

Portsmouth Naval Base Property Trust

Portsmouth Naval Base Property Trust

Annual Report for the year ended 31 March 2016

Registered no: 1959490
Charity registered no: 293188

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Portsmouth Naval Base Property Trust

Annual report for the year ended 31 March 2016

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Governance

Trustees (also directors)

David Butters
Roger Ching
Michàl Cohen
Patrick Holmes
Philip Marriott
Cllr Lee Mason
Eric Parry
Rear-Admiral Neil Rankin CB CBE
Michael Ridley
Hugh Siegle (Chairman)
Cllr Linda Symes

Secretary and registered office

Peter Goodship
19 College Road
HM Naval Base
Portsmouth
PO1 3LJ

Registered auditors

Moore Stephens (South) LLP
City Gates
2-4 Southgate
Chichester
West Sussex
PO19 8DJ

Bankers

The Royal Bank of Scotland plc
London Corporate Centre
62-63 Threadneedle Street
London
EC2R 8LA

Solicitors

Macfarlanes
20 Cursitor Street
London
EC4A 1LT

Blake Morgan

Harbour Court
Compass Road
North Harbour
Portsmouth
Hants
PO6 4ST

Stockbrokers

Quilter Cheviot
1 Kingsway
London
WC2B 6AN

Membership of Committees, Boards and Working and Steering Groups reporting to the Main Board

Attractions Management Board

Patrick Holmes
Philip Marriott (Chairman)
Rear-Admiral Neil Rankin
Cllr Linda Symes

Audit Committee

Robin Bishop (retired 31 December 2015)
Roger Ching
Patrick Holmes
Rear-Admiral Neil Rankin (Chairman)

Property Maintenance Committee

Roger Ching
Michàl Cohen
Philip Marriott
Michael Ridley (Chairman)

Priddy's Hard Project Board

Roger Ching
Michàl Cohen
Philip Marriott
Michael Ridley (Chairman)

Boat Committee

John Ascoli (representing Coastal Forces' Trust)
Jim Brooke-Jones (representing the International Boatbuilding Training College [Portsmouth] Trust)
Peter Goodship
Simon Haill (representing Coastal Forces' Trust)
Tony Knight
Rear-Admiral Neil Rankin (Chairman)
Diggory Rose

Strategy Masterplan Steering Group

David Butters (Chairman)
Michàl Cohen
Peter Goodship
Patrick Holmes
Eric Parry
Michael Ridley

Tim Ash (representing Warrior Preservation Trust)
Helen Bonser-Wilton (representing Mary Rose Trust)
Jane Dean (Consultant)
Dominic Tweddle (representing the National Museum of the Royal Navy)

Strategy Masterplan Working Group

David Butters (Chairman)
Peter Goodship
Tim Ash (representing Warrior Preservation Trust)
Helen Bonser-Wilton (representing Mary Rose Trust)
John Rawlinson (representing the National Museum of the Royal Navy)
Dominic Tweddle (representing the National Museum of the Royal Navy)

Trustees' Report for the year ended 31 March 2016

The Trustees present their Annual Report, together with the audited consolidated Financial Statements of the Trust for the year ended 31 March 2016.

Legal and Administrative Information

Portsmouth Naval Base Property Trust was incorporated as a private company and is limited by guarantee. The Trust is also registered as a charity. The Trust is governed by its Articles and Memorandum of Association. The schedule of company information sets out further details.

Investment Powers and Policy

The Trust delegates the day-to-day responsibility for its investment portfolio to its stockbrokers. The Trust has relied upon the experience and expertise of the stockbrokers to deliver a balanced and diversified portfolio that will create an appropriate annual income and generate capital growth. The Trust is satisfied with the portfolio performance, which was regularly reviewed throughout the year, recognising the economic conditions that prevailed and the effects they had on global markets.

Charitable Objectives

The objective of the Trust is "the preservation of buildings, structures, vessels, docks and berths of national interest or architectural or historic interest or historically associated with Her Majesty's Naval Base at Portsmouth and the protection and augmentation of the amenities of such buildings, structures, vessels, docks and berths and their surroundings for the public benefit and the access to and enjoyment of the Naval Base buildings by the public for the purposes of education in naval history and other matters related to the Defence of the Realm."

Trustees

The following Trustees (who are also the Directors of the Company), acted during the year:

Robin Bishop (Retired 31 December 2015)

David Butters

Roger Ching

Michàl Cohen

Patrick Holmes

Philip Marriott

Cllr Lee Mason

Eric Parry

Rear-Admiral Neil Rankin

Michael Ridley

Hugh Siegle (Chairman)

Cllr Linda Symes

The liability of the trustees is limited by guarantee of £1 each.

The Trust has formal selection and training procedures in place for its Trustees.

Organisation

The Trust was set up in 1985 by the Ministry of Defence, English Heritage, Hampshire County Council and Portsmouth City Council. On the Portsmouth side of Portsmouth Harbour it occupies a 12-acre site, Portsmouth Historic Dockyard, which contains many structures and buildings of architectural value.

A 99-year lease was granted by the Ministry of Defence to the Trust for these properties, which are held under the terms of the lease and carried in the Trust's Accounts at a nil cost.

Wherever possible, the properties have been renovated to bring them back into sympathetic beneficial use and many have now been sub-let at market prices in support of the Trust's charitable objectives; others have been let on concessionary terms in support of fellow charities operating within the Historic Dockyard.

In 2012 the Trust concluded a 999-year lease of No. 2 Dock (in which HMS Victory is located) and that part of the Victory Port Arena contiguous with the land subject to the 99-year lease.

In addition the Trust owns the freehold of a four-acre site in Queen Street which has been developed residentially and now provides a car park - to support the nearby Historic Dockyard - and some commercial units which the Trust has let. The Trust has also acquired three of the apartments overlooking the Historic Dockyard, which it lets as accommodation to visitors, one of which has now been sold.

On the Gosport side of the Harbour, the Trust acquired the freehold of 23 acres of land from Gosport Borough Council; Priddy's Hard, a former Naval Ordnance depot, which contains several structures and buildings of architectural and historic interest. The acquisition includes scheduled ramparts and the Explosion! Museum of Naval Firepower housed in the former powder magazine, now leased to the National Museum of the Royal Navy. The Trust intends to develop the site, including refurbishing the historic buildings and bringing them into new beneficial use.

The Trust owns and manages four of the current visitor attractions within the Historic Dockyard, namely; Action Stations, The Dockyard Apprentice Exhibition, Harbour Tours and the Boathouse 4 "Forgotten Craft" Exhibition displaying part of the Trust's collection of small craft related to the Royal Navy. Among other things it is responsible for a range of landlord related services, including site catering.

The Board is supported by four standing committees – Audit Committee, Attractions Management Board, Boat Committee, and Property Maintenance Committee – as well as ad hoc working groups of Trustees established for specific projects, e.g. Priddy's Hard Project Board, and the Strategy Masterplan Working Group. Although the Trustees delegate most of the day-to-day operation of the Trust to Peter Goodship, its Consultant Chief Executive, and to its staff, they are engaged in the day-to-day running of the Trust on a professional basis, particularly in relation to property negotiations, architectural design and the preservation of both the Trust's historic buildings and boats.

