

Charity number: 1126283
Company Number: 06699696

The National Museum of the Royal Navy

A company limited by guarantee

**Trustees' performance report and
consolidated financial statements**

for the year ended 31 March 2020

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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

Chairman
Admiral Sir Philip Jones GCB ADC DL (Appointed 29 May 2020)
Dr Caroline Williams (Appointed 16 July 2019 – Resigned 29 May 2020)
Admiral Sir Jonathon Band GCB DL (Resigned 20 May 2019)

Trustee directors of NMRN
Rear Admiral Mark Anderson CB (Appointed 1 September 2020)
Admiral Sir Jonathon Band GCB DL (Resigned 20 May 2019)
Mr Michael J Bedingfield
Ms Katherine Biggs (Appointed 1 September 2020)
Dr Andrew Burnett CBE FBA (Appointed 25 October 2020)
Professor John S Davidson (Resigned 16 September 2019)
Mr Philip G Dolling (Appointed 1 September 2020)
Mr Mike Gambazzi
Ms Helen Jackson
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC (Resigned 20 October 2020)
Councillor Donna Jones
Admiral Sir Philip Jones GCB ADC DL (Appointed 20 August 2019)
Major General Jeffrey S Mason
Mrs Mary Montagu-Scott DL
Rear Admiral Jonathan P Pentreath CB OBE (Appointed 1 September 2020)
Mr Tim Schadla-Hall (Resigned 25 October 2020)
Mr John Michael E Scott (Appointed 1 September 2020)
Professor Sara Selwood (Resigned 13 February 2020)
Mrs Alison Start (Appointed 1 September 2020)
Rear Admiral Rob Stevens (Resigned 4 December 2019)
Mr Gavin Whitter
Dr Caroline Williams (Resigned 13 July 2020)
Mr Charles Wilson (Resigned 30 January 2020)

Auditors
Comptroller and Auditor General
National Audit Office, 157 - 197 Buckingham Palace Road, Victoria, London SW1W 9SP

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

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

Foreword

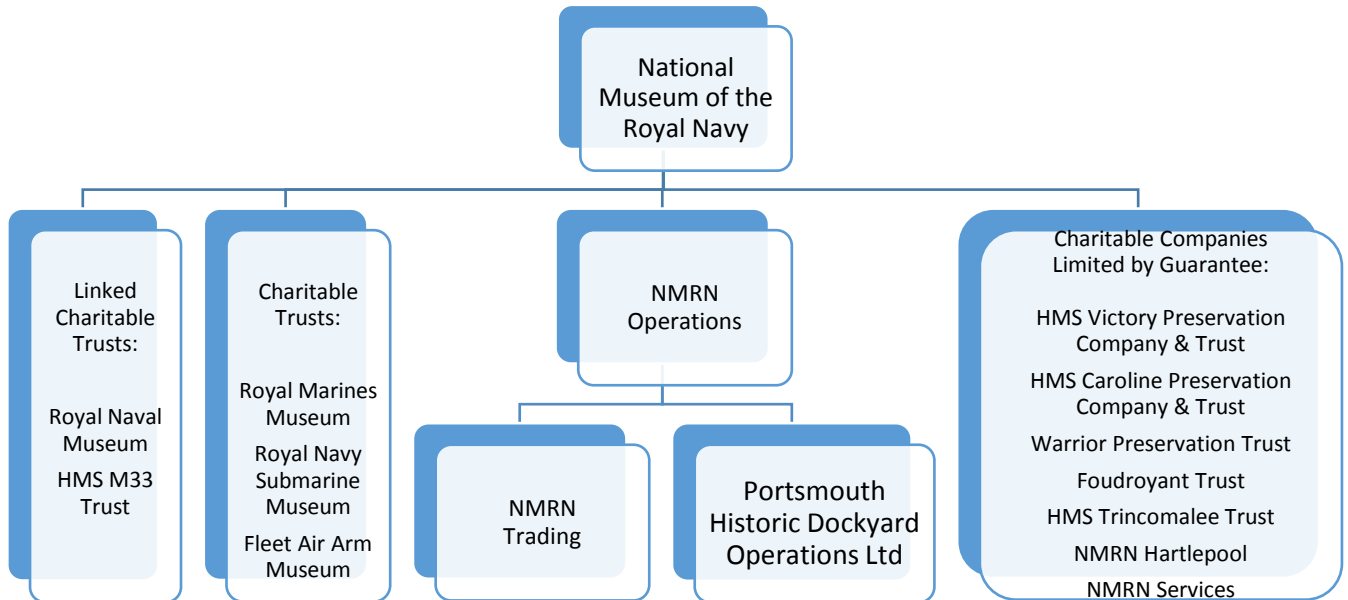
The charitable objectives of the National Museum of the Royal Navy, as defined within its Articles of Association are:

