	-	-	-	7,965	-
Fund balances c/f	16,583	-	18,989	-	6,974	-	9,171	5	61,825	12,560	21,468	-	147,575	133,744

5.2 Balance Sheet
(Subsidiaries)

	NMRNO	RNSM	RNSM	RMM	RMM	FAAM	FAAM	NMRNH	HMSVPC	HMSCPC	HMSTT	NMRNS	2017	2016
	£'000	£'000	Trust	£'000	Trust	£'000	Trust	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets														
Tangible fixed assets	16,298	-	-	-	6,018	-	5,460	-	170	-	33	-	27,979	20,562
Heritage assets	-	-	18,652	-	734	-	3,111	-	19,375	12,560	21,008	-	75,440	71,504
Investments	-	-	13	-	-	-	-	-	35,522	-	118	-	35,653	32,819
	16,298	-	18,665	-	6,752	-	8,571	-	55,067	12,560	21,159	-	139,072	124,885
Current assets	6,835	-	327	-	225	-	603	5	7,123	-	431	-	15,549	12,413
Current liabilities	(6,550)	-	(3)	-	(3)	-	(3)	-	(365)	-	(31)	-	(6,955)	(3,465)
Long term liabilities	-	-	-	-	-	-	-	-	-	-	(91)	-	(91)	(89)
Total Funds	16,583	-	18,989	-	6,974	-	9,171	5	61,825	12,560	21,468	-	147,575	133,744

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 6699696

Notes to the financial statements
for the year ended 31 March 2017

5.3 National Museum of the Royal Navy Trading

NMRN Trading (NMRNT) is a company limited by guarantee, incorporated in England & Wales. NMRNT operates a number of retail outlets and cafes within the Museums and the corporate events.

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

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

	2017	2016
	£	£
Turnover	3,171,097	2,115,849
Cost of sales	(1,156,104)	(807,096)
Gross Profit	<u>2,014,993</u>	<u>1,308,753</u>
Administration	(1,526,854)	(861,162)
Net profit	<u>488,139</u>	<u>447,591</u>
Tax on ordinary activities	(288)	(4,587)
Available for distribution	<u>487,851</u>	<u>443,004</u>
Net profit after distribution to other charities	487,851	443,004
Amount gifted to the National Museum of the Royal Navy	(495,800)	(420,440)
Retained in subsidiary	<u>(7,949)</u>	<u>22,564</u>

On 30 November 2016 the ownership of the National Museum of the Royal Navy Trading transferred to NMRN Operations from the Royal Naval Museum. The results above are for the year ended 31 March 2017 and have been apportioned for the period of ownership by the Royal Naval Museum to 30 November 2016, and by NMRN Operations from this date, and included in the respective Statements of Financial Activities on a line by line basis.

5.4 Agency funds

The National Museum group is responsible for the collection and distribution of ticketing income for the destination Portsmouth Historic Dockyard on behalf of the Mary Rose Trust, Warrior Preservation Trust, Portsmouth Naval Base Property Trust, and the Royal Naval Museum. Portsmouth Historic Dockyard (the company) was dissolved on 14 June 2016. A summary of the agency fund activity for the year is shown below. These balances are excluded from the accounts.

	2017	2016
	Total	Total
	£	£
Statement of financial activities		
Income received	6,567,279	7,646,210
Distributions	(6,567,279)	(7,646,210)
Net incoming resources	-	-
Balance Sheet		
Current assets	£ 520,893	£ 209,172
Current liabilities	(520,893)	(209,172)
Net assets	-	-

Notes to the financial statements
for the year ended 31 March 2017

6. Investment income (Group)

	Royal				Royal			
	Unrestricted Funds	Naval Museum	Endowment funds	2017 Total	Unrestricted funds	Naval Museum	Endowment funds	2016 Total
	£	£	£	£	£	£	£	£
Interest income	4,110	3,047	53,540	60,697	6,302	6,623	60,539	73,464
Dividend income	479,158	-	120,986	600,144	424,421	-	110,877	535,298
	<u>483,268</u>	<u>3,047</u>	<u>174,526</u>	<u>660,841</u>	<u>430,723</u>	<u>6,623</u>	<u>171,416</u>	<u>608,762</u>

7. Fundraising costs (Company)

	Royal				Royal			
	Unrestricted funds	Restricted funds	Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Staff costs	301,500	-	-	301,500	588,120	-	4,726	592,846
Fundraising and publicity	(5,040)	-	338,870	333,830	46,469	612	489,718	536,799
Marketing	-	-	439,842	439,842	36,699	-	336,805	373,504
	<u>296,460</u>	<u>-</u>	<u>778,712</u>	<u>1,075,172</u>	<u>671,288</u>	<u>612</u>	<u>831,249</u>	<u>1,503,149</u>

Fundraising costs (Group)

	Royal				Royal			
	Unrestricted funds	Restricted funds	Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Staff costs	457,541	-	-	457,541	588,120	-	4,726	592,846
Fundraising and publicity	106,439	-	338,870	445,309	95,407	612	489,718	585,737
Marketing	108,423	5,335	439,842	553,600	77,512	-	336,805	414,317
	<u>672,403</u>	<u>5,335</u>	<u>778,712</u>	<u>1,456,450</u>	<u>761,039</u>	<u>612</u>	<u>831,249</u>	<u>1,592,900</u>

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

	Royal				Royal			
	Unrestricted funds	Restricted funds	Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Operations	302,087	2,409	7,773,880	8,078,376	627,573	8,247	10,165,803	10,801,623
Collections & research	1,260,823	-	876,560	2,137,383	1,459,425	-	844,846	2,304,271
Learning	417,036	-	120,950	537,986	442,990	-	132,502	575,492
Grant funding	1,199,387	984,916	-	2,184,303	387,590	-	5,000	392,590
	<u>3,179,333</u>	<u>987,325</u>	<u>8,771,390</u>	<u>12,938,048</u>	<u>2,917,578</u>	<u>8,247</u>	<u>11,148,151</u>	<u>14,073,976</u>