The Trust is also supported by three groups of volunteers, each contributing significantly to the success of the Trust. The Friends of the Porter's Garden maintain the public garden on a weekly basis; another group with a mix of related skills repair, maintain and operate the Trust's collection of small naval boats; a third group assists the Trust with the maintenance of the historic ramparts at Priddy's Hard Gosport. More than 50 volunteers assist the Trust in one way or another and are managed by the Trust in accordance with policies which are regularly reviewed.

The Trust also supports the activities of the Portsmouth Royal Dockyard Historical Trust (PRDHT) and its volunteers who promote the industrial history of the former Royal Dockyard and assist the Trust in the maintenance and care of the Dockyard Apprentice Exhibition. The Trust provides working accommodation for the volunteers, storage facilities, PRDHT's archives and collection of artefacts, and provides an annual grant to assist with its running costs.

The Trust works closely with other charities and interested parties both inside and outside the Historic Dockyard. These parties include the Ministry of Defence, Historic England, Portsmouth City Council, the Mary Rose Trust, the Warrior Preservation Trust, the National Museum of the Royal Navy (NMRN), Victory Preservation Trust, Gosport Borough Council and National Historic Ships. It has also continued to provide financial support to the International Boatbuilding Training College (Portsmouth) Trust as it develops its boatbuilding training business within Boathouse 4.

Management of Risk

A comprehensive Risk Register measures the extent of each risk and its likely impact on the Trust's business. The Trust reviews risks on an annual basis, or more frequently as circumstances require, through its Audit Committee. Given the close proximity of the Historic Dockyard to HM Naval Base Portsmouth, security of both visitors and property has received priority attention as described later in this report. In relation to finance, the Trust recognises that as 43% of its income, excluding grants, is derived from its share of ticket income, any significant reduction in visitors to the Historic Dockyard represents an equally significant financial risk. The Trust seeks to mitigate this by prudent budgeting and by ensuring that it retains sufficient reserves to meet unexpected annual deficits.

Remuneration

The Trust remunerates trustees in accordance with the provisions contained in its Memorandum of Association; those in professional practice invoicing in accordance with limits agreed by the Trust from time to time; the last review being undertaken in 2013.

The Trust remunerates its staff in accordance with established policies and procedures which are the subject to review annually as part of a wider review of staff performance.

Strategic Report

Review the Progress, Activities and Achievements of the Trust during the Year

Principal activities throughout the year included:

- Boathouse 4 Development
- Strategic planning for the Future Development of the Historic Dockyard
- Negotiations with the Ministry of Defence
- Review of Staffing Structure
- Management of Visitor Attractions
- Security
- Transfer of Responsibility for the Delivery of Common Services
- Proposed Transfer of Ownership of Action Stations
- Site Catering
- Maintenance and display of the Trust's Historic Boat Collection

Boathouse 4 Development

The Boathouse 4 Project opened to the public in October 2015 and has been a success enabling visitors to access the cathedral-like space, the Trust's collection of small naval vessels and the restoration work being undertaken by the students of the IBTCP and the volunteers of both the Trust and IBTCP. The new Midships restaurant has provided a popular new venue offering diners unparalleled views of Portsmouth Harbour and the Isle of Wight beyond.

The Project has featured in many architectural and conservation publications and heralded as a great success.

Strategic planning for the Future Development of the Historic Dockyard

The Trust has continued to make good progress, in collaboration with colleague trusts, in the detailed planning of the first stage of a strategic plan for the future development of the Historic Dockyard.

The first stage includes the creation of a new orientation and ticketing facility in a refurbished Boathouse 5, an improved welcome for visitors as they arrive at Victory Gate and the provision of new pontoons to display the Trust's collection of historic craft.

The intention is to complete the planning work by the Spring of 2017 and to seek funding from a variety of sources, including the Heritage Lottery Fund, which has been a principal benefactor of the preservation of the nation's maritime heritage, both within the Historic Dockyard and nationally.

Negotiations with the Ministry of Defence

The Trust has continued detailed legal negotiations with the Ministry of Defence towards the grant of a new lease to include additional land and buildings as described more fully in previous annual reports, in anticipation of the lease being completed by 31 March 2016.

In February, the Trust was advised of a potential delay and the suggestion that some of the property located close to the berths of the Royal Navy's new aircraft carriers, may not be released at this stage. Subsequently, the Trust has been informed that the Ministry of Defence requires several years' operational experience of the new aircraft carriers before considering the release of the land and buildings north of the Mary Rose. The condition of this property, which includes Marc Brunel's Block Mills, is very poor and the Trust will work with other agencies to help ensure that it is properly maintained and repaired until its future ownership and use can be confirmed.

Meanwhile, negotiations continue on the terms of release of land and buildings to the south of the Mary Rose.

Review of Staffing Structure

The Trust has undertaken a review of its staffing structure following the departure of two senior managers within the Property Department and the likelihood that, in the foreseeable future, the Trust will be fulfilling a more prominent role in the delivery of facilities' management. This has led to a division between strategy and operations and the creation of a new post of Operations' Director, allowing the Consultant Chief Executive greater freedom to pursue the Trust's strategic agenda. This restructure will also strengthen the management of the Trust's day-to-day operations.

Management of Visitor Attractions

The Trust has continued to invest in its visitor attractions. A new attraction – Ninja Warrior – has been introduced to Action Stations to provide a challenging physical experience for all ages. The Trust's newest visitor attraction – the Forgotten Craft Exhibition – opened to the public in October 2015 and provides visitors with an insight into the role small craft and their crews played in the day-to-day life of the Royal Navy. The Exhibition includes four short films telling the story of Coastal Forces and the associated mast climbing experience has provided another challenging physical experience for younger visitors.

The Trust's Harbour Tour, run in conjunction with Solent Wightline, continues to be one of the most popular of all the attractions on offer within the Historic Dockyard and the Trust continues to examine in consultation with the NMRN ways to smooth out the demand for tours throughout the day.

Security

The Trust has continued to collaborate with several agencies to improve the security of both visitors to the Historic Dockyard and of the historic buildings and attractions within it. A wholesale review of current practice has included awareness training for all front-of-house staff and information communicated to visitors prior to arrival of the steps being taken to make their visit as secure as possible.

The Trust has appointed one of its trustees, Patrick Holmes, to oversee security matters throughout the site and to take a lead in consultation with the various Governmental agencies involved.

Transfer of Responsibility for the Delivery of Common Services

The responsibility for marketing and ticketing the Historic Dockyard and its attractions transferred from Portsmouth Historic Dockyard Ltd (PHDL) to the National Museum of the Royal Navy in 2014. The Trust has continued to play its part in structuring arrangements with the NMRN to ensure that the delivery of the services by NMRN fulfils the needs of the attraction owning trusts.

Proposed Transfer of Ownership of Action Stations

The Trust has agreed, in principle, to the transfer of ownership of Action Stations to the NMRN, including a lease of part of Boathouse 6 pending the outcome of the NMRN's bid to the Heritage Lottery Fund for a grant to replace Action Stations with a new home for the Royal Marine's Museum. The NMRN has expressed a wish to effect a transfer with effect from 1 April 2017 and both parties are working towards achieving this date.