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

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

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

Group structure chart



Inactive charitable companies awaiting strike off:

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

Portsmouth Historic Dockyard Operations Ltd is a joint venture company incorporated on 7 August 2020 and owned equally (50:50) by NMRN Operations and the Mary Rose Trust .

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*). In August 2020, its subsidiary company, NMRN Operations, created an equally owned joint venture company with the Mary Rose Trust, Portsmouth Historic Dockyard Operations Ltd to act as agent for the sale of tickets to Portsmouth Historic Dockyard attractions, with the distribution of sales revenue and share of costs on an agreed split.

The National Museum’s vision is to become the world’s most respected Naval Museum and its goal is to promote the public understanding of the Royal Navy past, present and future. Its strategy sets out to increase its: **resilience**, improving its financial position and skilling the team so that it is able to adapt to threats to ensure its survival; **scale**, to grow the collections and the range of activities they support so that the National Museum has marked impact on society as a whole; **scope**, to develop the range of activities which together better help protect and improve access to the naval heritage, including its own collections; and **reach**, to develop a greater physical and virtual presence so that more people engage with the Royal Navy story.

The National Museum’s strategy is delivered through its professional and dedicated team of staff and volunteers, working within a framework of values that supports the culture of the organisation, guiding our everyday actions and being integral to our performance management framework:

Making Things Happen, proactively, effectively and collaboratively

Achieving the best possible outcomes and celebrating our success, acting on what is important and adds value

Respecting others and valuing diversity, acting with honesty, integrity and reliability

Inspiring our visitors and users by putting them at the centre of our business and building strong relationships

Trusting each other, taking responsibility, communicating effectively and sharing knowledge and expertise

Innovating and embracing change through our open mindedness and willingness to take calculated risks

Motivating, encouraging and empowering, acting as ambassadors for the National Museum

Excellence – continually seeking to improve the quality of our work and the services we deliver

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 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 and cooperations. New cooperation agreements established during this reporting period include the Shipwreck Museum (Hastings); the Haslar Heritage Group and Haslar Developments Ltd (Gosport); and the Unicorn Preservation Society (Dundee).

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.

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Covid-19 Pandemic

All National Museum sites were closed to the public from 18 March to 14 August 2020 in response to government advice regarding the Covid-19 pandemic, although the negative impact of the pandemic on visitor numbers and associated revenue was being seen as early as February. All major projects were stalled and all trading activity ceased. The National Museum took urgent steps to engage with its sponsor, the Ministry of Defence, to seek additional grant in aid funding to replace lost trading income and to provide financial stability during the period.

