

Charity number: 1126283
Company number: 06699696

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

Trustees' report and Consolidated financial statements

for the year ended 31 March 2014

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

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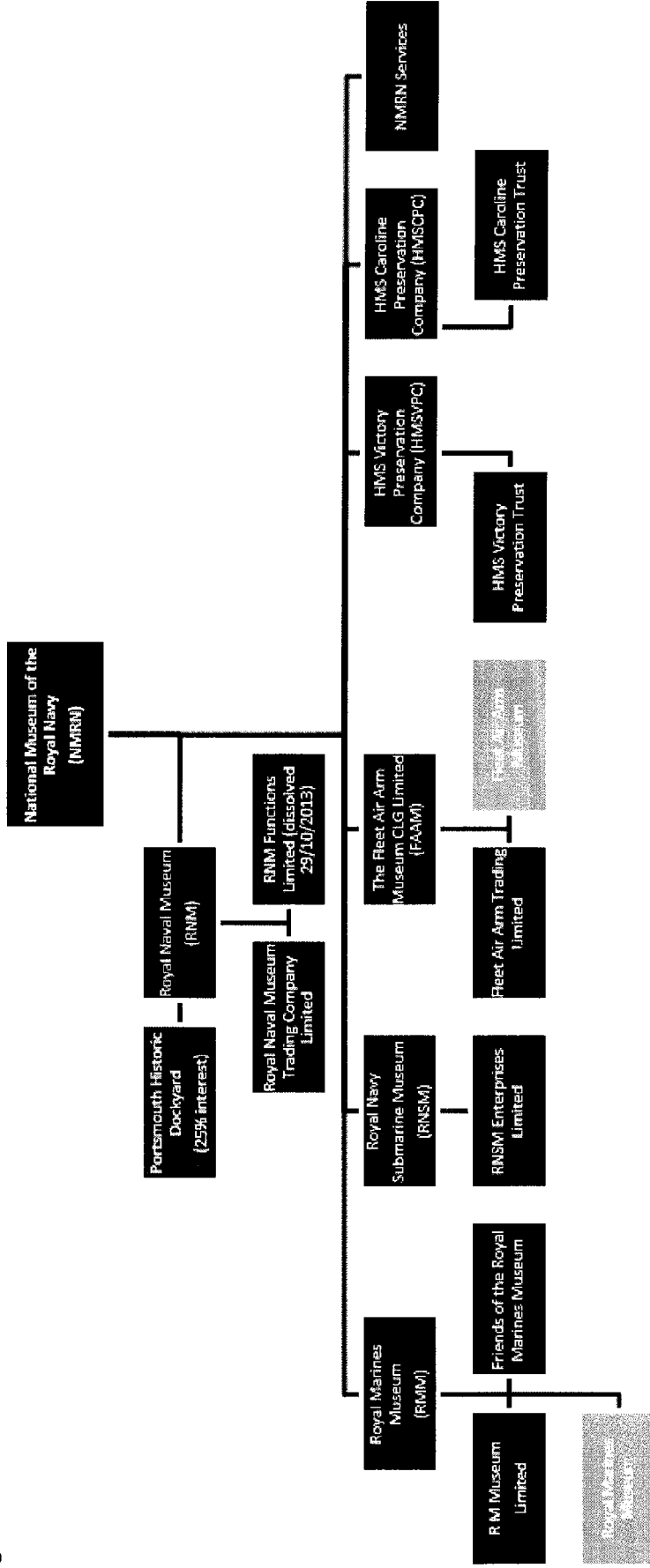
The National Museum of the Royal Navy
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Company number: 06699696

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 M Bedingfield Mr J R Brookes OBE Professor John Craven CBE Sir Robert W K Crawford CBE Mr A N R Davidson Lieutenant General Sir Robert Fulton KBE Mr M Gambazzi Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC Rear Admiral Terence W Loughran CB Vice Admiral Sir Tim McClement KCB OBE Ms K A Marshall Mr T Schadla-Hall Dr Caroline Williams Mr C Wilson
Auditors	Comptroller & Auditor General 157 - 197 Buckingham Palace Road Victoria London SW1W 9SP
Accountants	Compass Accountants Limited Venture House, The Tanneries East Street Titchfield Hampshire PO14 4AR
Bankers	Lloyds TSB Bank Plc 38 London Road North End Portsmouth Hampshire PO2 0LR

**The National Museum of the Royal Navy
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Organisation chart



Key:

Wholly owned charitable subsidiary	Linked charity only
Wholly owned trading subsidiary	Joint venture
Service company	Probably a business

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Report of the trustees (incorporating the directors' report)
for the year ended 31 March 2014

The Trustees present their report and the financial statements for the year ended 31 March 2014. 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 1. The Trustees have had due regard to the guidance issued by the Charity Commission on Public Benefit.

Structure, governance and management

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

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

The National Museum of the Royal Navy group consists of the company itself and by virtue of its controlling interest, the four Naval Service museums: the Royal Naval Museum (a linked charity as sole corporate Trustee), the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum (as the controlling corporate member) and each of their subsidiary trading companies. The Royal Naval Museum, as the National Museum of the Royal Navy (Portsmouth) also operates Explosion, The Museum of Naval Firepower and HMS Victory as visitor attractions. The group also includes the HMS Victory Preservation Company (and Trust) and the HMS Caroline Preservation Company (and Trust) and the NMRN Services Company. The NMRN Services Company, a wholly owned subsidiary of the National Museum of the Royal Navy, was admitted to the group on 13 January 2014. Its purpose is to enable staff resources to be utilised efficiently and appropriately across the whole group. From June 2014, the group will also include HMS Trincomalee Trust as a subsidiary.

Trustee induction and training procedures

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

Objectives and activities

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

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

Vision and Mission

In order to deliver its objects, the vision of the National Museum of the Royal Navy is:

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

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Report of the trustees (incorporating the directors' report)
for the year ended 31 March 2014

Its goal is:

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

and its mission is:

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

This will be achieved by:

- Collecting, studying and interpreting objects, images and records which help to document and communicate the continuing story of the Royal Navy and the people serving in it from the earliest time to the present day
- Offering stimulating and engaging learning opportunities for people of all ages enabling them to explore the rich collections and the expertise held by the museum
- Providing visitors with the opportunity to enjoy a great day out, experiencing and absorbing the ethos and spirit of the Royal Navy
- Making the museum collections as widely accessible as possible through the development of the permanent displays and special exhibitions as well as developing a world-class virtual presence
- Building partnerships with other sites relevant to the story of the Royal Navy, the holders of other Naval collections and with other bodies eager to tell a part of the Naval story
- Acting as a focus for the Royal Navy in commemoration, motivation and recruitment

Public Benefit

A core principle of the Group's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. In their charitable objects, the companies seek to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encouraging the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The Group operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The Group offers free admission and 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 museums' activities are supported by 280 volunteers giving 89,094 hours of work, assisting in a range of tasks including collections management, restoration of objects, conservation, learning, guiding and tours. Current capital projects focus on preserving historic ships of national importance (HMS Monitor M33, HMS Caroline, LCT 7074) and the restoration of the world's only Fairey Barracuda DP872 torpedo bomber.

STRATEGIC REPORT

Achievements and Performance

Museum Convergence

There was a degree of replication of staff function across the group, which supported the five separate museum sites. This has now been re-shaped to a functional structure, better able to deliver outputs across the group in an efficient and coherent manner. A Convergence Planning Team, overseen by a Convergence Project Board has been charged by the Board of Trustees with taking this work forward. A new Functional Director structure has now been established and the internal appointing process is now complete, with the appointment of 5 Functional Directors. The Director General is also directly supported by a Strategic Development Group. This convergence activity, more properly described as integration, has continued apace throughout the reporting period and completed on 1 April 2014 and, since October 2013, has been overseen by an Integration Committee charged with providing support and assistance to the integration work on behalf of the Board of Trustees.

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for the year ended 31 March 2014

HMS Caroline

On 11 October 2012, the National Heritage Memorial Fund confirmed a grant of £1,097,423 to the National Museum to save HMS Caroline, the last survivor of the Battle of Jutland (this grant was released to the National Museum when the title of the ship was transferred on 18 November 2013). This marked the first stage of the agreement between the National Museum and the Department of Enterprise, Trade and Investment (DETI) to secure the future of the ship in Belfast. This announcement was followed on 30 November 2012 by a Round 1 application to the Heritage Lottery Fund for a £11,362,200 grant towards a £14,202,820 project to provide an enduring future for the ship. This application was approved on 9 May 2013, triggering a HLF grant of £845,000 (which also became available when the National Museum took ownership of HMS Caroline) to fund the development of the Round 2 application. An HLF Round 2 application was submitted in June 2014. The National Heritage Memorial Fund work, to safeguard the ship and to prevent further deterioration to the ship's material structure also continues.

In advance of the final discussions on the Deed of Gift with the Ministry of Defence, the National Museum established both the HMS Caroline Preservation Company and the HMS Caroline Preservation Trust as the charitable vehicles required within which to place the gift of HMS Caroline and to hold a lease agreement with DETI for the ship to be displayed in Belfast. The Deed of Gift was completed on the 18 November 2013, transferring ownership of the Ship, and the Ship IP, to the HMS Caroline Preservation Company on that date.

Portsmouth Historic Dockyard

The National Museum continues to work with the entities in Portsmouth Historic Dockyard (PHD) to take forward the Master Plan initiative to deliver the future strategy and brand identity for the site. Governance has been revised and simplified, with the Chief Executives of the attractions and the Property Trust now sitting as Directors of PHD, supported by directors appointed from outwith PHD and an independent Chairperson.

Grant Programme

In this year, as in the last two, the majority of the Grant in Aid paid to the National Museum is disbursed to the four Naval Service Museums with only some 15% retained for central funding. Funding to the four Naval Service Museums is regulated by a Framework Agreement and the centralised system for financial reporting, which has been running since 2009-10 and continues.

Visitor Services

From 1 April 2013 to 31 March 2014, there were 765,810 visits to the National Museum across its 5 major sites, plus an additional 14,500 estimated visitors to RNAS Culdrose (a satellite of the Fleet Air Arm Museum). This 18% increase in visitor numbers over last year was most evident in Portsmouth Historic Dockyard and was the result of the opening of the Mary Rose Museum, coupled with a revision of the ticket pricing structure and a focussed marketing, press and PR campaign. The National Museum saw an 8% increase in the number of unique visits (821,181) to National Museum websites and an upsurge in social media followers. In all, the National Museum reached 1,651,582 people. Press, PR and media coverage realised over £3,893,279 in Advertising Value Equivalent. Twelve major TV programmes, including 'Antiques Roadshow' and 'Heston Blumenthal's Fantastic Foods', reached an estimated audience of over 39,805,000 viewers.

Learning and Access

In this year, the National Museum provided 52,600 formal learning visits across our sites. In addition, we delivered almost 955 learning activities to adult, community and family audiences, totalling some 62,711 informal learning opportunities.

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Collections and Scholarship

HMS Victory is now subject to a range of research work, which recognises its importance, as both a heritage and archaeological asset. Studies into shipwrights' marks, painted surfaces, dendrochronology, and a 3 Dimensional laser scan survey have added immeasurably to our knowledge of the structure of the ship and how it interacts with the environment. The National Museum continues to expand its portfolio of books on the history of the Royal Navy, the first 3 have been published and there are 11 to follow. The National Museum continues its policy of building its collections for the future. Significant additions (a number of which have been able to go straight on to public view) include: a large collection of photographs relating to HMS Caroline; an oil painting by John Schetcky, 'The Frigate Pique being re-floated off Labrador, 1835'; an oil painting by Charles William Wyllie, 'The Dying Giant'; a Portrait bust of Sir Philip Watts; the bell from the Koenig class Battleship, an SMS Grosser Kurfürst (The Great Elector); and a nightie, made from a White Ensign and given to the wife of the submariner Commander ACC Miers, VC RN. The Collections, Research, Learning and Access Committee, under new Chairmanship, continues to develop the Museum's strategic approach to collections policies and the National Museum continues in its academic partnerships with Portsmouth and Birmingham Universities, to name but two.