Site Catering

The last annual report referred to a merger between the then recently appointed site caterers, CH & Co, and Host Catermasters, and that the Trust was considering the implications of this merger in consultation with the Mary Rose Trust.

As a consequence the Trust has been considering the determination of the contract in favour of an alternative provider. Both trusts have subsequently agreed to a determination with a view to appointing a new provider with effect from 1 April 2017.

Maintenance and display of the Trust's Historic Boat Collection

The Trust has continued to maintain its collection through its team of volunteers and with the assistance of the students and instructors of the International Boat Building Training College (Portsmouth) Trust who have been preparing, ready to be exhibited, those vessels to be displayed in Boathouse 4 as part of the "Forgotten Craft" Exhibition.

The Trust's operational craft, including the World War II powerboats, have attended events in the UK and once again in Normandy as part of the D-Day commemorations.

MGB81 has had a replica machine gun fitted so that she now resembles externally, the way she would have appeared in World War II; the Seaplane Tender 1502 has been fitted with new engines and the former barge of the Commander-in-Chief Naval Home Command, known as the Green Parrot, has been moved into Boathouse 4 to undergo a major refit by the students and instructors of IBTCP.

Regeneration of Priddy's Hard

The Trust has continued its planning for the regeneration of Priddy's Hard based on a mix of residential and commercial which will secure the refurbishment and sustainable future use of the nineteen scheduled and listed buildings located there.

This is despite two significant setbacks; firstly, the untimely withdrawal of the Trust's selected residential partner, Linden Homes, following a restructure of the organisation which included the closure of its South Coast business and, secondly, the financial collapse of the Oakleaf Brewery, which was proposing to take a lease of both E-Magazine, as a brewery, and the former Explosion Museum offices as a pub/restaurant.

The Trust has identified another prospective residential partner with whom it is in negotiation and has also identified potential brewers interested in the brewing and pub/restaurant opportunities.

It is hoped that a planning application will be submitted in the Spring of 2017 and a Round 2 application submitted to the Heritage Lottery Fund in respect of the commercial elements of the regeneration scheme in accordance with the Fund's Enterprise programme.

Preservation of Free Entry to Portsmouth Historic Dockyard for the Public Benefit

The Trust has preserved its policy of free entry to the Historic Dockyard, enabling the general public to view the buildings, docks and other structures without charge.

While the Trust charges admission for Action Stations, the Dockyard Apprentice Exhibition and Harbour Tours, the Trust does not charge entry to Boathouse 4 and its "Forgotten Craft" Exhibition. It has also arranged special occasions, in partnership with the National Museum of the Royal Navy, that allow local people to access the attractions either free of charge or at heavily subsidised rates. It has also participated in competitions offering visitors both free tickets to the attractions and free accommodation in the Trust's apartments overlooking the Historic Dockyard.

The Boathouse 4 project also includes a comprehensive plan of community activities to be implemented over a period of three years.

The IBTCP Trust is currently implementing this plan as agent of the Trust, overseen by the Trust's Attractions' Management Board. It offers opportunities for local members of the community to engage in a range of boatbuilding and related activities and to experience activities on the water using boats from within the Trust's collection and boats built under the supervision of IBTCP.

There is a particular emphasis on including the socially disadvantaged and those who would not otherwise have an opportunity to engage in such activity.

The Trust has continued to play a role in supporting the local community. As well as its emphasis on volunteering, it has played an active part in the "Shaping Portsmouth" initiative through membership of its Business Leaders' Group.

The Trust has also participated in a project led by Historic England, involving local authorities in South Hampshire, aimed at formally identifying historic sites and buildings at risk within the Portsmouth Harbour area and finding sustainable new uses for them.

The Trust has provided office facilities within the Historic Dockyard to assist the project. The Trust also enjoys a close relationship with the local neighbouring community via the

John Pounds' Community Trust; the Trust's Consultant Chief Executive presently chairing its Board of Trustees.

The Activities of Volunteers

The Trust has continued to foster opportunities for those interested in assisting the Trust with its charitable activities, as described earlier in this report.

The Trust pays expenses to assist with travelling costs and subsistence.

The Trust also has a close relationship with volunteers belonging to the Portsmouth Royal Dockyard Historical Trust's (PRDHT) Support Group who maintain a collection of tools, machinery and archives relating to the industrial history of the former Portsmouth Dockyard.

The Trust provides rent-free accommodation to the PRDHT and its volunteers, as well as a grant towards its activities. PRDHT has assisted the Trust in its plans to refurbish the Dockyard Apprentice Exhibition in Boathouse 7.

Review of the Transactions and Financial Position of the Trust

The Trust had an excess of incoming resources over outgoing resources for the year as set out on the Consolidated Statement of Financial Activities on page 13.

Unrestricted Funds

The Trust's income has decreased by 21% over the previous year, and total expenditure has decreased by 22% compared with 2015.

Restricted Funds

The movement on restricted funds is set out in note 21 to the Accounts. With the exception of internal recoveries within central project management, all grants received in respect of Millennium projects were towards capital projects and are amortised over the estimated useful life of the assets.

Reserves Policy

The Trust established a policy whereby the unrestricted funds not committed or invested in tangible fixed assets held by the Trust should be between three and six months of the resources expended, which equates to a minimum of between £750,000 and £1,500,000 in general funds. At this level, the Trust feels that it would be able to continue its current activities in the event of a significant decrease in income.

Risk Review

The Trust continually monitors the major risks to which it is exposed. Systems and procedures have been identified and established in order to mitigate those risks.

Balance Sheet

Overall group net assets have increased from £19.8 million in 2015 to £21 million in 2016. This figure includes a revaluation of £1.8 million relating to investment properties as required by the application of current Accounting Standards.

Availability and Adequacy of Assets of each of the Funds

There are adequate and available assets in each fund, sufficient to meet all liabilities and obligations of the Trust.

Trustees' Responsibilities

Company Law requires the Trustees, who are also the Directors, 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 group, and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing those financial statements, the Trustees are required to:

- (1) select suitable accounting policies and then apply them consistently;
- (2) observe the methods and principles in the Charities' SORP;
- (3) make judgements and estimates that are reasonable and prudent;
- (4) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (5) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business

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 group, which enables them to ensure that the financial statements comply with the Companies' Act 2006. They are also responsible for safeguarding the assets of the charitable company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the maintenance and integrity of the corporate and financial information included on the Company's website.

Statement of Disclosure to Auditor

- (a) so far as the Trustees are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) they have taken all reasonable steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.


Indemnity Insurance

The Trust has paid a premium of £1,091 (2015: £1,007) during the year in respect of professional indemnity insurance for the Trustees.