Activities and Achievements

Conservation and Collections

- **Royal Marines Museum Collection** – The closure of the Royal Marines Museum to the public in April 2017 and decision to sell the site and buildings required the movement of the Trust's historic collections. This major logistical project was delivered against a tight programme; the physical move out of the Eastney site was completed on 18 March 2020 just as the pandemic lockdown began. In summary, the project emptied stores and galleries of 900m³ of collections, completing condition assessments and pest treatments as appropriate, and securely relocated the collection to new stores in Portsmouth Historic Dockyard, at Explosion Museum, and at the Fleet Air Arm Museum. The development of new specialist storage facilities at Explosion and at the Fleet Air Arm Museum, and the move of the collections into those facilities was completed. In Portsmouth Historic Dockyard, the collections were decanted into their permanent storage location, the major new collections centre in Storehouse 12, in October 2020. The new centre will store artefacts, medals, archives and photograph collections as well as providing a new research room, conservation and photographic studios. The conversion of the building for £1,500,000 has created 1,344m² of space, which has been fitted with over 5 kilometres of collection racking.
- **HMS *Trincomalee*** - A Conservation Management Plan for the ship has been completed by Wessex Archaeology with the associated research and site surveys revealing new details about its construction, modifications and use. Extensive remedial works have been undertaken to ensure safety and stability of the ship's rig. The ship's mooring arrangements have been modelled and improvements identified.
- **HMS *Victory*** - Efforts in the year have been concentrated in the areas of stabilisation and developing the conservation approach. Installation of the new support system has continued throughout the reporting period, with nine pairs of cradles removed and a further 49 new props installed. This work included the extremely complex and sensitive work to transition the ship's stern from the existing timber shores to four new load-monitored props. At 31 March 2020, 128 new props were installed in the dock and operating at their design load, with one remaining set of cradles to be removed. Elsewhere, maintenance of weather deck caulking and paintwork has been undertaken, with the aim of preventing water ingress. The Museum's team of inhouse riggers has progressed survey work to the lower masts and rigging, and undertaken essential maintenance to ensure the continued safety of the remaining rig. Work to refine the Conservation Programme Plan and a programme of tests and experimentation relating to the materials to be used for conservation works will proceed through 2020.
- **HMS *Warrior*** - Significant conservation work has focused on repair of the transom structure and on the rigging. The transom repair required a major scaffolding design over the water to provide access and all timber cladding (much dated to 1861) was removed from the hull and recorded, and will undergo conservation treatment before being archived. All carved work will be repaired in slow time and reinstalled when the ship is dry docked. The ironwork was grit blasted and preserved, and metalwork fabrication completed. The major project to rereg the mizzenmast was completed in August 2020; those elements of the rig that could be saved were refurbished, along with fabrication of new rigging.

Significant additions made to the National Museum's collections in the period include:

- **Ruari McLean Collection** - a decorated RNVR officer who served as a liaison officer with the Free French Navy. The collection includes his photograph albums, medals and the very worn ensign from the Free French submarine Rubis.
- **Zeppelin wreckage** – HMS *M33* helped to shoot down the Zeppelin near Salonika

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- **HMS *Conqueror* diagnostic model** - this Royal Navy nuclear-powered submarine sank the Argentine cruiser General Belgrano during the Falklands War.
- **Basil Sutton Collection** – a rare set of medals and flying logbooks belonging to this Fleet Air Arm Albacore pilot, who in September 1942 operated Albacore strike aircraft in support of the Army, from various airfields in North Africa.
- **Paintings** - a significant group of paintings, including works by Nicholas Pocock and Charles Dixon, saw the start of ongoing efforts to procure a very significant private collection held in the United States, relating to the Royal Marines of the Georgian era.
- **Figureheads** – a gift of twelve wooden naval figureheads, conserved by Plymouth City Council, was received from the Ministry of Defence and has been placed on loan for exhibition at The Box Museum, Plymouth.
- **Other donations** - roughly 600 items in 176 groups were accepted as donations after review by the Acquisitions Panel. The list includes the usual eclectic and fascinating mix, from a plaque commemorating 'Black Tot Day' aboard HMS *Minerva*, to fragments of Japanese kamikaze aircraft which hit HMS *Indefatigable* off Okinawa in 1945, and an FN Bronco pistol recovered from the senior surviving officer of the German submarine U110, following its capture in May 1941.

Visitor Services

In the period 2019-20, the National Museum received 1,725,428 visits (2018-19: 1,870,871) to museum sites across the group. The ticketing system continues to generate reliable and usable data on which to base decisions to improve the visitor experience and continue to grow footfall across sites. Mapping of the UK postcodes for our visitors demonstrates that there is scarcely a community in the UK that the National Museum has not touched. We are a truly national museum and more widely accessible than most, with major sites in Portsmouth, Gosport, Somerset, Hartlepool and Belfast, all areas with significant economic and social challenges.

In terms of digital reach, the National Museum has adopted a new 'meaningful engagement' model to measure its digital reach and engagement, which reflects not just views of digital content but meaningful interactions with it. In the period, the National Museum's Facebook accounts reached 1.3 million users, and there were 1.4 million Twitter interactions through 479 tweets. There were 2.6 million unique website visits. Press, PR and media coverage realised nearly £16,500,000 in Advertising Value Equivalent.

Learning and Access

In this period, the National Museum supported visits from 69,012 students from the UK and abroad through self-guided Discovery visits. An additional 16,388 students took part in 573 facilitated school workshops until the end of February 2020. In the same period, outreach activities were delivered to 5,782 participants and 24,974 participants engaged in informal learning activities. The National Museum seeks to ensure it provides an accessible experience all times, but has also provided a number of activities targeted towards particular audiences, including: a project with a cluster of Portsmouth special schools to create a visual story and accessible workshop for HMS *Warrior*; a deaf-led tour on board HMS *Warrior*; and, a number of relaxed events at HMS *Caroline* for neuro-divergent audiences.