Notes to the financial statements
for the year ended 31 March 2017

Costs of charitable activities - by fund type (Group)

	Unrestricted funds	Restricted funds	Royal Naval Museum	2017 Total	Unrestricted funds	Restricted funds	Royal Naval Museum	2016 Total
	£	£	£	£	£	£	£	£
Operations	3,839,261	3,031,265	6,910,101	13,780,627	3,154,115	314,367	9,117,237	12,585,719
Collections & research	2,283,048	136,289	876,560	3,295,897	2,617,418	96,857	844,846	3,559,121
Learning	652,049	45,920	120,950	818,919	604,535	13,499	132,502	750,536
	<u>6,774,358</u>	<u>3,213,474</u>	<u>7,907,611</u>	<u>17,895,443</u>	<u>6,376,068</u>	<u>424,723</u>	<u>10,094,585</u>	<u>16,895,376</u>

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

	Operations	Collections & research	Learning	Grant funding	2017 Total	2016 Total
	£	£	£	£	£	£
Staff costs	1,106,324	1,070,100	353,855	-	2,530,279	3,269,988
Operating costs	445,423	-	-	-	445,423	468,531
Curatorial	-	544,011	-	-	544,011	370,874
Purchase of exhibits	-	20,712	-	-	20,712	32,286
Depreciation	176,171	70,058	27,198	-	273,427	408,793
Loss on disposal of fixed assets	15,872	-	-	-	15,872	-
Governance and support costs	771,566	432,502	156,933	-	1,361,001	1,595,986
	<u>2,515,356</u>	<u>2,137,383</u>	<u>537,986</u>	<u>-</u>	<u>5,190,725</u>	<u>6,146,458</u>
Project costs						
HMS Caroline	4,658,423	-	-	-	4,658,423	4,589,078
HMS M33	18,215	-	-	-	18,215	1,078,186
HMS Victory Preservation	847,143	-	-	-	847,143	1,841,823
Landing Craft (Tank) - LCT7074	7,160	-	-	-	7,160	4,214
SeaMore	32,079	-	-	-	32,079	21,627
	<u>5,563,020</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,563,020</u>	<u>7,534,928</u>
Grant funding						
NMRN Operations	-	-	-	2,147,183	2,147,183	-
NMRN Services	-	-	-	12,120	12,120	227,590
NMRN Hartlepool	-	-	-	5,000	5,000	-
Royal Marines Museum	-	-	-	20,000	20,000	115,000
HMS Trincomalee Trust	-	-	-	-	-	50,000
	<u>8,078,376</u>	<u>2,137,383</u>	<u>537,986</u>	<u>2,184,303</u>	<u>12,938,048</u>	<u>14,073,976</u>

Notes to the financial statements
for the year ended 31 March 2017

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

	Operations	Collections & research	Learning	Grant funding	2017 Total	2016 Total
	£	£	£	£	£	£
Staff costs	2,411,991	1,244,838	482,553	-	4,139,382	4,002,410
Operating costs	749,557	44,529	5,841	-	799,927	864,357
Curatorial	-	609,430	-	-	609,430	405,344
Purchase of exhibits	8,858	43,695	-	-	52,553	32,286
Depreciation	910,534	294,128	87,425	-	1,292,087	1,193,809
Loss on disposal of fixed assets	56,016	-	-	-	56,016	-
Governance and support costs	1,385,135	1,059,277	243,100	-	2,687,512	2,728,129
	5,522,091	3,295,897	818,919	-	9,636,907	9,226,335
Project costs						
HMS Caroline	6,690,618	-	-	-	6,690,618	4,589,078
HMS M33	19,475	-	-	-	19,475	1,078,186
HMS Victory Preservation	1,417,980	-	-	-	1,417,980	1,980,620
Landing Craft (Tank) - LCT7074	58,400	-	-	-	58,400	4,214
SeaMore	72,063	-	-	-	72,063	16,943
	8,258,536	-	-	-	8,258,536	7,669,041
	13,780,627	3,295,897	818,919	-	17,895,443	16,895,376

10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2017 Total	2016 Total
	£	£	£	£	£
Staff costs	-	-	-	-	46,272
Accountancy & payroll	18,857	36,672	12,280	67,809	71,236
Auditor remuneration	3,910	1,426	554	5,890	8,215
Auditor remuneration - NAO	6,965	20,316	6,720	34,001	40,900
Legal and professional	64,660	118,979	39,927	223,566	390,237
Insurance	101,071	36,871	14,314	152,256	142,108
Premises expenses	302,237	110,138	42,758	455,133	473,372
Travelling expenses	81,689	15,072	5,851	102,612	95,832
Communication and IT	20,911	7,301	2,835	31,047	7,339
Printing, postage and stationery	23,218	8,470	3,288	34,976	143,190
Bank charges and interest	62,999	40,850	14,686	118,535	96,907
Depreciation	224	655	217	1,096	1,081
Sundry expenses	35,835	17,880	6,565	60,280	79,297
Losses and special payments (note 26)	48,990	17,872	6,938	73,800	-
	771,566	432,502	156,933	1,361,001	1,595,986

Notes to the financial statements
for the year ended 31 March 2017

Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2017 Total	2016 Total
	£	£	£	£	£
Staff costs	11,655	199,077	4,392	215,124	308,175
Accountancy	63,057	46,563	15,609	125,229	172,321
Auditor remuneration	30,073	9,379	3,686	43,138	57,815
Auditor remuneration - NAO	6,965	20,316	6,720	34,001	40,900
Legal and professional	102,563	135,244	45,390	283,197	436,182
Repairs and maintenance	100,707	32,657	11,161	144,525	83,838
Insurance	108,677	36,346	14,353	159,376	115,374
Premises expenses	547,176	329,300	83,069	959,545	970,834
Travelling expenses	116,010	28,567	10,500	155,077	110,592
Communication and IT	41,352	15,719	5,599	62,670	31,171
Printing, postage and stationery	65,172	62,934	7,229	135,335	187,470
Bank charges and interest	86,398	52,101	17,680	156,179	103,811
Depreciation	11,976	52,918	217	65,111	12,671
Sundry expenses	44,364	20,284	10,557	75,205	96,975
Losses and special payments (note 26)	48,990	17,872	6,938	73,800	-
	<u>1,385,135</u>	<u>1,059,277</u>	<u>243,100</u>	<u>2,687,512</u>	<u>2,728,129</u>

