

The National Museum of the Royal Navy (A company limited by guarantee) Trustees' Report and Consolidated Financial Statements 2018-19

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

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2019



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The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 06699696

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Legal and administrative information

Charity number 1126283

Company registration number 06699696

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

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

Trustees Admiral Sir Jonathon Band GCB DL (Resigned 20 May 2019)
Mr Michael J Bedingfield
Mr John R Brookes OBE (Resigned 11 July 2018)
Captain Dan Conley OBE (Resigned 31 January 2019)
Professor John Craven CBE (Resigned 30 October 2018)
Sir Robert WK Crawford CBE (Resigned 17 April 2018)
Professor John S Davidson (Appointed 11 July 2018, Resigned 16 September 2019)
Mr Mike Gambazzi
Ms Helen Jackson (Appointed 30 October 2018)
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC
Councillor Donna Jones
Admiral Sir Philip Andrew Jones KCB ADC DL (Appointed 20 August 2019)
Mrs Kimberley A Marshall (Resigned 29 October 2018)
Major General Jeffrey S Mason
Mrs Mary Montague-Scott (Appointed 30 October 2018)
Mr Tim Schadla-Hall
Professor Sara Selwood (Appointed 11 July 2018)
Rear Admiral Rob Stevens (Appointed 31 January 2019, Resigned 4 December 2019)
Mr Gavin Whitter
Dr Caroline Williams (Chair of Trustees)
Mr Charles Wilson

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National Audit Office
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Foreword

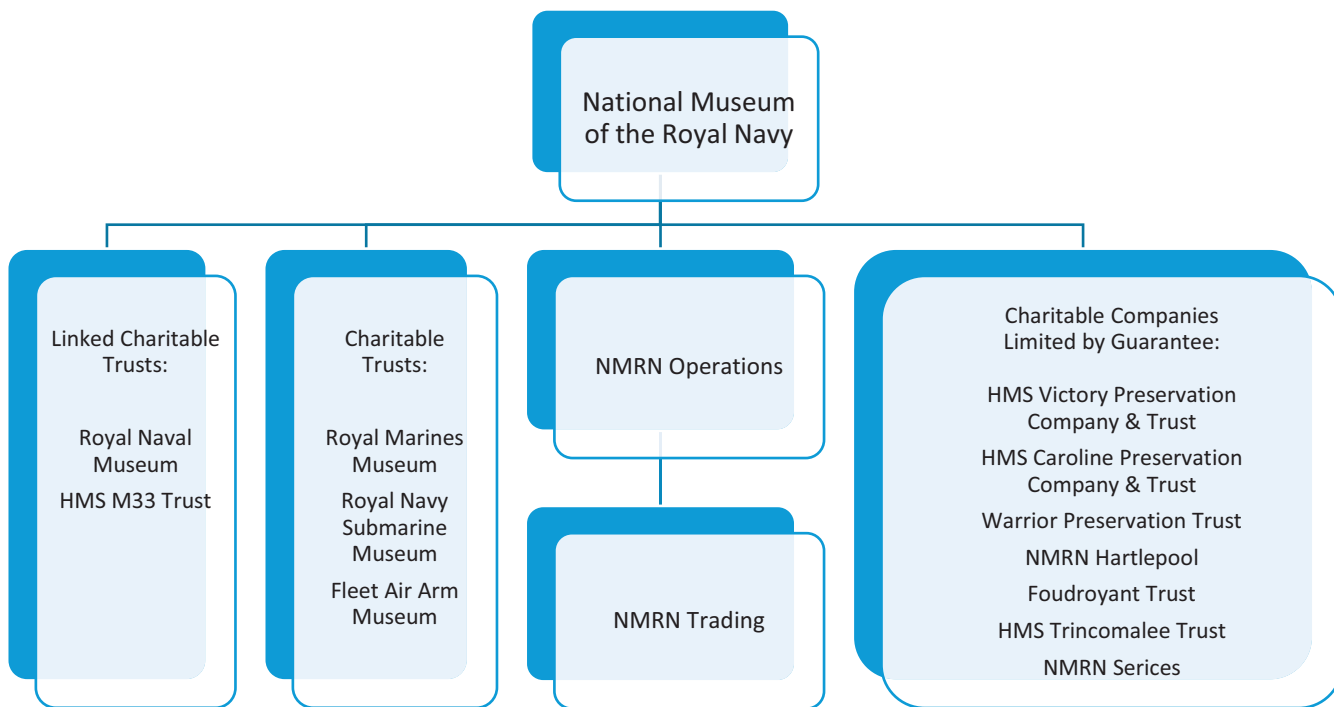
The charitable objectives of the National Museum of the Royal Navy, as defined within its Articles of Association are:

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

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

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

Organisation chart



Inactive charitable companies awaiting strike off:

- Royal Marines Museum
- Royal Navy Submarine Museum
- Fleet Air Arm Museum CLG Limited

Inactive trading companies awaiting strike off:

- Warrior Trading Limited

Performance Report

Overview

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

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

The National Museum's reach is further extending through its network of naval heritage partnerships. New cooperations include the Port of Milford Haven (Pembrokeshire); the Britannia and Dartmouth Museums, Dartmouth; Buckler's Hard, Beaulieu; and, the Maritime Archaeology Sea Trust. The museum's partnerships extend overseas, with new agreements for sharing naval heritage with the Chilean and Hellenic Navies, and the Lascarides Foundation, Athens. The National Museum has enhanced its curatorial assistance to the Royal Navy's significant collections, including HMS Collingwood, HM Naval Base Devonport and the decommissioned Cold War era nuclear HMS Courageous (Devonport).

The National Museum's day-to-day operation is overseen by the Executive Directors within the context of an overarching strategy framework, and underpinned by a suite of Group policies, procedures and operating models. Operational activity has been consolidated into NMRN Operations, a wholly owned charitable subsidiary of the National Museum, simplifying the governance structure and allowed the benefits of operation of the museums through a single large organisation to be realised, improving visitor experience, enhancing access to and care of the collections and demonstrating greater cohesion in the delivery of the charitable objectives. The National Museum's heritage assets are retained within independent charitable trusts, with the National Museum of the Royal Navy as the sole corporate trustee and the Warrior Preservation Trust will be seeking to transfer the ship and its heritage assets into a yet to be formed trust in the same model.

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

Activities and Achievements

Conservation and Collection Care

The work and future plans for the conservation and maintenance of the National Museum's historic ships is reported in detail in the separate annual accounts of Companies Limited by Guarantee for: HMS *Victory*, HMS *Caroline*, HMS *Warrior* and HMS *Trincomalee*. It has been an exceptionally active period on HMS *Warrior* and HMS *Victory*:

HMS *Warrior* - Following the merger of the Warrior Preservation Trust Ltd with the National Museum of the Royal Navy in 2017, efforts in the reporting period have focussed on addressing the most pressing threats to the ship's users and fabric. Following the 2017 survey of the ship's rig, which identified the need for an intensive period of extensive maintenance aloft, the National Museum's rigging team has undertaken repairs across all masts and the bowsprit. In particular, the mizzen topmast has been secured with additional security measures, whilst all masts have been subject to rig-tensioning and works to address chafe aloft. A rolling programme of block refurbishment is presently underway and measurements taken to allow the replacement of stays. The mooring system has been physically surveyed and a contractor appointed to assess the ability of the ship's structure to resist the loads imposed by the cable arrangement.

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Work was undertaken to replace heavily decayed hatch coamings with emphasis on eliminating areas where water might pool, leading to future breakdown of coatings and rot. In the course of the Heritage Lottery Funded works to the bulwarks, the poor condition of the transom cladding was identified as a conservation priority. Timber decay and corrosion of the iron plating has, to date, proven to be significant and the decorative carved work has been found to be badly decayed. Survey results suggest that the condition of the cladding at the head of the ship is in a similar state of decay. The ship's electrical installation has been surveyed and a number of significant defects identified that can be fully addressed only by the total replacement of all on board electrical systems.

HMS *Victory* - Efforts in the year have been concentrated in the areas of stabilisation and developing the conservation approach. Following delays to the installation of the new support system, caused by inaccurate performance of the load monitoring system, the contractor worked through the first half of the reporting period to identify the source of the malfunction and address the issues which was achieved by October 2018. Since then, works in the dry dock have progressed with the landmark removal of the first pair of cradles taking place. Throughout installation works, the ship's structure has responded as expected. The biennial task of painting the ship's sides to prevent water ingress was undertaken across summer 2018. Unfortunately, the extraordinarily warm and dry weather had a deleterious effect on the task of filling and painting the ship's side; the heavily decayed timber of the hull planking dried, shrunk and cracked due to the weather and this has impacted the efficacy of the overall work. It is now clear that weather protection to the starboard hull will be needed soon after completion of the works to install a new support system. The National Museum has established a team of in-house riggers, which has enabled the more cost effective deployment of specialist skills to the lower masts and remaining rig. Repairs have been undertaken to the lower mast trestles, and preventative maintenance undertaken to remove or limit the causes of chafe and corrosion aloft.

Visitor Services

From 1 April 2018 to 31 March 2019, the National Museum received 1,870,801 visits (2017-18: 1,334,540) to museum sites across the group, making the National Museum the 5th most visited ALVA (the Association of Leading Visitor Attractions) member outside London. In terms of digital reach, Facebook accounts achieved a total reach of 10,356,162, with Twitter making 3,179,780 impressions. Unique website visits totalled of 1,131,602. The ticketing system continues to generate reliable and usable data on which to base decisions to improve the visitor experience and continues to support the growth of footfall across sites. Press, PR and media coverage realised over £14.7million in Advertising Value Equivalent.

Volunteers

The National Museum has continued to develop and expand its volunteering programme over the last year with 380 volunteers who have dedicated over 40,000 hours of their time over the last year. Our volunteers continue to support the work of the National Museum in a number of ways including: outreach and community events; visitor engagement; learning and education workshops; collections research; and, cataloguing. We have broadened our volunteer reach to include digital and remote volunteering opportunities, as well as some dedicated volunteering days. Volunteers have been involved in the Britannia Royal Naval College Oral history project and the Royal Marines diary transcription. A dedicated team of HMS Warrior volunteers have been integral to getting the Warrior Collection digitised to create an online resource and have supported the reinterpretation of the ship including the introduction of costumed interpreters and opening up new areas. We had 62 BAE Systems staff members working alongside our staff at various sites for day of volunteering contributing a total 315 hours. We continue to work with Universities providing first-hand experience in the field of heritage and conservation and we have also expanded our partnerships to include local colleges. Volunteers have been successfully recruited to support the HMS Invincible project with 25 volunteers currently involved in the finds processing and collections research which will form the basis for the outreach and learning work as well as the exhibition. The arrival of RML 497 in Hartlepool led to an increase in volunteer numbers to support the conservation and interpretation. Volunteers are also working alongside our Collections Team, playing a key role in the decant of the Royal Marines Museum and the relocation of the collections at Fleet Air Arm Museum to Cobham Hall. A new volunteer team for the Royal Marines memorial garden continue to care for and improve the garden. Volunteers continue to play a central role in the work of the National Museum and their contributions are extremely valuable to us. We continue to seek to keep volunteers engaged and involved in the wider National Museum through talks, meetings and use of our intranet, Workplace. Volunteers have taken part in training sessions alongside staff including Dignity and Respect and Customer Service.

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Learning and Access

In the period, the National Museum supported visits by 50,837 pupils from the UK and a further 39,623 students from abroad through self-guided learning visits. An additional 17,855 pupils took part in 673 school workshops. We also delivered outreach activities to 5,434 participants and delivered informal learning activities to 30,062 participants.

Exhibitions

In this period the National Museum has made a number of improvements to permanent exhibitions and interpretation on different sites, opened a series of special exhibitions and prepared to an advanced stage the content for others which will open within 2019-20. These include:

The Pump House at HMS Caroline - This permanent exhibition on HMS Caroline's long history opened at The Pump House on 17 April 2018, with significant new artefacts and archive material relating to the ship exhibited for the first time.

'Silent and Secret: 50 Years of the Continuous At Sea Deterrent' - This permanent addition opened at the Royal Navy Submarine Museum on 15 June 2018, the anniversary of the first Polaris patrol by HMS *Resolution*. It charts the history of the Royal Navy adopting ballistic missiles and the reasons for it, through to modern day submarines and the Trident era. It covers the stories of those who served on board SSBNs and what it is like to live and work on a submarine that must be on constant alert, as well as displaying for the first time Polaris and TLAM missiles.

HMS Warrior - A new plan for the ship's interpretation, displaying HMS *Warrior* as 'A Victorian Marvel', as the ship appeared whilst taking part in the 1863 Channel Squadron round-Britain cruise was developed. Detailed research supported the restoration and display of new areas on board the ship and better understanding of the stories of the members of the ship's company. Public access to the new spaces on board, together with the delivery of the new interpretation supported by costumed interpreters went live in May 2019.