Auditors

The auditors, Moore Stephens (South) LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

Approved by the Board of Trustees on 1 December 2016 and signed on its behalf by:



Hugh Siegle
Chairman

**Independent Auditors' report to the members of
Portsmouth Naval Base Property Trust**

We have audited the group and parent company financial statements of Portsmouth Naval Base Property Trust for the year ended 31 March 2016 which are set out on pages 13 to 33. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practice Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's web-site at www.frc.org.uk/auditscopeukprivate. 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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charity's affairs as at 31 March 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been properly prepared in accordance with the Companies Act 2006;

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

L Hastings (Senior Statutory Auditor)
For and on behalf of Moore Stephens (South) LLP
Chartered Accountants
Statutory Auditor

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City Gates
2-4 Southgate
Chichester
West Sussex
PO19 8DJ

**Consolidated statement of financial activities (incorporating the Statement of Comprehensive Income)
for the year ended 31 March 2016**


	Notes	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Income from:					
Property		1,394,629	-	1,394,629	1,332,557
Car park		323,468	-	323,468	408,412
Exhibitions, harbour tours, guidebook sales and retail		294,739	-	294,739	788,665
Action stations		1,040,406	-	1,040,406	1,345,582
Investment income	5	27,729	-	27,729	34,055
Donations		1,527	-	1,527	41,447
Grants		-	2,152,358	2,152,358	2,404,721
Total incoming resources		3,082,498	2,152,358	5,234,856	6,355,439
Expenditure on:					
Direct charitable activities	6	2,425,598	652,337	3,077,935	3,226,042
Management and administration	7	886,651	7,822	894,473	562,254
Total expenditure	8	3,312,249	660,159	3,972,408	3,788,296
Net income / (expenditure)	11	(229,751)	1,492,199	1,262,448	2,567,143
Net gains / (losses) on investments:					
Realised	14	1,771	-	1,771	(2,071)
Unrealised	14	(34,403)	-	(34,403)	21,998
Total comprehensive income and net movement in funds		(262,383)	1,492,199	1,229,816	2,587,070
Total funds brought forward		12,404,704	7,398,664	19,803,368	17,216,298
Balances carried forward at 31 March	20	12,142,321	8,890,863	21,033,184	19,803,368

The statement of financial activities includes all gains and losses in the year. All activities of the group relate to continuing operations.

Balance sheets at 31 March 2016

	Notes	Group 2016 £	2015 £	Trust 2016 £	2015 £
Fixed assets					
Heritage assets	12	8,441,592	5,395,138	8,441,592	5,395,138
Tangible assets	13	6,818,844	6,882,509	1,441,283	1,427,386
Investment properties	13	5,030,000	5,030,000	-	-
Investments	14	922,798	1,851,981	6,331,965	7,338,708
		21,213,234	19,159,628	16,214,840	14,161,232
Current assets					
Debtors	16	708,820	1,575,824	1,207,118	2,253,596
Cash at bank and in hand		1,595,892	1,429,019	1,504,295	1,394,477
		2,304,712	3,004,843	2,711,413	3,648,073
Creditors: amounts falling due within one year	17	(1,809,762)	(1,961,103)	(1,789,249)	(1,956,718)
Net current assets		494,950	1,043,740	922,164	1,691,355
Total assets less current liabilities		21,708,184	20,203,368	17,137,004	15,852,587
Creditors: amounts falling due after more than one year	18	(275,000)	-	(275,000)	-
Provisions for liabilities	19	(400,000)	(400,000)	-	-
Total net assets		21,033,184	19,803,368	16,862,004	15,852,587
Funds					
Restricted funds	21	8,890,863	7,398,664	8,890,863	7,398,664
Unrestricted funds	22	10,361,340	10,623,723	7,971,141	8,453,923
Revaluation reserve	28	1,780,981	1,780,981	-	-
		21,033,184	19,803,368	16,862,004	15,852,587

The financial statements on pages 13 to 33 were approved by the Board of Trustees on 1 December 2016 and signed on its behalf by:



Hugh Siegle
Chairman



Rear-Admiral Neil Rankin CB CBE
Trustee

Consolidated statement of cash flows
For the year ended 31 March 2016

	2016 £	2015 £
Cash flow from operating activities (see note a)	2,687,660	2,339,936
Cash flow from investing activities		
Purchase of tangible fixed assets	(3,417,338)	(2,260,495)
Purchase of investments	(10,833)	(94,809)
Proceeds from sale of investments	11,861	95,023
Proceeds from the sale of fixed assets	-	248,000
Net cash outflow from investing activities	(3,416,310)	(2,012,281)
Change in cash and cash equivalents	(728,650)	327,655
Cash and cash equivalents at 1 April 2015	2,221,642	1,893,987
Cash and cash equivalents at 31 March 2016	1,492,992	2,221,642

Notes to the consolidated cash flow statement

a. Reconciliation of net income to net cash flow from operating activities

	2016 £	2015 £
Net income for the year	1,262,448	2,567,143
Depreciation	434,549	328,863
Decrease / (increase) in debtors	867,004	(1,030,310)
Increase in creditors	123,659	474,240
Net cash provided by operating activities	2,687,660	2,339,936

Notes to the consolidated cash flow statement (continued)

b. Changes in cash and cash equivalents

	At 1 April 2015 £	Cash flows	At 31 March 2016 £
Cash at bank	1,429,019	166,873	1,595,892
Cash with brokers	1,367,623	(895,523)	472,100
Other debt due	(575,000)	-	(575,000)
	2,221,642	(728,650)	1,492,992

**Notes to the financial statements
for the year ended 31 March 2016****1 Principal Accounting Policies****Basis of accounting**

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of investment properties, and in accordance with the Statement of Recommended Practice (SORP) applicable to charities. These financial statements are the first financial statements prepared in accordance with the charity SORP (FRS 102). The date of transition was 1 April 2014 and an explanation of how transition to SORP (FRS 102) has affected the reported financial position and performance is given in note 27.

The financial statements are prepared in Sterling, the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £1.

Basis of consolidation

The consolidated statement of financial activities and balance sheet include the financial statements of the Trust and its subsidiary undertakings, Portsmouth Naval Base Trading Company Limited, Portsmouth Naval Base Property Company Limited, Portsmouth Naval Base Property Company (Queen Street) Limited and Portsmouth Naval Base Property (Priddy's Hard) Limited for the year ended 31 March 2016. The Trust also has two associated undertakings that are excluded from the consolidation as they are not material to the Trust's operations.

Incoming resources

Income is recognised in the statement of financial activities when the conditions for receipt have been met.

Gifts of fixed assets for specific projects are included in incoming resources at the value to the project. Values are assessed by independent project consultants.

Grants and donations receivable are recognised when received or when they become unconditional, whichever is the sooner.

Property and other income

Income from property represents the amounts receivable from rental agreements for the year excluding VAT. Income from the car park and sundry trading is accounted for on a cash basis excluding VAT.

Millennium project costs and funding

Expenditure on the elements of the project are capitalised and are included in tangible fixed assets. A transfer from restricted to unrestricted funds will occur to match depreciation charged once these assets are brought into use.

All claims made to the Millennium Commission for funding of such costs have been credited to the statement of financial activities and are treated as restricted funds. Funds received in advance of expenditure have been removed from restricted funds and treated as deferred income.

Investment income

Income from investments is included, together with the related tax credit (so far as recoverable), in the statement of financial activities on an accruals basis. Interest on cash deposited with banks and investment stockbrokers is included in investment income in the statement of financial activities for the period in which it is earned.