11. Employees

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Employment costs				
Wages and salaries	5,369,266	4,864,343	2,437,525	2,770,329
Social security costs	367,895	371,219	193,262	250,395
Pension costs	398,598	311,359	191,351	194,256
Employee benefits	22,814	21,809	21,236	21,809
	<u>6,158,573</u>	<u>5,568,730</u>	<u>2,843,374</u>	<u>3,236,789</u>

Key management personnel

Remuneration and benefits received by key management personnel total £352,248 for the year to 31 March 2017 (2016: £362,256).

Higher paid employees

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

	Group 2017	Group 2016	Company 2017	Company 2016
£60,001 to £70,000	-	1	-	1
£70,001 to £80,000	2	2	2	2
£80,001 to £90,000	1	-	1	-
£100,001 to £110,000	1	-	1	-
£110,001 to £120,000	-	1	-	1

Notes to the financial statements
for the year ended 31 March 2017

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

	Group 2017	Group 2016	Company 2017	Company 2016
Defined contributions scheme	4	4	4	4

The total contributions paid by the charity, and the group, into the defined contributions scheme for higher paid employees was £53,200 (2016: £36,051). This includes amounts paid under the "salary exchange" scheme (see note 1.16) and a performance related bonus of £7,500 awarded to the Director General which was taken as additional pension contribution.

Number of employees

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

	Group 2017	Group 2016	Company 2017	Company 2016
Charitable expenditure	309	273	108	111
Cost of generating funds	2	2	2	2
Governance costs	4	4	4	4
	<u>315</u>	<u>279</u>	<u>114</u>	<u>117</u>

The above includes workers engaged under Casual Worker Agreements. 189 of the above staff are female and 126 are male. 118 staff are employed on full time contracts with all other staff employed on part time contracts or casual worker agreements. The average full time equivalent number of staff for the year was 189.4.

Staff costs for the year include an accrual of £1,659 for short-term compensated absences arising from employee entitlement to annual leave (2016: £16,740).

During this financial year 19 redundancies were identified within the group and contractual/redundancy costs of £40,174 were paid.

11.1. Trustees' emoluments

No trustees received remuneration during the year (2016: Nil). Eight trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £3,421 (2016: £3,009).

12. Net outgoing resources for the year

	2017 £	2016 £
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,367,269	1,210,427
Loss on disposal of tangible fixed assets	56,016	-
Auditors' remuneration - National Audit Office	34,000	40,900
Auditors' remuneration - Subsidiary Auditors	43,138	57,815
Auditors' remuneration from non-audit work	68,240	113,025

The Company Auditors' remuneration - National Audit Office - fee in relation to the audit of the 2016 accounts was £37,000. The fee in relation to the 2017 accounts is £34,000.

13. Taxation

The activities of the company and the individual charities fall within the exemptions afforded by the provisions of the Corporation Tax Act 2010. Accordingly, there is no taxation charge in these accounts. NMRN Operations and the HMS Trincomalee Trust each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

Notes to the financial statements
for the year ended 31 March 2017

14. Tangible fixed assets (Company)

	Short leasehold	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Heritage assets	Total
	£	£	£	£	£	£
Cost or valuation						
At 1 April 2016	5,486,417	2,376,877	743,465	5,545,865	2,755,063	16,907,687
Additions	-	27,835	-	-	269,464	297,299
Disposals	-	(18,840)	-	(180,907)	-	(199,747)
Revaluation	83,947	24,364	6,929	50,063	-	165,303
Transferred to NMRN Operations	(5,570,364)	(2,410,236)	(746,235)	(5,406,201)	-	(14,133,036)
At 31 March 2017	-	-	4,159	8,820	3,024,527	3,037,506
Depreciation						
At 1 April 2016	688,497	1,968,200	27,769	3,646,156	-	6,330,622
Charge for the year	48,034	80,371	16,857	135,428	-	280,690
On disposals	-	(8,352)	-	(144,524)	-	(152,876)
On revaluation	10,379	17,449	245	32,716	-	60,789
Transferred to NMRN Operations	(746,910)	(2,057,668)	(41,534)	(3,663,086)	-	(6,509,198)
At 31 March 2017	-	-	3,337	6,690	-	10,027
Net book values						
At 31 March 2017	-	-	822	2,130	3,024,527	3,027,479
At 31 March 2016	4,797,920	408,677	715,696	1,899,709	2,755,063	10,577,065

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

Notes to the financial statements
for the year ended 31 March 2017

Tangible fixed assets (Group)

	Freehold	Short Leasehold	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Exhibitions	Heritage assets	Total
	£	£	£	£	£	£	£	£
Cost or valuation								
At 1 April 2016	16,453,647	9,221,066	2,779,354	1,944,065	7,196,215	326,325	74,258,708	112,179,380
Additions	-	-	27,835	253,189	31,000	31,404	280,094	623,522
Disposals	-	-	(49,243)	(536)	(251,664)	(103)	-	(301,546)
Revaluation	457,669	209,446	48,167	24,547	112,811	5,002	3,925,000	4,782,642
At 31 March 2017	16,911,316	9,430,512	2,806,113	2,221,265	7,088,362	362,628	78,463,802	117,283,998
Depreciation								
At 1 April 2016	1,316,333	832,748	2,239,355	723,361	4,239,052	185,243	-	9,536,092
Charge for the year	551,139	219,615	172,616	85,069	301,743	37,087	-	1,367,269
On disposals	-	-	(38,755)	(536)	(175,138)	(103)	-	(214,532)
On revaluation	23,980	18,221	34,477	3,913	66,422	2,590	-	149,603
At 31 March 2017	1,891,452	1,070,584	2,407,693	811,807	4,432,079	224,817	-	10,838,432
Net book values								
At 31 March 2017	15,019,864	8,359,928	398,420	1,409,458	2,656,283	137,811	78,463,802	106,445,566
At 31 March 2016	15,137,314	8,388,318	539,999	1,220,704	2,957,163	141,082	74,258,708	102,643,288

Land and buildings owned by the Fleet Air Arm Museum were revalued in 2015 by DVS Property Specialists, in accordance with the stated policy.