'Shipyard' by Lachlan Goudie - This special exhibition of over 40 works by the contemporary Scottish artist Lachlan Goudie was displayed at the National Museum, Portsmouth from 17 March – 10 June 2018. Granted privileged access to the Scottish shipyards at Govan and Rosyth, the exhibition featured work in a range of media and scale, showcasing the construction of HMS *Duncan* and HMS *Daring*, as well as the carriers HMS *Queen Elizabeth* and HMS *Prince of Wales*.

Tattoo. British Tattoo Art Revealed - This special loan exhibition developed by the National Maritime Museum, Falmouth was displayed at the National Museum, Portsmouth from 30 June 2018 – 3 March 2019. With 400 original artworks, photographs and historic artefacts from across the world this ground-breaking exhibition shed light on the long tradition of Royal Navy tattoos as well as cutting edge designers and their designs.

Collections

Over 500 offers of donated material were made to the National Museum during 2018-19, with around 50% accepted through the Acquisitions Panel. Further important acquisitions have come in through purchase, usually at auction. We have also received a steady stream of recovered material via the Receiver of Wrecks. Highlights include:

- **Surgeon George William Lillies Diary** kept whilst he was serving on HMS *Styx* and HMS *Pantaloön* mainly on the West African Station from 1845-1846. This well-written and insightful diary describes his many experiences during the passage out and during operations against the slavers. He describes day to day life aboard ship, the pursuit and capture of slavers, the treatment of patients, many of the ports and anchorages visited, trips ashore.
- **Photograph albums of Admiral Max Kennedy Horton** 1919 which also contained the original Admiralty letter of 1904 appointing him to HMS *Thames* for the Submarine Service.
- **Sketchbook drawn by Surgeon Probationer Charles Glen RNVR** while serving on the destroyer HMS *Sceptre*, 1917-1918 containing 69 exquisite watercolour sketches.
- **Photograph of funeral procession from Royal Marines Barracks Forton to Anns Hill Cemetery, Gosport for Cpl Ernest Williams, 31 May 1921.** Cpl Williams was kidnapped and murdered by rebels while serving with the 8th R.M. Battalion in County Sligo, Ireland, 17 May 1921. Cpl Williams served at the Battle of Jutland (1916) and the

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Zeebrugge Raid (1918). The funeral procession was led by Royal Marines from the Portsmouth Division.

- **Digital copies of unique cinefilm compiled by Captain H R Graham**, depicting aircraft carrier operations and other aspects of naval work during the interwar and early Second World War period.
- **Commemorative Torpedo Model presented to Lieutenant Launders**, CO of HM Submarine *Venturer*, commemorating the sinking of U-864 in December 1944. This was a unique episode in submarine history, the only occasion when a submarine sank a submarine whilst both were submerged.
- **Unclassified Admiralty order, dated January 1949** specifying from February 1 1949 that the Women's Royal Naval Service (WRNS) will be established as a permanent and integral part of the naval service.
- **Collection of slides taken by Major S M Marriott during Operation 'Grapple'** the British nuclear weapons tests 1957-58
- **Watercolour by the artist Gordon Rushmer** entitled 'Identity Checks near the Sahat Kulla, Pristina, Kosovo' 2001. Rushmer was embedded with 3 Commando (Brigade) Royal Marines.
- **Ink on paper by the artist Lachlan Goudie** entitled 'Shipbuilding' 2017 showing the construction of one of the lower blocks of the Queen Elizabeth class aircraft carriers at BAE Systems Maritime (Govan). The drawing was completed in 2017 following years of work by the artist and is a composite image showing various elements of construction but concentrating upon the assembly of the lower blocks of the aircraft carrier HMS Queen Elizabeth.
- **Oil and chalk on canvas painting by the artist Lachlan Goudie** entitled 'Engineering' showing the construction of a section of one of the Queen Elizabeth class aircraft carriers at BAE Systems Maritime (Govan). Undated but painting completed in 2017.

In parallel, the team have commenced a thorough and ongoing collections rationalisation programme. Within this period this has reviewed large artefact and archive collections from: HMS Warrior, the Explosion Museum collection and duplicate library material. In each case Trustees have approved significant transfer and / or disposal of material.

Trading

The National Museum of the Royal Navy Trading operates across all of the National Museum's sites as a single trading entity, delivering non-primary purpose commercial activities such as cafés, retail, guidebooks, weddings, corporate and private hires, wholesale and brand licensing, and also the production of new exhibitions. In 2018-19, the company turned over £3,271,000 (2017-18: £3,209,000) generating a profit of £306,000 (2017-18: £427,000). At the discretion of its directors, the National Museum of the Royal Navy Trading will distribute through gift aid £35,000 from its reserves to the National Museum.

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Post balance sheet events

Post balance sheet events are disclosed in note 28 to the accounts.

Plans for Future Periods

The following exhibitions, to open in 2019-20, were delivered in year:

- **Horrible Histories® Pirates: The Exhibition** - This special and highly interactive exhibition exploring the world of pirates was developed by the Australian National Maritime Museum in association with Scholastic UK and was opened at the National Museum, Portsmouth in April 2019.
- **Jolly Roger. A Symbol of Terror and Pride** - This special exhibition at the National Museum, Portsmouth features 20 submarine "Jolly Rogers" from the First World War to the 21st century. It sets this submarine 'pirate' tradition in the context of the Royal Navy's long and ongoing history of suppressing piracy. The exhibition was developed in year, and will opened to the public in April 2019.
- **Women and the Royal Navy: From Pioneers to Professionals** - This display which was created as a special exhibition at the National Museum, Portsmouth to mark the centenary of the creation of the Women's Royal Naval Service in 2017, and has been relocated as a permanent gallery improvement at the Fleet Air Arm Museum and opened in July 2019.

Five major projects will continue to be the focus of significant work for the National Museum with an impact to be shared in the next reporting period:

- **LCT 7074: Resurrecting a D-Day Veteran** - In September 2018, the National Lottery Heritage Fund (NLHF) approved an application by the National Museum for £4,513,500 (80% of total cost) to restore the last Landing Craft (Tank) to take part in Operation Neptune, the naval element of the great invasion of Nazi-occupied Europe which has gone down in history simply as 'D-Day'. LCT 7074 is a unique time capsule and of enormous importance to the history of the Second World War, the Royal Navy, and British shipbuilding. The project, developed in partnership with Portsmouth City Council, is now underway to completing the process that began with her salvage and rescue from certain destruction in 2014. LCT 7074 will be showcased outside Portsmouth City Council's D-Day Story which was newly reopened following an exciting multimillion pound redevelopment. The ship will be conserved, restored and moved and will be interpreted to tell the story of her D-Day journey, and the men women who built, serviced and maintained her, and took her into action. The partnership project has progressed well and will open the ship in June 2020.
- **Diving Deep: HMS Invincible 1744** - In June 2018, the NLHF approved a joint application with the Maritime Archaeological Sea Trust (MAST) for an activity and exhibition project based on a new dive and excavation of the wreck site and awarded the project £361,000 (59% of total). With match-funding from MAST, this project is now fully-funded, and has progressed well with content developing for a significant exhibition to be opened first with project partners Chatham Historic Dockyard in July 2020 and at the National Museum, Portsmouth in January 2021.
- **Spitfires of the Sea** - In June 2018, the NLHF approved a major project for the re-development of the Priddy's Hard Royal Naval Armaments Depot in Gosport. Match funding for the project includes a major permanent exhibition with a budget of £500k on the Royal Navy's Coastal Forces is contributed by the Coastal Forces Heritage Trust (CFHT); the National Museum is a partner with CFHT to deliver the exhibition. Progress on exhibition design and content is well advanced and, in coordination with the conservation of the Museum's 2 boats MTB 71 and CMB 331, will open at the Explosion Museum in Gosport in June 2020.
- **SeaMore: sharing the newest national collection** - On 26 June 2018, the NLHF turned down a Round 2 grant application for our major capital project 'SeaMore: sharing the newest national collection'. The project planned to create a New Royal Marines Museum within Portsmouth Historic Dockyard and to transform access to and care of the National Museum's collection. The National Museum remains committed to the need for the Royal Marines to have a museum that is worthy of its 355-year and unique history that recalls the sacrifice and service of the countless thousands of Royal Marines who have supported the nation through the darkest times and in response has launched its #5millionmission to achieve its fundraising target. An appraisal of options has been completed for care of our collection which will provide a solution which balances collection storage, staff, volunteer and collection

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access and use for 5 years. The National Museum will invest over £2 million to create a major collection store in Storehouse 12 at the National Museum, Portsmouth, and also specialist facilities at the Explosion Museum (small arms and large artefacts) and Cobham Hall, Fleet Air Arm Museum (uniform and paintings). Work is now underway at the Royal Marines Museum and Royal Navy Submarine Museum to pack and move collections offsite to secure the National Museum's collections within facilities which meet minimum standards and which provide the basis for a secure and stable future.

- **Fleet Air Arm Museum redevelopment** - A strategic study on the ideal future location, site and vision for the Fleet Air Arm Museum commenced in early 2018. The study has progressed well and will be considered within the wider discussion on the National Museum's masterplan.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2019

Total incoming resources for the National Museum in 2018-19 amounted to £18,067,000 (2017-18: £24,446,000). And relates largely to Grant in Aid, donations, admissions income (including gift aid) and trading income. The decrease in incoming resources from the previous reporting period results from the exceptional income received in that period relating to grant income and donations for major capital projects including HMS *Victory*, HMS *Warrior* and HMS *Caroline*.

Total resources expended for 2018-19 amounted to £18,898,000 (2017-18: £24,161,000). The decrease in outflow relates largely to expenditure on project activity including HMS *Caroline*, HMS *Warrior*, the British Mercantile Marine Memorial Trust and the Royal Marines Museum relocation project.

The net income in unrestricted funds for the period was £122,000 (2017-18: £260,000).

After adjustment for net gains on investments totalling £95,000 and gains on revaluation of fixed assets of £279,000, the net movement in funds for the year was a decrease of £457,000.

Balance Sheet

The net assets as at 31 March 2019 amounted to £178,971,000 (31 March 2018: £179,428,000).

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

Reserves

The Trustees regularly monitor the levels of the Group's reserves and seek to take correction action as necessary. As at 31 March 2019, the company's unrestricted funds (excluding the revaluation reserve) stood at a deficit of (£119,000) (31 March 2018: (£241,000)). This balance includes a long term liability of £130,000.

As at 31 March 2019, the level of the company's free reserves (defined as net current assets attributable to unrestricted reserves) stood at £10,000 (31 March 2018: £17,000). Under the Group's governance structure, the company receives no funding other than Grant in Aid from the MOD. This grant is used to defray the company's own expenses before granting the balance onto its operating subsidiary, NMRN Operations, on the basis of need. Under the current terms of the financial framework, the company is only permitted to carry over a maximum 2% of the total Grant in Aid into the next financial year and any carry forward may be taken into account in reducing the following year's Grant in Aid. If not carried forward, the balance of Grant in Aid unspent must be repaid to the MOD. Based on the year's Grant in Aid of £3,330,000 the maximum carry forward is £67,000.

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The Group's free reserves (including designated funds) stood at £2,506,000 (31 March 2018: £2,123,000). As nearly all of the Group's operating costs now flow through NMRN Operations, the Group policy is that sufficient free reserves are accumulated within the charitable subsidiary NMRN Operations to provide three months' operating expenditure for the greatest potential area of exposure (Portsmouth Historic Dockyard, including the Gosport sites), i.e. a total free reserve of £1.54m based on 2018-19 budget requirements. There is no need to accumulate additional free reserves in either the company or the subsidiary trusts and any such reserves held will be appropriately used, as approved by the Board, for the furtherance of the trusts' charitable objects. The Trustees are committed to reviewing the reserves policy for future periods to create a reduced operating reserve to cover the cash flow requirements of the business only. The Trustees are satisfied from the reports received by the Board and its committees that a budget had been set to build the reserves and that actions taken to monitor and manage income generation, expenditure and cash flow will minimise the risks. As such, the free reserves balance does not represent a going concern risk to the Group.

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

Investment Policy

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

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

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

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

For the year ending 31 March 2019, income from investments totalled £688,000 with management fees of £243,000 and unrealised gains of £95,000.

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Auditors

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

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

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

On behalf of the board

Dr Caroline Williams
Chair on behalf of the Board of Trustees

Professor Dominic Tweddle
Director General and Accounting Officer

Date

Date

Accountability Report

Trustees' Report and Governance Statement

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

The Trustees have had due regard to the guidance issued by the Charity Commission on public benefit. A core principle of the National Museum's strategy is to initiate, develop and extend regional partnerships and affiliations thereby allowing the story of the Royal Navy to be told across the UK. Through its charitable objects, the National Museum seeks to promote the education of the general public about the history, deeds and traditions of the Royal Navy and encourages the public to commemorate and recognise the sacrifice of those members of the Naval Service who have died on active service. The National Museum operates fee paying attractions and endeavours to ensure that ticket prices are set at a reasonable level, including several types of concessions. The National Museum offers workshops to schoolchildren in support of the National Curriculum, operates community outreach programmes in the local areas for children, their parents and carers, and hosts foreign language school pupils. The National Museum's activities are supported by a team of around 380 volunteers who deliver an important contribution through a variety of tasks across the museum.