Volunteers

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. The National Museum has continued to develop and expand its volunteering programme and is extremely grateful to the 366 volunteers who have dedicated nearly 38,000 hours of their time across all of our sites over the last year. In addition to our regular team of volunteers, we have had 100 people volunteer for one-off "corporate days" sponsored by their employers and received a further 600 hours of support through this route. Our volunteering opportunities include digital and remote volunteering opportunities as well as some dedicated volunteering days. We continue to work with Universities and local colleges providing first-hand experience in the field of heritage and conservation. Our volunteers have played key roles in: maintaining *Steam Pinnace 199*; the decant of the old Royal Marines Museum and maintaining its memorial garden; the relocation of the collections at Fleet Air Arm Museum to Cobham Hall; the conservation and

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interpretation of *RML 497* in Hartlepool; finds processing and collections research for the *HMS Invincible 1744* project; the reinterpretation of *HMS Warrior* and digitising its collection; and, the Britannia Royal Naval College Oral history project.

Our volunteer team was temporarily stood down in March 2020 in response to the Covid-19 pandemic, however, they will continue to play a central role in the work of the National Museum and we are exploring how we can reengage them in a safe way. We will continue to seek to keep volunteers involved in the wider National Museum through dedicated talks and meetings as well as through our intranet, Workplace and through the opportunities to take part in training sessions alongside staff.

Exhibitions

In this period, the National Museum has made a number of improvements to permanent exhibitions and interpretation on different sites, and delivered three principal new exhibitions across the National Museum's sites:

- **Jolly Rogers: the Submarine Pirate Tradition** - This temporary exhibition opened at the National Museum, Portsmouth on 6 April 2019. It was created using the rich collection of flags from the Royal Navy Submarine Museum Trust. Although many think of the 'Jolly Roger' as simply a pirate flag, the Royal Navy's submarines have been flying the 'Jolly Roger' for over 100 years. Whilst seventeenth century pirates raised their flags to frighten ships into surrendering without a fight, submarine crews hoist theirs on return to base to show pride in the successes of wartime patrols. For a Royal Navy, which is committed to fighting piracy, it might seem odd that submariners have made the 'Jolly Roger' their own. In fact, adopting the flag was a deliberate response to critics who called them 'pirates'; it also drew on the swash-buckling vision of pirates to help create an identity for the Submarine Service and for individual boats. This exhibition celebrated this part of the Submarine Service's unique culture and revealed the stories behind the Jolly Rogers and their symbols. It also looked beyond this submarine tradition to highlight the Royal Navy's long-standing role in suppressing piracy. The exhibition was planned to run until September 2020, but closed earlier due to the pandemic. Following a recent enquiry, we are hopeful that the exhibition will be sent on international loan to a major institution.
- **Horrible Histories® Pirates: The Exhibition** - This special and highly interactive exhibition, designed for children and exploring the world of pirates, was opened at the National Museum, Portsmouth on 6 April 2019. The exhibition was developed by the Australian National Maritime Museum in association with Scholastic UK and was due to travel to other National Museum's sites once it left Portsmouth in February 2021. Unfortunately, owing to the highly tactile nature of this exhibition, it has not been possible to reopen it in accordance with Covid-19 Secure requirements to manage the risk of transmission.
- **Pioneers to Professionals: Women in the Royal Navy** - This new permanent exhibition opened at the Fleet Air Arm Museum on 16 July 2019. Based on a special exhibition created in Portsmouth in 2017 to mark the centenary of the Women's Royal Naval Service, it was supplemented by some excellent collections and stories from the Fleet Air Arm Museum Trust.

Publications and Scholarship

This has been a difficult period for publications and scholarship, with the team fully occupied with project delivery; however, significant research has taken place in support of future exhibitions and other capital projects, notably LCT 7074, Spitfires of the Seas: The Story of the RN's Coastal Forces, and Diving Deep: *HMS Invincible 1744*.