Land and buildings owned by the Royal Navy Submarine Museum (and subsequently transferred to NMRN Operations) were revalued in 2017 by Hellier Langston, in accordance with the stated 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).

Land and buildings owned by the Royal Marines Museum were revalued in 2012 by Hellier Langston. They would normally be revalued on 31 March 2017 as part of the five year revaluation policy. However, as the Museum galleries closed to the public on 1 April 2017 and the land and buildings will be sold as part of the Museum's move to Portsmouth Historic Dockyard (the "SeaMore Project"), it is not planned to review the valuation.

Notes to the financial statements
for the year ended 31 March 2017

15. The Collections

The collections are held by each trust 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 trust is summarised below, by category:

Category	Royal Naval Museum	Explosion Museum	HMS M33 Trust	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Pres. Co	HMS Caroline Pres. Co	HMS Trincomalee Trust	Total
Large Items	58	13	1	8	22	180	1	1	1	285
Works of Art/Models	5,132	260	-	957	2,099	1,310	-	-	8	9,766
Documentary Archive	33,482	4,109	-	22,000	27,737	1,034,148	-	-	4	1,121,480
Uniforms/Badges & Insignia	7,452	-	-	848	5,015	4,403	-	-	-	17,718
Orders & Decorations	5,237	-	-	235	8,792	1,556	-	-	19	15,839
Weapons/Armaments	289	1,251	-	64	1,581	194	-	-	-	3,379
Photograph/Microfilm/Fiche	162,830	2,978	-	60,793	2,002,026	881,452	-	-	-	3,110,079
Film and Sound Recordings	619	22	-	825	301	164	-	-	-	1,931
Other	3,995	5,147	-	3,600	3,772	17,265	-	-	2	33,781
Total	219,094	13,780	1	89,330	2,051,345	1,940,672	1	1	34	4,314,258

Royal Naval Museum

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

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

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

On 31 March 2017, a gift for charitable purposes was made to the Royal Naval Museum of 777 items from the Ministry of Defence Art Collection, including paintings, objects d'art, ship figureheads, engravings and furniture. Given the diverse nature of the collection and the uniqueness of some items, comparables are not readily available to the National Museum for valuation purposes. The collection is dispersed across Ministry of Defence buildings throughout the United Kingdom and abroad and will remain in situ for the foreseeable future. As such, there are considerable practical difficulties associated with accessing such a large volume of items to determine their quality, authenticity, condition and value. The supporting information made available to the National Museum by the Ministry of Defence is limited in terms of making a realistic valuation and would take significant work to generate e.g. condition reports, imagery, etc. The Trustees consider that the costs of obtaining a reliable valuation for this collection would be significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the accounts. Additionally, given the circumstances described, any attempt to value the collection would be considerably arbitrary, to the extent that such a valuation would be potentially misleading to a user of the financial statements.

Notes to the financial statements
for the year ended 31 March 2017

Five-year summary of transactions

	2017	2016	2015	2014	2013
	£	£	£	£	£
Purchased additions					
Royal Naval Museum	5,000	154,984	154,692	46,271	159,164
Royal Marines Museum	-	-	13,583	8,690	41,866
Royal Navy Submarine Museum	-	3,750	80,688	1,137,080	3,613,022
Fleet Air Arm Museum	2,750	-	-	43,025	45,176
	<u>7,750</u>	<u>158,734</u>	<u>248,963</u>	<u>1,235,066</u>	<u>3,859,228</u>
Donated additions					
Royal Naval Museum	264,464	167,000	15,000	96,575	19,750
Royal Marines Museum	-	-	34,192	12,760	276,300
Fleet Air Arm Museum	-	150,000	-	-	-
HMS Caroline Preservation Company	-	-	-	7,556,000	-
HMS Trincomalee Trust	7,880	-	-	-	-
	<u>272,344</u>	<u>317,000</u>	<u>49,192</u>	<u>7,665,335</u>	<u>296,050</u>
Total additions	<u><u>280,094</u></u>	<u><u>475,734</u></u>	<u><u>298,155</u></u>	<u><u>8,900,401</u></u>	<u><u>4,155,278</u></u>
Carrying value of disposals					
Fleet Air Arm Museum	-	-	-	-	15,000
Total disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Sale proceeds					
Fleet Air Arm Museum	-	-	-	-	10,000
Total sale proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000</u>

Notes to the financial statements
for the year ended 31 March 2017

Significant historic ships

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 Association Hermione-La Fayette in their construction of the replica frigate Hermione, on a pro-rata basis on respective tonnage displacement of the two ships.

The value of HMS Victory, on the basis of full renewal cost of re-build, has been calculated as £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

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

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

In 1914, the original build cost of HMS Caroline was £300,000. Uplifted for current value (2013), this cost was the equivalent of £25.120million. The ship has been 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 was a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12.560million. Work done during the year to 31 March 2017 completed the scheduled programme of works therefore the value of the heritage asset has been increased to the final valuation of £12.560million.

HMS M33 Trust

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

In 1915, the original build cost of HMS M33 was £40,000. Uplifted for current value (2014), this cost is the equivalent of £2.863million when the ship was gifted to NMRN. The ship has been 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.