Direct charitable expenditure

Direct charitable expenditure includes all expenditure directly related to the objects of the Trust. The expenditure is included in the period for which it was incurred.

Preservation and related costs

Preservation and ancillary improvements costs, together with professional fees, relate to annual expenditure on planned works on Historic Dockyard buildings including those sublet.

Management and administration expenditure

Management and administration expenditure is incurred in the management of the Trust's assets, administration and compliance with constitutional and statutory requirements. The expenditure is included in the period for which it was incurred.

Funds

The Trust maintains the following funds:

Restricted funds

Restricted funds represent amounts receivable in respect of a specific purpose as defined by the donor.

Unrestricted funds

Unrestricted funds represent funds which are expendable at the discretion of the Trustees in the furtherance of the objects of the Trust.

Non-charitable trading funds

Non-charitable trading funds represent the funds generated or expended by the Trust's subsidiary undertaking, Portsmouth Naval Base Property Company (Queen Street) Limited.

Heritage assets

Heritage assets relate to buildings and infrastructure and are shown at cost less depreciation. In the majority of cases the original cost is either very low value or even £nil as the assets have been given to the Trust for restoration and public display as part of the infrastructure of the Portsmouth Historic Dockyard experience. The majority of the cost is therefore attributable to renovation and restoration of the assets. Gifts in kind received are valued at their market value where this is readily ascertainable; otherwise they are not valued and included within the accounts.

Tangible fixed assets

The cost of fixed assets is their purchase cost, together with any incidental expenses of acquisition. Costs of a capital nature related to leasehold property, other than costs incurred primarily for preservation of the Historic Dockyard buildings, are included in fixed assets.

Tangible fixed assets (continued)

Depreciation is calculated so as to write off the cost of fixed assets on a straight line basis over the expected useful economic lives of the assets concerned. The annual rates used for this purpose are:-

	%
Shop fittings and exhibition units	20
Office equipment and furniture	15
Catering equipment and play area	10
Other equipment and signposting	10
Leasehold property	3-4
Computer equipment	33
Powerboats	10
Promenade, interpretation and lighting	2
Boathouse 6	1.19

Assets not being depreciated comprise the apportionment of freehold retained in the Admiralty Quarter development. The Trust carries out impairment reviews of these assets to establish that their carrying amounts are not in excess of their recoverable amounts.

Investment Properties, which now includes the car park and retail units, have been stated at open market value in accordance with Statement of Standard Accounting Practice 19 and are not depreciated. This is a departure from the legal requirement to depreciate assets with a limited life and is done to provide a true and fair view of the value of investment properties. The open market value of the freehold properties is assessed annually and any significant differences are taken to a revaluation reserve.

Financial assets and financial liabilities

Financial instruments are recognised in the statements of financial activities when the Charity becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price unless the arrangement constitutes a financing transaction which includes transaction costs for financial instruments not subsequently measured at fair value.

Financial instruments are classified as either 'basic' or 'other' in accordance with Chapter 11 of FRS102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective rate method. All financial instruments not classified as basic are measured at fair value at the end of the reporting period with the resulting changes recognised in income or expenditure. Where the fair value cannot be reliably measured, they are recognised at cost less impairment.

Financial assets are derecognised when the contractual rights to the cash flows from assets expire, or when the Charity has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Investments

Investments are held as fixed assets. The interest in subsidiaries is stated at cost less any amounts written off for diminution in value. Other investments, being the investment portfolio, are included on the balance sheet at fair value. Cash available for investment held by the investment management company has been included in investments.

Unrealised gains and losses reflect the effect of changes in market values of investments. Realised gains and losses on quoted investments are based on the difference between disposal proceeds and brought forward market value, or cost if acquired during the year.

Taxation

As a registered charity the Trust's income is generally exempt from taxation under Section 505 Taxes Act 1988. The Trust is registered for value added tax.

Operating lease rentals

Operating lease rentals are recognised in the statement of financial activities for the period to which they relate.

Pensions

The Trust operates a defined contribution pension scheme. Contributions are charged to the statement of financial activities as they become payable in accordance with the rules of the scheme.

2 Critical judgements and estimates

In preparing the financial statements the trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

3 Comparative consolidated statement of financial activities

	Unrestricted Funds £	Restricted Funds £	Total 2015
Income from:			
Property	1,332,557	-	1,332,557
Car park	408,412	-	408,412
Exhibitions, harbour tours, guidebook sales and retail	788,665	-	788,665
Action stations	1,345,582	-	1,345,582
Investment income	34,055	-	34,055
Donations	-	41,447	41,447
Grants		2,404,721	2,404,721
Total incoming resources	3,909,271	2,446,168	6,355,439
Expenditure on:			
Direct charitable activities	2,878,463	347,579	3,226,042
Management and administration	532,305	29,949	562,254
Total expenditure	3,410,768	377,528	3,788,296
Net income	498,503	2,068,640	2,567,143

Net gains / (losses) on investments:

Realised	(2,071)	-	(2,071)
Unrealised	21,998	-	21,998
Net movement in funds	518,430	2,068,640	2,587,070
Total funds brought forward	10,105,293	5,330,024	15,435,317
Balances carried forward at 31 March	10,623,723	7,398,664	18,022,387

4 Subsidiary activities

A summary of the activities of the Trust's wholly owned subsidiaries is set out below:

	2016 £	2015 £
Profit and loss account		
Property income	337,512	319,530
Direct costs	(77,561)	(83,583)
Administration costs		
Property companies	(117,111)	(130,640)
Net profit	142,840	105,307
Intra-group transactions	77,561	73,004
Net profit retained by the group	220,401	178,311

5 Investment income

	2016 £	2015 £
Interest on cash deposited with banks	5,409	8,985
Interest on cash deposited with stockbrokers	2,481	4,513
Dividends from listed investments and commission	19,839	20,557
	27,729	34,055

6 Direct charitable expenditure

	Unrestricted Funds £	Restricted Funds £	Total 2016 £	Total 2015 £
Preservation and related costs	1,386,715	284,891	1,671,606	1,580,561
Costs relating to car park	99,775	-	99,775	99,309
Other costs	48,551	-	48,551	431,931
Access and education	89,103	179,548	268,651	69,752
Costs relating to Action Stations	801,454	187,898	989,352	1,044,489
	2,425,598	652,337	3,077,935	3,226,042

7 Management and administration

	Unrestricted £	Restricted £	2016 £	2015 £
Salaries and office costs	712,812	-	712,812	385,356
Legal and professional fees	144,539	7,822	152,361	158,308
Auditors' fees	29,300	-	29,300	18,590
	886,651	7,822	894,473	562,254

8 Total expenditure

	Depreciation £	Staff Costs £	Other Costs £	Total 2016 £	Total 2015 £
Direct charitable activities	234,276	970,573	1,873,086	3,077,935	3,226,042
Management and administration	7,877	624,682	261,914	894,473	562,254
	242,153	1,595,255	2,135,000	3,972,408	3,788,296

	2016 £	2015 £
Staff costs:		
Wages and salaries	1,489,038	1,092,955
Social security costs	81,093	75,104
Pension costs	25,124	19,364
	1,595,255	1,187,423
Other costs:		
Preservation and related costs	1,090,280	1,218,222
Depreciation charge	434,549	328,863
Car park costs	44,157	45,506
Sundry trading costs	48,551	431,931
Access and education	222,271	38,773
Costs relating to Action Stations	412,479	446,198
Administration costs	124,866	91,380
	2,377,153	2,600,873

There was one employee who had earnings (including benefits) in the band £70,000 to £80,000 (2015: one employee who had earnings (including benefits) in the band £70,000 to £80,000).