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

The Governance Framework

The National Museum of the Royal Navy is a company limited by guarantee (company number: 06699696) and a charity registered with the Charity Commission (registration number: 1126283). It is governed by its Articles of Association dated September 2018, which incorporate its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the Charity Commission guidance 'Finding new trustees: what charities need to know' and appointments are guided by the principles of the Cabinet Office guidelines 'Governance Code on Public Appointments'.

The National Museum of the Royal Navy is also a Non-Departmental Public body, sponsored by the Ministry of Defence, and as such is obliged to comply with HM Treasury financial reporting requirements. The Financial Framework, which defines the arrangements between the National Museum and its sponsor, was updated in light of the department's 2016 Service Museums review and agreed in December 2019.

The Trustees ensure the distinct legal responsibilities and charitable objectives of the company are fulfilled within an overall policy and strategy framework. The day-to-day operation of the company within that framework is delegated to the Director General and Accounting Officer and to the Executive Directors. The Board of Trustees meets periodically through the year to set the long-term strategic objectives of the Group, agree the Corporate Priorities and review performance against previous objectives set.

The Trustees of the National Museum aim to stay abreast of good governance and practice and have well-developed plans to ensure compliance with the Charity Governance Code. During 2018, the Board conducted an evaluation of its performance, composition, effectiveness, skills and diversity. The Board has taken steps to improve its governance through the simplification of its group structure to improve transparency and effectiveness of delivery.

Board decisions are informed by appropriately detailed management reports, which have passed through the relevant subsidiary boards or committees as appropriate, and which in turn have the specific membership and skill sets to enable close scrutiny and challenge before reaching the Board. The flow of information, its quality and accuracy and the process of review is considered sufficient for the Board to ensure that it fulfils its responsibilities effectively.

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A full formal induction process for new Trustees and committee members is in place which combines all the necessary background reading material including items such as the Articles of Association and committee terms of reference, 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 and corporate plan, a copy of the Museum Association publication, "Code of Ethics for Trustees", with visits to the National Museum sites to meet key members of staff and to discuss current issues. Other tailored training may be arranged. Recent appointees continue to confirm their satisfaction with this process.

Each Board of Trustees of the respective subsidiary companies remains responsible for their governance issues, which are clearly set out between the National Museum and its constituent members. The NMRN Operations Board is charged with responsibility for operational delivery of the Corporate Priorities to meet the National Museum's strategic objectives. The Chair of the NMRN Operations Board reports back to the main Board of Trustees on progress.

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

Audit and Governance Committee – with delegated responsibility on behalf of the Board of Trustees for overseeing all auditing, risk management and governance aspects of the Group, reporting back to the Board when necessary.

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

Collections, Research, Learning and Access Committee – responsible for articulation of the Acquisitions, Disposals and Loans Policy for the National Museum, the Collections Strategy and all Collections Management, Conservation, Access and Research policies and priorities.

Fundraising Committee – with responsibility to lead on all aspects of fundraising for the National Museum, constructing a strategy that supports the agreed Strategic Objectives and Plan of the National Museum in terms of its scale, scope and reach and co-ordinated the approach to the private, public and corporate sectors. The Fundraising Regulator requires Trustees to receive a report annually on the operation of the fundraising function, especially in relation to complaints received through the Regulator regarding the National Museum. No complaints have been made. The Trustees in turn are required to monitor the approach undertaken to fundraising, which is set out in reports to the Committee and Board.

Day to day operation of the National Museum is the responsibility of the Director General who is appointed by the Trustees and who is also the Accounting Officer of the organisation. The Director General attends the meetings of the main Board and subsidiaries and also attends the National Museum's committees.

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

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Membership and attendance of key meetings	Board of Trustees	Audit and Governance Committee	Nomination and Remuneration Committee	Collections Research Learning and Access	Fundraising Committee
Total number of meetings in the period					
<u>Chairman:</u>					
Admiral Sir Jonathon Band GCB DL	3/4	-	-	-	-
<u>Trustees:</u>					
Mr M Bedingfield	4/4	-	3/3	-	4/4
Mr J R Brookes OBE	2/2	-	-	-	-
Captain Dan Conley	4/4	-	-	-	3/3
Professor John Craven CBE	2/3	-	-	2/2	-
Sir Robert W K Crawford CBE	1/1	-	-	-	-
Professor John Scott Davidson	2/3	3/3	2/2	-	-
Mr M Gambazzi	4/4	4/4	3/3	-	-
Mrs Helen Jackson	2/2	-	-	-	3/3
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	3/4	-	-	-	-
Councillor Donna Jones	2/4	-	3/3	-	-
Mrs K A Marshall	2/2	1/2	-	-	-
Major General J Mason	1/4	-	-	-	-
Mrs Mary Montagu-Scott	2/2	-	-	-	-
Mr T Schadla-Hall	3/4	-	-	3/4	-
Professor Sara Selwood	2/3	-	-	4/4	-
Rear Admiral Robert Stevens	1/1	-	-	-	-
Mr G Whitter	4/4	4/4	-	-	-
Dr Caroline Williams	3/4	-	2/3	-	-
Mr Charles Wilson	4/4	-	-	-	1/4
<u>Non- Trustees:</u>					
Mr Stephen Bradley	-	-	-	-	4/4
Dr M Copp	-	1/1	-	-	-
Vice Admiral Sir Anthony Dymock KBE CB FRSA	-	-	-	-	3/4
Ms Sarah Humphrey	-	3/4	-	-	-
Professor Andrew Lambert	-	-	-	2/4	-
Ms Caroline MacDonald	-	-	-	1/4	-
Ms Tiva Montalbano	-	-	-	4/4	-
Mr Mark Pemberton	-	-	-	3/4	-
Mr Andrew Robertshaw	-	-	-	0/1	-
Mrs Sandi Rhys-Jones	-	-	-	-	0/2
Dr Amara Thornton	-	-	-	3/4	-
Mr Roy Stephenson	-	-	-	0/4	-

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Personal data loss

The company has not identified any personal data related incidents that required reporting to the Information Commissioners Office during 2018-19. An incident is defined as a loss, unauthorised disclosure or insecure disposal. Protected personal data is information which links an identifiable living person with information about them which, if released would put the individual at significant risk of harm or distress; the definition includes sources of information that because of the nature of the individuals or the nature, sources or extent of the information, is treated as protected personal data by the company.

System of internal control

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

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

Internal Audit

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

In their annual report to the Audit and Governance Committee for the year ended 31 March 2019, the internal auditor was able to provide limited assurance that there was generally a sound system of internal control, designed to meet the organisation's objectives, and that controls were being applied consistently. The audit findings which led to the limited assurance opinion included: consistency of approach to risk assessment of new staff and volunteer roles; lack of an overarching complaints policy; trading company stock control; testing of IT disaster recovery plans; and, procedures to ensure compliance with purchasing requirements. The internal auditor also reported on a number of areas of good practice, including: due diligence checks on new suppliers and large tenders; improvements to management accounting; and, a robust Business Continuity Plan supported by a comprehensive collections salvage plan.

The internal auditor reported that the limited assurance opinion was partially as a result of the organisation taking a more risk-based view on the use of its internal audit resource in providing assurance in areas where there were known areas of concern and also the organisation's request for early internal input into systems under development. The organisation had made good progress in implementing recommendations made by the internal auditors over the course of this and previous years.

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

The external auditor for the National Museum of the Royal Navy is the Comptroller and Auditor General, with the audit conducted by Ernst & Young LLP on behalf of the National Audit Office. The external audit of the subsidiary companies is conducted by PKF Littlejohn LLP. The Audit and Governance Committee receives and reviews all external auditor reports.

Risk Management

For the year ended 31 March 2019, a comprehensive suite of uniformly presented Strategic, Operational and Project Risk Registers have been in place, which identify the risks relevant to the successful continuation of the company and group's current operations and its future development. Risk Management is incorporated into the National Museum's corporate planning, with the risk of failure and severity of the failure being applied to key activities.

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

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

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Assurance Statement by the Audit and Governance Committee

The Audit and Governance Committee is reasonably confident that:

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

In our view, the information received was sufficient to enable us to review and confirm the effectiveness of the National Museum of the Royal Navy's system of internal control in accordance with Treasury guidance and recommendations. The system of internal control has been in place in the National Museum of the Royal Navy for the year ended 31 March 2019 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Gavin Whitter
Chair of the Audit and Governance Committee
on behalf of the Board of Trustees

Professor Dominic Tweddle
Director General and Accounting Officer

Date

Date

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Statement of Board of Trustees' and Accounting Officer's responsibilities

for the year ended 31 March 2019

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

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

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

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

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's assets, are set out in Managing Public Money published by HM Treasury. The Accounting Officer confirms that the annual report and accounts as a whole are fair, balanced and understandable and he takes personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

Dr Caroline Williams
Chair on behalf of the Board of Trustees

Professor Dominic Tweddle
Director General and Accounting Officer

Date

Date

Remuneration and Staff Report

for the year ended 31 March 2019

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

Remuneration Policy

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

Staff salaries are set within a pay structure that was established in June 2015 and is reviewed annually to reflect impact of changes in the National living Wage with any changes approved by the Director General.

Total remuneration table (subject to audit)

Employee	Salary £'000		Non-consolidated payments £'000		Pension benefits £'000		Total £'000	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
D Tweddle Director General	110-115	110-115	Nil	10-15	11	11	120-125	135-140
S Dennis Executive Director	85-90	85-90	Nil	0-5	9	9	90-95	95-100
J Rawlinson Executive Director	80-85	80-85	Nil	0-5	8	8	85-90	90-95
M Sheldon Executive Director	70-75	70-75	Nil	0-5	7	7	75-80	80-85

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

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

Median Pay Disclosure (subject to audit)

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median (mid-point) remuneration of the organisation's workforce based on the full time equivalent pay. The remuneration ratio is 5.56:1 (2018 7.28:1). This represents the pay of the highest paid director (including performance related bonus) as a multiple of the median pay award – the full time equivalent median pay is £20,000 (2018: £15,366). The variation of median pay on the previous year arises from the rationalisation of the numbers of staff on lower salary bands as a result of natural attrition.

In 2018-19, no employees (2017-18: Nil) received remuneration in excess of the highest paid executive director.

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Staff costs for the National Museum Group year total £7,059,739 (2018-19: £6,831,868).

During the year the National Museum Group employed an average of 411 members of staff (2017-18: 407), of which 148 (2017-18: 138) were employed on full time contracts. These numbers include workers engaged under Casual Worker Agreements. 224 of these staff are female (2017-18: 259) and 187 (2017-18: 139) are male. The average full time equivalent number of staff for the year was 244 (2017-18: 249).

No Trustees received remuneration during the year (2017-18: Nil). Twelve Trustees of the National Museum of the Royal Navy were reimbursed for travel expenses totalling £4,715 (2017-18: Nine trustees £4,200).

Sickness absence

Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 3.9 per employee (2017-18: 2.3 per employee) excluding days lost due to long-term sickness absence.

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

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	3	Nil	3
£10,000-£25,000	3	Nil	3
Total number of exit packages	6	Nil	6
Total resource cost/ £	49,548	Nil	49,548

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

Other staff costs

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

Equality, Diversity and Access

The National Museum is committed to providing a working environment in which all workers are able to realise their full potential and contribute to the Museum's success, ensuring all individuals will be treated in a fair and equal manner and in accordance with the law regardless of gender, marital status, race, religion, colour, age, disability or sexual orientation. The National Museum takes all reasonable steps to provide a work environment in which all workers are treated with dignity and respect and that is free of harassment.

Employee Consultation and Involvement

The Director General and the Executive Directors consult with staff through project-focused staff consultation groups, set up to encourage increased levels of communication and consultation across the whole of the National Museum and establishing a delivery-focused culture of working, exchanging views and ideas, discussing problems and planning for the future.