HMS Trincomalee Trust

HMS Trincomalee (the Ship) 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.

HMS Trincomalee has been included at a valuation designed to reflect the estimated rebuild costs of the ship. 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 at £21 million. The calculation is based on the comparable cost of the Frigate Hermione project, completed in 2012. This cost was pro-rated for the relative displacement tonnages (Trincomalee 1,447 tonnes, Hermione 1,166 tonnes) to arrive at this figure.

The methodology of valuation of HMS Alliance, HMS Victory, HMS Caroline, HMS M33, and HMS Trincomalee as heritage assets in the balance sheets of the respective Trusts 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 project teams and the staff of NMRN.

The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 6699696

Notes to the financial statements
for the year ended 31 March 2017

Significant historic ships summary

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

Reporting entity	Name of ship	Donor	Date of gift	Uplifted original build cost apportioned for value on completion	Estimated cost or repair	Value of gift	Value at 1 April 2016	Increase in year	Value at 31 March 2017
Royal Navy Submarine Museum	HMS Alliance	Ministry of Defence	1979	£18,480,000	N/A	N/A	£18,480,000	-	£18,480,000
HMS Victory Preservation Trust	HMS Victory	Ministry of Defence	2012	£50,000,000	£30,625,000	£19,375,000	£19,375,000	-	£19,375,000
HMS Caroline Preservation Trust	HMS Caroline	Ministry of Defence	2013	£12,560,000	£5,004,000	£7,556,000	£8,635,000	£3,925,000	£12,560,000
HMS M33 Trust	HMS M33	Hampshire County	2014	£1,775,060	£682,682	£1,092,378	£1,775,060	-	£1,775,060
HMS Trincomalee Trust	HMS Trincomalee	N/A – purchased for £1	N/A	£21,000,000	N/A	N/A	£21,000,000	-	£21,000,000

Notes to the financial statements
for the year ended 31 March 2017

16. Investment assets (Group)

	Listed 2017 £	Unlisted 2017 £
Valuation		
At 1 April 2016	32,817,432	1,289
Additions	196,427	-
Disposals	(1,052,640)	(539)
Realised and unrealised gains and losses	3,691,761	-
At 31 March 2017	<u>35,652,980</u>	<u>750</u>
Historical cost as at 31 March 2017	<u>29,949,730</u>	<u>750</u>
Historical cost as at 31 March 2016	<u>30,805,943</u>	<u>1,289</u>
Investments By fund:		
Unrestricted funds	102,040	750
Other restricted funds	2,023,345	-
Endowment funds	33,527,595	-
	<u>35,652,980</u>	<u>750</u>

Included in the above investments are:

Royal Navy Submarine Museum - shares with a value of £13,300 (2016: £21,712)

HMS Trincomalee Trust - investments with a value of £117,835 (2016: £127,728)

HMS Victory Preservation Company:

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

	2017 £	2016 £
<u>UK</u>		
UK government and fixed interest securities	5,385,583	4,275,462
UK bonds and equities	9,539,457	7,961,118
Portfolio funds	689,290	626,577
Others	4,791,661	4,645,919
Capital account	1,827,939	1,799,101
	22,233,930	19,308,177
<u>Overseas</u>		
Fixed interest	2,256,884	2,896,326
International bonds and equities	10,871,997	10,127,848
Others	159,784	336,930
	13,288,665	13,361,104
	<u>35,522,595</u>	<u>32,669,281</u>

Notes to the financial statements
for the year ended 31 March 2017

17. Stocks

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Held by:				
Royal Naval Museum	-	216,637	-	216,637
HMS Victory Preservation Company	6,883,359	6,729,925	-	-
Fleet Air Arm Museum	-	1,599	-	-
Trading subsidiaries	546,187	301,210	-	295,221
	<u>7,429,546</u>	<u>7,249,371</u>	<u>-</u>	<u>511,858</u>

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Company (HMSVPC) received approximately 500m³ of teak, procured by MoD in order to undertake repairs to the ship's planking. At the HMSVPC Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of the Ship. Samples of oak are presently being tested to assess their durability in the Ship's structure, and a final decision on whether to use oak or teak for the Ship's conservation will be made by December 2018.

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

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

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

18. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Trade debtors	767,609	2,432,585	149,476	2,373,739
Amounts owed by group undertakings	-	-	2,828,562	2,041,088
Other debtors	126,601	229,036	208	201,766
Prepayments & accrued income	841,138	1,849,220	-	1,790,790
VAT	161,453	869,844	-	826,688
	<u>1,896,801</u>	<u>5,380,685</u>	<u>2,978,246</u>	<u>7,234,071</u>

At the balance sheet date, the HMS Trincomalee Trust had debtors due after more than one year of £415,935 (2016: £407,779).

Notes to the financial statements
for the year ended 31 March 2017

19. Creditors: amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdraft	-	14,450	-	14,450
Other loans	143,318	144,858	143,318	144,858
Trade creditors	850,826	2,713,671	1,260	2,611,703
Other creditors	1,650,376	316,560	1,356,389	105,248
Amounts owed to group undertakings	-	-	-	1,472,376
Other taxes and social security	143,274	343,219	13,978	143,998
Accruals and deferred income	1,448,030	2,461,042	62,080	2,192,411
Accumulated compensated absence accrual	37,549	18,767	1,659	16,740
	<u>4,273,373</u>	<u>6,012,567</u>	<u>1,578,684</u>	<u>6,701,784</u>

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other loans	480,581	608,805	390,000	520,000
	<u>480,581</u>	<u>608,805</u>	<u>390,000</u>	<u>520,000</u>