Affiliates

The National Museum's affiliation programme continues to expand with both new additions and as longer term affiliations deepen and develop. Our affiliation with HMS Trincomalee has changed as the Board of Trustees of HMS Trincomalee formally agreed to join the Group as a subsidiary in June 2014. The newer affiliations with the Wellington Trust and the Medusa Trust are taking form and shape and RML 526 and the D Day Museum are now new affiliates. The regional partnerships with the Department of Enterprise, Trade and Investment in Northern Ireland and Hampshire County Council are working well to deliver the solutions for both HMS Caroline in Belfast and HMS M33 in Portsmouth. Both Hull City Council and Hartlepool Borough Council are exploring regional relationships with the National Museum.

Capital Projects

The projects to refurbish HMS Alliance and to deliver HMS Hear My Story, in the Babcock Galleries in Portsmouth, are now both complete, with openings taking place on 3 April 2014. The National Museum is deeply indebted to all who so generously supported both projects, which have seen some £11,000,000 of investment in our sites in Portsmouth and Gosport. The Community Outreach programme continues until April 2015.

The work to deliver the HLF Round 1 major grant award to HMS Caroline in Belfast continues. The development phase work, with £845,000 of HLF Funding, has gathered pace during the reporting period, with a Round 2 submission in June 2014. An HLF Round 1 application for £1,708,500 for HMS M33, a shallow water 6" gun monitor and a survivor of the Gallipoli Campaign was submitted on 24 May 2013 and a successful outcome achieved on 27 September 2013. Development work on this project has continued apace and a Round 2 submission was made in May 2014. If we are successful, the ship will be ready by 100th anniversary of the Gallipoli Campaign in July 2015.

A project to develop a Collections and Archive centre for the National Museum in Portsmouth Historic Dockyard is moving towards the HLF planning enquiry stage. The opportunity of available buildings would also allow the Royal Marines Museum to move to the Dockyard as an integral part of this project. The National Museum has also taken pre-emptive action to save LCT 7074, a Landing Craft (Tank) which saw action on the beaches at D Day during Operation Overlord. If we are successful, this will be the subject of an immediate application to the National Heritage Memorial Fund.

Related Parties

The related parties of the National Museum of the Royal Navy (NMRN) are disclosed in note 30 to the accounts.

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for the year ended 31 March 2014

Financial Review

Results for the Year Ended 31 March 2014

Total incoming resources for the NMRN group in 2013-14 amounted to £22,146,148 (2012-13: £20,322,683). In addition to Grant in Aid, a large proportion of this inflow is exceptional and relates to the donation of the ship, HMS Caroline, to the HMS Caroline Preservation Trust – the ship being valued by the Trust at £7,556,000 (detail of the valuation is provided in note 1.10).

Similarly, there were significant exceptional inflows in 2013 and 2012 including: the gifts from predecessor charities (arising on incorporation of a number of the subsidiary charities) of £24,646,703; the donation of £25,000,000 from The Gosling Foundation to the HMS Victory Preservation Company; and the gift of HMS Victory, the timber, and the plant and machinery valued at £26,905,206.

Total resources expended for 2013-14 amounted to £13,437,244 (2012-13: £10,219,600). After adjustment for other recognised gains and losses totalling £1,356,599, the net movement in funds for the year was an increase of £10,065,503. It should be noted that this is not a true reflection of underlying operating surplus, but has arisen from the movement in other restricted funds (described in the first paragraph above).

This surplus on restricted funds will reduce in future years as increasing expenditure on the preservation of HMS Victory and HMS Caroline, and depreciation on the capital expenditure, is expensed through the SOFA.

The endowment fund surplus should remain on the Balance Sheet for the foreseeable future, as will the gifts of the Ships, as the Ships are heritage assets and will not be depreciated.

The group's net assets as at 31 March 2014 amounted to £105,434,099.

Prior Year Adjustment

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

Changes in Fixed Assets

Movements in fixed assets are shown in notes 15 - 16 to the accounts. Major movements in the year were assets under construction of £2,816,078 relating to Storehouse 10, and heritage assets of £7,556,000 relating to the gift of HMS Caroline to the HMS Caroline Preservation Trust.

Policy on Unrestricted Reserves

The Trustees continually monitor the levels of the company's reserves, defined for the purposes of this policy as the amounts shown as "Net Current Assets" in the accounts of the company, and which are attributable to Unrestricted Funds. As at 31 March 2014, the level of the company's reserves stood at £51,157 (31 March 2013: £225,250).

The company is a grant giving body, and retains a reserve in order to:

- cover liabilities;
- cover annual deficits;
- provide income;

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- fund development;
- to provide working capital.

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

Investment Policy

In light of the significant inflow of cash funds in the last twelve months, and the subsequent investment of funds held by HMS Victory Preservation Company, the Trustees of the HMS Victory Preservation Co. have developed a formal Investment Policy which will operate in line with the Reserves Policy. This was approved at a Trustees' meeting of HMS Victory Preservation Co. on 13 March 2014 and is as follows:

Investment Objectives

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

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

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

Attitude to Risk

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

Assets

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

Payment of Creditors

The National Museum of the Royal Navy aims to settle all undisputed bills within 30 days of receipt or in accordance with the supplier's terms of business. The company's actual payment performance during 2013-14 was that these criteria were met in 94.23% of all bills paid (2012-13 94.91%). The Royal Naval Museum's payment performance during 2013-14 was that these criteria were met in 91.17% of all bills paid (2012-13 94.82%).

Sickness Absence data

During 2013/14 the company has employed, on average, 19 members of staff directly, and 83 in the Royal Naval Museum (a total of 71.2 full time equivalents) and monitors staff sickness absence as part of its Human Resources processes. The Trustees receive data annually and discuss potential risks arising from any patterns that are identified. During 2013-14, there were 338 (full time equivalent) days lost to sick absence, of which 225 (full time equivalent) were for long term absences. These long-term absences related to 2 employees and included post-operative and stress related problems.

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Personal data loss

The company has not identified any personal data related incidents during 2013-14 or in the previous 6 financial years. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

Policy on the Employment of Disabled Persons

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

Post Balance Sheet Events

Post Balance Sheet Events are disclosed in note 32 to the accounts.

Plans for Future Periods

The Group will continue to work to deliver greater benefits from the implementation of the convergence project through identifying opportunities for closer integration across the Group to realise benefits from operating as a larger organisation, improving our visitor experience, transforming access to our collections and demonstrating greater cohesion in the delivery of our charitable objects.

As we look towards future periods, we see many opportunities on the horizon including restoration of the Fairey Barracuda DP872 torpedo bomber; the completion of the work on HMS Monitor M33 allowing visitors to go aboard for the first time and experience her contributions to the Gallipoli Campaign of 1915; restoration of HMS Caroline, the last survivor of the First World War British Grand Fleet; and the relocation of the Royal Marines Museum into Boathouse 6 in Portsmouth Historic Dockyard, tripling visitors to the museum. We are developing a new interpretation strategy for HMS Victory which sets out a robust and rigorous framework for future presentation of the ship and its history. It includes a phased plan of work up to 2018 which will intensify the focus for what visitors see on the ship, and in both the Sir Donald Gosling Victory and the Trafalgar Sail Galleries. We are reviewing options for improving the long term financial sustainability of HMS Trincomalee including the opportunity to merge its operations with the Hartlepool Maritime Experience to bring a unified vision to the presentation and marketing of the site.

Future development work has also intensified on the essential scheme to broaden access to the museums' collections. This includes: creation of an integrated collections centre in Storehouse 12, providing public access to material across the Group and also potentially to external archive material; and a fresh set of formal and informal learning, community engagement and training programmes designed to excite users and non-users about our collections and their stories and inspire them to learn more;

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

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We will also seek to deepen our relationship with the American Friends of the National Museum of the Royal Navy, who have agreed a key role to play in our fundraising efforts in USA as well as general awareness raising. At their Board Meeting in April 2014 they agreed that their first fundraising project would be to raise the funds required (circa £80,000) to purchase the recently discovered life mask of Lord Nelson and that fundraising efforts in USA will primarily be focussed towards the restoration of HMS Victory.

Principal Risks and Uncertainties

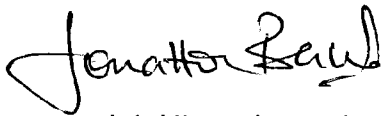
The principal risks faced by the Group centre around future income streams. Grant in Aid, provided by the Ministry of Defence, remains a major source of funds for the NMRN. This source of funding is subject to a triennial agreement with the current agreement due to expire at the end of 2014/15. The Group is seeking to establish an early dialogue with the Ministry of Defence on future funding requirements and is continuing to develop its Finance Strategy supported by a mid to long-term budget that builds financial sustainability and flexibility. Further financial risk arises from the volatility of admissions numbers and commercial activity impacting on revenue. Strategies continue to be developed to strengthen brand loyalty, ensure appropriate pricing to balance visitor attraction with revenue generation and develop the commercial offering. Funding and effective control of major capital projects will always present a risk to the Group. This is mitigated through the establishment of a robust project management framework, appropriate governance and oversight for all major projects, and the ongoing development of cash flow forecasting that reflects operational and major project demands and fundraising requirements.

Auditors

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


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

On behalf of the board



Admiral Sir Jonathon Band GCB DL
Chairman

Date:



Professor Dominic Tweddle
Director General and Accounting Officer

Date:

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Remuneration Report
for the year ended 31 March 2014

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

Remuneration Policy

Salary and pension entitlements (Subject to audit)

Professor Dominic Tweddle was appointed Director General of the National Museum of the Royal Navy on 1 January 2009. Trustees decided not to make this appointment subject to a fixed-term: The Director General is entitled to, and required to give, six months' notice to terminate his appointment. The salary and pension entitlement of Professor Tweddle was as follows (with comparative disclosures for 2012/13):

	2013/14				2012/13			
	Salary £'000	Benefits in kind £'000	Bonus Payment £'000	Total £'000	Salary £'000	Benefits in kind £'000	Bonus Payment £'000	Total £'000
Professor Tweddle	100-105	-	8	105-110	95-100	-	5	100-105

Highest Paid Director's Total Remuneration £'000	105-110	100-105
Median Total (£)	16,501	20,926
Ratio	6.2	4.9

No Trustees received remuneration during the year (2013: NIL). Four Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £1,798 (2013: £1,107), and three Members of the Management Board of the Royal Naval Museum were reimbursed for travel expenses totalling £786 (2013: £3,692).

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

Professor Tweddle also received a performance related bonus of £7,500 (to be taken as additional pension contribution) during the year ended 31 March 2014. This bonus was awarded by the Board after recommendation by the NMRN Nomination and Remuneration Committee. In awarding this bonus, the committee had considered the Director General's performance in the year against the Objectives and Key Priorities in the Corporate Plan and his significant personal contribution towards the achievement of key areas of work.

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Remuneration Report
for the year ended 31 March 2014

Benefits in Kind

The Director General did not receive any Benefits in Kind.

Pension

Pension benefits are provided through a defined contribution pension scheme.

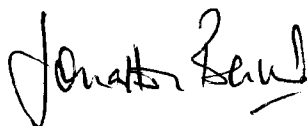
For 2013-14, employer's pension contributions of £10,012 plus the bonus above of £7,500 (2013: £9,925) were payable in accordance with the Director General's contract.

Pay multiple disclosure

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director – the Director General of the National Museum of the Royal Navy - in the financial year 2013-14 was £107,500 (2012-13: £102,500). This was 6.5 times (2012-13: 4.9) the median remuneration of the workforce, which was £16,501 (2012-13: £20,926). The number of lower paid staff employed has increased during the year and the median remuneration of the workforce has fallen accordingly. With a lower median remuneration, the ratio to the Director General's banded remuneration has increased.

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



Admiral Sir Jonathon Band GCB DL
Chairman

Date:



Professor Dominic Tweddle
Director General and Accounting Officer

Date:

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Statement of Board of Trustees' and Accounting Officer's Responsibilities
for the year ended 31 March 2014

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

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

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

observe the Financial Framework issued by the Secretary of State for Defence, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the financial statements; and

prepare the financial statements on a going concern basis.