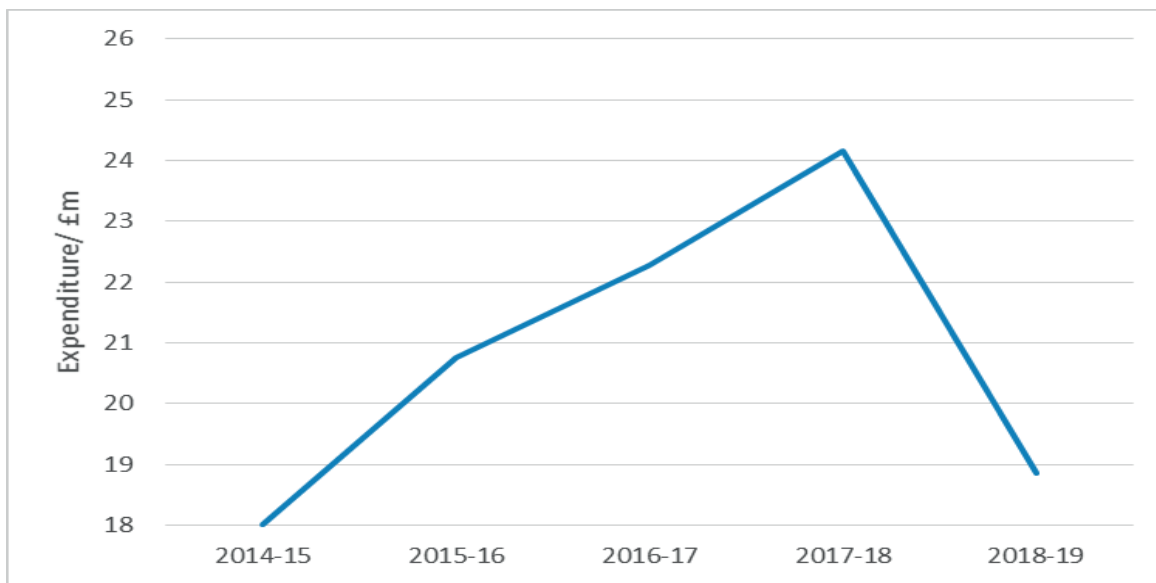
Consultation and involvement with staff is also maintained through various forums including the Safety, Health, Environment and Quality Committee, regular directorate and team meetings, the National Museum's intranet "Ahoy! Workplace", and the performance appraisal and "check in" system.

Trade Union facility time report	2018-19	2017-18
Relevant union officials	Nil	Nil
Percentage of time spent on facility time	Nil	Nil
Percentage of pay bill spent on facility time	0%	0%
Paid trade union activities	Nil	Nil

Parliamentary accountability and audit report

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

Expenditure trends over the past five years are shown below.



The increase of expenditure to the peak in 2017-18 is a result of the growth and expansion of the National Museum as it has pursued its strategy to increase its scale, scope and reach. During the five year period, the National Museum has successfully delivered a number of significant projects and more than doubled its visitor numbers to 1,870,801 in 2018-19. The Grant in Aid received from the sponsor body has remained static in cash terms across the period at £3.45m (including purchase of exhibits grant) and the National Museum’s growth has been funded through self-generated income, grants and donations.

Dr Caroline Williams
Chair on behalf of the Board of Trustees

Professor Dominic Tweddle
Director General and Accounting Officer

Date:

Date:

The National Museum of the Royal Navy

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

Opinion on financial statements

I certify that I have audited the financial statements of the National Museum of the Royal Navy for the year ended 31 March 2019 under the Government Resources and Accounts Act 2000. The financial statements comprise the group and parent company Statement of Financial Activities, Balance Sheet and Cash Flow Statement and the related notes, including the significant accounting policies. The financial statements have been prepared under the accounting policies set out therein and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability and Audit Report that is described in those reports as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2019 and of the group's incoming resources and application of resources, including income and expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice); and
- the financial statements have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Museum of the Royal Navy in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the National Museum of the Royal Navy's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

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Responsibilities of the trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement, 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.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the group and the parent company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's and the National Museum of the Royal Navy's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

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Other Information

Management is responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Remuneration and Staff Report and Parliamentary Accountability and Audit Report described in those reports as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and Parliamentary Accountability and Audit Report described in those reports as having been audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the group and the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept by the parent company or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and Parliamentary Accountability and Audit Report described in those reports as having been audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

Date

Comptroller and Auditor General

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

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2019

	Notes	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2018 Total £'000
Income from:											
Donations and legacies											
Grant in Aid (revenue)	2	3,330	-	-	-	3,330	3,271	-	-	-	3,271
Grant in Aid (capital)	2	124	-	-	-	124	122	-	-	-	122
Donations	2	1,137	3,807	-	-	4,944	1,136	9,447	3	-	10,586
Legacies	3	63	-	-	-	63	2	-	-	447	449
Charitable activities											
Admissions	4	5,553	-	-	-	5,553	5,901	-	-	-	5,901
Memberships		75	-	-	-	75	31	-	-	-	31
Other trading activities											
Fundraising events		-	-	-	-	-	33	-	-	-	33
Trading subsidiary	5	3,170	-	-	-	3,170	3,255	-	-	-	3,255
Investments	6	498	-	-	190	688	503	-	-	175	678
Other		120	-	-	-	120	118	2	-	-	120
Total income		14,070	3,807	-	190	18,067	14,372	9,449	3	622	24,446
Expenditure on:											
Raising funds											
Fundraising and publicity	7	883	-	-	-	883	920	-	-	-	920
Investment management costs		-	-	-	243	243	-	-	-	230	230
Trading subsidiary	5	2,965	-	-	-	2,965	2,834	-	-	-	2,834
Charitable activities	8	10,100	4,707	-	-	14,807	10,359	9,818	-	-	20,177
Total expenditure		13,948	4,707	-	243	18,898	14,113	9,818	-	230	24,161

The notes on pages 31 to 59 form an integral part of these financial statements.

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2019

	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2018 Total £'000
Net gains/(losses) on investments	-	-	-	95	95	1	-	-	(539)	(538)
Net income/(expenditure)	122	(900)	-	42	(736)	260	(369)	3	(147)	(253)
Transfer between funds	(31)	(88)	119	-	-	(788)	2,724	137	(2,073)	-
Other recognised gains/(losses):										
Gains on revaluations of fixed assets	121	158	-	-	279	(226)	18,557	-	-	18,331
Net movement in funds	212	(830)	119	42	(457)	(754)	20,912	140	(2,220)	18,078
Reconciliation of funds:										
Total funds brought forward	19,167	121,092	3,188	35,981	179,428	18,370	97,529	3,048	33,480	152,427
Reserves on acquisition	-	-	-	-	-	1,551	2,651	-	4,721	8,923
Total funds carried forward	19,379	120,262	3,307	36,023	178,971	19,167	121,092	3,188	35,981	179,428

The notes on pages 31 to 59 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 2019

		Group	Group	Company	Company
		2019	2018	2019	2018
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	14	28,302	28,616	1	2
Heritage assets	15	104,013	103,894	3,283	3,164
Investments	16	34,978	34,936	-	-
		<u>167,293</u>	<u>167,446</u>	<u>3,284</u>	<u>3,166</u>
Current assets					
Stocks	17	7,351	7,506	-	-
Debtors	18	3,190	3,621	2,397	3,026
Cash at bank and in hand		5,198	5,769	1,019	684
		<u>15,739</u>	<u>16,896</u>	<u>3,416</u>	<u>3,710</u>
Creditors falling due within one year	19	<u>(4,181)</u>	<u>(4,986)</u>	<u>(1,549)</u>	<u>(2,016)</u>
Net current assets/(liabilities)		<u>11,558</u>	<u>11,910</u>	<u>1,867</u>	<u>1,694</u>
Debtors falling due after one year	18	320	424	-	-
Total assets less current liabilities		<u>179,171</u>	<u>179,780</u>	<u>5,151</u>	<u>4,860</u>
Creditors falling due after more than one year	20	<u>(200)</u>	<u>(352)</u>	<u>(130)</u>	<u>(260)</u>
Net assets		<u><u>178,971</u></u>	<u><u>179,428</u></u>	<u><u>5,021</u></u>	<u><u>4,600</u></u>
Funds					
Unrestricted funds		18,859	18,476	(120)	(242)
Designated funds		72	365	-	-
Revaluation reserve		448	326	1	1
Total unrestricted funds		<u>19,379</u>	<u>19,167</u>	<u>(119)</u>	<u>(241)</u>
Restricted funds		75,184	76,172	1,833	1,653
Revaluation reserve		45,078	44,920	-	-
Linked charities		3,307	3,188	3,307	3,188
Total restricted funds		<u>123,569</u>	<u>124,280</u>	<u>5,140</u>	<u>4,841</u>
Total endowment funds		<u>36,023</u>	<u>35,981</u>	<u>-</u>	<u>-</u>
Total funds	21	<u><u>178,971</u></u>	<u><u>179,428</u></u>	<u><u>5,021</u></u>	<u><u>4,600</u></u>

The National Museum of the Royal Navy is exempt from an audit under Part 16 of the Companies Act 2006 under section 485 (non-profit-making companies subject to public sector audit) of the Companies Act 2006, but subject to audit under the Government Resources and Accounts Act 2000.

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

Dr Caroline Williams
Chair of the Board of Trustees

Professor Dominic Twedde
Director General and Accounting Officer

Date:

Date:

The notes on pages 31 to 59 form an integral part of these financial statements.

The National Museum of the Royal Navy
(A company limited by guarantee)
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Consolidated Cash flow statement
for the year ended 31 March 2019

	Notes	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Cash flows from operating activities:					
Net cash provided by (used in) operating activities		(217)	1,443	449	(128)
Cash flows from investing activities:					
Dividends, interest and rents from investments		688	670	-	-
Purchase of property, plant and equipment		(852)	(1,632)	(114)	-
Purchase of investments		(190)	(182)	-	-
Sale of investments		-	109	-	-
Net cash provided by (used in) investing activities		<u>(354)</u>	<u>(1,035)</u>	<u>(114)</u>	<u>-</u>
Change in cash and cash equivalents in the reporting period		(571)	408	335	(128)
Cash and cash equivalents at 1 April 2018		5,769	5,361	684	812
Total cash and cash equivalents at 31 March 2019	29	<u><u>5,198</u></u>	<u><u>5,769</u></u>	<u><u>1,019</u></u>	<u><u>684</u></u>
Net income/(expenditure) for the year		(736)	(253)	421	(249)
Depreciation		1,331	1,386	1	1
(Gains)/losses on investments		(95)	538	-	-
Adjustment for non-cash fees from gains/losses		244	229	-	-
Dividends and interest from investments		(688)	(670)	-	-
Donated heritage assets		(4)	(140)	(4)	(140)
On acquisition/disposal:					
Fixed assets		-	(7,346)	-	-
Reserves		-	8,923	-	-
(Increase)/decrease in stocks		155	(77)	-	-
(Increase)/decrease in debtors		534	(1,732)	628	(47)
Increase/(decrease) in creditors		(805)	713	(467)	437
Increase/(decrease) in long term liabilities		(153)	(128)	(130)	(130)
Net cash provided by (used in) operating activities		<u><u>(217)</u></u>	<u><u>1,443</u></u>	<u><u>449</u></u>	<u><u>(128)</u></u>

The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 06699696

Notes to the financial statements for the year ended 31 March 2019

1. Accounting policies

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

1.1. Charity information

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

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

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

1.2. Basis of preparation of the financial statements

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

The financial statements have been prepared on a going concern basis, due to ongoing grant in aid funding from the Ministry of Defence and the steps being taken to improve the reserve position (please see 'Reserves' on page 11).

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

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

1.3. Basis of consolidation

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

NMRN Operations (NMRNO) (company no. 09988314, charity no. 1169061) incorporating the National Museum of the Royal Navy Trading (company no. 01261270)

Royal Navy Submarine Museum (RNSM) (company no. 07637385, charity no. 1142123) and Trust (charity no. 1169371)

Royal Marines Museum (RMM) (company no. 07635447, charity no. 1142186) and Trust (charity no. 259422)

Fleet Air Arm Museum (FAAM) (company no. 07570620, charity no. 1143023) and Trust (charity no. 250079)

NMRN Hartlepool (NMRNH) (company no. 00123456, charity no. 1165917)

HMS Trincomalee Trust (HMSTT) (company no. 02678419, charity no. 1007784)

Warrior Preservation Trust (WPT) (company no. 00936870, charity no. 256756) incorporating Warrior Trading Limited

HMS Victory Preservation Company (HMSVPC) (company 07935358, charity 1146376) incorporating HMS Victory Preservation Trust

HMS Caroline Preservation Company (HMSPCC) (company 08303946, charity 1149930) incorporating HMS Caroline Preservation Trust

NMRN Services (NMRNS) (company no. 08843356, charity no. 1156012)

Foudroyant Trust (company no. 00628111, charity no. 306082)

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 the National Museum's and the individual museums' activities. The individual results of the company can be found in the detailed statements of financial activities (Note 31).

1.4. Fund accounting

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

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

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

The National Museum of the Royal Navy

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Notes to the financial statements for the year ended 31 March 2019

1.5. Incoming resources

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

Voluntary income is received by way of grants, donations and gifts and is included in full in the statement of financial activities when receivable. Grants where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant. Gifts in kind are included in the accounts at their current market value where this is readily identifiable. Where current market value is unavailable then gifts in kind are included in the accounts on the basis of internal valuations estimated by relevant staff and determined by their experience and judgement, unless this is not possible without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

Grant in Aid funding is received from the Ministry of Defence (MoD) as a contribution towards the operating costs of the National Museum Group. The majority of the Grant in Aid is received by the National Museum and then distributed to NMRN Operations on the basis of need, 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 National Museum.

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

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

1.6. Grants receivable

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

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

1.7. Resources expended

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

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

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

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

1.8. Tangible fixed assets

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

Land and buildings held by the Fleet Air Arm Museum, Royal Navy Submarine Museum Trust, and NMRN Operations are stated at a valuation of depreciated replacement cost and depreciated over the lease term. These charities obtain a professional valuation at least every five years and indices are used to reflect the change in value in the intervening years. Land and buildings owned by the Royal Marines Museum will be sold as part of the Museum's move to Portsmouth Historic Dockyard and accordingly were revalued to market value on 18 May 2017.