21. Analysis of net assets between funds

	Tangible Fixed Assets £	Investments £	Net current assets £	Long term liabilities £	Total £
Restricted funds:					
Restricted funds	1,370	-	2,049,922	-	2,051,292
Royal Naval Museum	1,249,467	-	23,918	-	1,273,385
HMS M33 Trust	1,775,060	-	-	-	1,775,060
	<u>3,025,897</u>	-	<u>2,073,840</u>	-	<u>5,099,737</u>
Unrestricted funds	1,582	-	138,273	(390,000)	(250,145)
Total Company funds at 31 March 2017	<u>3,027,479</u>	-	<u>2,212,113</u>	<u>(390,000)</u>	<u>4,849,592</u>
Funds held by:					
NMRN Operations	16,297,688	-	285,422	-	16,583,110
Royal Navy Submarine Museum Trust	18,651,273	13,300	324,370	-	18,988,943
Royal Marines Museum Trust	6,752,565	-	221,694	-	6,974,259
Fleet Air Arm Museum Trust	8,570,999	-	600,367	-	9,171,366
HMS Victory Preservation Company	19,544,631	35,522,595	6,758,018	-	61,825,244
HMS Caroline Preservation Company	12,560,000	-	312	-	12,560,312
HMS Trincomalee Trust	21,040,931	117,835	399,901	(90,581)	21,468,086
NMRN Hartlepool	-	-	4,945	-	4,945
Total Group funds at 31 March 2017	<u>106,445,566</u>	<u>35,653,730</u>	<u>10,807,142</u>	<u>(480,581)</u>	<u>152,425,857</u>

Notes to the financial statements
for the year ended 31 March 2017

22. Restricted funds and endowment funds

Restricted funds

	At 1 April 2016	Incoming resources	Outgoing resources	Transfers	To/from successor charities	Gains and Losses	At 31 March 2017
	£	£	£	£	£	£	£
Company:							
HMS Caroline fund	7,402	5,763,987	(822,325)	(4,900,174)	-	14	48,904
LIBOR SeaMore fund	2,002,388	-	-	-	-	-	2,002,388
Winkle Brown medals fund	-	165,000	(165,000)	-	-	-	-
Royal Naval Museum	8,945,681	6,957,875	(11,669,466)	4,900,174	(7,965,348)	104,469	1,273,385
HMS M33 Trust	1,775,060	-	-	-	-	-	1,775,060
	<u>12,730,531</u>	<u>12,886,862</u>	<u>(12,656,791)</u>	<u>-</u>	<u>(7,965,348)</u>	<u>104,483</u>	<u>5,099,737</u>
Group:							
NMRN Operations	-	2,338,705	(2,898,380)	(47,710)	12,141,366	313,590	11,847,571
Royal Navy Submarine Museum	22,367,490	16,761	(126,142)	(7,648)	(22,297,101)	46,640	-
Royal Marines Museum	553,900	-	(30,307)	(5,713)	(521,158)	3,278	-
Fleet Air Arm Museum	2,748,195	4,903	(36,304)	(181,699)	(2,574,404)	39,309	-
Royal Navy Submarine Museum Trust	-	-	-	-	18,619,968	(3,130)	18,616,838
Royal Marines Museum Trust	-	-	(1,476)	-	450,973	2,986	452,483
Fleet Air Arm Museum Trust	-	-	(22,342)	163,920	2,574,404	20,939	2,736,921
HMS Victory Preservation Co	31,158,143	-	(74,955)	(2,875,000)	-	2,505	28,210,693
HMS Caroline Preservation Co	8,635,000	-	-	-	-	3,925,000	12,560,000
HMS Trincomalee Trust	21,078,093	-	(26,494)	-	-	455	21,052,054
Consolidation adjustments	-	(3,069,880)	1,848,695	1,649,885	(428,700)	-	-
	<u>99,271,352</u>	<u>12,177,351</u>	<u>(14,024,496)</u>	<u>(1,303,965)</u>	<u>-</u>	<u>4,456,055</u>	<u>100,576,297</u>

Endowment funds

	At 1 April 2016	Incoming resources	Outgoing resources	Transfers	To/from successor charities	Gains and Losses	At 31 March 2017
	£	£	£	£	£	£	£
Group:							
HMS Victory Preservation Co	27,749,385	174,526	(229,796)	1,875,000	-	3,905,879	33,474,994
HMS Trincomalee Trust	5,000	-	-	-	-	-	5,000
	<u>27,754,385</u>	<u>174,526</u>	<u>(229,796)</u>	<u>1,875,000</u>	<u>-</u>	<u>3,905,879</u>	<u>33,479,994</u>

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

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

See note 28 for details of balances transferred to/from successor charities.

Consolidation adjustments reflect funds received by, and paid to, other group entities by the Royal Naval Museum.

Notes to the financial statements
for the year ended 31 March 2017

22.1 Funds held by the Royal Naval Museum

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

	At 1 April 2016 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	Transferred to NMRN Operations £	At 31 March 2017 £
Unrestricted funds of RNM	1,432,269	5,785,441	(6,489,663)	2,525	7,449	428,698	1,166,719
Restricted funds of RNM:							
RNM Development fund	7,229,156	-	(236,791)	-	90,350	(7,082,715)	-
HMS Victory Preservation fund	251,750	2,100,000	(863,802)	-	6,670	(1,494,618)	-
HMS M33 fund	24,179	-	(18,163)	-	-	(6,016)	-
HMS Caroline fund	(520,468)	4,925,608	(4,656,219)	-	-	251,079	-
LIBOR significant projects fund	346,687	4,167	(350,854)	-	-	-	-
LIBOR SeaMore fund	72,917	20,688	(31,829)	-	-	(61,776)	-
Johnstone Library fund	23,918	-	-	-	-	-	23,918
RML 497 Fairmile fund	85,273	-	-	(2,525)	-	-	82,748
	<u>7,513,412</u>	<u>7,050,463</u>	<u>(6,157,658)</u>	<u>(2,525)</u>	<u>97,020</u>	<u>(8,394,046)</u>	<u>106,666</u>
Total funds	<u>8,945,681</u>	<u>12,835,904</u>	<u>(12,647,321)</u>	<u>-</u>	<u>104,469</u>	<u>(7,965,348)</u>	<u>1,273,385</u>

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

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

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

The HMS Caroline fund is for the conservation of the ship and its development as a visitor attraction. This work has been fully funded by HLF and the Northern Ireland Tourist Board (NITB) to NMRN.