Charitable Fundraising

The National Museum is committed to fundraising in an honest and transparent way, and relies on the generosity of our donors to fund our work. The National Museum is registered with the Fundraising Regulator and adheres to the Code of Fundraising Practice. We are committed to our donor charter, produced to assure donors and potential donors of our accountability and integrity, and which is published on our website <https://www.nmrn.org.uk/get-involved/donor-charter>

To maintain the highest standards of fundraising ethics, the Director of Fundraising oversees the Museum's fundraising

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activities and ensures our compliance with the Codes of Fundraising Practice (Fundraising Regulator). The Trustees have overall responsibility and accountability for our fundraising and income generation activities and monitors such activities through a Fundraising Committee.

The National Museum employs an inhouse fundraising team and did not use any non-directly employed fundraisers, nor any commercial participators to carry out any fundraising activities during the period. In 2019-20, the Museum did not receive any complaints about its fundraising activities or practices and no complaints were made to the Fundraising Regulator.

Over the coming period, we aim to work with the Telephone, Mail and Fundraising Preference Services to improve our processes around proactively identifying those who choose not to receive specific types of communication. We will also seek to improve our procedures for dealing with people in vulnerable circumstances and we will make this freely available on our website. We will also join the Data and Marketing Association and work in accordance with the associated code.

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, and wholesale and brand licensing. In 2019-20, the company turned over £2,902,000 (2018-19: £3,252,000) generating a loss after tax of £53,000 (2018-19: profit £306,000).

Post balance sheet events

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

Plans for Future Periods

Responding to the Covid-19 Pandemic

Following the National Museum's closure from 18 March 2020, the initial key focus is on financial stability through cost reduction and replacement of lost income and this work will continue throughout 2020-21.

The National Museum's operating company, NMRN Operations, took the decision to place the majority of its eligible staff on "furlough leave" under the new Coronavirus Job Retention Scheme (CJRS) from 1 April 2020, leaving 30% of its staff working on revenue activities from that date, falling to just 11% by 31 May 2020. Supported by the executive team, the company remodelled assumptions in a revised Business and Recovery Plan for 2020-21, which significantly reduced all revenue funded activities and expenditure, and rephased the delivery of planned projects for the year. This Plan provided the basis for a bid by the National Museum to Her Majesty's Treasury for additional grant in aid funding, to effectively underwrite financial performance for 2020-21.

The funding bid was successful and confirmation of a grant in aid uplift of up to £5,233,999 for the National Museum Group was received from Navy Command on 27 July 2020. The National Museum immediately began to implement its plans to reopen its sites safely, albeit at a reduced capacity and opening hours, in accordance with the government's guidance, and was able to start returning staff to the business under the CJRS flexible furlough scheme. The Fleet Air Arm Museum was reopened to the public on 14 August 2020, with Portsmouth Historic Dockyard (including Gosport) following on 28 August and the National Museum of the Royal Navy Hartlepool on 4 September 2020. Some attractions, such as Action Stations and the Horrible Histories® Pirates exhibition, will not be able to reopen in accordance with Covid-19 Secure requirements to manage the risks of transmission. A date for reopening HMS *Caroline* in Belfast has not yet been agreed owing to inability to reach a new operating and funding agreement with the NI Department for the Economy (NIDfE), with the original agreement expiring 30 June 2020. NIDfE remains legally responsible for the care, security, repair and maintenance of the ship and for the procurement of a business plan to make it accessible to the public as a heritage and visitor attraction, thereby removing any cost liability to the National Museum.

The impact of the pandemic and the government's actions to control it, and any further closures of the National Museum's operations, will continue to affect the visitor numbers and revenue, significantly reducing our ability to

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generate commercial and fundraising income in the year ahead and into 2021-22. For the 7-month period ending 31 October 2020 (which has included just 3-months of being open to visitors), the National Museum has been able to generate approximately 24% of the visitor income achieved in the same 7-month period in 2019-20. All sites are closed to the public again from 5 November to 2 December 2020, in response to the second wave of the pandemic and the National Museum has again taken actions to furlough its staff, alongside the reduction of other operating costs. In the National Museum's funding bid, it recognised the longevity of this risk and the time that it would take to re-establish the business and also sought a financial performance underwriting of up to £7,504,000 for 2021-22 (to be offset by any income generated during that period). Whilst the Ministry of Defence has been unable as yet to commit to additional grant in aid funding for the 2021-22 period, early conversations are already underway and the National Museum has received commitment from Navy Command that the ongoing impact of the pandemic on its finances will be reviewed in January 2021, with the assurance that the National Museum Group will not be allowed to fail. The Trustees and Directors have taken reassurance from this statement and the willingness to examine future funding needs.