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

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

**The National Museum of the Royal Navy
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**Notes to the financial statements
for the year ended 31 March 2019**

1.9. Heritage assets held by the group

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

Background

Each trust holds artefacts comprising its collection. The main and reserve collections (other than assets acquired since 1 April 2000 - see below) have not been included in the financial statements due to their historic and inalienable nature and, 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.

Assets acquired prior to 1 April 2000 have not been capitalised and included in the accounts but with effect from 1 April 2000, additions to the collection with a cost in excess of £2,500, have been capitalised. These assets are carried at cost, or deemed cost, and not depreciated due to infinite useful economic lives. An annual review for impairment is carried out in accordance with the Charities SORP, with any impairment recognised in the Statement of Financial Activities. The exception to this is the Fleet Air Arm Museum where aircraft acquired prior to 1 April 2000 have also been capitalised. Note that this treatment is inconsistent with the accounts of the Fleet Air Arm Museum where the assets acquired prior to 1 April 2000 are excluded from the balance sheet.

Heritage assets donated to the trusts with a value in excess of £2,500 are included in the accounts on the basis of internal valuations estimated by the relevant curatorial staff and determined by their experience and judgement. Where this information is not available, and cannot be obtained at a cost commensurate with the benefits to users of the financial statements, the assets will not be recognised in the Balance Sheet and the disclosure required by the Government Financial Reporting Manual will be made.

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

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

Acquisitions are guided by a Collections Development Policy; this sets out priorities and processes for acquisition. There are two principal methods of acquisition: Acquisition by gift - Curators have authority to propose collecting in line with the National Museum's Master Narrative and Collections Development Strategy. Proposed donations requiring further consideration, such as very large donations, donations of hazardous or sensitive information and donations that cross multiple fields of expertise are passed to the Acquisitions and Disposal Panel for approval. Acquisition by purchase - purchases of material from any source up to £50,000 may be authorised in accordance with a laid out scheme of delegation. Any purchases of a value above £50,000 are assessed by the Director General for approval.

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

Subject to the approval of the Trustees, the National 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.

Significant Historic Ships

Accounting policy for initial recognition of the Heritage Asset

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

The values are calculated by the staff of the National Museum. Where the current build cost or market value of a similar ship is known and can be relied upon, this is used as the basis for establishing the value of the ship. Where this information is unavailable, the original build cost of each ship is grossed up to a modern-day value using a provider of historic economic data. This value is then discounted to take account of the ship's current state of repair, using the estimated costs to bring the ship to the final condition (being in most cases something close to 'as new'). For ships which are gifted to the National Museum, the discounted value becomes the 'deemed cost' of the ship.

Accounting policy for recognition of subsequent expenditure on significant ships

The National Museum's operating company, NMRN Operations, is responsible for the restoration, preservation, and maintenance of the ship under the terms of the operator agreement. Expenditure incurred by the operating company is recognised in that entity on an accruals basis as a liability is incurred. Capital expenditure on plant and machinery not integral to the fabric of the ship is capitalised on the balance sheet of the operating company.

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Notes to the financial statements for the year ended 31 March 2019

HMS Victory

During the restoration project the ship will be subject to a formal revaluation at least every five years, with the next scheduled for 2022. The progress of the project will be reviewed annually with any material change being reflected by an interim valuation.

1.10. Operating Leases

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against incoming resources on a straight line basis over the life of the lease.

1.11. Investments

Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

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

Attitude to Risk

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

1.12. Taxation

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

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

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

1.13. Stock

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

1.14. Financial Instruments

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

1.15. Estimation techniques

Estimate	Assumption
Valuation of Historic Ships	<p>The valuation of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown.</p> <p>This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).</p>
Valuation of HMS Victory Preservation Company timber stock	<p>The valuation of the timber stock has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale.</p> <p>Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 17).</p>

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**Notes to the financial statements
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1.16. Pensions

During the year contributions for the Director General only, totalling £11,110 (2017-18 £11,110), were paid into a defined contribution group pension scheme. There were no outstanding or prepaid contributions at the balance sheet date. The pension cost charged to the Statement of Financial Activities represents the contributions paid.

The majority of staff of the National Museum of the Royal Navy and the subsidiaries are covered by the provisions of a defined contributions group pension plan, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund. A small number of staff, who have transferred into the National Museum of the Royal Navy under the Transfer of Undertakings (Protection of Employment) Regulations, have retained membership of their former employers' pensions schemes which provides benefits based on final pensionable pay, and include the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

Group Pension Plan

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

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit schemes but the National Museum of the Royal Navy is unable to identify its share of the underlying assets and liabilities. A full actuarial quadrennial valuation was carried out at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservice.gov.uk/pensions). Employer contributions are payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2018-19 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)

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

The National Museum of the Royal Navy is also an admitted member of the Teesside Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 2016 with revised rates of contributions being payable from 1 April 2017. Details can be found in the Teesside Pension Fund annual report and accounts: (https://www.teespen.org.uk/documents/index.php?name=REPORT_AND_ACCOUNTS). The next valuation date is 31 March 2019, with revised contributions being payable from 1 April 2020.

The pension cost charged to the Statement of Financial Activities is represented by the contributions payable under the LGPS including a past service deficit contribution at 0% (Hampshire) and 17% (Teesside) of pensionable pay.

Total contributions

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

	2019			2018		
	Group Schemes	PCSPS	LGPS	Group Schemes	PCSPS	LGPS
	£'000	£'000	£'000	£'000	£'000	£'000
National Museum of the Royal Navy	81	-	-	61	-	-
NMRN Operations	331	20	21	312	26	18
NMRN Trading (reported within trading expenditure)	8	-	-	10	-	-
	<u>420</u>	<u>20</u>	<u>21</u>	<u>383</u>	<u>26</u>	<u>18</u>

1.17. Termination benefits

The group recognises a liability for termination benefits at the point where the group is committed to making the payments in return for employee redundancy.

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Notes to the financial statements

for the year ended 31 March 2019

2. Voluntary income (Company and Group)

	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2018 Total £'000
Grant (operating)	3,330	-	-	3,330	3,271	-	-	3,271
Grant (capital)	124	-	-	124	122	-	-	122
Total Grant in Aid	<u>3,454</u>	<u>-</u>	<u>-</u>	<u>3,454</u>	<u>3,393</u>	<u>-</u>	<u>-</u>	<u>3,393</u>
Other donations and grants								
<u>Heritage Lottery Fund</u>								
HMS Caroline	-	723	-	723	-	2,620	-	2,620
LCT 7074	-	-	-	-	-	40	-	40
<u>HM Treasury</u>								
British Mercantile Marine Memorial Collection	-	-	-	-	-	1,233	-	1,233
Northern Ireland Tourist Board	-	542	-	542	-	1,931	-	1,931
Coastal Forces Heritage Trust	-	275	-	275	-	-	-	-
Ministry of Defence	172	-	-	172	-	-	-	-
Miscellaneous donations and grants	1	-	-	1	1	-	3	4
	<u>173</u>	<u>1,540</u>	<u>-</u>	<u>1,713</u>	<u>1</u>	<u>5,824</u>	<u>3</u>	<u>5,828</u>
Gifts in kind:								
Transferred from NMRN Operations	-	-	115	115	-	-	137	137
Captain Phillips Medal Collection	4	-	-	4	-	-	-	-
	<u>4</u>	<u>-</u>	<u>115</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>137</u>	<u>137</u>
Received by company	<u>177</u>	<u>1,540</u>	<u>115</u>	<u>1,832</u>	<u>1</u>	<u>5,824</u>	<u>140</u>	<u>5,965</u>
Received by:								
NMRN Operations	932	2,267	-	3,199	1,083	3,623	-	4,706
Royal Navy Submarine Museum	3	-	-	3	-	-	-	-
Royal Marines Museum	6	-	-	6	-	-	-	-
HMS Victory Preservation Co	18	-	-	18	42	-	-	42
HMS Trincomalee Trust	-	-	-	-	4	-	-	4
Warrior Preservation Trust	1	-	-	1	6	-	-	6
Consolidation adjustments:								
NMRN Operations (1)	-	-	(115)	(115)	-	-	(137)	(137)
	<u>960</u>	<u>2,267</u>	<u>(115)</u>	<u>3,112</u>	<u>1,135</u>	<u>3,623</u>	<u>(137)</u>	<u>4,621</u>
Received by group	<u>1,137</u>	<u>3,807</u>	<u>-</u>	<u>4,944</u>	<u>1,136</u>	<u>9,447</u>	<u>3</u>	<u>10,586</u>

1) Heritage assets transferred to the Royal Naval Museum from NMRN Operations, eliminated on consolidation

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3. Legacies (Company and Group)

	Unrestricted funds £'000	Endowment funds £'000	2019 Total £'000	Unrestricted funds £'000	Endowment funds £'000	2018 Total £'000
Received by:						
NMRN Operations	63	-	63	2	-	2
Warrior Preservation Trust	-	-	-	-	447	447
	<u>63</u>	<u>-</u>	<u>63</u>	<u>2</u>	<u>447</u>	<u>449</u>
	<u><u>63</u></u>	<u><u>-</u></u>	<u><u>63</u></u>	<u><u>2</u></u>	<u><u>447</u></u>	<u><u>449</u></u>

4. Admissions (Company and group)

	Unrestricted funds £'000	2019 Total £'000	Unrestricted funds £'000	2018 Total £'000
Museum admissions				
Portsmouth Historic Dockyard	4,084	4,084	3,959	3,959
Fleet Air Arm Museum	787	787	699	699
Hartlepool	262	262	229	229
HMS Caroline	231	231	103	103
	<u>5,364</u>	<u>5,364</u>	<u>4,990</u>	<u>4,990</u>
Other site income				
Portsmouth Historic Dockyard	189	189	911	911
	<u>5,553</u>	<u>5,553</u>	<u>5,901</u>	<u>5,901</u>
	<u><u>5,553</u></u>	<u><u>5,553</u></u>	<u><u>5,901</u></u>	<u><u>5,901</u></u>

Portsmouth Historic Dockyard includes: the Royal Naval Museum; the Royal Navy Submarine Museum; HMS Victory; HMS Warrior; and Explosion!

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

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5. Income and expenses from trading activities of subsidiaries

The National Museum has control of NMRN Operations (NMRNO), NMRN Hartlepool (NMRNH), HMS Victory Preservation Company (HMSVPC), the HMS Caroline Preservation Company (HMSPCC), the HMS Trincomalee Trust (HMSTT), the Warrior Preservation Trust (WPT), the Royal Navy Submarine Museum Trust (RNSM), the Royal Marines Museum Charitable Trust (RMM), and the Fleet Air Arm Museum (FAAM). NMRN Operations and the Warrior Preservation Trust each have non-charitable trading subsidiaries. Dormant subsidiaries awaiting strike off are not included below (these have £Nil balances).

Note: the results for FAAM Trust include a consolidation adjustment of £2,222,000 to increase reserves b/f and heritage assets.

5.1 Statement of Financial Activities (Subsidiaries)	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSPCC £'000	HMSTT £'000	WPT £'000	RMM £'000	RNSM £'000	FAAM £'000	2019 £'000	2018 £'000
Income from:											
Donations and legacies	7,638	-	18	-	-	1	6	3	-	7,666	14,179
Charitable activities	5,627	-	-	-	-	-	-	-	-	5,627	5,932
Gift from predecessor charity	-	-	-	-	-	-	-	-	-	-	53
Other trading activities	-	-	-	-	-	-	-	-	-	-	-
Fundraising events	-	-	-	-	-	-	-	-	-	-	33
Trading subsidiary	3,170	-	-	-	-	-	-	-	-	3,170	3,255
Investments	-	-	679	-	9	-	-	-	-	688	678
Other	119	-	-	-	-	-	-	-	-	119	121
Total income	16,554	-	697	-	9	1	6	3	-	17,270	24,251
Expenditure on:											
Raising funds	883	-	-	-	-	-	-	-	-	883	1,578
Trading subsidiary	2,965	-	-	-	-	-	-	-	-	2,965	3,192
Investment management	-	-	243	-	-	-	-	-	-	243	230
Charitable activities	13,981	-	29	-	14	29	160	11	209	14,433	18,663
Total expenditure	17,829	-	272	-	14	29	160	11	209	18,524	23,663

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5.1 Statement of Financial Activities
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSPC £'000	HMSTT £'000	WPT £'000	RMM £'000	RNSM £'000	FAAM £'000	2019 £'000	2018 £'000
Net gain/(loss) on investments	-	-	96	-	-	-	-	-	-	96	(538)
Net income/(expenditure)	(1,275)	-	521	-	(5)	(28)	(154)	(8)	(209)	(1,158)	50
Other recognised gains/(losses)											
Revaluation of fixed assets	170	-	2	-	-	-	51	-	57	280	18,331
(Loss) on disposal of operations	-	-	-	-	-	-	-	-	-	-	(53)
Net movement in funds	(1,105)	-	523	-	(5)	(28)	(103)	(8)	(152)	(878)	18,328
Reconciliation of funds											
Fund balances b/f	18,141	5	61,744	12,560	21,407	26,578	6,308	18,966	9,119	174,828	147,577
Funds transferred to/from successor charities	-	-	-	-	-	-	-	-	-	-	8,923
Fund balances c/f	17,036	5	62,267	12,560	21,402	26,550	6,205	18,958	8,967	173,950	174,828

5.2 Balance Sheet
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSPC £'000	HMSTT £'000	WPT £'000	RMM £'000	RNSM £'000	FAAM £'000	2019 £'000	2018 £'000
Fixed assets											
Tangible fixed assets	17,412	-	155	-	6	-	5,255	-	5,471	28,299	28,615
Heritage assets	-	-	19,375	12,560	21,008	25,290	734	18,651	3,111	100,729	100,729
Investments	-	-	34,978	-	-	-	-	-	-	34,978	34,936
Current assets	17,412	-	54,508	12,560	21,014	25,290	5,989	18,651	8,582	164,006	164,280
Current liabilities	4,510	5	7,829	1	495	1,272	225	316	457	15,110	16,203
Long term liabilities	(4,886)	-	(70)	(1)	(38)	(12)	(9)	(9)	(72)	(5,097)	(5,562)
	-	-	-	-	(69)	-	-	-	-	(69)	(93)
Total Funds	17,036	5	62,267	12,560	21,402	26,550	6,205	18,958	8,967	173,950	174,828

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5.3 National Museum of the Royal Navy Trading

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

At the discretion of its directors, NMRNT distributes its net profit to NMRN Operations (the parent).