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

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

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

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

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

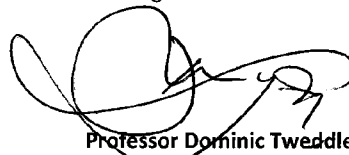
Statement of Board of Trustees' and Accounting Officer's Responsibilities
for the year ended 31 March 2014

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



Admiral Sir Jonathon Band GCB DL
Chairman

Date:



Professor Dominic Tweddle
Director General and Accounting Officer

Date:

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

Governance Statement
for the year ended 31 March 2014

1. Scope of responsibility

I, as Chairman of the Trustees, on behalf of the Board of Trustees of the National Museum of the Royal Navy, am confirming that a sound system of governance and internal control is maintained within the company and that the major risks, to which the company is exposed, as identified by the Trustees, have been reviewed and systems have been established to mitigate those risks.

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

2. The purpose of the governance statement

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

3. Review of the governance structure

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

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

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

Governance and Reporting arrangements of the NMRN group

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

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

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

**Governance Statement
for the year ended 31 March 2014**

Quality of data

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

The sub-committees of the board include:

Development & Finance Committee

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

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

Audit & 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. Chairs of each Museum's Individual Governance Committees are also invited to attend these meetings.

Nomination & Remuneration Committee

This committee is responsible for leading the process for Board appointments and for identifying and nominating, for Board approval, candidates for appointment to the Board and its constituent Committees; and determining and making recommendations to the Board on the performance and remuneration of NMRN staff including advising on appropriate salary schemes for all permanent staff of the NMRN and on the award of personal performance related bonuses and additional payments.

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

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

During this year there has been a programme of integration of staff across all museums, which has necessitated a small number of redundancies. Generally, severance payments relating to these redundancies were limited to statutory and contractual obligations. However, in the case of two individuals, special payments totalling £30,642 were made following submission to, and approval by, Treasury.

The National Museum of the Royal Navy
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Governance Statement
for the year ended 31 March 2014

Integration Committee

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

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

National Museum of the Royal Navy	Board of Trustees	Development & Finance Committee	Audit & Governance Committee	Nomination & Remuneration Committee	Integration Committee
Total number of meetings in the period	4	4	3	2	8
<u>Chairman:</u> Admiral Sir Jonathon Band GCB DL	4/4	4/4	-	-	-
<u>Director General:</u> Professor Dominic Tweddle	-	-	-	-	-
<u>Trustees:</u>					
Mr M Bedingfield	3/4	-	-	-	1/8
Mr J R Brookes OBE	4/4	4/4	-	2/2	-
Professor John Craven CBE	4/4	-	3/3	-	-
Sir Robert W K Crawford CBE	4/4	4/4	-	-	-
Mr A N R Davidson	4/4	4/4	3/3	-	-
Lieutenant General Sir Robert Fulton KBE	3/4	-	-	-	-
Mr M Gambazzi	3/4	4/4	1/1	2/2	8/8
Rear Admiral Terence W Loughran CB	4/4	-	-	-	-
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	2/4	3/4	-	2/2	-
Vice Admiral Sir Tim McClement KCB OBE	3/4	-	-	-	-
Ms K A Marshall	4/4	-	0/3	2/2	-
Mr T Schadia-Hall	4/4	-	-	-	-
Dr Caroline Williams	2/4	-	-	-	-
Mr Charles Wilson	4/4	2/4	-	-	-
<u>Non- Trustees:</u>					
Ms V Hardman	-	3/4	-	-	-
Mr R Hatfield	-	4/4	-	-	-
Mr G Whitter	-	-	3/3	-	-
Dr M Copp	-	-	2/3	-	-
Mr M Hagen	-	-	1/1	-	-
Mr P Webb	-	-	-	-	7/8
Mr K Morris	-	-	-	-	6/8
Mr M Caroe	-	-	-	-	4/8
Mr S Face	-	-	-	-	8/8
Mr J Rawlinson	-	-	-	-	6/8
Mr K Robinson	-	-	-	-	3/8
Mr C Tite	-	-	-	-	1/7

The National Museum of the Royal Navy
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Governance Statement
for the year ended 31 March 2014

Royal Naval Museum	Management Board	Finance & Personnel Working Group
Total number of meetings in the period	2	2
<u>Chairman:</u> Admiral Sir Peter Abbott GBE KCB	2/2	-
<u>Representative Members:</u>		
Mr S Bailey	0/2	-
Dr R Blyth	2/2	-
Admiral Sir Kenneth Eaton	1/2	-
Commodore P Wykeham-Martin	2/2	-
<u>Other Members:</u>		
Mr B Miller (Chairman of Finance & Personnel Working Group)	2/2	2/2
Captain W Alexander RN	2/2	2/2
Miss A Dixon	1/2	-
Mr M Gambazzi	2/2	2/2
Miss V Hardman	0/2	1/2
Commodore T Morton RN	1/2	-
Mr K Robinson	2/2	-
Mr C Wilson	2/2	0/2

In 2010 Royal Naval Museum Trustees unanimously voted the National Museum of the Royal Navy as the Sole Corporate Trustee; Trustees in turn became members of a Management Board with certain responsibilities devolved to them from the National Museum. At this juncture, whilst legally remaining the Royal Naval Museum, publicly the Museum was branded The National Museum of the Royal Navy (Portsmouth). On 26 March 2014, the Management Board took the view that NMRN was now sufficiently well developed to negate the need for a Management Board and therefore decided to disband itself. The Finance & Personnel Committee remains active until 31 March 2015 primarily to have an oversight of annual accounts for the year ended 31 March 2014.

Other Committees of the Board are:

Collections, Research, Learning and Access Committee:

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

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

The National Museum of the Royal Navy
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Governance Statement
for the year ended 31 March 2014

During the year these matters were covered by the Committee.

Fundraising Committee:

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

- To lead on all aspects of fundraising for the NMRN, recognising that the individual museums will fundraise; 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.

During the year these matters were covered by the Committee.

Day to day operation is the responsibility of the Director General who is appointed by the Trustees and who is also the Accounting Officer of the organisation. The Director General attends Board meetings and Audit Committees of all four component museums (as a Trustee). He chairs a monthly meeting (latterly bi-monthly) of all Museum CEOs together with the Commanding Officer of HMS Victory and a representative from MOD Sponsor Branch which will discuss issues pertinent to the entire group. The intention is to reconstitute this into an Executive Board in due course.

4. System of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the National Museum of the Royal Navy's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the National Museum of the Royal Navy for the year ended 31 March 2014 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

5. Capacity to handle risk

For the year ended 31 March 2014 each of the subsidiary Museums had a live Risk Register relevant to their specific operations. Under integration this has been developed into a comprehensive suite of uniformly presented Corporate, Directorate and Project Risk Registers, which identifies the risks relevant to the successful continuation of the company's current operations and its future development. Risk Management is now incorporated into the company's corporate planning, with the risk of failure and severity of the failure being applied to key activities. A revised Risk Management policy was approved by the NMRN Board in February 2014, which clearly identifies responsibilities, strategies and reporting of risk management across the Group.

The National Museum of the Royal Navy
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Company number: 06699696

Governance Statement
for the year ended 31 March 2014

6. The risk and control framework

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

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

An internal audit function was in place for the year and completed a programme of work in accordance with a plan approved by the Audit Committee in accordance with the recognised professional auditing standards from the Chartered Institute of Internal Auditors and the Public Sector Internal Audit Standards. In their report to the Audit and Governance Committee (June 2014), the internal auditors were able to provide moderate assurance that in the year ended 31 March 2014 there was generally sound system of internal control, designed to meet the organisation's objectives, and that controls were generally being applied consistently. The organisation had made good progress in implementing recommendations made by the internal auditors over the course of this and last years.

7. Review of effectiveness

The review of the effectiveness of the system of internal controls is exercised through the Audit and Governance Committee of the Board of Trustees. This Committee is chaired by a Trustee of the Main Board of Trustees and draws expertise from other museums, with company officers in attendance, as required. The Committee reports directly to the Board of Trustees. This Committee has visibility across the whole sphere of company internal management and is developing approaches to monitor the effectiveness of internal controls and management of risk.

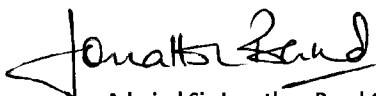
In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the National Museum of the Royal Navy's system of internal control in accordance with Treasury guidance and recommendations.

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

The NMRN Risk Register focuses on finances because this is the area that it has direct control over. Each of the subsidiary Museums has a live Risk Register relevant to their specific operations.


In the current financial climate the major risk to NMRN lies in funding. A three-year funding deal with Ministry of Defence runs through to April 2015. The key challenge continues to be to diversify sources of funding.

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



Admiral Sir Jonathan Band GCB DL
Chairman

Date:



Professor Dominic Tweddle
Director General and Accounting Officer

Date:

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

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSES OF PARLIAMENT

I certify that I have audited the financial statements of the National Museum of the Royal Navy for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The financial statements comprise: the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Trustees, Accounting Officer and auditor

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

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

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

The National Museum of the Royal Navy
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Company number: 06699696

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in information in the sections entitled Legal and administrative information, Organisation Chart, Trustees Report (incorporating the Strategic Report), Remuneration Report, Statement of Trustees' and Accounting Officer's Responsibilities and Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.


Sir Amyas C E Morse
Comptroller and Auditor General

Date



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

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

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2014

								<i>Restated</i>	
	Unrestricted	GIA	Other	Royal	Endowment		2014	2013	
	funds	Restricted	Restricted	Naval	funds		Total	Total	
Notes	£	£	£	Museum	£	£	£	£	
Incoming resources									
Incoming resources from generating funds:									
Voluntary income:									
Grant in Aid (revenue)	2	-	3,565,734	-	-	-	3,565,734	3,532,745	
Grant in Aid (capital)	2	-	289,435	-	-	-	289,435	843,415	
Other donations and grants	2	285,579	-	9,074,254	2,130,212	-	11,490,045	11,362,764	
Legacies	3	19,261	-	-	-	-	19,261	2,196	
Investment income	4	4,531	-	598	26,126	684,870	716,125	121,504	
Income from charitable subsidiary	6	14,907	-	-	-	-	14,907	46,685	
Admissions	5	1,409,377	-	-	2,718,417	-	4,127,794	2,699,206	
Activities for generating funds:									
Fundraising activities		80,947	-	76,959	-	-	157,906	166,245	
Income from Trading Companies and share of Joint Venture	6	1,039,281	-	-	1,160,298	-	2,199,579	1,801,415	
Other incoming resources		106,339	-	-	69,117	-	175,456	153,532	
		<u>2,960,222</u>	<u>3,855,169</u>	<u>9,151,811</u>	<u>6,104,170</u>	<u>684,870</u>	<u>22,756,242</u>	<u>20,729,707</u>	
Deduct share of Joint Venture Income		-	-	-	(610,094)	-	(610,094)	(407,024)	
Total incoming resources		<u><u>2,960,222</u></u>	<u><u>3,855,169</u></u>	<u><u>9,151,811</u></u>	<u><u>5,494,076</u></u>	<u><u>684,870</u></u>	<u><u>22,146,148</u></u>	<u><u>20,322,683</u></u>	
Resources expended									
Costs of generating funds:									
Fundraising:									
Operating costs		281,970	-	27,479	443,209	-	752,658	647,487	
Investment management costs		-	-	-	-	208,823	208,823	36,446	
Charitable activities	7	1,789,269	1,776,827	298,934	6,379,135	-	10,244,165	7,236,731	
Governance costs	9	375,100	268,484	(3,720)	297,112	(30,000)	906,976	967,107	
Expenses of Trading Companies	6	930,060	-	-	387,776	-	1,317,836	1,324,629	
Expenses of Charitable Subsidiary	6	6,786	-	-	-	-	6,786	7,200	
Total resources expended		<u><u>3,383,185</u></u>	<u><u>2,045,311</u></u>	<u><u>322,693</u></u>	<u><u>7,507,232</u></u>	<u><u>178,823</u></u>	<u><u>13,437,244</u></u>	<u><u>10,219,600</u></u>	

The notes on pages 28 to 65 form an integral part of these financial statements.