The employee costs of key management personnel during the year was £441,310 (2015 - £381,739) including pensions, national insurance and Trustees' emoluments in note 9.

9 Trustees' emoluments

The remuneration paid to the Trustees of Portsmouth Naval Base Property Trust, as authorised by the Articles and Memorandum of Association, was:

	2016 £	2015 £
Fees for service as directors and trustees:		
Robin T Bishop	3,375	4,500
Rear-Admiral Neil E Rankin CB CBE	9,000	9,000
Sir Colin Stansfield Smith CBE	-	-
Hugh R Siegle (Chairman)	16,000	16,000
Philip A Marriott	9,000	9,000
Theresa Hall	-	-
Michael Ridley	9,000	9,000
Michal Cohen	9,000	9,000
Margaret Foster	-	2,250
Roger Ching	9,000	9,000
Patrick Holmes	9,000	9,000
David Butters	9,000	9,000
E Parry	9,000	9,000
D Moody	-	2,192
L Symes	9,000	6,000
L Mason	9,000	4,339
	109,375	107,281

Nine (2015: eight) of the above trustees were reimbursed a total of £15,833 (2015: £18,991) of expenses in relation to travelling and administration costs incurred during the year.

10 Employee information

The average monthly headcount of persons (excluding Trustees) employed by the Trust and the group during the year was:

	2016		2015	
	Group Number	Trust Number	Group Number	Trust Number
By activity				
Property and related activities	20	20	19	19
Action Stations	48	48	47	47
Other trading	3	3	3	3
Administration	4	4	4	4
	75	75	73	73

11 Net income for the year

	2016 £	2015 £
Net income for the year is stated after charging/(crediting):		
Depreciation	434,549	328,863
Auditors' remuneration for audit	29,300	18,590

The figures stated above are in respect of the group. The auditors' remuneration for the audit of the Trust was £25,300 (2015: £14,590).

Trust net outgoing resources for the financial year

As permitted by Section 408 of the Companies Act 2006, the Trust's statement of financial activities has not been included in these financial statements. The Trust's movement in funds for the financial year was £482,782 debit (2015: £305,536 credit) for unrestricted funds and £1,492,199 credit (2015: £2,068,640 credit) for restricted funds.

12 Heritage assets

The charity was set up in 1985 by the Ministry of Defence, English Heritage and Portsmouth City Council and its charitable objects are set out on page 3 of the Trustees report. The main part of its objects concerns the preservation of buildings, structures, vessels, docks and berths associated with Her Majesty's Naval Base at Portsmouth for the public to access and enjoy for the purposes of education in naval history and the defence of the realm. The Trust was granted a 99 year lease by the Ministry of Defence over certain properties located within Her Majesty's Naval Base at Portsmouth with a view to maintaining them in accordance with its objects. In all 15 buildings, 3 docks and a mast pond were included within the lease. The majority of the buildings, all 3 docks and the mast pond are either scheduled ancient monuments, Grade I, Grade II* or Grade II listed buildings and each has historical significance. The Trustees have taken the view that these buildings, structures, vessels, docks and berths, together with their associated infrastructure are heritage assets. These assets were treated as general fixed assets until 2015, but following a review by the Trustees they were reclassified a heritage assets. This reclassification did not affect the cost or carrying values of the relevant assets, just how they are disclosed in the accounts.

The initial lease was granted at nil cost, so there is no purchase cost in the accounts. Wherever possible some of the properties have been renovated and the cost of these renovations has been capitalised and included in the cost of heritage assets. Many of the properties are let to third parties or used by the Trust, but they are still part of the visitor experience and promote the objects of the charity. As such the buildings are well maintained and there is no evidence of impairment. Routine maintenance costs are written off as they are incurred.

Since the lease was granted the Trust has expended significant amounts on renovation costs and also acquired many artefacts and two of the last remaining fully operational high-speed World War II motor boats. The artefacts have been gifted to the Trust and so have no cost in the accounts, although a significant number of the boats in the boat collection are on the National Ships Core Register. The value of the artefacts is not considered to be material. The motor boats were acquired and are disclosed in the accounts at cost less related depreciation.

Heritage assets (continued)

In 2012 the Trust acquired 23 acres of land from Gosport Borough Council which is the old site of Priddy's Hard Fort. Built in the 1750s its original purpose was to extend the defences of Portsmouth Harbour and the Royal Dockyard. In the late 18th century it started to be used as a gunpowder store and later a site for munitions storage and handling. New buildings were added as extra space and new types of explosives were invented, and it was used extensively during both World Wars. The site closed in 1989 and since then it has been used primarily as the location for the Explosion! Museum. The site holds many listed buildings. Priddy's Hard has many layers of historic significance due to its varied history as a Royal Ordnance yard during the 18th to 20th centuries. The site is recognised by national designations including scheduling, listing and protected sites for nature conservation. The Trust acquired the site for £1 but it has taken on the obligation to maintain and where necessary renovate the site, as well as to keep it open for public enjoyment and education. The site is disclosed in the accounts at cost.

None of the heritage assets have been revalued. The motor boats are of such historical significance that it would be difficult and expensive to obtain accurate formal valuations, but the Trustees are confident that their value is in excess of their written down value.

The Trust maintains a list of all of its heritage assets which have been bought, lent and gifted. The vast majority of the assets are on display on the site, although for rented buildings internal access is not always possible.

The following heritage assets are included in the net book value of tangible fixed assets:

Group and company

As at 31 March 2016

	Improvements to leasehold property, fixtures etc £	Infrastructure and lighting £	Powerboats £	Total 2016 £
Cost				
At 1 April 2015	4,778,649	2,371,041	800,000	7,949,690
Additions	3,344,784	-	-	3,344,784
At 31 March 2016	8,123,433	2,371,041	800,000	11,294,474
Depreciation				
At 1 April 2015	1,458,641	615,911	480,000	2,554,552
Charge for year	170,907	47,423	80,000	298,330
At 31 March 2016	1,629,548	663,334	560,000	2,852,882
Net book value at 31 March 2016	6,493,885	1,707,707	240,000	8,441,592
Net book value at 31 March 2015	3,320,008	1,755,130	320,000	5,395,138

The net book value at 31 March 2016 represented fixed assets used for direct charitable purposes. Included in improvements to leasehold property is £6,115,861 (2015: £2,711,320) relating to assets in the course of construction.