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

	2019	2018
	£'000	£'000
Turnover	3,151	3,209
Cost of sales	(1,528)	(1,401)
Gross Profit	<u>1,623</u>	<u>1,808</u>
Administration	(1,374)	(1,367)
Commissioning fee from NMRN Operations	101	-
Other income	19	-
Net profit	<u>369</u>	<u>441</u>
Tax on ordinary activities	(63)	(14)
Available for distribution	<u>306</u>	<u>427</u>
Net profit after distribution to other charities	306	427
Amount gifted to NMRN Operations	(35)	(358)
Retained profit/(loss) for the period	<u>271</u>	<u>69</u>
Retained profit brought forward	273	204
Retained profit carried forward	<u><u>544</u></u>	<u><u>273</u></u>

The 2018 Statement of Financial Activities also includes the activity of Warrior Trading Limited (Income £46,000, expenditure £52,000). This company is now dormant.

5.4 Agency funds

The National Museum group is responsible for the collection and distribution of ticketing income for the destination Portsmouth Historic Dockyard on behalf of the Mary Rose Trust (to 31 March 2018), Portsmouth Naval Base Property Trust, and the National Museum. A summary of the agency fund activity for the year is shown below. These balances are excluded from the accounts. The ticket income due to the National Museum is included in admissions income on the SOFA.

	2019	2018
	Total	Total
	£'000	£'000
<u>Statement of financial activities</u>		
Income received	5,794	8,037
Distributions	(5,794)	(8,037)
Net incoming resources	<u>-</u>	<u>-</u>
<u>Balance Sheet</u>	£'000	£'000
Current assets	817	702
Current liabilities	(817)	(702)
Net assets	<u>-</u>	<u>-</u>

Notes to the financial statements
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6. Investment income (Group)

	Unrestricted funds £'000	Endowment funds £'000	2019 Total £'000	Unrestricted funds £'000	Endowment funds £'000	2018 Total £'000
Interest income	3	50	53	5	47	52
Dividend income	495	140	635	498	128	626
	<u>498</u>	<u>190</u>	<u>688</u>	<u>503</u>	<u>175</u>	<u>678</u>

7. Fundraising costs (Group)

	Unrestricted funds £'000	2019 Total £'000	Unrestricted funds £'000	2018 Total £'000
Staff costs	512	512	526	526
Fundraising and publicity	371	371	394	394
	<u>883</u>	<u>883</u>	<u>920</u>	<u>920</u>

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

	Unrestricted funds £'000	Restricted funds £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2018 Total £'000
Operations	431	-	431	468	-	468
Collections & research	96	-	96	105	-	105
Learning	40	-	40	43	-	43
Grant funding	2,938	1,360	4,298	3,128	6,221	9,349
	<u>3,505</u>	<u>1,360</u>	<u>4,865</u>	<u>3,744</u>	<u>6,221</u>	<u>9,965</u>

Costs of charitable activities - by fund type (Group)

	Unrestricted funds £'000	Restricted funds £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2018 Total £'000
Operations	7,331	4,491	11,822	7,260	8,418	15,678
Collections & research	2,246	178	2,424	2,467	173	2,640
Learning	523	38	561	632	43	675
Grant funding	-	-	-	-	1,184	1,184
	<u>10,100</u>	<u>4,707</u>	<u>14,807</u>	<u>10,359</u>	<u>9,818</u>	<u>20,177</u>

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

	Operations £'000	Collections & research £'000	Learning £'000	Grant funding £'000	2019 Total £'000	2018 Total £'000
Staff costs	343	77	32	-	452	469
Governance and support costs	87	20	8	-	115	147
	<u>430</u>	<u>97</u>	<u>40</u>	<u>-</u>	<u>567</u>	<u>616</u>
Project costs:						
British Mercantile Marine Memorial Trust	-	-	-	-	-	1,184
Grant funding:						
NMRN Operations	-	-	-	4,298	4,298	8,165
	<u>430</u>	<u>97</u>	<u>40</u>	<u>4,298</u>	<u>4,865</u>	<u>9,965</u>

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

	Operations £'000	Collections & research £'000	Learning £'000	Grant funding £'000	2019 Total £'000	2018 Total £'000
Staff costs	3,735	841	308	-	4,884	4,816
Operating costs	493	-	-	-	493	611
Marketing	747	-	-	-	747	669
Curatorial	-	553	-	-	553	776
Purchase of exhibits	-	21	-	-	21	162
Depreciation	739	483	69	-	1,291	1,320
Governance and support costs	2,029	526	184	-	2,739	2,570
	<u>7,743</u>	<u>2,424</u>	<u>561</u>	<u>-</u>	<u>10,728</u>	<u>10,924</u>
Project costs:						
HMS Caroline	567	-	-	-	567	4,779
HMS Victory	948	-	-	-	948	906
HMS Warrior	794	-	-	-	794	1,212
Landing Craft (Tank) - LCT7074	554	-	-	-	554	128
RML497	736	-	-	-	736	-
Royal Marines Museum relocation	225	-	-	-	225	736
British Mercantile Marine Memorial Trust	-	-	-	-	-	1,233
Fleet Air Arm Museum	68	-	-	-	68	96
Royal Navy Submarine Museum	43	-	-	-	43	-
Other project costs	144	-	-	-	144	163
	<u>4,079</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,079</u>	<u>9,253</u>
	<u>11,822</u>	<u>2,424</u>	<u>561</u>	<u>-</u>	<u>14,807</u>	<u>20,177</u>

Notes to the financial statements
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10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	20	5	2	27	22
Auditor remuneration - NAO	27	6	2	35	36
Legal and professional	-	-	-	-	6
Insurance	1	-	-	1	-
Travelling expenses	16	4	1	21	30
Communication and IT	-	-	-	-	1
Bank charges & interest	14	3	2	19	38
Depreciation	1	-	-	1	1
Sundry expenses	8	2	1	11	13
	<u>87</u>	<u>20</u>	<u>8</u>	<u>115</u>	<u>147</u>

Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2019 Total	2018 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	70	20	6	96	85
Auditor remuneration	39	20	3	62	66
Auditor remuneration - NAO	27	6	2	35	36
Legal and professional	146	36	13	195	190
Repairs and maintenance	236	61	22	319	385
Insurance	157	40	15	212	207
Premises expenses	992	255	90	1,337	1,040
Travelling expenses	124	31	12	167	158
Communication and IT	48	12	4	64	70
Printing, postage and stationery	59	15	5	79	87
Bank charges & interest	93	24	9	126	169
Depreciation	11	-	-	11	11
Sundry expenses	27	6	3	36	66
	<u>2,029</u>	<u>526</u>	<u>184</u>	<u>2,739</u>	<u>2,570</u>

11. Employees

	Group 2019	Group 2018	Company 2019	Company 2018
	£'000	£'000	£'000	£'000
Employment costs				
Wages and salaries	6,168	6,008	334	374
Social security costs	438	413	39	40
Pension costs	441	394	61	41
Employee benefits	13	17	19	17
	<u>7,060</u>	<u>6,832</u>	<u>453</u>	<u>472</u>

Key management personnel

Employee benefits received by key management personnel total £377,000 for the year to 31 March 2019 (31 March 2018: £399,000).

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Higher paid employees

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

	Group 2019	Group 2018	Company 2019	Company 2018
£60,001 to £70,000	3	1	-	-
£70,001 to £80,000	1	-	1	-
£80,001 to £90,000	1	1	1	1
£90,001 to £100,000	1	2	1	2
£120,001 to £130,000	1	1	1	1
	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Number of employees

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

	Group 2019	Group 2018	Company 2019	Company 2018
Charitable expenditure	401	377	-	-
Cost of generating funds	4	4	-	-
Governance costs	6	6	4	4
	<u>411</u>	<u>387</u>	<u>4</u>	<u>4</u>

The above includes workers engaged under Casual Worker Agreements. The average full time equivalent number of staff for the year was 244 (2018: 249).

Staff costs for the charity for the year include an accrual of £682 (2018: £Nil), and for the group include £19,481 (2018: £23,364), for short-term compensated absences arising from employee entitlement to annual leave.

During the financial year 6 redundancies (2018: 20) were identified within the group and contractual/redundancy costs of £49,568 were paid (2018: £184,180). No further amounts were accrued at 31 March 2019 (a further £3,617 was accrued at 31 March 2018).

11.1. Trustees' emoluments

No trustees received remuneration during the year (2018: Nil). Twelve trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £4,715 (2018: Nine trustees - £4,200).

12. Net outgoing resources for the year

	2019 £'000	2018 £'000
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,322	1,386
Auditors' remuneration - National Audit Office	35	36
Auditors' remuneration - Subsidiary Auditors	63	66
	<u>1,420</u>	<u>1,488</u>
There is no remuneration for non-audit work		

13. Taxation

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

NMRN Operations and the Warrior Preservation Trust each have a wholly owned, non-charitable subsidiary trading company. These companies are subject to Corporation Tax.

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14. Tangible fixed assets (Company)

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Heritage assets £'000	Total £'000
Cost or valuation				
At 1 April 2018	4	9	3,164	3,177
Additions	-	-	119	119
At 31 March 2019	4	9	3,283	3,296
Depreciation				
At 1 April 2018	4	7	-	11
Charge for the year	-	1	-	1
At 31 March 2019	4	8	-	12
Depreciation				
At 31 March 2019	-	1	3,283	3,284
At 31 March 2018	-	2	3,164	3,166

Tangible fixed assets (Group)

	Assets under construction £'000	Freehold £'000	Short Leasehold £'000	Computer and office equipment £'000	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Exhibitions £'000	Heritage assets £'000	Total £'000
Cost or valuation									
At 1 April 2018	1,520	16,729	9,838	2,849	2,315	7,358	370	103,894	144,873
Additions	260	-	-	-	29	20	428	119	856
Revaluation	-	150	100	4	22	85	5	-	366
At 31 March 2019	1,780	16,879	9,938	2,853	2,366	7,463	803	104,013	146,095
Depreciation									
At 1 April 2018	-	2,322	1,443	2,527	925	4,872	274	-	12,363
Charge for the year	-	482	329	66	89	322	43	-	1,331
On revaluation	-	9	15	2	4	54	2	-	86
At 31 March 2019	-	2,813	1,787	2,595	1,018	5,248	319	-	13,780
Net book values									
At 31 March 2019	1,780	14,066	8,151	258	1,348	2,215	484	104,013	132,315
At 31 March 2018	1,520	14,407	8,395	322	1,390	2,486	96	103,894	132,510

Land and buildings owned by the Fleet Air Arm Museum were revalued in 2015 by DVS Property Specialists, in accordance with the stated policy. Land and buildings owned by the Royal Navy Submarine Museum (and subsequently transferred to NMRN Operations) were revalued in 2017 by Hellier Langston, in accordance with the stated policy. The revaluations were conducted by qualified surveyors on a depreciated replacement cost basis and in accordance with the RICS Valuation Professional Standards.

Land and buildings owned by the Royal Marines Museum were revalued in 2017-18 to £5,500,000 by D.M.Nesbit & Company in accordance with the stated accounting policy. The revaluation was conducted by a qualified surveyor on a market value basis and in accordance with the RICS Valuation Professional Standards.