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

Consolidated Statement of financial activities (incorporating the income and expenditure account) for the year ended 31 March 2014

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	Endowment funds	<i>Restated</i>	
						2014 Total	2013 Total
	£	£	£	£	£	£	£
Net incoming resources before transfers	(422,963)	1,809,858	8,829,118	(2,013,156)	506,047	8,708,904	10,103,083
Transfer between funds	90,833	(1,904,583)	(103,621)	1,890,686	26,685	-	-
Net incoming resources for the year	(332,130)	(94,725)	8,725,497	(122,470)	532,732	8,708,904	10,103,083
Other recognised gains and losses							
Realised gains on disposal of investment assets	-	-	-	(5,379)	414,953	409,574	(3,109)
Gains/(Losses) on revaluations of fixed assets for the company's own use	132,767	102,454	166,250	74,337	-	475,808	367,339
Share of results of Joint Venture	-	-	-	42,084	-	42,084	1
Gains on investment assets	-	-	5,600	(1,162)	424,695	429,133	976,220
Net movement in funds	(199,363)	7,729	8,897,347	(12,590)	1,372,380	10,065,503	11,443,534
Total funds brought forward	10,120,750	6,391,971	44,129,007	9,340,751	25,745,679	95,728,158	84,284,624
Prior year adjustment	-	-	(359,562)	-	-	(359,562)	(359,562)
Restated total funds brought forward	10,120,750	6,391,971	43,769,445	9,340,751	25,745,679	95,368,596	83,925,062
Total funds carried forward	<u>9,921,387</u>	<u>6,399,700</u>	<u>52,666,792</u>	<u>9,328,161</u>	<u>27,118,059</u>	<u>105,434,099</u>	<u>95,368,596</u>

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

All of the above amounts relate to continuing activities.

The notes on pages 28 to 65 form an integral part of these financial statements.

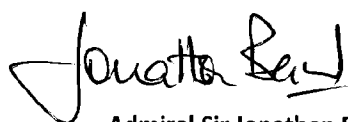
The National Museum of the Royal Navy
(A company limited by guarantee)
Company number: 06699696

Balance sheet (Company only, including the Royal Naval Museum as a linked charity)
as at 31 March 2014

	Notes	2014		2013	
		£	£	£	£
Fixed assets					
Tangible assets	15		6,900,072		4,548,738
Heritage assets	15		488,327		345,481
Investments	17		24,479		282,714
Investment in Joint Venture	6		45,264		3,180
Total fixed assets			<u>7,458,142</u>		<u>5,180,113</u>
Current assets					
Stocks	18	410,354		109,994	
Debtors	19	2,455,312		2,238,073	
Cash at bank and in hand	20	1,897,329		3,111,092	
Total current assets		<u>4,762,995</u>		<u>5,459,159</u>	
Creditors: amounts falling due within one year	21	<u>(2,519,954)</u>		<u>(744,626)</u>	
Net current assets			<u>2,243,041</u>		<u>4,714,533</u>
Net assets			<u>9,701,183</u>		<u>9,894,646</u>
Funds					
23					
Restricted funds:					
Grant (operating)			4,961		2,134
Grant (purchases)			56,555		78,551
Other restricted funds			260,349		247,958
Royal Naval Museum			9,328,161		9,340,751
Unrestricted funds			51,157		225,252
Total funds			<u>9,701,183</u>		<u>9,894,646</u>

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

The financial statements were approved by the board on 23 October 2014 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 28 to 65 form an integral part of these financial statements.

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

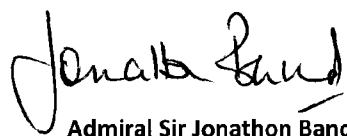
Consolidated Balance sheet
as at 31 March 2014

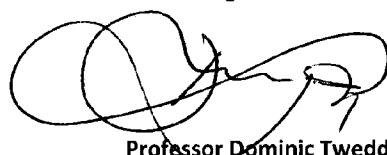
Restated

	Notes	2014		2013	
		£	£	£	£
Fixed assets					
Tangible assets	16		24,856,252		22,650,936
Heritage assets	16		37,533,254		28,607,853
Investments	17		31,967,251		31,220,653
Investment in Joint Venture	6		45,264		3,180
Total fixed assets			<u>94,402,021</u>		<u>82,482,622</u>
Current assets					
Stocks	18	7,485,133		7,189,741	
Debtors	19	3,178,118		3,110,533	
Cash at bank and in hand	20	3,749,820		4,954,909	
Total current assets		<u>14,413,071</u>		<u>15,255,183</u>	
Creditors: amounts falling due within one year	21	<u>(3,380,993)</u>		<u>(2,369,209)</u>	
Net current assets			<u>11,032,078</u>		<u>12,885,974</u>
Net assets			<u>105,434,099</u>		<u>95,368,596</u>
Funds	23				
Restricted funds:					
Grant (operating)			4,816,366		6,313,420
Grant (purchases)			1,583,334		78,551
Other restricted funds			52,666,792		43,769,445
Royal Naval Museum			9,328,161		9,340,751
Endowment funds			27,118,059		25,745,679
Unrestricted funds			9,921,387		10,120,750
Total funds			<u>105,434,099</u>		<u>95,368,596</u>

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

The financial statements were approved by the board on 23 October 2014 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 28 to 65 form an integral part of these financial statements.

The National Museum of the Royal Navy
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Consolidated Cash flow statement
for the year ended 31 March 2014

			<i>Restated</i>
	Company	Group	Group
	2014	2014	2013
Notes	£	£	£
Net incoming resources for the year	(303,503)	8,708,904	10,103,083
Interest and dividends receivable	(26,908)	(716,125)	(121,504)
Depreciation and impairment	235,325	954,672	990,274
Loss on disposal of fixed assets	343,421	344,190	5,000
Non-cash management fees	-	192,757	-
(Increase)/Decrease in stocks	(300,360)	(295,392)	(20,893)
(Increase)/Decrease in debtors	(217,239)	(67,585)	(1,425,512)
Increase/(Decrease) in creditors	1,775,328	1,011,784	1,389,774
Net cash outflow from operating activities	<u>1,506,064</u>	<u>10,133,205</u>	<u>10,920,222</u>
Returns on investments and servicing of finance	33 26,908	716,125	121,504
Capital expenditure and financial investment	33 (2,746,735)	(12,054,419)	(35,172,233)
Increase/(decrease) in cash in the year	<u>(1,213,763)</u>	<u>(1,205,089)</u>	<u>(24,130,507)</u>
Reconciliation of net cash flow to movement in net debt	34		
Increase/(decrease) in cash in the year	(1,213,763)	(1,205,089)	(24,130,507)
Net cash at 1 April 2013	<u>3,111,092</u>	<u>4,954,909</u>	<u>29,085,416</u>
Net cash at 31 March 2014	<u>1,897,329</u>	<u>3,749,820</u>	<u>4,954,909</u>

The National Museum of the Royal Navy
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Notes to financial statements
for the year ended 31 March 2014

1. Accounting policies

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

1.1. Basis of accounting

The financial statements are prepared under the historical cost convention, modified to include fixed assets at their value to the business by reference to current costs, and in accordance with applicable accounting standards, the Statement of Recommended Practice 'Accounting and Reporting by Charities' issued in March 2005 (SORP 2005), the Companies Act 2006, the Charities Act 2011 and guidance issued by HM Treasury. The financial statements have been prepared on a going concern basis, due to on-going grant in aid funding from the Ministry of Defence.

1.2. Basis of consolidation

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

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

1.3. Fund accounting

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

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

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

1.4. Incoming resources

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

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

The National Museum of the Royal Navy
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Notes to financial statements
for the year ended 31 March 2014

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

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

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

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

1.5. Resources expended

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

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

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

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

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

1.6. Grants receivable

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

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

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Notes to financial statements
for the year ended 31 March 2014

1.7. Tangible fixed assets

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

Land and buildings are stated at a valuation of depreciated replacement cost and depreciated over the lease term. The Royal Marines Museum and the Royal Navy Submarine Museum obtain a professional valuation at least every five years and indices are used to reflect the change in value in the intervening years. The Fleet Air Arm Museum has adopted a policy not to obtain a professional valuation every 5 years, as the Trustees believe the modified historic cost value is adequate. Indices are used to reflect the change in value.

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

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

1.8. Investments

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

1.9. Stock

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

Together with the gift of HMS Victory on 29 March 2012 to the HMS Victory Preservation Trust, the Ministry of Defence also made a gift of the timber used in her preservation and conservation. The timber, primarily consisting of 600 cu m of teak, mahogany, and oak, was commercially valued at £7,321,931 on the date of the gift. BAE Systems Limited (BAE) have now counted this stock and found the original value to be overstated by a value of £359,562. A prior year adjustment has been made to reflect the reduction of the value of the original donation and the value of the timber stock by £359,562 to £6,962,369.

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

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Notes to financial statements
for the year ended 31 March 2014

1.10. Heritage assets held by the group

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

Background

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

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

Assets acquired prior to 1 April 2000 have not been capitalised and included in the accounts but with effect from 1 April 2000, additions to the collection with a cost in excess of £750, have been capitalised. In accordance with Guidelines issued by HM Treasury these assets are not revalued or depreciated.

Heritage assets donated to the Museums with a value in excess of £750 are included in the accounts on the basis of internal valuations estimated by the relevant curatorial staff and determined by their experience and judgement.

The Collections

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

**The National Museum of the Royal Navy
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**Notes to financial statements
for the year ended 31 March 2014**

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

Category	Royal Naval Museum	Explosion Museum	Royal Naval Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	Total
Large Items	42	12	8	21	178	1	1	263
Works of Art/Models	4,964	260	995	2,050	1,275	-	-	9,544
Documentary Archive	32,093	4,109	22,000	27,266	1,032,659	-	-	1,118,127
Uniforms/Badges & Insignia	7,169	-	845	4,979	4,331	-	-	17,324
Orders & Decorations	5,020	-	273	8,744	1,454	-	-	15,491
Weapons/Armaments	275	1,251	64	1,554	192	-	-	3,336
Photographs/Microfilm/Fiche	160,187	2,978	60,793	2,000,175	879,138	-	-	3,103,271
Film & Sound Recordings	607	22	825	300	161	-	-	1,915
Other	3,762	5,147	2,106	3,666	16,985	-	-	31,666
Total	214,119	13,779	87,909	2,048,755	1,936,373	1	1	4,300,937

Heritage assets maintenance and management policies

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

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for the year ended 31 March 2014

Royal Naval Museum

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

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

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

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

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

The Trustees accept the principle that there is a strong presumption against the disposal of any items in its collection except for the sound curatorial reasons as detailed in the full 'Acquisition and Disposal Policy'. The full 'Acquisition and Disposal Policy' is published and reviewed from time to time and at least once every five years.

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

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

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

Royal Navy Submarine Museum

The Management of the Collection is set-out in the RNSM Collection Management Plan (CMP). Acquisitions & Disposals are governed by the policy detailed in the CMP which complies with the national standards set out under the Museums Accreditation Scheme. RNSM was granted Accredited status under the Museums, Libraries & Archives Council scheme in 2006.

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Royal Marines Museum

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

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

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

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

Fleet Air Arm Museum

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

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

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

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

Cobham Hall opens to the public at least once a year when it attracts visitors from all over the UK to see its unique collection of aircraft, records and artefacts, many of which have never before been seen on public display. Within Cobham Hall there are over forty historic aircraft and some five miles of shelving accommodating many of the Museum's two million records and thirty thousand artefacts.

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 the National Museum of the Royal Navy by reference to the costs incurred by the Hermione-La Fayette Association in their recent construction of the replica frigate Hermione.

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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 1,166tonnes) to arrive at this figure.

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

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

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

HMS Caroline Preservation Trust

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

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

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

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

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

1.11. Leased assets

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

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Notes to financial statements
for the year ended 31 March 2014

1.12. Pensions

During the year contributions for the Director General only, totalling £10,012 (2012-13 £9,925), were paid into a money purchase pension scheme. In addition, a performance related bonus of £7,500 was awarded to the Director General which is to be taken as additional pension contribution. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

Staff of the National Museum of the Royal Navy and the individual subsidiary museums are covered either by the provisions of the Principal Civil Service Pension Scheme (PCSPS), which provides benefits based on final pensionable pay, or by a group money purchase pension scheme, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund.