Portsmouth Naval Base Property Trust

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13 Tangible fixed assets Group

	Land and buildings £	Plant, fixtures, fittings and office equipment £	Other equipment, sign-posting and film £	Boathouse Number 6 £	Promenade, Interpretation & lighting £	Total £
Cost						
At 1 April 2015	1,451,520	7,187,852	3,582,570	6,588,966	37,054	18,847,962
Additions	-	12,734	59,820	-	-	72,554
Disposals	-	(5,270)	(5,865)	-	-	(11,135)
At 31 March 2016	1,451,520	7,195,316	3,636,525	6,588,966	37,054	18,909,381
Depreciation						
At 1 April 2015	156,858	7,167,092	3,480,219	1,133,844	27,440	11,965,453
Eliminated on disposal	-	(5,270)	(5,865)	-	-	(11,135)
Charge for year	-	7,877	42,948	77,561	7,833	136,219
At 31 March 2016	156,858	7,169,699	3,517,302	1,211,405	35,273	12,090,537
Net book value at 31 March 2016	1,294,662	25,617	119,223	5,377,561	1,781	6,818,844
Net book value at 31 March 2015	1,294,662	20,760	102,351	5,455,122	9,614	6,882,509

The net book value of fixed assets which are not used for the Trust's charitable purposes is insignificant.

Portsmouth Naval Base Property Trust

13 Tangible fixed assets (continued)

Trust	Land & Buildings	InterAction equipment	Fixtures, fittings, office equipment and furniture	Other equipment and sign-posting & film	Interpretation & lighting	Total
	£	£	£	£	£	£
Cost						
At 1 April 2015	1,294,661	1,181,821	222,149	3,581,719	37,054	6,317,404
Additions	-	-	12,735	59,820	-	72,555
Disposals	-	-	(5,270)	(5,865)	-	(11,135)
At 31 March 2016	1,294,661	1,181,821	229,614	3,635,674	37,054	6,378,824
Depreciation						
At 1 April 2015	-	1,181,821	198,375	3,482,382	27,440	4,890,018
Eliminated on disposal	-	-	(5,270)	(5,865)	-	(11,135)
Charge for year	-	-	7,877	42,948	7,833	58,658
At 31 March 2016	-	1,181,821	200,982	3,519,465	35,273	4,937,541
Net book value at 31 March 2016	1,294,661	-	28,632	116,209	1,781	1,441,283
Net book value at 31 March 2015	1,294,661	-	23,774	99,337	9,614	1,427,386

The net book value of fixed assets which are not used for the Trust's charitable purposes is insignificant.

13 Tangible fixed assets (continued)

Investment Properties

Included within land and buildings for both the Trust and the Group are investment properties costing £967,661, which were bought during the year ending 31 March 2008 at open market value. The valuation of the properties has not been updated at the year end because the directors are not aware of any material changes in value.

On the transition to FRS 102 land and buildings owned by Portsmouth Naval Base Property Company (Queen Street) Limited, a subsidiary company, have been reclassified as investment properties. The properties, which have been included in the Group's accounts at a valuation of £5,030,000 from the date of transition to FRS 102, were valued by Vail Williams Chartered Surveyors as at 9 November 2015. Although this represents a departure from the requirements of the Companies Act the directors are of the opinion that the reclassification fairly presents their financial position. The valuation was prepared on the basis of fair value (market value) using the investment method, and in accordance with RICS valuation - Professional Standards. The directors are of the opinion that there has been no material changes to the value of these land and buildings since that date.

If the revalued investment properties had been stated on an historical cost rather than on a fair value basis the corresponding amounts would have been - cost £2,849,019 (2015 - £2,849,019), accumulated depreciation £246,024 (2015 - £215,271).

14 Fixed asset investments

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Investment portfolio	922,773	1,851,956	922,774	1,851,956
Interest in subsidiary undertakings – cost at 1 April	-	-	14,100,004	14,100,003
Interest in subsidiary undertakings – additions	-	-	-	1
Interest in subsidiary undertakings - provision	-	-	(8,690,838)	(8,613,277)
Interest in associated undertakings	25	25	25	25
	922,798	1,851,981	6,331,965	7,338,708

Investment portfolio

	Group and Trust			
	2016		2015	
	Market Value £	Cost £	Market Value £	Cost £
Equities	184,755	152,045	189,367	138,006
Investment and unit trusts	265,918	247,871	294,966	247,254
Total investments	450,673	399,916	484,333	385,260
Cash available for investment	472,100	472,100	1,367,623	1,367,623
	922,773	872,016	1,851,956	1,752,883

14 Fixed asset investments (continued)

Market value reconciliation

	£	£
Market value at 1 April 2015	484,333	464,620
Less: Disposals	(11,861)	(95,023)
Add: Acquisitions at cost	10,833	94,809
Net profit/loss on revaluation at 31 March 2016	(32,632)	19,927
Market value at 31 March 2016	450,673	484,333

The investment portfolio is not held in direct furtherance of the Trust's objectives. It is however held with a view to funding some of the Trust's objectives.

Interest in subsidiary companies

The Trust holds a 100% interest in the £1 ordinary share capital of Portsmouth Naval Base Trading Co. Limited (PNBTCL) registration number 8802879, Portsmouth Naval Base Property Company Limited (PNBPCL) registration number 4207508, Portsmouth Naval Base Property Company (Queen Street) Limited (QS) registration number 4969934, and Portsmouth Naval Base Property (Priddy's Hard) Limited (PH) registration number 6964416, all companies incorporated in England and Wales. PNBTCL was set up to protect the trading name and has been dormant since incorporation. The principal business activity of PNBPCL is property rental. As the latter relates to Boathouse Number 6 and Action Stations this is considered to be a charitable activity. QS was incorporated as a vehicle for the development of the Queen Street car park. PH was incorporated as a vehicle for the development of part of the land at Priddy's Hard and was dormant during the year. All group investments have been written down to their net asset values where applicable.

The results and net assets of subsidiaries are:

	2016	2015
	£	£
PNBPCL		
Turnover	105,244	96,313
Loss after taxation	(77,562)	(72,923)
Net assets	5,409,165	5,486,727
	-----	-----
QS		
Turnover	232,267	227,047
Profit after taxation	220,401	212,893
Net assets	4,188,946	3,968,545
	-----	-----
PH		
Net liabilities	(17,884)	(17,884)
	-----	-----

14 Fixed asset investments (continued)

Associated undertakings

The Trust holds a 25% interest in the £1 ordinary share capital of Portsmouth Harbour Renaissance Limited, a company incorporated in England and Wales. This company was formed to act in a co-ordinating role, overseeing the various Portsmouth Harbour Millennium projects.

The Trust held 25% of the voting rights in Portsmouth Historic Dockyard, a company limited by guarantee, and incorporated in England and Wales. The company acted as the ticketing agency for the Historic Dockyard up to 30 November 2014, and was dissolved in June 2016.

Significant influence was not exerted over either of the above entities, therefore neither has been consolidated into these accounts. The aggregate capital and reserves of Portsmouth Harbour Renaissance Limited are not material to these accounts and are not disclosed.

15 Financial assets and financial liabilities

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Financial assets at amortised cost	2,304,712	3,004,843	2,711,413	3,648,073
Financial liabilities at amortised cost	(2,062,625)	(1,956,778)	(2,042,112)	(1,952,393)
Net financial assets	242,087	1,048,065	669,301	1,695,680

Group financial assets comprise trade debtors, accrued income, prepayments and cash and bank balances, excluding cash with investment brokers. Company financial assets also includes balances due from subsidiary undertakings. Financial liabilities comprise trade creditors, accruals and other creditors.