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15. The Collections

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

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

Category	Royal Naval Museum	Explosion Museum	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS M33 Trust	HMS Victory Preservation Trust	HMS Caroline Preservation Trust	HMS Trincomalee Trust	Warrior Preservation Trust	Total
Large Items	59	13	8	22	181	1	1	1	1	1	288
Works of Art/Models	5,296	260	957	2,099	1,310	-	-	-	8	155	10,085
Documentary Archive	35,044	4,109	22,000	27,737	1,034,148	-	-	-	4	1,427	1,124,469
Uniforms/Badges & Insignia	7,514	-	848	5,015	4,403	-	-	-	-	45	17,825
Orders & Decorations	5,340	-	235	8,792	1,556	-	-	-	19	12	15,954
Weapons/Armaments	295	1,251	64	1,581	194	-	-	-	-	20	3,405
Photograph/Microfilm/Fiche	164,828	2,978	60,793	2,002,026	881,452	-	-	-	-	315	3,112,392
Film and Sound Recordings	686	22	825	301	164	-	-	-	-	1	1,999
Other	4,313	5,147	3,600	3,772	17,265	-	-	-	2	1,154	35,253
Total	223,375	13,780	89,330	2,051,345	1,940,673	1	1	1	34	3,130	4,321,670

Royal Naval Museum

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

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

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

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

The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 06699696

**Notes to the financial statements
for the year ended 31 March 2019**

Five-year summary of transactions

	31 March 2019	31 March 2018	31 March 2017	31 March 2016	31 March 2015
	£'000	£'000	£'000	£'000	£'000
Purchased additions					
Royal Naval Museum	114	137	5	155	155
Royal Marines Museum	-	-	-	-	14
Royal Navy Submarine Museum	-	-	-	4	81
Fleet Air Arm Museum	-	-	3	-	-
	<u>114</u>	<u>137</u>	<u>8</u>	<u>159</u>	<u>250</u>
Donated additions					
Royal Naval Museum	4	3	264	167	15
Royal Marines Museum	-	-	-	-	34
Fleet Air Arm Museum	-	-	-	150	-
HMS Trincomalee Trust	-	-	8	-	-
	<u>4</u>	<u>3</u>	<u>272</u>	<u>317</u>	<u>49</u>
Total additions	<u><u>118</u></u>	<u><u>140</u></u>	<u><u>280</u></u>	<u><u>476</u></u>	<u><u>298</u></u>
Carrying value of disposals					
Total disposals	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Sale proceeds					
Total sale proceeds	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

Significant historic ships

The Royal Navy Submarine Museum Trust – HMS *Alliance*

The submarine, HMS *Alliance*, was constructed in Barrow-in-Furness in 1947. She is a Royal Navy A Class submarine and is the only surviving example of the class. The ship was transferred to the Royal Navy Submarine Museum in 1979 where she has been on display since the transfer. HMS *Alliance* is valued at £18,480,000 to reflect its estimated rebuild cost.

The valuation was carried out in 2015. The original build cost of the submarine is estimated to be £304,495 based on the cost of a similar T Class submarine – HMS *Triumph* – built in 1936. Uplifted for current value (2015), this cost was the equivalent to £18,480,000.

HMS *Alliance* was completely refurbished and reopened to the public in April 2014. The renovation work carried out was an extensive project costing around £7,000,000 to complete, and included repairing damage to the hull, in addition to completely restoring the interior of the submarine. As a result of these works it was not felt that any deductions to the original cost for disrepair was necessary.

HMS Caroline Preservation Trust – HMS *Caroline*

The ship, HMS *Caroline*, was constructed at the Cammell Laird shipyard in Birkenhead in 1914. She was one of eight C-class light cruisers and is the last remaining British WW1 light cruiser still afloat and the sole survivor of the Battle of Jutland. The ship was gifted to the Trust on 18 November 2013 by the Ministry of Defence. HMS *Caroline* was initially recognised in the accounts at a value of £7,556,000, calculated on a total build basis discounted to take account of the ship's state of repair at the time of gifting.

In 1914, the original build cost of HMS *Caroline* was £300,000. Uplifted for current value (2013), this cost was the equivalent of £25,120,000. The ship would 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, would not be replaced. It was therefore the view of the project management team that 50% of the original value was a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12,560,000.

Based on the above, the ship was initially recognised in the accounts at a value of £7,556,000, reflecting the value on completion of £12,560,000, discounted back for the expenditure anticipated to be required to achieve that outcome. The value was then increased in the year to 31 March 2016 by £1,079,000, and in the year to 31 March 2017 by £3,925,000, to the final valuation of £12,560,000 on completion of the scheduled programme of works.

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HMS M33 Trust – HMS M33

Monitor HMS *M33* was built by Harland and Wolff, Belfast, in 1915. She is one of only three surviving Royal Navy warships of the First World War and the only surviving ship from the Gallipoli Campaign. The ship was gifted to the Trust on 19 May 2014 by Hampshire County Council. HMS *M33* was initially recognised in the accounts at a value of £1,092,000, calculated on a total build basis discounted to take account of the ship's current state of repair.

In 1915, the original build cost of HMS *M33* was £40,000. Uplifted for current value (2014), this cost was the equivalent of £2,863,000. The ship has been brought to sound and original condition, as far as possible, in the course of the conservation programme. However substantial elements of the original ship, notably the boilers and engines, were removed in the past and will not be replaced. It is therefore the view of the project management team that 62% of the original value is a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £1,775,000.

HMS Trincomalee Trust – HMS Trincomalee

The ship, HMS *Trincomalee*, is the oldest surviving Royal Navy Frigate and the oldest warship still afloat in the UK. She was acquired by the Trust for a nominal £1. HMS *Trincomalee* has been included at a valuation designed to reflect the estimated rebuild costs of the ship.

The value of HMS *Trincomalee*, on the basis of a full renewal cost of rebuild, discounted to take account of the ship's current state of repair, has been calculated at £21,000,000. 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. L'*Hermione*'s displacement tonnage was 1,166 tonnes and the rebuild cost was £16,700,000 in 2012. HMS *Trincomalee*'s displacement tonnage is 1,447 tonnes (per 'Great Sailing Ships of the World' by Otmar Schauffelen) therefore the rebuild cost is approximately £21,000,000.

The restoration to restore her to her original condition was completed in 2001, prior to this revaluation to her full rebuild cost.

HMS Victory Preservation Trust – HMS Victory

The ship, HMS *Victory*, was floated out of the Old Single Dock in Chatham's Royal Dockyard in 1765. In 1805 she achieved lasting fame as the flagship of Vice-Admiral Nelson in Britain's greatest naval victory, the defeat of the French and Spanish at the Battle of Trafalgar. She is the oldest commissioned warship in the world and remains a commissioned warship of the Royal Navy and the Flag Ship of the First Sea Lord. The ship was gifted to the Trust on 29 March 2012 by the Ministry of Defence.

HMS *Victory* has been included in the accounts at a value of £19,375,000 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 by reference to the costs incurred by the Association Hermione-La Fayette in their construction of the replica frigate, Hermione, on a pro-rata basis on respective tonnage displacement of the two ships.

The value of HMS *Victory*, on the basis of full renewal cost of rebuild, has been calculated as £50,000,000. 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. L'*Hermione*'s displacement tonnage was 1,166 tonnes and the rebuild cost was £16,700,000 in 2012. HMS *Victory*'s displacement tonnage is 3,500 tonnes therefore the rebuild cost is approximately £50million.

HMS *Victory* today is far from 'new build' condition and during the next 10-20 years, it is projected that a sum in the region of £30,625,000 (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 the accounts at a valuation of £19,375,000 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.

Warrior Preservation Trust – HMS Warrior 1860

The original hull of the ship, HMS *Warrior*, was laid down at the Thames Iron Works and Shipbuilding Company based at Blackwall, London. Completed in 1861, she was the world's first ocean-going, iron-hulled, armoured warship. The original hull of HMS *Warrior* was acquired by the Maritime Trust from the Ministry of Defence for £1 in August 1979, and transferred to the Warrior Preservation Trust in 1983. HMS *Warrior 1860* has been included at a valuation designed to reflect the estimated rebuild costs of the hull.

In 1861, the original cost of the hull was £282,284. Uplifted for current value (2017) this cost was the equivalent of £25,040,000. The ship was brought to sound and original condition, as far as possible, during the restoration between 1979 and 1987 therefore it was not felt that any deductions to the original cost for disrepair was necessary.

Notes to the financial statements
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Significant historic ships summary

Reporting entity	Name of ship	Donor	Date of gift	Uplifted original build cost apportioned for value on completion	Estimated cost or repair at time of gifting	Value of gift	Value at 1 April 2018	Increase in year	Value at 31 March 2019
				£'000	£'000	£'000	£'000	£'000	£'000
Royal Navy Submarine Museum	HMS <i>Alliance</i>	Ministry of Defence	1979	£18,480	N/A	N/A	£18,480	-	£18,480
HMS Caroline Preservation Trust	HMS <i>Caroline</i>	Ministry of Defence	2013	£12,560	£5,004	£7,556	£12,560	-	£12,560
HMS M33 Trust	HMS M33	Hampshire County	2014	£1,775	£683	£1,092	£1,775	-	£1,775
HMS Trincomalee Trust	HMS <i>Trincomalee</i>	N/A – purchased for £1	N/A	£21,000	N/A	N/A	£21,000	-	£21,000
HMS Victory Preservation Trust	HMS <i>Victory</i>	Ministry of Defence	2012	£50,000	£30,625	£19,375	£19,375	-	£19,375
Warrior Preservation Trust	HMS <i>Warrior 1860</i>	N/A – purchased for £1	N/A	£25,040	N/A	N/A	£25,040	-	£25,040

Notes to the financial statements
for the year ended 31 March 2019

16. Investment assets

	Group	
	Listed 2019 £'000	Unlisted 2019 £'000
Valuation		
At 1 April 2018	34,936	-
Additions	190	-
Gains and losses before management fees	95	
Less management fees deducted	(243)	
Realised and unrealised gains and losses	(148)	-
At 31 March 2019	34,978	-
Historical cost as at 31 March 2019	31,173	-
Historical cost as at 31 March 2018	30,983	-
Investments By fund:		
Endowment funds	34,978	-
	34,978	-

Included in the above investments are:

HMS Victory Preservation Company:

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

		2019 £'000	2018 £'000
<u>UK</u>	UK government and fixed interest securities	2,167	4,670
	UK bonds	1,562	1,329
	UK equities	7,680	7,634
	Portfolio funds	1,458	670
	Others	5,807	6,805
	Capital account	1,488	1,642
		20,162	22,750
<u>Overseas</u>	Fixed interest	4,190	2,011
	International bonds	719	724
	International equities	9,828	9,280
	Others	79	171
		14,816	12,186
		34,978	34,936

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**Notes to the financial statements
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17. Stocks

	Group 2019 £'000	Group 2018 £'000
Held by:		
HMS Victory Preservation Company	6,650	6,662
NMRN Operations	215	215
Trading subsidiaries	486	629
	<u>7,351</u>	<u>7,506</u>

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Company (HMSVPC) received approximately 500m³ of teak, procured by MoD in order to undertake repairs to the ship's planking. At the HMSVPC Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of the Ship. Following durability tests a decision was made to use oak in the Ship's conservation, with the teak to be retained whilst efforts are made to understand if a sufficient quantity of oak is available for the works required.

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

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

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

In 2016, 93 tonnes of oak and elm were donated by four Scottish Estates towards the conservation of HMS Victory. The logs were surveyed over winter 2016/17 and sawn into planks. The timber is being stored and seasoned by a timber specialist with the anticipated seasoning period expected to be between 4-5 years for the oak, and 3-7 years for the elm. When the final seasoned quantity is known, the timber will be valued at market value and brought onto the balance sheet.

Notes to the financial statements
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18. Debtors

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Trade debtors	75	286	-	-
Amounts owed by group undertakings	-	-	1,597	1,570
Other debtors	1,090	906	628	600
Prepayments & accrued income	1,916	2,203	172	856
VAT	109	226	-	-
	<u>3,190</u>	<u>3,621</u>	<u>2,397</u>	<u>3,026</u>

At the balance sheet date, the HMS Trincomalee Trust had debtors due after more than one year of £320,000 (2018: £424,000).