Principal Civil Service Pension Scheme

The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the PCSPS to the Cabinet Office at rates determined from time to time by the Government Actuary, which for 2013/14 were as follows:

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

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

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

Group money purchase pension scheme

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

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

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Notes to financial statements
for the year ended 31 March 2014

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

	PCSPS	Group scheme
	£	£
Royal Naval Museum	39,351	71,282
Royal Navy Submarine Museum	1,651	45,892
Royal Marines Museum	17,801	-
Fleet Air Arm Museum	26,252	-

1.13. Financial Instruments

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

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

Attitude to Risk

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

1.14. Restatement of comparative information

Comparative information for 2013 has been restated to reflect the changes described below:

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

In the NMRN consolidated group accounts, the donation of timber was recognised as income in the year ended 31 March 2012 as the gift took place in March 2012. The comparatives in the group accounts have been restated to reduce the group reserves brought forward at 1 April 2012 and carried forward at 31 March 2013, and to reduce the value of the stock held by the HMS Victory Preservation Company.

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2. Voluntary income (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	Endowment funds	2014 Total	2013 Total
	£	£	£	£	£	£	£
Grant in Aid	-	3,565,734	-	-	-	3,565,734	3,532,745
Grant (capital)	-	289,435	-	-	-	289,435	843,415
Other donations and grants							
Microsoft Corporation	-	-	-	-	-	-	3,893
HMS Victory Preservation Co	-	-	-	597,600	-	597,600	2,500,000
HLF Grants	-	-	42,597	894,043	-	936,640	5,317,607
Babcock International	-	-	-	-	-	-	250,000
Elisabeth Murdoch	-	-	-	250,000	-	250,000	-
Garfield Weston	-	-	-	100,000	-	100,000	-
The Headley Trust	-	-	-	-	-	-	50,000
Portsmouth Naval Base Property Trust	-	-	-	50,000	-	50,000	25,000
Northern Ireland Tourist Board	-	-	38,957	-	-	38,957	-
Society of Friends	-	-	-	30,000	-	30,000	30,000
Warners	-	-	-	25,000	-	25,000	-
Lady Tadjell	-	-	-	22,500	-	22,500	-
Society of Nautical Research	-	-	-	21,559	-	21,559	-
Hampshire County Council - M33	-	-	-	-	-	-	10,000
RN & RM Charity	-	-	-	10,000	-	10,000	-
BAE SSS Ltd	-	-	-	-	-	-	40,000
Mr Watts	-	-	-	-	-	-	10,000
Miscellaneous donations and grants	561	-	-	97,160	-	97,721	26,161
	561	-	81,554	2,097,862	-	2,179,977	8,262,661
Pledged income:							
Babcock International	-	-	-	-	-	-	750,000
The Headley Trust	-	-	-	-	-	-	40,000
Portsmouth Naval Base Property Trust	-	-	-	-	-	-	25,000
	-	-	-	-	-	-	815,000
Gifts in kind:							
Donated Assets	-	-	-	10,000	-	10,000	19,750
Arnold & Son (HMS Victory Watch)	-	-	-	22,350	-	22,350	-
Bremont (HMS Victory Watches)	-	-	-	-	-	-	36,000
	-	-	-	32,350	-	32,350	55,750
Subtotal: Received by company	561	-	81,554	2,130,212	-	2,212,327	9,133,411

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Received by:

Royal Navy Submarine Museum	5,373	-	1,410,600	-	-	1,415,973	1,748,649
Royal Marines Museum	58,963	-	-	-	-	58,963	334,064
Fleet Air Arm Museum	39,682	-	26,100	-	-	65,782	44,037
HMS Victory Preservation Co	181,000	-	597,600	-	-	778,600	2,602,603
HMS Caroline Preservation Co	-	-	7,556,000	-	-	7,556,000	-
Consolidation adjustments:							
HMS Victory Preservation Co (1)	-	-	(597,600)	-	-	(597,600)	(2,500,000)
	<u>285,018</u>	<u>-</u>	<u>8,992,700</u>	<u>-</u>	<u>-</u>	<u>9,277,718</u>	<u>2,229,353</u>
	<u>285,579</u>	<u>-</u>	<u>9,074,254</u>	<u>2,130,212</u>	<u>-</u>	<u>11,490,045</u>	<u>11,362,764</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 (RNM)

3. Legacies (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	Endowment funds	2014 Total	2013 Total
	£	£	£	£	£	£	£
Received by company:							
Mr Johnstone	-	-	-	-	-	-	1,196
Received by:							
Royal Navy Submarine Museum	-	-	-	-	-	-	1,000
Royal Marines Museum	19,261	-	-	-	-	19,261	-
Fleet Air Arm Museum	-	-	-	-	-	-	-
HMS Victory Preservation Co	-	-	-	-	-	-	-
HMS Caroline Preservation Co	-	-	-	-	-	-	-
	<u>19,261</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,261</u>	<u>2,196</u>

4. Investment income (Company and Group)

	Unrestricted funds	GIA Restricted funds	Other Restricted funds	Royal Naval Museum	Endowment funds	2014 Total	2013 Total
	£	£	£	£	£	£	£
Interest received	3,627	-	598	21,748	56,108	82,081	87,936
Dividends received	904	-	-	4,378	628,762	634,044	33,568
	<u>4,531</u>	<u>-</u>	<u>598</u>	<u>26,126</u>	<u>684,870</u>	<u>716,125</u>	<u>121,504</u>

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5. Admissions (Company and Group)

	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
HMS Victory	-	-	-	2,009,263	-	2,009,263	1,034,743
Royal Naval Museum	-	-	-	654,797	-	654,797	317,557
Royal Navy Submarine Museum	239,406	-	-	-	-	239,406	236,622
Royal Marines Museum	91,891	-	-	-	-	91,891	84,502
Fleet Air Arm Museum	1,078,080	-	-	-	-	1,078,080	1,025,782
Explosion! Museum	-	-	-	54,357	-	54,357	-
	<u>1,409,377</u>	<u>-</u>	<u>-</u>	<u>2,718,417</u>	<u>-</u>	<u>4,127,794</u>	<u>2,699,206</u>

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

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6. Income and expenses from trading activities of subsidiaries

NMRN has effective control of the Royal Navy Submarine Museum, the Royal Marines Museum and the Fleet Air Arm Museum. Each of these organisations have their own non-charitable trading subsidiaries of which they own 100% of the issued share capital. NMRN also has effective control of the HMS Victory and the HMS Caroline Preservation Companies, each of these companies having control of a charitable Trust. The results of each charity, including their trading subsidiaries and Trusts, have been consolidated into the company's results.

The results for the year were as follows:

6 a. Statement of Financial Activities (Subsidiaries)

	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Victory Preservation Company	HMS Caroline Preservation Company	<i>Restated</i>	
	£	£	£	£	£	2014 £	2013 £
Grants and donations	1,944,785	758,307	567,498	778,600	7,556,000	11,605,190	11,339,979
Legacies	-	-	-	-	-	-	1,000
Admissions	239,406	91,891	1,078,080	-	-	1,409,377	1,346,906
Activities of generating funds:							
Fundraising activities	76,959	-	80,947	-	-	157,906	166,245
Income of Trading Companies and share of Joint Venture	90,779	220,710	727,792	-	-	1,039,281	1,024,029
Income from charitable subsidiary		14,907	-	-	-	14,907	46,685
Investment income	2,453	1,389	505	684,870	-	689,217	109,209
Other incoming resources	14,821	91,306	-	-	-	106,127	100,429
Total incoming resources	2,369,203	1,178,510	2,454,822	1,463,470	7,556,000	15,022,005	14,134,482
Fundraising and publicity	76,541	144,135	60,033	-	-	280,709	280,645
Expenses of Trading Companies	52,307	201,914	675,839	-	-	930,060	975,130
Expenses of charitable subsidiary	-	6,786	-	-	-	6,786	7,200
Investment management costs	-	-	-	208,823	-	208,823	36,446
Charitable activities	941,793	956,209	1,842,118	610,561	-	4,350,681	6,279,976
Governance costs	46,555	53,043	144,464	(11,523)	-	232,539	369,400
Total resources expended	1,117,196	1,362,087	2,722,454	807,861	-	6,009,598	7,948,797
Net incoming/(outgoing) Resources	1,252,007	(183,577)	(267,632)	655,609	7,556,000	9,012,407	6,185,685
Net gain/(loss) on sale of investments	-	-	-	414,953	-	414,953	(3,109)
Revaluation of fixed assets	99,213	116,851	178,331	6,916	-	401,311	263,607
Revaluation of investments	5,600	-	-	424,695	-	430,295	980,638
Net movements in fund	1,356,820	(66,726)	(89,301)	1,502,173	7,556,000	10,258,966	7,426,821
Fund balances brought forward	10,142,503	7,361,594	10,710,170	57,259,684	-	85,473,951	78,047,130
Fund balances carried forward	11,499,323	7,294,868	10,620,869	58,761,857	7,556,000	95,732,917	85,473,951

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6 b. Balance Sheet (Subsidiaries)

	Royal Navy Submarine Museum £	Royal Marines Museum £	Fleet Air Arm Museum £	HMS Victory Preservation Company £	HMS Caroline Preservation Company £	<i>Restated</i>	
						2014 £	2013 £
Tangible fixed assets	4,598,686	6,292,437	6,867,079	197,978	-	17,956,180	18,102,198
Heritage assets	6,469,330	686,466	2,958,131	19,375,000	7,556,000	37,044,927	28,262,372
Investments	29,900	-	-	31,912,872	-	31,942,772	30,937,939
	<u>11,097,916</u>	<u>6,978,903</u>	<u>9,825,210</u>	<u>51,485,850</u>	<u>7,556,000</u>	<u>86,943,879</u>	<u>77,302,509</u>
Current assets	687,404	417,195	1,040,724	8,108,534	-	10,253,857	9,796,025
Current liabilities	(285,997)	(101,230)	(245,065)	(832,527)	-	(1,464,819)	(1,624,583)
Total Funds	<u><u>11,499,323</u></u>	<u><u>7,294,868</u></u>	<u><u>10,620,869</u></u>	<u><u>58,761,857</u></u>	<u><u>7,556,000</u></u>	<u><u>95,732,917</u></u>	<u><u>85,473,951</u></u>

6 c. Portsmouth Historic Dockyard (Joint Venture)

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

<u>Statement of Financial Activities</u>	2014		2013	
	Museum Share £	Total £	Museum Share £	Total £
Incoming resources	610,094	2,440,376	407,024	1,628,097
Total resources expended	(568,010)	(2,272,042)	(407,023)	(1,628,094)
Net incoming/(outgoing) resources	42,084	168,334	1	3
Fund balances brought forward	3,180	12,720	3,179	12,717
Fund balances carried forward	<u>45,264</u>	<u>181,054</u>	<u>3,180</u>	<u>12,720</u>
Balance Sheet	£	£	£	£
Tangible Fixed Assets	5,981	23,923	5,868	23,472
Current assets	219,160	876,638	83,043	332,170
Current liabilities	(179,877)	(719,507)	(85,731)	(342,922)
Net current assets	39,283	157,131	(2,688)	(10,752)
Net assets	<u>45,264</u>	<u>181,054</u>	<u>3,180</u>	<u>12,720</u>
General unrestricted funds	<u>45,264</u>	<u>181,054</u>	<u>3,180</u>	<u>12,720</u>

The Royal Naval Museum is charged a levy by PHD. During the year this totalled £654,349 (2013: £197,979) and is included in Site costs shown in note 8.