In the event that no further additional grant in aid funding was made available to the National Museum of the Royal Navy beyond 31 March 2021, and the charitable group was unable to achieve its self-generated income targets, it would seek to further reduce its operating costs through cessation of its operations, and would ultimately be obliged to cease trading. The Trustees and Directors are, however, content that based on the assurances provided to the National Museum by its sponsor, the Royal Navy, grant in aid funding will be made available, the going concern basis continues to apply, and the impact of the COVID-19 pandemic does not create a material uncertainty around going concern to the charity.

Major Projects

The following major projects will be the focus of significant work for the National Museum, with impacts to be shared in future reporting periods:

- **LCT 7074: Resurrecting a D-Day Veteran** – In September 2018, the National Lottery Heritage Fund (NLHF) approved an application by the National Museum for £4,510,000 (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'. The project, developed in partnership with Portsmouth City Council, progressed during 2019-20; however, delays in obtaining permission to commence work on the ship from the Ministry of Defence and BAE Systems (the project's landlords) meant that capital works did not begin until June 2019. From then, progress was rapid with conservation of the ship largely complete by the end of 2019-20. The support structure and canopy built to house the ship also had an initially slow start due to planning constraints and a requirement to 'value engineer' the design, but works began in earnest in late summer 2019 and continued through the year, with the main structure largely complete by the end of the year. The project was halted at this stage following the onset of the Covid-19 pandemic. Contractor teams resumed operations in Southsea and on the naval base in May 2020, with LCT 7074 sporting her new Admiralty Disruptive Camouflage scheme by early June. On 24 August 2020, the ship was moved to her final resting place, to be showcased outside Portsmouth City Council's D-Day Story. Now that the ship is in place, landscaping, exhibition fit-out and interpretation will be completed 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 D-Day Story intends that the ship will be opened to the public in December 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 fully funded project progressed well until its temporary suspension in response to the Covid-19 pandemic. The project recommenced in August 2020 and in a change to the original programme of installation at Chatham Historic Dockyard, a redesigned exhibition build was completed and opened on 22 October 2020 in the National Museum, Portsmouth.
- **Spitfires of the Seas: The Story of the RN's Coastal Forces** - In June 2018, the NLHF approved a major project for the redevelopment of the Priddy's Hard Royal Naval Armaments Depot in Gosport. Match funding for the project included a major permanent exhibition with a budget of £501,650 on the Royal Navy's Coastal Forces and is contributed by the Coastal Forces Heritage Trust (CFHT); the National Museum is a partner with CFHT to deliver

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the exhibition at Explosion Museum, Gosport. Progress on the exhibition design and content and conservation of the Museum's boats MTB71 and CMB331 is well advanced; however, delays in the base build by the landlord, Portsmouth Naval Base Property Trust, means that opening of the exhibition will be postponed until May 2021.

- **Sir Donald Gosling Victory Gallery** - In July 2019, HMS Victory Preservation Company awarded a grant of £700,000, supported by £400,000 from the Society for Nautical Research's "Save the Victory Fund", to redevelop the Sir Donald Gosling Victory Gallery. This project, delayed by the COVID-19 Pandemic, will complete in late 2020 and will offer visitors to the ship a much better understanding of Victory's story, and place both the Battle of Trafalgar and the major conservation works underway within the wider context of the ship's 260-year history.
- **HMS Victory Conservation project** - Over the next reporting period, the National Museum will complete installation of the new support system, marking completion of the stabilisation phase of work and allowing large-scale conservation work to begin. Anticipated overall cost of stabilisation will be in order of £13,200,000. The implementation of the Conservation Programme Plan (that work necessary to deliver a fully conserved HMS *Victory*, in an open environment and in a condition to survive for 50 years without major work beyond a programme of planned maintenance) is expected to take twelve years. When the CPP was developed in 2015, the costs of delivering the ship's conservation were estimated at £35,000,000; the company is presently considering revisions to the delivery model that may reduce that figure by 40%. Work to the ship will be split into four phases, the first of which will be the conservation of the starboard side. The installation of a scaffold structure, designed to provide access for Phase 1 conservation work to both staff and members of the visiting public, will be progressed as a priority. From August 2020, this access will allow visitors to view HMS *Victory* from underneath, and make some of the oldest and most significant parts of the structure both the ship and the historic dry dock physically accessible for the first time.
- **New Royal Marines Museum** - The development of a New Royal Marines Museum has suffered setbacks in 2019-20 and has also been significantly impacted by the Covid-19 pandemic. The National Museum exchanged contracts for the sale of the former Royal Marines Museum site, with an expected completion date of 25 November 2020, providing a significant capital receipt to pump prime the new project. In November 2019, the National Museum made an application to the National Lottery Heritage Fund (NLHF) for £3,800,000 to support a revised project to create the new museum in Boathouse 6 in Portsmouth Historic Dockyard (currently Action Stations). The total project cost was £9,800,000. Unfortunately, on 10 March 2020, NLHF advised that there were unable to support this application with the following explanation:

Demand for our funds means that we cannot support every good application that achieves our outcomes. Our Committee had to take decisions on more projects than the available budget would allow and your application was rejected due to insufficient funds. Whilst we considered that your project did qualify for support, the proposals for achieving the mandatory outcome could be strengthened, as well as proposals for achieving the well-being outcome. You are encouraged to reapply bearing these points in mind.

Immediate follow up discussions with the senior executive team at NLHF encouraged us to reapply in June 2020; however, following the Covid-19 lockdown, NLHF announced the suspension of their grant programme and the diversion of funds to an Emergency Funding Programme, with a focus on emergency revenue funding. This stance has been matched by other key funders, meaning that the opportunities for capital are uncertain and we can expect the fundraising landscape post-pandemic to look very different. As such, the National Museum has begun an options appraisal within this new funding context and have shortlisted options for development that include different scales and locations for the new Royal Marines Museum. The next step will be to assess each option more intensively and test the opportunities within each of these four options with our key stakeholders and potential funders.

- **Fleet Air Arm Museum redevelopment** - Consultants have completed their work on the appropriate location within the UK for the Fleet Air Arm Museum; concluding that Yeovilton remained the right place for the museum in view of its close proximity to the functioning Royal Naval Air Station and the excellent transport links offered by the site. Consultants advised that there are substantial difficulties in expanding the footprint of the museum on the existing site and therefore a study was commissioned to examine the totality of gallery space and storage space required, the different potential locations around Yeovilton on which that footprint could be located and the broad costs of re-providing the museum on a new site. This study will inform the next stages of the redevelopment plans.

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- **Joint Venture with the Mary Rose Trust** – NMRN Operations has worked with the Mary Rose Trust to develop a new joint working arrangement to create the best possible experience for visitors to Portsmouth Historic Dockyard, with a single point of entry to the site and a joint ticket that will enable visitors to explore all of the dockyard's ships, galleries and maritime experience. This has resulted in the creation of a new company, Portsmouth Historic Dockyard Operations Ltd (company number: 12799836, incorporated 7 August 2020), in which NMRN Operations and the Mary Rose Trust are equal shareholders. This new company acts as agent for the sale of tickets with the distribution of sales revenue and share of costs on an agreed split. The rolling 3-year agreement was in place for the site's reopening to the public on 24 August 2020, providing stability and a shared stake in improvement and development of the business.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2020

Total incoming resources for the National Museum in 2019-20 amounted to £22,231,000 (2018-19: £18,067,000) and relates largely to Grant in Aid, donations, admissions income (including gift aid) and trading income. The increase in incoming resources from the previous reporting period resulted from an increase in restricted grants funds and donations within NMRN Operations, with £8,899,000 received to support major projects including LCT7074, HMS *Victory* and the Sir Donald Gosling Gallery redevelopment, and our plans for a new Royal Marines Museum (2018-19: £4,944,000).

The National Museum received £3,375,000 revenue grant in aid for the year (2018-19: £3,330,000), plus £126,000 capital grant in aid (2018-19: £124,000) for the purchase of exhibits.

A number of legacy donations totalling £414,000 were received by NMRN Operations, the Royal Navy Submarine Museum and the Royal Marines Museum.

Admissions income for 2019-20 at £5,549,000 (2018-19: £5,364,000) showed a modest 3.4% growth despite the effect of the pandemic in February and March 2020.

Income generated by the trading company on non-charitable activities was £2,920,000 (2018-19: £3,170,000), which after expenditure of £2,973,000 (2018-19: £2,965,000) resulted in an operating deficit of £53,000 for the year arising from the impact of the pandemic on retail and functions, and from increases in recharged staff costs and licences and from depreciation of the Horrible Histories® exhibition.