19. Creditors: amounts falling due within one year

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Other loans	142	310	142	310
Trade creditors	933	1,609	-	-
Other creditors	1,818	1,969	1,328	1,608
Amounts owed to participating interests	-	-	2	-
Other taxes and social security	122	119	12	13
Accruals and deferred income	1,166	979	65	85
	<u>4,181</u>	<u>4,986</u>	<u>1,549</u>	<u>2,016</u>

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

	Group 2019 £'000	Group 2018 £'000	Company 2019 £'000	Company 2018 £'000
Other loans	200	352	130	260
	<u>200</u>	<u>352</u>	<u>130</u>	<u>260</u>

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21. Analysis of net assets between funds

	Tangible		Net current	Long term	Total
	Fixed Assets	Investments	assets	liabilities	2019
	£'000	£'000	£'000	£'000	£'000
Restricted funds:					
Restricted funds	-	-	1,833	-	1,833
Royal Naval Museum	1,508	-	24	-	1,532
HMS M33 Trust	1,775	-	-	-	1,775
	<u>3,283</u>	<u>-</u>	<u>1,857</u>	<u>-</u>	<u>5,140</u>
Unrestricted funds	1	-	10	(130)	(119)
Total Company funds at 31 March 2019	3,284	-	1,867	(130)	5,021
Funds held by:					
NMRN Operations	17,414	-	(378)	-	17,036
NMRN Hartlepool	-	-	5	-	5
HMS Victory Preservation Company	19,531	34,978	7,758	-	62,267
HMS Caroline Preservation Company	12,560	-	-	-	12,560
HMS Trincomalee Trust	21,014	-	458	(70)	21,402
Warrior Preservation Trust Limited	25,290	-	1,260	-	26,550
Royal Navy Submarine Museum Trust	18,651	-	307	-	18,958
Royal Marines Museum Charitable Trust	5,989	-	216	-	6,205
Fleet Air Arm Museum	8,582	-	385	-	8,967
Total Group funds at 31 March 2019	132,315	34,978	11,878	(200)	178,971
	<u><u>132,315</u></u>	<u><u>34,978</u></u>	<u><u>11,878</u></u>	<u><u>(200)</u></u>	<u><u>178,971</u></u>
	Tangible		Net current	Long term	Total
	Fixed Assets	Investments	assets	liabilities	2018
	£'000	£'000	£'000	£'000	£'000
Restricted funds:					
Restricted funds	-	-	1,653	-	1,653
Royal Naval Museum	1,389	-	24	-	1,413
HMS M33 Trust	1,775	-	-	-	1,775
	<u>3,164</u>	<u>-</u>	<u>1,677</u>	<u>-</u>	<u>4,841</u>
Unrestricted funds	2	-	17	(260)	(241)
Total Company funds at 31 March 2018	3,166	-	1,694	(260)	4,600
Funds held by:					
NMRN Operations	17,527	-	614	-	18,141
NMRN Hartlepool	-	-	5	-	5
HMS Victory Preservation Company	19,539	34,936	7,269	-	61,744
HMS Caroline Preservation Company	12,560	-	-	-	12,560
HMS Trincomalee Trust	21,019	-	480	(92)	21,407
Warrior Preservation Trust Limited	25,290	-	1,288	-	26,578
Royal Navy Submarine Museum Trust	18,651	-	315	-	18,966
Royal Marines Museum Charitable Trust	6,092	-	216	-	6,308
Fleet Air Arm Museum	8,666	-	453	-	9,119
Total Group funds at 31 March 2018	132,510	34,936	12,334	(352)	179,428
	<u><u>132,510</u></u>	<u><u>34,936</u></u>	<u><u>12,334</u></u>	<u><u>(352)</u></u>	<u><u>179,428</u></u>

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22. Restricted funds and endowment funds

Restricted funds:	At 1 April 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2019 £'000
Company:						
HMS Caroline fund	(150)	1,265	(1,011)	-	-	104
LIBOR Royal Marines Museum relocation fund	1,803	-	(74)	-	-	1,729
Coastal Forces Heritage Trust	-	275	(275)	-	-	-
Linked charities:						
Royal Naval Museum	1,413	119	-	-	-	1,532
HMS M33 Trust	1,775	-	-	-	-	1,775
	<u>4,841</u>	<u>1,659</u>	<u>(1,360)</u>	<u>-</u>	<u>-</u>	<u>5,140</u>
Group:						
NMRN Operations	12,738	3,876	(4,617)	(322)	122	11,797
HMS Victory Preservation Co	26,201	-	(23)	-	2	26,180
HMS Caroline Preservation Co	12,560	-	-	-	-	12,560
HMS Trincomalee Trust	21,036	-	-	-	-	21,036
Warrior Preservation Trust	25,060	-	-	-	-	25,060
Royal Navy Submarine Museum	18,600	-	(6)	-	-	18,594
Royal Marines Museum	460	-	(5)	-	5	460
Fleet Air Arm Museum	2,784	-	(71)	-	29	2,742
Consolidation adjustments	-	(1,728)	1,375	353	-	-
	<u>124,280</u>	<u>3,807</u>	<u>(4,707)</u>	<u>31</u>	<u>158</u>	<u>123,569</u>
	<u><u>124,280</u></u>	<u><u>3,807</u></u>	<u><u>(4,707)</u></u>	<u><u>31</u></u>	<u><u>158</u></u>	<u><u>123,569</u></u>
Endowment funds:						
	At 1 April 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2019 £'000
Group:						
HMS Victory Preservation Co	34,877	190	(243)	-	95	34,919
HMS Trincomalee Trust	5	-	-	-	-	5
Warrior Preservation Trust Limited	1,099	-	-	-	-	1,099
	<u>35,981</u>	<u>190</u>	<u>(243)</u>	<u>-</u>	<u>95</u>	<u>36,023</u>
	<u><u>35,981</u></u>	<u><u>190</u></u>	<u><u>(243)</u></u>	<u><u>-</u></u>	<u><u>95</u></u>	<u><u>36,023</u></u>

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

The LIBOR Royal Marines Museum relocation fund represents funding received for the Royal Marines Museum project which will include the relocation of the Royal Marines Museum to Portsmouth Historic Dockyard.

The restricted and endowment 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.

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

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Restricted funds:	At 1 April 2017 £'000	On acquisition £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2018 £'000
Company:							
HMS Caroline fund	48	-	4,552	(4,749)	(1)	-	(150)
LIBOR Royal Marines Museum relocation fund	2,002	-	-	(199)	-	-	1,803
LCT 7074 fund	-	-	40	(40)	-	-	-
British Mercantile Marine Memorial Collection	-	-	1,233	(1,233)	-	-	-
Linked charities							
Royal Naval Museum	1,273	-	140	-	-	-	1,413
HMS M33 Trust	1,775	-	-	-	-	-	1,775
	<u>5,098</u>	<u>-</u>	<u>5,965</u>	<u>(6,221)</u>	<u>(1)</u>	<u>-</u>	<u>4,841</u>
Group:							
NMRN Operations	11,848	-	8,894	(8,528)	98	426	12,738
HMS Victory Preservation Co	28,211	-	-	(14)	(2,000)	4	26,201
HMS Caroline Preservation Co	12,560	-	-	-	-	-	12,560
HMS Trincomalee Trust	21,053	-	-	(17)	-	-	21,036
Warrior Preservation Trust	-	2,651	-	-	4,411	17,998	25,060
Royal Navy Submarine Museum	18,617	-	-	(17)	-	-	18,600
Royal Marines Museum	453	-	-	(5)	-	12	460
Fleet Air Arm Museum	2,737	-	-	(70)	-	117	2,784
Consolidation adjustments	-	-	(5,407)	5,054	353	-	-
	<u>100,577</u>	<u>2,651</u>	<u>9,452</u>	<u>(9,818)</u>	<u>2,861</u>	<u>18,557</u>	<u>124,280</u>
Endowment funds:							
Group:							
HMS Victory Preservation Co	33,475	-	175	(230)	1,996	(539)	34,877
HMS Trincomalee Trust	5	-	-	-	-	-	5
Warrior Preservation Trust Limited	-	4,721	447	-	(4,069)	-	1,099
	<u>33,480</u>	<u>4,721</u>	<u>622</u>	<u>(230)</u>	<u>(2,073)</u>	<u>(539)</u>	<u>35,981</u>

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Notes to the financial statements
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22.1 Linked charities of the National Museum

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

Royal Naval Museum

	At 1 April 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	At 31 March 2019 £'000
Unrestricted funds	1,306	119	-	-	1,425
Restricted funds					
RML 497 Fairmile fund (the ship)	83	-	-	-	83
Endowment funds					
Johnstone Library fund	24	-	-	-	24
Total funds of the Royal Naval Museum	<u>1,413</u>	<u>119</u>	<u>-</u>	<u>-</u>	<u>1,532</u>

	At 1 April 2017 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	At 31 March 2018 £'000
Unrestricted funds	1,166	140	-	-	1,306
Restricted funds					
Johnstone Library fund	24	-	-	(24)	-
RML 497 Fairmile fund (the ship)	83	-	-	-	83
	<u>107</u>	<u>-</u>	<u>-</u>	<u>(24)</u>	<u>83</u>
Endowment funds					
Johnstone Library fund	-	-	-	24	24
Total funds of the Royal Naval Museum	<u>1,273</u>	<u>140</u>	<u>-</u>	<u>-</u>	<u>1,413</u>

Royal Naval Museum Balance Sheet summary

	2019 £'000	2018 £'000
Heritage assets	1,508	1,389
Current assets	24	24
Net assets	<u>1,532</u>	<u>1,413</u>
Funds		
Unrestricted funds	1,425	1,306
Restricted funds	83	83
Endowment funds	24	24
Total funds of the Royal Naval Museum	<u>1,532</u>	<u>1,413</u>

Notes to the financial statements
for the year ended 31 March 2019

HMS M33 Trust	At 1 April 2018 and 31 March 2019 £'000	At 1 April 2017 and 31 March 2018 £'000
Unrestricted funds	1,775	1,775
HMS M33 Trust Balance Sheet summary	2019 £'000	2018 £'000
Heritage assets	1,775	1,775
Net assets	1,775	1,775
Funds		
Unrestricted reserves	1,092	1,092
Revaluation reserve	683	683
Total funds of the HMS M33 Trust	1,775	1,775

23. Transfers between funds

NMRN Operations

A total of £322,000 was transferred to unrestricted funds from restricted funds to compensate for project funds initially funded by unrestricted funds, and to reflect Commissioning Fees passed on to National Museum of the Royal Navy Trading.

24. Financial commitments

At 31 March 2019 the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019 £'000	Group 2018 £'000
Within one year	192	207
Between one and five years	329	506
In over five years	879	894
	1,400	1,607

25. Capital commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £1,081,000 (2018: £1,669,000). There were no contingent liabilities at 31 March 2019 (2018: £Nil).

26. Losses and special payments

26.1 Losses statement

There were no cases of losses occurring during the financial year (2018: no cases).

26.2 Special payments

There were no cases of ex-gratia payments during the year (2018: no cases).

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27. Related party transactions

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

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

Mr Michael J Bedingfield	Fleet Air Arm Museum, NMRN Operations, Royal Navy Submarine Museum, Warrior Preservation Trust
Mr Mike Gambazzi	Fleet Air Arm Museum
Captain Dan Conley OBE (resigned 31 January 2019)	Royal Navy Submarine Museum (resigned 27 December 2018)
Professor John Craven (resigned 30 October 2018)	NMRN Operations (resigned 20 December 2018)
Councillor Donna Jones	Warrior Preservation Trust
Dr Caroline Williams	HMS Victory Preservation Company (resigned 23 May 2019)
Mr Charles Wilson	HMS Caroline Preservation Company, NMRN Hartlepool

In December 2016 the National Museum entered into an agreement to purchase a historically important collection from Mr Mark Caroe over three years. The collection comprises bells, tread plates, name boards, tompions and other artefacts from Royal Navy ships and submarines. The purchase price of the elements of the collection bought in the year was £44,000 (2018: £45,000), based on the original purchase prices paid by Mr Caroe for the material, and is below market value of other recent examples at auction. Mr Caroe is a trustee and director of the HMS Victory Preservation Company (company number 7935358).

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

28. Events after the Balance Sheet date

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

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

29. Analysis of cash and cash equivalents

	Group	Group	Company	Company
	2019	2018	2019	2018
	£'000	£'000	£'000	£'000
Cash at bank and in hand	5,198	5,769	1,019	684

30. Company status

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

The National Museum of the Royal Navy

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Notes to the financial statements

for the year ended 31 March 2019

31. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2019

	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2019 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2018 Total £'000
Income from:								
Donations and legacies								
Grant in Aid (revenue)	3,330	-	-	3,330	3,271	-	-	3,271
Grant in Aid (capital)	124	-	-	124	122	-	-	122
Donations	177	1,540	115	1,832	1	5,824	140	5,965
Other trading activities								
Trading subsidiary	-	-	-	-	358	-	-	358
Total income	3,631	1,540	115	5,286	3,752	5,824	140	9,716
Expenditure on:								
Charitable activities								
Charitable activities	567	-	-	567	616	-	-	616
Grant funding	2,938	1,360	-	4,298	3,128	6,221	-	9,349
Total expenditure	3,505	1,360	-	4,865	3,744	6,221	-	9,965
Net income/(expenditure)	126	180	115	421	8	(397)	140	(249)
Transfer between funds	(4)	-	4	-	1	(1)	-	-
Other recognised gains/(losses):								
Gains on revaluations of fixed assets	-	-	-	-	-	-	-	-
Net movement in funds	122	180	119	421	9	(398)	140	(249)
Reconciliation of funds:								
Total funds brought forward	(241)	1,653	3,188	4,600	(250)	2,051	3,048	4,849
Total funds carried forward	(119)	1,833	3,307	5,021	(241)	1,653	3,188	4,600