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

	Unrestricted funds £	Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Operations	46,419	3,741	18,429	5,707,484	-	5,776,073	2,921,729
Collections & research	37,704	4,490	-	477,279	-	519,473	356,905
Learning	-	-	-	194,372	-	194,372	178,040
Grant funding	1,097	1,710,680	-	-	-	1,711,777	6,610,707
	<u>85,220</u>	<u>1,718,911</u>	<u>18,429</u>	<u>6,379,135</u>	<u>-</u>	<u>8,201,695</u>	<u>10,067,381</u>

Costs of charitable activities - by fund type (Group)

	Unrestricted funds £	Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Operations	322,623	1,296,682	118,059	5,707,484	-	7,444,848	4,479,858
Collections & research	1,330,101	378,454	166,798	477,279	-	2,352,632	2,335,203
Learning	135,448	101,622	14,077	194,372	-	445,519	418,316
Grant funding	1,097	69	-	-	-	1,166	3,354
	<u>1,789,269</u>	<u>1,776,827</u>	<u>298,934</u>	<u>6,379,135</u>	<u>-</u>	<u>10,244,165</u>	<u>7,236,731</u>

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

	Operations	Collections & research	Learning	Grant funding activities	2014 Total	2013 Total
	£	£	£	£	£	£
Staff costs	1,301,550	331,733	128,286	-	1,761,569	1,542,802
Site costs	666,498	-	-	-	666,498	416,884
Conservation	-	12,600	-	-	12,600	232
Curatorial	-	87,376	-	-	87,376	20,932
Purchase of exhibits	-	18,427	-	-	18,427	7,613
Exhibition expenses	-	1,818	-	-	1,818	6,129
Depreciation	160,150	57,195	11,439	-	228,784	263,965
Loss on disposal of fixed assets	341,496	-	-	-	341,496	-
Other costs	92,112	-	-	-	92,112	60,703
HMS Caroline	165,812	-	-	-	165,812	163,159
HMS Calcutta	2,636	-	-	-	2,636	13,980
Explosion! costs	38,762	-	-	-	38,762	58,705
HMS Victory Preservation costs	2,469,845	-	-	-	2,469,845	476,125
Royal Naval Museum -						
Phase II set up costs	13,610	-	-	-	13,610	14,583
Steam Pinnacle Project 199 costs	19,201	-	-	-	19,201	69,847
HMS M33 costs	74,913	-	-	-	74,913	6,425
Landing Craft (Tank) - LCT7074						
cost of underwater survey	22,830	-	-	-	22,830	-
Waterbus operating costs	31,361	-	-	-	31,361	-
- Royal Navy Submarine Museum	-	-	-	528,812	528,812	513,156
- Royal Marines Museum	-	-	-	680,083	680,083	723,351
- Fleet Air Arm Museum	-	-	-	501,716	501,716	499,120
- HMS Victory Preservation Company	-	-	-	-	-	4,875,000
Support costs	375,297	10,324	54,647	1,166	441,434	334,670
	<u>5,776,073</u>	<u>519,473</u>	<u>194,372</u>	<u>1,711,777</u>	<u>8,201,695</u>	<u>10,067,381</u>

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

	Operations	Collections & research	Learning	Grant funding activities	2014 Total	2013 Total
	£	£	£	£	£	£
Staff costs	1,807,458	528,540	190,949	-	2,526,947	2,473,531
Site costs	686,167	-	-	-	686,167	427,325
Conservation	-	220,451	-	-	220,451	260,461
Curatorial	-	96,556	1,778	-	98,334	36,441
Purchase of exhibits	14,770	19,569	-	-	34,339	8,221
Exhibition expenses	53,180	1,818	-	-	54,998	6,129
Depreciation	367,060	533,065	34,048	-	934,173	972,460
Loss on disposal of fixed assets	341,496	-	-	-	341,496	-
Other costs	92,112	75,868	9,285	-	177,265	217,395
HMS Caroline	165,812	-	-	-	165,812	163,159
HMS Calcutta	2,636	-	-	-	2,636	13,980
Explosion! costs	38,762	-	-	-	38,762	58,705
HMS Victory Preservation costs	2,470,441	-	-	-	2,470,441	476,125
Royal Naval Museum -						
Phase II set up costs	13,610	-	-	-	13,610	14,583
Steam Pinnacle Project 199 costs	19,201	-	-	-	19,201	69,847
HMS M33 costs	74,913	-	-	-	74,913	6,425
Landing Craft (Tank) - LCT7074						
cost of underwater survey	22,830	-	-	-	22,830	-
Waterbus operating costs	31,361	-	-	-	31,361	-
Support costs	1,243,039	876,765	209,459	1,166	2,330,429	2,031,944
	<u>7,444,848</u>	<u>2,352,632</u>	<u>445,519</u>	<u>1,166</u>	<u>10,244,165</u>	<u>7,236,731</u>

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9. Governance costs (Company)

	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Staff costs	108,697	149,133	-	22,971	-	280,801	272,088
Accountancy	41,785	-	-	12,795	-	54,580	84,831
Auditor remuneration	-	-	-	6,500	-	6,500	16,125
Auditor remuneration - NAO	56,000	-	-	-	-	56,000	14,000
Legal and professional	20,665	-	-	213,231	-	233,896	159,144
Support costs	1,045	-	-	41,615	-	42,660	51,519
	<u>228,192</u>	<u>149,133</u>	<u>-</u>	<u>297,112</u>	<u>-</u>	<u>674,437</u>	<u>597,707</u>

Governance costs (Group)

	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Staff costs	126,175	236,996	-	22,971	-	386,142	382,465
Motor and travel expenses	779	-	-	-	-	779	2,135
Accountancy	67,474	10,086	(1,140)	12,795	-	89,215	137,689
Auditor remuneration	28,172	9,548	(2,580)	6,500	-	41,640	53,565
Auditor remuneration - NAO	56,000	-	-	-	-	56,000	14,000
Legal and professional	69,485	2,978	-	213,231	(30,000)	255,694	291,919
Support costs	27,015	8,876	-	41,615	-	77,506	85,334
Other costs	-	-	-	-	-	-	-
	<u>375,100</u>	<u>268,484</u>	<u>(3,720)</u>	<u>297,112</u>	<u>(30,000)</u>	<u>906,976</u>	<u>967,107</u>

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10. Analysis of support costs (Company)

	Operations	Collections & research	Learning	Grant funding	Governance costs	2014 Total	2013 Total
	£	£	£	£	£	£	£
Insurance	-	-	-	-	-	-	250
Premises expenses	271,468	-	-	-	24,575	296,043	232,219
Travelling expenses	36,212	7,690	574	713	1,753	46,942	20,988
Entertainment	11,102	-	-	117	622	11,841	12,760
Education	-	-	47,263	-	-	47,263	16,705
Communication and IT	4,509	-	-	126	1,054	5,689	38,335
Printing, postage and stationery	21,561	-	-	10	6,388	27,959	20,281
Bank charges & interest	126	-	-	7	3,070	3,203	2,473
Depreciation	1,511	-	-	69	-	1,580	1,790
Loss on disposal of assets	1,925	-	-	-	-	1,925	-
Health & safety	11,744	-	-	-	-	11,744	9,428
Staff recruitment costs	-	-	-	-	-	-	8,380
Sundry expenses	8,103	-	6,810	124	5,198	20,235	17,688
Subscriptions	7,036	2,634	-	-	-	9,670	4,892
	<u>375,297</u>	<u>10,324</u>	<u>54,647</u>	<u>1,166</u>	<u>42,660</u>	<u>484,094</u>	<u>386,189</u>

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	Analysis of support costs (Group)					Restated	
	Operations	Collections & research	Learning	Grant funding	Governance costs	2014	2013
		£				£	£
Staff costs	443,147	591,824	113,453	-	-	1,148,424	1,019,566
Repairs and maintenance	47,444	10,886	4,332	-	-	62,662	74,587
Insurance	23,695	10,965	3,712	-	10,197	48,569	51,993
Premises expenses	483,731	152,485	18,597	-	28,011	682,824	593,029
Travelling expenses	39,401	8,891	1,259	713	1,753	52,017	25,579
Entertainment	18,203	-	-	117	622	18,942	17,417
Legal and professional fees	-	864	511	-	-	1,375	1,603
Education	-	-	48,542	-	2,554	51,096	21,477
Communication and IT	15,570	24,788	1,728	126	9,479	51,691	74,828
Printing, postage and stationery	57,471	2,524	1,491	10	12,180	73,676	60,908
Bank charges & interest	126	932	551	7	5,921	7,537	10,059
Depreciation	13,861	-	-	69	-	13,930	13,734
Loss on disposal of assets	1,925	-	-	-	-	1,925	-
Health & safety	14,225	840	496	-	-	15,561	9,606
Staff recruitment costs	-	-	-	-	-	-	10,846
Sundry expenses	75,146	68,600	14,473	124	6,789	165,132	124,787
Subscriptions	9,094	3,166	314	-	-	12,574	7,259
	<u>1,243,039</u>	<u>876,765</u>	<u>209,459</u>	<u>1,166</u>	<u>77,506</u>	<u>2,407,935</u>	<u>2,117,278</u>

The 2013 comparative figures have been restated to correct a misclassification issue of £262,465 between staff costs and repairs and maintenance.

11. Auditors' remuneration (Company and Group)

	2014	2013
	£	£
Company Auditors' remuneration - National Audit Office	56,000	14,000
Subsidiary Auditors' remuneration	41,640	53,565
Subsidiary Auditors' non audit services	<u>89,215</u>	<u>137,689</u>

The Company Auditors' remuneration – National Audit Office - for 2014 includes an under-accrual of £21,000 in relation to the audit of the 2013 accounts, arising as a result of the resources expended in the following period to resolve unanticipated issues.

The Company Auditors' remuneration – National Audit Office - fee in relation to the audit of the 2014 accounts is £35,000. This increase in fee reflects the increased complexity of the audit arising from changes to the structure and governance of the National Museum of the Royal Navy.

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12. Employees

Employment costs	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Wages and salaries	1,901,636	3,722,765	1,716,965	3,608,500
Social security costs	122,718	274,173	131,428	288,607
Pension costs	149,204	257,633	157,321	265,002
	<u>2,173,558</u>	<u>4,254,571</u>	<u>2,005,714</u>	<u>4,162,109</u>

Number of employees

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

	Company	Company
	2014	2013
£60,001 to £70,000	3	1
£100,001 to £110,000	1	1
	<u>4</u>	<u>2</u>

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

	Company	Company
	2014	2013
Defined benefits scheme	1	1
Defined contributions scheme	2	1
	<u>3</u>	<u>2</u>

The total contributions paid by the charity into the defined benefits scheme for higher paid employees was £14,670 (2013: £14,524)

The total contributions paid by the charity into the defined contributions scheme for higher paid employees was £25,245 (2013: £9,925).

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

	Company	Company
	2014	2013
Charitable expenditure	87	64
Cost of generating funds	6	5
Governance costs	8	7
	<u>101</u>	<u>76</u>

The comparatives have been restated to show average number of employees, the previous year's accounts showing the full time equivalent.

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Six employees left under contractual and statutory redundancy terms, amounting to some £57,392. In addition, two employees (one of which left under the contractual and statutory redundancy terms above) left with ex-gratia payments totalling £30,642 (note 29.2): these two payments were subject to HM Treasury approval.

12.1 Trustees' emoluments

No Trustees received remuneration during the year (2013: NIL). Four Trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £1,798 (2013: £1,107), and three Members of the Management Board of the Royal Naval Museum were reimbursed for travel expenses totalling £786 (2013: £3,692).