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

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

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

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

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

As part of the continuing plan to consolidate the functions and operations of all of the museums in the NMRN group, the operational assets of the Royal Naval Museum transferred to NMRN Operations at 30 November 2016.

Notes to the financial statements
for the year ended 31 March 2017

Royal Naval Museum Balance Sheet summary

	2017	2016
	£	£
Fixed assets		
Tangible fixed assets	-	7,818,015
Heritage assets	1,249,467	980,003
Current assets		
Stocks	-	511,858
Debtors	23,918	4,187,646
Cash at bank and in hand	-	1,244,428
Current liabilities	-	(5,796,269)
Net assets	<u>1,273,385</u>	<u>8,945,681</u>
Funds		
Unrestricted funds	1,166,719	1,220,083
Restricted funds	106,666	7,513,412
Trading funds	-	212,186
Total funds	<u>1,273,385</u>	<u>8,945,681</u>

22.2 Funds held by the HMS M33 Trust

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

	At 1 April 2016	31 March 2017
	£	
Unrestricted funds of the HMS M33 Trust		1,775,060
HMS M33 Trust Balance Sheet summary	2017	2016
	£	£
Heritage assets	1,775,060	1,775,060
Net assets	<u>1,775,060</u>	<u>1,775,060</u>
Funds		
Unrestricted reserves	1,092,378	1,092,378
Revaluation reserve	682,682	682,682
Total funds	<u>1,775,060</u>	<u>1,775,060</u>

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23. Transfers between funds

Company

A total of £4,900,174 (2016: £3,945,361) was transferred from other restricted funds to the Royal Naval Museum to reflect the movement of restricted grants relating to the HMS Caroline project.

Group

A total of £1,000,000 (2016: £500,000) was transferred from the restricted and endowment funds to unrestricted funds in the accounts for the HMS Victory Preservation Company to reflect the amount withdrawn from the Investment capital account in order that this may be granted to the Royal Naval Museum.

24. Financial commitments

At 31 March 2017 the group, and company, had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Within one year	213,870	5,467	-	-
Between one and five years	637,109	78,244	-	63,567
In over five years	-	541,833	-	541,420
	<u>850,979</u>	<u>625,544</u>	<u>-</u>	<u>604,987</u>

The commitments of the Royal Naval Museum transferred to NMRN Operations on 30 November 2016.

25. Capital commitments and contingent liabilities

The company, and group, had capital commitments contracted but not provided for in the financial statements amounting to £2,570,677 (2016 £1,616,497). There were no contingent liabilities at 31 March 2017 or 31 March 2016.

26. Losses and special payments

26.1 Losses statement

There was one case of losses occurring during the financial year with a value of £73,800 (2016: no cases).

26.2 Special payments

There were no cases of ex-gratia payments during the year (2016: no cases).

27. Related party transactions

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

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

Notes to the financial statements
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A number of trustees of the National Museum of the Royal Navy are also trustees of the following charities:

Mr Michael J Bedingfield	Warrior Preservation Trust Limited
Mr John R Brookes OBE	NMRN Operations
Captain Dan Conley OBE	Royal Navy Submarine Museum
Professor John Craven	NMRN Operations
Councillor Donna Jones	Warrior Preservation Trust
Mr Charles Wilson	HMS Caroline Preservation Company

In December 2016, the National Museum entered into an agreement to purchase a historically important collection from Mr Mark Caroe over three years. The collection comprises bells, tread plates, name boards, tompions and other artefacts from Royal Navy ships and submarines. The purchase price of the elements of the collection bought in 2016-17 was £89,683, based on the original prices paid by Mr Caroe for the material and is below market value of other recent examples at auction. Mr Caroe is a trustee and director of the HMS Victory Preservation Company (company number 7935358) and a director of the National museum of the Royal Navy Trading (company number 1261270).

The HMS Victory Preservation Endowment Fund is a related party of the HMS Victory Preservation Company by virtue of one of the trustees, Mr Clive Thorne, being a Trustee of both charities. In 2016 NMRN borrowed £650,000 from the Endowment Fund at a rate of 5% above the Bank of England base rate over a period of 5 years, from November 2015 to November 2020. The loan was used to finance the organisational restructure redundancy costs. At 31 March 2017 £533,318 was owing to the Endowment Fund from NMRN.

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

28. Balances transferred on 30 November 2016

As part of the continuing plan to consolidate the functions and operations of all of the museums in the NMRN group, the trustees of each of the following entities transferred the operations of those entities to NMRN Operations at 30 November 2016. At the same time the heritage assets, free reserves, restricted investments, and some land and property were transferred to separate Trusts. The balances transferred were as follows:

Balances transferred to successor charities:

	Royal Naval Museum	Royal Marines Museum	Royal Navy Submarine Museum	Fleet Air Arm Museum	NMRN Services	Total
	£	£	£	£	£	£
Fixed assets						
Tangible assets	7,623,838	6,273,871	4,565,450	9,262,701	-	27,725,860
Heritage assets	-	734,241	18,651,273	3,110,881		22,496,395
Investments	-	-	16,430	-		16,430
	7,623,838	7,008,112	23,233,153	12,373,582	-	50,238,685
Current assets						
Stocks	216,637	-	-	-	-	216,637
Debtors	1,231,318	43,418	256,680	295,026	2,707,070	4,533,512
Cash at bank and in hand	2,299,449	152,695	660,601	773,800	267,720	4,154,265
	3,747,404	196,113	917,281	1,068,826	2,974,790	8,904,414
Current liabilities	(3,612,782)	(136,293)	(623,648)	(400,067)	(2,974,790)	(7,747,580)
Net current (liabilities)/assets	134,622	59,820	293,633	668,759	-	1,156,834
Net assets	7,758,460	7,067,932	23,526,786	13,042,341	-	51,395,519