16 Debtors

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Amounts falling due within one year				
Trade debtors	197,656	365,900	195,329	362,151
Amounts owed by subsidiary undertakings	-	-	519,827	682,242
Other debtors	184,607	159,673	184,605	159,671
Prepayments and accrued income	326,557	1,050,251	307,357	1,049,532
	708,820	1,575,824	1,207,118	2,253,596
Amounts falling due after one year				
Amounts owed by subsidiary undertakings	-	-	-	-
Total	708,820	1,575,824	1,207,118	2,253,596

17 Creditors: amounts falling due within one year

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Trade creditors	180,808	462,707	180,808	462,707
PAYE, VAT and social security	22,137	4,325	22,137	4,325
Amounts owed to subsidiary undertakings	-	-	725	-
Accruals and deferred income	1,306,546	919,071	1,285,309	914,686
Other creditors	300,271	575,000	300,270	575,000
	1,809,762	1,961,103	1,789,249	1,956,718

18 Creditors: amounts falling due after more than one year

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Other creditors	275,000	-	275,000	-
	275,000	-	275,000	-

19 Provisions for liabilities

	Group		Trust	
	2016 £	2015 £	2016 £	2015 £
Deferred tax on revaluation of Investment properties	400,000	400,000	-	-
	400,000	400,000	-	-

20 Analysis of net assets between funds

Group	Unrestricted funds £	Restricted funds £	Total funds £
Heritage assets	-	8,441,592	8,441,592
Tangible fixed assets	6,264,000	554,844	6,818,844
Investment properties	5,030,000	-	5,030,000
Fixed asset investments	922,798	-	922,798
Current assets	2,284,260	20,452	2,304,712
Current liabilities	(1,683,737)	(126,025)	(1,809,762)
Long term liabilities	(275,000)	-	(275,000)
Provisions for liabilities	(400,000)	-	(400,000)
As at 31 March 2016	12,142,321	8,890,863	21,033,184

21 Restricted funds

Group and Trust

The income funds of the charity include restricted funds comprising the following balances of contributions and grants to be applied for specific purposes:

	At 1 April 2015 £	Incoming resources £	Movement in period £	Balance at 31 March 2016 £
Millennium projects				
Boathouse 6	2,089,359	-	(77,561)	2,011,798
Dockyard Promenade	639,081	-	(20,277)	618,804
Interpretation and lighting	1,124,178	-	(29,060)	1,095,118
Other				
Leasehold property	223,835	-	(17,976)	205,859
Powerboats				
National Heritage Memorial Fund	232,000	-	(58,000)	174,000
Anthony Hitchens	4,000	-	(1,000)	3,000
PRISM	8,000	-	(2,000)	6,000
Boathouse 4				
HLF	1,459,054	2,133,258	(209,474)	3,382,838
RGF	555,951	-	(32,419)	523,532
Other	201,820	19,100	(12,880)	208,040
Cell Block Project				
RGF	861,386	-	(199,512)	661,874
	7,398,664	2,152,358	(660,159)	8,890,863

Millennium project grant funding was received as a contribution towards the costs of the various millennium projects. Additional capital grants were received from the Millennium Commission in 2005-06 in support of the InterAction science gallery. All of the projects were completed as at 31 March 2006.

Capital grants were received in 1992 towards the cost of sign-posting in the Portsmouth Historic Dockyard. Further capital grants were received during 1993-94 in respect of building works on Boathouse 7, a leasehold property, a project which was completed during the year to 31 March 1995.

Powerboats relates to the acquisition of two World War II powerboats, which are being displayed as part of the Trust's growing boat collection. These were funded predominantly by a £580,000 grant from the National Heritage Memorial Fund. The resultant restricted funds are represented in the balance sheet by the related fixed assets and are being reduced by annual transfers to unrestricted funds over the anticipated lives of the related assets.

Boathouse 4 relates to the conversion of the boathouse into an international boat academy. This is being funded predominantly by the Heritage Lottery Fund and the Regional Growth Fund. Other donations include £100,000 from Garfield Weston Foundation, £50,000 from Headley Trust, £10,000 from Fidelity UK Foundation, £10,000 from Gosling Foundation, £25,000 from Bernard Sunley Charitable Foundation and £15,000 from Charles Hayward Foundation.

Cell Block Project relates to a joint project with the University of Portsmouth converting the cell block within the dockyard into a business incubation centre.

22 Unrestricted funds

	£	£
	Group	Trust
At 1 April 2015	10,623,723	8,453,923
Net movement for year	(262,383)	(482,782)
At 31 March 2016	10,361,340	7,971,141

23 Constitution

The Trust has no share capital and is limited by guarantee. As set out in the Trustees' report, in the event of a winding up, the Trustees of the Trust are liable to contribute an amount not exceeding £1 each.

24 Related party transactions

The Trust has taken exemption under FRS 102 from disclosing transactions with other Group companies, which eliminate on consolidation in the financial statements of the Trust.

M Cohen is a director and shareholder of Walters and Cohen Limited. During the year the Trust paid £15,444 (2015: £43,808) to this company in architects fees.

25 Pension Commitments

The Trust operates a defined contribution scheme for the benefit of its employees. The assets of the scheme are held separately from those of the Trust in an independently administered fund. The pension cost charge represents contributions payable by the Trust to the fund.

The pension cost paid by the Trust for the year amounted to £25,124 (2015: £19,364). Included in other creditors is £ (2015: £nil) in relation to unpaid pension contributions at the year end.

26 Contingent liabilities

During the year ending 31 March 2010, the Trust acquired the land and buildings at Priddy's Hard from Gosport Borough Council. Under the acquisition agreement, if the Trust develops certain areas of the site there is a profit sharing arrangement such that 32.5% of any profit is due to Gosport Borough Council. It is not possible at this stage to quantify the value of any payments that may be due in the future.

27 Capital commitments

At the year end the Trust had capital commitments of £23,583 (2015: £3,118,468).

28 Reconciliations on adoption of FRS 102

a. Reconciliation of funds

	At 1 April 2014 £	31 March 2015 £
Funds as reported under previous UK GAAP	15,250,799	17,807,116
Adjustments arising from transition to FRS 102:		
Restatement of investment properties to fair value	2,180,981	2,180,981
Less deferred tax provision on revaluation	(400,000)	(400,000)
Reverse depreciation on leasehold properties	184,518	215,271
Funds reported under FRS 102	17,216,298	19,803,368

b. Reconciliation of income

Income as reported under previous UK GAAP	2,556,317
Adjustments arising from transition to FRS 102:	
Reverse depreciation on leasehold properties	30,753
Income reported under FRS 102	2,587,070

c. Reconciliation of funds at 31 March 2015

	Previous UK GAAP £	Effect of transition £	FRS 102 £
Tangible fixed assets	9,516,257	(2,633,748)	6,882,509
Investment properties	-	5,030,000	5,030,000
Revaluation reserve	-	1,780,981	1,780,981
Unrestricted funds	10,408,452	215,271	10,623,723