13. Net incoming resources for the year

	2014	2013
	£	£
Net incoming resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	954,672	990,270
Auditors' remuneration - National Audit Office (Note 11)	56,000	14,000
Auditors' remuneration - Subsidiary Auditors (Note 11)	41,640	53,565
	<u> </u>	<u> </u>

14. Taxation

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

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

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15. Tangible fixed assets (Company)

	Assets under construction	Improvements & short leasehold property	Computer and office equipment	Plant and machinery	Fixtures, fittings and equipment	Heritage assets	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 April 2013	892,904	2,820,100	2,413,830	3,888	3,814,182	345,481	10,290,385
Additions	2,816,078	-	9,213	-	30,294	142,846	2,998,431
Disposals	-	(72,156)	(458,823)	-	(124,157)	-	(655,136)
Revaluation	-	73,880	23,608	179	42,876	-	140,543
At 31 March 2014	<u>3,708,982</u>	<u>2,821,824</u>	<u>1,987,828</u>	<u>4,067</u>	<u>3,763,195</u>	<u>488,327</u>	<u>12,774,223</u>
Depreciation							
At 1 April 2013	-	467,791	1,791,803	1,363	3,135,209	-	5,396,166
Charge for the year	-	33,077	90,999	723	110,526	-	235,325
On disposals	-	(10,433)	(198,065)	-	(103,217)	-	(311,715)
On revaluation	-	12,032	19,101	83	34,832	-	66,048
At 31 March 2014	<u>-</u>	<u>502,467</u>	<u>1,703,838</u>	<u>2,169</u>	<u>3,177,350</u>	<u>-</u>	<u>5,385,824</u>
Net book values							
At 31 March 2014	<u>3,708,982</u>	<u>2,319,357</u>	<u>283,990</u>	<u>1,898</u>	<u>585,845</u>	<u>488,327</u>	<u>7,388,399</u>
At 31 March 2013	<u>892,904</u>	<u>2,352,309</u>	<u>622,027</u>	<u>2,525</u>	<u>678,973</u>	<u>345,481</u>	<u>4,894,219</u>

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16. Tangible fixed assets (Group)	Assets under construction		Freehold property		Improvements & short leasehold property		Computer and office equipment		Plant and machinery		Fixtures, fittings and equipment		Motor vehicles		Exhibitions		Heritage assets		Total	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Cost or valuation																				
At 1 April 2013	892,904	13,714,506	5,751,250	2,794,165	630,404	5,245,762	368	242,477	28,607,853	57,879,689										
Additions	2,816,078	27,181	5,411	9,213	7,500	134,415	-	28,573	8,925,401	11,953,772										
Disposals	-	(82)	(72,156)	(458,823)	-	(127,465)	-	(248)	-	(658,774)										
Revaluation	-	307,707	149,208	36,760	8,351	69,313	4	3,257	-	574,600										
At 31 March 2014	<u>3,708,982</u>	<u>14,049,312</u>	<u>5,833,713</u>	<u>2,381,315</u>	<u>646,255</u>	<u>5,322,025</u>	<u>372</u>	<u>274,059</u>	<u>37,533,254</u>	<u>69,749,287</u>										
Depreciation																				
At 1 April 2013	-	532,877	648,617	1,890,580	114,721	3,359,546	368	74,191	-	6,620,900										
Charge for the year	-	367,831	139,390	145,011	33,831	235,576	-	33,033	-	954,672										
On disposals	-	(82)	(10,433)	(198,065)	-	(105,757)	-	(248)	-	(314,585)										
On revaluation	-	12,893	16,914	25,299	1,548	41,247	4	899	-	98,794										
At 31 March 2014	-	<u>913,519</u>	<u>794,488</u>	<u>1,862,825</u>	<u>150,100</u>	<u>3,530,612</u>	<u>372</u>	<u>107,865</u>	-	<u>7,359,781</u>										
Net book values																				
At 31 March 2014	<u>3,708,982</u>	<u>13,135,793</u>	<u>5,039,225</u>	<u>518,490</u>	<u>496,155</u>	<u>1,791,413</u>	-	<u>166,194</u>	<u>37,533,254</u>	<u>62,389,506</u>										
At 31 March 2013	<u>892,904</u>	<u>13,181,629</u>	<u>5,102,633</u>	<u>903,585</u>	<u>515,683</u>	<u>1,886,216</u>	-	<u>168,286</u>	<u>28,607,853</u>	<u>51,258,789</u>										

Land and buildings owned by the Royal Marines Museum and the Royal Navy Submarine Museum were revalued in 2012 by Hellier Langston Limited in accordance with the stated accountancy policy. The revaluation was conducted by a qualified surveyor on a depreciated replacement cost basis and in accordance with the RICS Appraisal and Valuation manual (5th Edition).

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17. Fixed asset investments

	Company		Group	
	Listed 2014 £	Unlisted 2014 £	Listed 2014 £	Unlisted 2014 £
Valuation				
At 1 April 2013	282,714	-	31,220,653	-
	<u>282,714</u>	<u>-</u>	<u>31,220,653</u>	<u>-</u>
Additions	-	-	352,342	-
Disposals	(251,694)	-	(251,694)	-
Realised and unrealised gains and losses	(6,541)	-	645,950	-
	<u>24,479</u>	<u>-</u>	<u>31,967,251</u>	<u>-</u>
At 31 March 2014	<u>24,479</u>	<u>-</u>	<u>31,967,251</u>	<u>-</u>
Historical cost as at 31 March 2014	<u>25,000</u>	<u>-</u>	<u>30,324,842</u>	<u>-</u>
Historical cost as at 31 March 2013	<u>247,071</u>	<u>-</u>	<u>30,194,571</u>	<u>-</u>
Investments By fund:				
Royal Naval Museum	24,479	-	24,479	-
Other restricted funds	-	-	4,904,900	-
Endowment funds	-	-	27,037,872	-
	<u>24,479</u>	<u>-</u>	<u>31,967,251</u>	<u>-</u>

Included in the above investments are:

1. Investments held in the name of the Royal Naval Museum, Portsmouth and held in Treasury Stock;
2. Shares held by the Royal Navy Submarine Museum; and
3. Two portfolios of investments, managed by Ruffers and Cazenove respectively, and held in the name of the HMS Victory Preservation Company. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. The market valuation at the year end is provided by the Fund Managers, the results of which are summarised as follows:

		2014 £	2013 £
<u>UK</u>	UK government and fixed interest securities	3,286,759	2,794,720
	UK equities	7,266,690	6,190,584
	UK bonds	1,278,675	478,438
	Portfolio funds	1,299,400	727,354
	Others	1,803,397	803,079
	Capital account	3,125,660	7,828,460
		<u>18,060,581</u>	<u>18,822,635</u>
<u>Overseas</u>	Fixed interest	2,063,754	1,849,567
	International equities	8,479,236	8,960,934
	International bonds	823,724	659,430
	Others	1,485,577	621,073
		<u>12,852,291</u>	<u>12,091,004</u>
		<u>30,912,872</u>	<u>30,913,639</u>

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18. Stocks

			<i>Restated</i>	
	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Held by:				
Royal Naval Museum	255,938	255,938	36,000	36,000
HMS Victory Preservation Company	-	6,962,369	-	6,962,369
Fleet Air Arm Museum	-	-	-	1,599
Trading subsidiaries	154,416	266,826	73,994	189,773
	<u>410,354</u>	<u>7,485,133</u>	<u>109,994</u>	<u>7,189,741</u>

19. Debtors

	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Trade debtors	51,639	101,890	578,158	684,376
Amounts owed by group undertakings	601,764	-	-	-
Other debtors	640	783,941	8,202	16,060
Prepayments & accrued income	1,606,868	2,085,066	1,607,649	2,266,567
VAT	194,401	207,221	44,064	143,530
	<u>2,455,312</u>	<u>3,178,118</u>	<u>2,238,073</u>	<u>3,110,533</u>

At the balance sheet date, there were no debtors due after more than one year (2013: nil).

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

	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Balances with other central government bodies	323,325	348,200	255,564	381,838
Balances with local authorities	383	10,014	2,000	3,296
Total intra government balances	<u>323,708</u>	<u>358,214</u>	<u>257,564</u>	<u>385,134</u>
Balances with bodies external to government	2,131,604	2,819,904	1,980,509	2,725,399
	<u>2,455,312</u>	<u>3,178,118</u>	<u>2,238,073</u>	<u>3,110,533</u>

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Notes to financial statements
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20. Cash at bank and in hand

	2014	2013
	£	£
Non-public funds	1,840,774	3,032,541
Public funds:		
Grant (operating)	-	-
Grant (purchases)	56,555	78,551
Commercial cash at bank and in hand - Charity	1,897,329	3,111,092
Subsidiary charities	1,852,491	1,843,817
Commercial cash at bank and in hand - Group	3,749,820	4,954,909

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

	£	£
Cash	3,749,820	4,954,909
Liquid resources	-	-
	3,749,820	4,954,909

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21. Creditors: amounts falling due within one year

	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Trade creditors	549,815	802,584	336,491	443,525
Other creditors	13,471	194,771	18,901	189,020
Amounts owed to group undertakings	1,517	-	-	-
Other taxes and social security	44,658	96,954	39,742	99,963
Accruals and deferred income	1,910,493	2,286,684	349,492	1,636,701
	<u>2,519,954</u>	<u>3,380,993</u>	<u>744,626</u>	<u>2,369,209</u>

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

	Company	Group	Company	Group
	2014	2014	2013	2013
	£	£	£	£
Balances with other central government bodies	203,197	255,493	39,742	99,963
Balances with local authorities	58	6,258	-	-
Total intra government balances	<u>203,255</u>	<u>261,751</u>	<u>39,742</u>	<u>99,963</u>
Balances with bodies external to government	2,316,699	3,119,242	704,884	2,269,246
	<u>2,519,954</u>	<u>3,380,993</u>	<u>744,626</u>	<u>2,369,209</u>

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

At the balance sheet date, there were no creditors due after more than one year (2013: nil).

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23. Analysis of net assets between funds

	Tangible fixed assets	Investments	Net current assets	Total
	£	£	£	£
Fund balances at 31 March 2014 as represented by:				
Restricted funds:				
Grant (operating)	4,961	-	-	4,961
Grant (purchases)	-	-	56,555	56,555
Other restricted funds	1,560	-	258,789	260,349
Royal Naval Museum	7,427,142	24,479	1,876,540	9,328,161
	<u>7,433,663</u>	<u>24,479</u>	<u>2,191,884</u>	<u>9,650,026</u>
Unrestricted funds	-	-	51,157	51,157
Total Funds - Company	7,433,663	24,479	2,243,041	9,701,183
Funds held by:				
Royal Navy Submarine Museum	11,068,016	29,900	401,407	11,499,323
Royal Marines Museum	6,978,903	-	315,965	7,294,868
Fleet Air Arm Museum	9,825,210	-	795,659	10,620,869
HMS Victory Preservation Company	19,572,978	31,912,872	7,276,006	58,761,856
HMS Caroline Preservation Company	7,556,000	-	-	7,556,000
Total Funds - Group	62,434,770	31,967,251	11,032,078	105,434,099

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24. GIA restricted funds

	At 1 April 2013	Incoming resources	Outgoing resources	Transfers	Gains and losses	At 31 March 2014
	£	£	£	£	£	£
Company:						
Grant (operating)	2,134	3,565,734	(1,556,613)	(2,006,436)	142	4,961
Grant (purchases)	78,551	289,435	(311,431)	-	-	56,555
Other museums:						
Royal Navy Submarine Museum	932,120	528,812	(560,583)	80,517	12,359	993,225
Royal Marines Museum	4,530,237	680,083	(809,932)	21,336	78,874	4,500,598
Fleet Air Arm Museum	848,929	501,716	(517,363)	-	11,079	844,361
HMS Victory Preservation Company	-	-	-	-	-	-
HMS Caroline Preservation Company	-	-	-	-	-	-
	<u>6,391,971</u>	<u>5,565,780</u>	<u>(3,755,922)</u>	<u>(1,904,583)</u>	<u>102,454</u>	<u>6,399,700</u>

The company receives Grant in Aid funding from the Ministry of Defence (MoD) as a contribution towards operating costs.

The company also receives Grant in Aid funding from the MoD throughout the year which it passes to the individual Naval Service Museums as a grant.

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25. Other restricted funds and endowment funds

	At 1 April 2013	Incoming resources	Outgoing resources	Transfers	Gains and losses	At 31 March 2014
	£	£	£	£	£	£
Other restricted funds:						
Company:						
HMS Caroline	247,960	82,050	(18,429)	(51,250)	18	260,349
Royal Naval Museum	9,340,751	5,494,076	(7,507,232)	1,890,686	109,880	9,328,161
	<u>9,588,711</u>	<u>5,576,126</u>	<u>(7,525,661)</u>	<u>1,839,436</u>	<u>109,898</u>	<u>9,588,510</u>
Other museums:						
Royal Navy Submarine Museum	8,802,956	1,487,661	(163,467)	-	90,228	10,217,378
Royal Marines Museum	692,677	-	(43,789)	(52,371)	13,574	610,091
Fleet Air Arm Museum	2,614,451	26,100	(88,378)	-	61,114	2,613,287
HMS Victory Preservation Company	31,411,401	597,600	(606,230)	-	6,916	31,409,687
HMS Caroline Preservation Company	-	7,556,000	-	-	-	7,556,000
	<u>53,110,196</u>	<u>15,243,487</u>	<u>(8,427,525)</u>	<u>1,787,065</u>	<u>281,730</u>	<u>61,994,953</u>
Endowment funds:						
Other museums:						
HMS Victory Preservation Company	25,745,680	684,870	(178,824)	26,685	839,648	27,118,059
	<u>25,745,680</u>	<u>684,870</u>	<u>(178,824)</u>	<u>26,685</u>	<u>839,648</u>	<u>27,118,059</u>

Other restricted funds comprise the following: the balance of a grant of £522,000 received from the Ministry of Defence for securing a heritage solution for the future of HMS Caroline, a light cruiser from World War I which saw action in the Battle of Jutland; and the Royal Naval Museum which is a linked Charity (and Special Trust) of the National Museum of the Royal Navy and as such is shown as a separate restricted fund.