Notes to the financial statements
for the year ended 31 March 2017

Balances transferred to successor charities:

	Royal Naval Museum £	Royal Marines Museum £	Royal Navy Submarine Museum £	Fleet Air Arm Museum £	NMRN Services £	Total £
Funds						
Unrestricted funds	(635,587)	6,546,774	1,229,685	10,467,937	-	17,608,809
Restricted funds	8,394,047	521,158	22,297,101	2,574,404	-	33,786,710
Total funds	7,758,460	7,067,932	23,526,786	13,042,341	-	51,395,519

Balances transferred from predecessor charities:

	NMRN Operations £	Royal Marines Museum Trust £	Royal Navy Submarine Museum Trust £	Fleet Air Arm Museum Trust £	Total £
Fixed assets					
Tangible assets	16,233,673	6,029,263	-	5,462,924	27,725,860
Heritage assets	-	734,241	18,651,273	3,110,881	22,496,395
Investments	-	-	16,430	-	16,430
	16,233,673	6,763,504	18,667,703	8,573,805	50,238,685
Current assets					
Stocks	216,637	-	-	-	216,637
Debtors	4,533,512	224,642	327,370	603,367	5,688,891
Cash at bank and in hand	4,154,265	-	-	-	4,154,265
	8,904,414	224,642	327,370	603,367	10,059,793
Current liabilities	(8,902,959)	-	-	-	(8,902,959)
Net current (liabilities)/assets	1,455	224,642	327,370	603,367	1,156,834
Net assets	16,235,128	6,988,146	18,995,073	9,177,172	51,395,519
Funds					
Unrestricted funds	4,093,763	6,537,173	375,105	6,602,768	17,608,809
Restricted funds	12,141,365	450,973	18,619,968	2,574,404	33,786,710
Total funds	16,235,128	6,988,146	18,995,073	9,177,172	51,395,519

29. Post balance sheet events

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

HMS Warrior 1860 is Britain's first iron-hulled, armoured battleship. The ship is owned, managed and operated by the HMS Warrior Preservation Trust. On 1 April 2017 the Warrior Preservation Trust became a wholly owned charitable subsidiary of the National Museum.

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

The National Museum of the Royal Navy
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Notes to the financial statements
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30. Analysis of cash and cash equivalents

	Group 2017	Group 2016	Company 2017	Company 2016
	£	£	£	£
Cash at bank and in hand	5,338,233	4,396,621	812,551	1,430,074
Cash on deposit (within investments)	22,440	540	-	-
Bank overdraft	-	(14,450)	-	(14,450)
	<u>5,360,673</u>	<u>4,382,711</u>	<u>812,551</u>	<u>1,415,624</u>

31. Company status

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

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Notes to the financial statements
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32. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2017

	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	2017 Total £	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	2016 Total £
Income from:										
Donations and legacies										
Grant in Aid (revenue)	3,260,666	-	-	-	3,260,666	3,263,526	-	-	-	3,263,526
Grant in Aid (capital)	122,000	-	-	-	122,000	121,342	-	-	-	121,342
Donations	31,458	5,928,987	2,414,315	-	8,374,760	94,024	5,961,143	3,337,565	-	9,392,732
Legacies	10,357	-	-	-	10,357	-	-	-	-	-
Charitable activities										
Admissions	-	-	2,384,770	-	2,384,770	-	-	2,719,163	-	2,719,163
Other trading activities										
Trading subsidiary	-	-	2,114,065	-	2,114,065	37,739	-	2,115,849	-	2,153,588
Investments	353	-	3,047	-	3,400	293	-	6,623	-	6,916
Other	20	-	41,678	-	41,698	145,460	-	108,390	-	253,850
Total income	3,424,854	5,928,987	6,957,875	-	16,311,716	3,662,384	5,961,143	8,287,590	-	17,911,117
Expenditure on:										
Raising funds										
Fundraising and publicity	296,460	-	778,712	-	1,075,172	671,288	612	831,249	-	1,503,149
Trading subsidiary	-	-	2,119,364	-	2,119,364	-	-	1,672,845	-	1,672,845
Charitable activities										
Grant funding	1,979,946	2,409	8,771,390	-	10,753,745	2,529,988	8,247	11,143,151	-	13,681,386
	1,199,387	984,916	-	-	2,184,303	387,590	-	5,000	-	392,590
Total expenditure	3,475,793	987,325	11,669,466	-	16,132,584	3,588,866	8,859	13,652,245	-	17,249,970

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

	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	2017 Total £	Unrestricted funds £	Restricted funds £	Royal Naval Museum £	HMS M33 Trust £	2016 Total £
Net gains/(losses) on investments	-	-	-	-	-	-	-	-	-	-
Net income/(expenditure)	(50,939)	4,941,662	(4,711,591)	-	179,132	73,518	5,952,284	(5,364,655)	-	661,147
Transfer between funds	-	(4,900,174)	4,900,174	-	-	318,579	(3,945,361)	3,626,782	-	-
Other recognised gains/(losses): (Losses)/Gains on revaluations of fixed assets	41	14	104,469	-	104,524	(4)	(1)	334,329	207,278	541,602
Net movement in funds	(50,898)	41,502	293,052	-	283,656	392,093	2,006,922	(1,403,544)	207,278	1,202,749
Reconciliation of funds:										
Total funds brought forward	(199,247)	2,009,790	8,945,681	1,775,060	12,531,284	(591,340)	2,868	10,349,225	1,567,782	11,328,535
Funds transferred to NMRN Operations	-	-	(7,965,348)	-	(7,965,348)	-	-	-	-	-
Total funds carried forward	(250,145)	2,051,292	1,273,385	1,775,060	4,849,592	(199,247)	2,009,790	8,945,681	1,775,060	12,531,284

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