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

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

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26. Transfers between funds

Company

A total of £1,739,436 (2013: £2,294,953) was transferred from GIA restricted funds to the Royal Naval Museum, and a total of £173,250 (2013: £63,391) was transferred from other restricted funds to the Royal Naval Museum. These transfers reflect the movement of the Grant in Aid funding and other restricted grants passed to the Royal Naval Museum from the National Museum of the Royal Navy (NMRN).

A total of £22,000 (2013: £nil) was transferred to unrestricted funds from the Royal Naval Museum to reflect the movement of funds from the trading subsidiary to NMRN.

A total of £145,000 was transferred from GIA restricted funds to unrestricted funds, and a total of £122,000 was transferred from GIA restricted funds to other restricted funds. These transfers reflect the movement of the Grant in Aid funding to the specific projects - Explosion! and HMS Caroline.

Group

A total of £80,517 (2013: £38,126) was transferred from unrestricted funds to the NMRN restricted grant funds in the accounts for the Royal Navy Submarine Museum to cover shortfalls in expenditure from restricted funds, in particular depreciation charges. It also reflect that the NMRN grant has been spent in full and that the fund values are represented by the net book value of assets attributable to those funds.

A total of £26,685 (2013: £nil) was transferred from unrestricted funds to endowment funds in the accounts for the HMS Victory Preservation Company to reflect unrestricted expenditure which had been incurred by the endowment fund in the prior year.

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27. Financial commitments

At 31 March 2014 commitments under non-cancellable operating leases were as follows:

	Company 2014 £	Group 2014 £	Company 2013 £	Group 2013 £
Expiry date:				
Land and buildings:				
Within one year	-	-	-	-
Between one and five years	-	-	-	-
In over five years	51,685	51,685	51,685	51,685
Other:				
Within one year	-	1,387	-	3,344
Between one and five years	6,152	19,201	6,339	18,733
In over five years	-	-	-	-
	<u>57,837</u>	<u>72,273</u>	<u>58,024</u>	<u>73,762</u>

28. Capital commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £335,561 (2013: £3,278,674). There were no contingent liabilities at 31 March 2014 or 31 March 2013.

The group had capital commitments contracted but not provided for in the financial statements amounting to £335,561 (2013: £3,348,674). There were no contingent liabilities at 31 March 2014 or 31 March 2013.

29. Losses and special payments

29.1 Losses statement

There were no cases of losses during the financial year (2013: no cases)

29.2 Special payments

There were two cases of ex-gratia payments totalling £30,642 accrued wholly out of non-Grant in Aid funds during the year (2013: one case totalling £42,000)

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30. Related party transactions

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

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

Vice Admiral Sir Tim McClement KCB OBE - Royal Navy Submarine Museum
Rear Admiral Terence Loughran CB - Fleet Air Arm Museum
Mr A N R Davidson FCA - HMS Victory Preservation Company
Dr Caroline Williams - HMS Victory Preservation Company
Mr T Schadla-Hall - HMS Caroline Preservation Company
Mr C Wilson - HMS Caroline Preservation Company

The National Museum of the Royal Navy is also a related party of Portsmouth Historic Dockyard (PHD) by virtue of the Director General, Professor Dominic Tweddle, being a Trustee of the company. PHD is also a joint venture in which the Royal Naval Museum has a 25% interest, and is responsible for the collection and distribution of ticketing income on the site. Transactions between PHD and the Royal Naval Museum are disclosed in the accounts of the National Museum of the Royal Navy, incorporating the Royal Naval Museum. During the year, the National Museum of the Royal Navy was charged a levy by PHD totalling £660,500 (2013: £428,914) towards its costs of undertaking the collection and distribution of ticketing income.

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

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31. Prior period adjustments

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

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

The effect of these changes on reserves is as follows:

						<i>Restated</i>	
	Unrestricted	GIA Restricted	Other Restricted	Royal Naval Endowment		2014	2013
	funds	funds	funds	Museum	funds	Total	Total
	£	£	£	£	£	£	£
Total funds brought forward as previously stated	10,120,750	6,391,971	44,129,007	9,340,751	25,745,679	95,728,158	84,284,624
Prior year adjustment	-	-	(359,562)	-	-	(359,562)	(359,562)
Total funds brought forward as restated	10,120,750	6,391,971	43,769,445	9,340,751	25,745,679	95,368,596	83,925,062
Net movement in funds	(199,363)	7,729	8,897,347	(12,590)	1,372,380	10,065,503	11,443,534
Total funds carried forward	9,921,387	6,399,700	52,666,792	9,328,161	27,118,059	105,434,099	95,368,596

Notes to financial statements
for the year ended 31 March 2014

32. Post balance sheet events

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

HMS Trincomalee is a 46 gun frigate of the Leda Class, built for the Royal Navy in Bombay in 1817-18 by the East India Company and is the only surviving Indian built ship of the Royal Navy. The ship is owned, managed and operated by the HMS Trincomalee Trust and forms the centrepiece of the Hartlepool Maritime Experience. Since 1987, the Trust has undertaken some £10 million of restoration and improvement activity on the ship, which is now in good condition. In June 2014, the HMS Trincomalee Trust became a wholly owned charitable subsidiary of the National Museum. In 2014/15, the Trust will receive a grant of £50,000 from the National Museum as a contribution towards its ongoing maintenance and a comprehensive review will be undertaken to develop a plan for its future operational and marketing activities.

HMS Monitor M33, a shallow water coastal bombardment monitor owned by Hampshire County Council, is one of only three surviving British warships of the First World War, and the sole remaining British veteran of the Dardanelles Campaign. In April 2012, an HMS M33 working group was established by Hampshire County Council in partnership with the National Museum of the Royal Navy with a recommendation that the ownership of HMS M33 be transferred to the Museum. The Deed of Gift was completed in May 2014, transferring ownership of the Ship to the Royal Naval Museum. Funding is being sought from the Heritage Lottery Fund and by August 2015 the Museum will have conserved and repaired her so that she can be appreciated and understood by future generations.

Landing Craft (Tank) 7074 (LCT 7074) is the last Second World War Landing Craft (Tank) in the United Kingdom, and believed to be the last of these to have actually participated in D-Day. The ship currently lies in private hands, semi derelict and sunk at her moorings at East Float Dock, Birkenhead. By the end of 2014, the National Museum of the Royal Navy intends to have secured ownership of the vessel, refloated her, arrested her deterioration, and transported her to Portsmouth Historic Dockyard. At present the vessel is owned by Peel Ports Ltd and confirmation has been received that transfer of title will take place to coincide with a press release relating to a grant award from the National Heritage Memorial Fund in advance of the start of any salvage work.

In September 2014, a business transfer was agreed which brings the undertakings and the assets of Portsmouth Historic Dockyard under the auspices of the National Museum. The trustees of Portsmouth Historic Dockyard, a registered charity and company limited by guarantee, have determined that the charitable undertakings presently managed and operated by it can be more conveniently and efficiently managed and operated by the National Museum, and that the Trust will be wound up. From the planned transfer date, 1 December 2014, the National Museum will enter into a commercial agreement to deliver the following activities of Portsmouth Historic Dockyard for the benefits of itself and the other member organisations (Portsmouth Naval Base Property Trust, Mary Rose Trust, Warrior Preservation Trust Ltd and the National Museum of the Royal Navy): bookings, ticketing and visitor orientation; public relations and marketing activities for the site; and, representing site interests and developments at external and internal strategic meetings.

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

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33. Gross cash flows

	Company 2014 £	Group 2014 £	Company 2013 £	Group 2013 £
Returns on investments and servicing of finance				
Interest and dividends received	26,908	716,125	12,295	121,504
Capital expenditure				
Payments to acquire tangible assets	(2,988,429)	(4,350,011)	(1,093,342)	(4,938,857)
Donated tangible assets	(10,000)	(7,603,760)	(19,750)	(306,050)
Payments to acquire investments	-	(352,342)	-	(29,937,500)
Receipts from sales of tangible assets	-	-	174	10,174
Receipts from sales of investments	251,694	251,694	-	-
	<u>(2,746,735)</u>	<u>(12,054,419)</u>	<u>(1,112,918)</u>	<u>(35,172,233)</u>

34. Analysis of changes in net funds

	Company			Group		
	Opening balance 1 April 2013 £	Cash flows £	Closing balance 31 March 2014 £	Opening balance 1 April 2013 £	Cash flows £	Closing balance 31 March 2014 £
Cash at bank and in hand	3,111,092	(1,213,763)	1,897,329	4,954,909	(1,205,089)	3,749,820
Net funds	<u>3,111,092</u>	<u>(1,213,763)</u>	<u>1,897,329</u>	<u>4,954,909</u>	<u>(1,205,089)</u>	<u>3,749,820</u>

35. Company limited by guarantee

The National Museum of the Royal Navy is a company limited by guarantee and accordingly does not have a share capital.

Every member of the company undertakes to contribute such amount as may be required not exceeding £1 to the assets of the company in the event of its being wound up while he or she is a member, or within one year after he or she ceases to be a member.

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

**The National Museum of the
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**Statement of financial activities (Company only, including the Royal Naval Museum as a linked
charity) for the year ended 31 March 2014**

	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Incoming resources							
Incoming resources from generating funds:							
Voluntary income:							
Grant in Aid (revenue)	-	3,565,734	-	-	-	3,565,734	3,532,745
Grant in Aid (capital)	-	289,435	-	-	-	289,435	843,415
Other donations and grants	561	-	81,554	2,130,212	-	2,212,327	9,133,411
Legacies	-	-	-	-	-	-	1,196
Investment income	286	-	496	26,126	-	26,908	12,295
Admissions	-	-	-	2,718,417	-	2,718,417	1,352,300
Activities for generating funds:							
Income from Trading Companies and share of Joint Venture	-	-	-	1,160,298	-	1,160,298	777,386
Other incoming resources	212	-	-	69,117	-	69,329	53,103
	1,059	3,855,169	82,050	6,104,170	-	10,042,448	15,705,851
Deduct share of Joint Venture Income	-	-	-	(610,094)	-	(610,094)	(407,024)
Total incoming resources	1,059	3,855,169	82,050	5,494,076	-	9,432,354	15,298,827
Resources expended							
Costs of generating funds:							
Fundraising:							
Operating costs	28,740	-	-	443,209	-	471,949	366,842
Charitable activities	84,123	8,231	18,429	6,379,135	-	6,489,918	3,456,754
Grant funding	1,097	1,710,680	-	-	-	1,711,777	6,610,627
Governance costs	228,192	149,133	-	297,112	-	674,437	597,707
Expenses of Trading Companies	-	-	-	387,776	-	387,776	349,499
Total resources expended	342,152	1,868,044	18,429	7,507,232	-	9,735,857	11,381,429

**The National Museum of the
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**Statement of financial activities (Company only, including the Royal Naval Museum as a linked
charity) for the year ended 31 March 2014**

	Unrestricted funds £	GIA Restricted funds £	Other Restricted funds £	Royal Naval Museum £	Endowment funds £	2014 Total £	2013 Total £
Net incoming/(outgoing) resources before transfers	(341,093)	1,987,125	63,621	(2,013,156)	-	(303,503)	3,917,398
Transfer between funds	167,000	(2,006,436)	(51,250)	1,890,686	-	-	-
Net incoming/(outgoing) resources for the year	(174,093)	(19,311)	12,371	(122,470)	-	(303,503)	3,917,398
Other recognised gains and losses							
Realised gains on disposal of investment assets	-	-	-	(5,379)	-	(5,379)	-
Losses on revaluations of fixed assets for the company's own use	-	142	18	74,337	-	74,497	100,623
Share of results of Joint Venture	-	-	-	42,084	-	42,084	1
Gains/(Losses) on investment assets	-	-	-	(1,162)	-	(1,162)	(1,309)
Net movement in funds	(174,093)	(19,169)	12,389	(12,590)	-	(193,463)	4,016,713
Total funds brought forward	225,250	80,685	247,960	9,340,751	-	9,894,646	5,877,933
Total funds carried forward	51,157	61,516	260,349	9,328,161	-	9,701,183	9,894,646

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