Total resources expended for 2019-20 amounted to £18,685,000 (2018-19: £18,898,000). The majority of costs related to core charitable activities and included expenditure of £4,517,000 on projects (2018-19 £4,079,000). Expenditure on fundraising and publicity increased to £935,000 (2018-19: £883,000).

A total of £1,209,000 from restricted funds and £113,000 from endowment funds was transferred to unrestricted funds as assets capitalised where there was no restriction on the use of those assets.

After adjustment for net losses on investments totalling £1,292,000 and gains on revaluation of fixed assets of £305,000, the net movement in funds for the year was an increase of £2,559,000 (2018-19: a decrease of £457,000). The total funds carried forward at 31 March 2020 was £181,530,000 (31 March 2019: £178,971,000)

Balance Sheet

The net assets as at 31 March 2020 amounted to £181,530,000 (31 March 2019: £178,971,000).

The value of heritage assets (over the capitalisation threshold and accessioned since 1 April 2000) represents 57% of the National Museum's net assets at £104,096,000. 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.

The National Museum held £3,696,000 cash in bank and in hand at 31 March 2020 (2019: £5,198,000).

Reserves

The Trustees regularly monitor the levels of the Group's reserves and seek to take correction action as necessary. As at 31 March 2020, the company's unrestricted funds (excluding the revaluation reserve) stood at £11,000 (31 March 2019: (£119,000 deficit)).

As at 31 March 2020, the level of the company's free reserves (defined as net current assets attributable to unrestricted

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reserves) stood at £11,000 (31 March 2019: £10,000). 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, and subsidiary trusts on the basis of need. Under the terms of the financial framework (agreed 6 December 2019), 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 not spent must be repaid to the MOD. Based on the year's Grant in Aid of £3,375,000 the maximum carry forward is £67,500. As such, this free reserves balance does not represent a going concern risk to the company.

The Group's free reserves (including designated funds) stood at £1,677,000 (31 March 2019: £2,506,000). As nearly the entire 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). 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 free reserves held by NMRN Operations (£186,000) are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands; the impact of the Covid-19 pandemic clearly exposed this. The additional grant in aid support received for 2020-21 will prevent NMRN Operation's free reserves position from deteriorating, but will not enable the reserves to be built up to a level that will eliminate the need for further financial support in 2021-22. As such, the Trustees will continue to work with Navy Command to bid for additional funding to underwrite the Group's financial performance in 2021-22. The free reserves position will need to be rebalanced once a normal pattern of business has resumed, at which point the Trustees will seek to improve the free reserves position in NMRN Operations in accordance with the reserves policy through consolidation and reduction of costs in future periods and the delivery of a budget each year that will deliver a modest surplus.

The company holds a number of restricted funds with a total net current asset value of £1,182,000 (31 March 2019: £1,857,000). These restricted funds primarily relate to the linked charities (Royal Naval Museum and HMS M33 Trust) and to major capital projects and will reduce in future years as projects are completed and depreciation on capital expenditure is expensed through the SOFA.

The Group's restricted funds stood at £125,726,000 (31 March 2019: £123,569,000). The surplus on restricted funds will reduce in future years as increasing expenditure on the preservation of HMS *Victory*, HMS *Caroline*, HMS *Warrior*, LCT 7074, RML 497, the new Royal Marines Museum and depreciation on capital expenditure are expended. 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. This was reviewed in January 2020 and the objective amended to generate a total return of CPI plus 4% per annum over the long term. Returns from these funds are required to maintain HMS *Victory* in perpetuity and it is therefore essential to invest with a long-term perspective. If achieved, the charitable company should be able to maintain the real 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. Capital gains may be used to provide cash for the objective provided that the original investment has been preserved.

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

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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 2020, income from investments totalled £675,000 with management fees of £242,000 and unrealised losses of £1,292,000, resulting from market volatility in response to the Covid-19 pandemic. At the 6 November 2020, this position had improved markedly, showing an unrealised gain in investments of £5,250,000, 16% growth.

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Auditors

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

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

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

On behalf of the board



Admiral Sir Philip Jones
Chair on behalf of the Board of Trustees

Date 25 November 2020



Professor Dominic Tweddle
Director General and Accounting Officer

Date 25 November 2020

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 366 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 is in place for new Trustees and committee members, which combines all the necessary background reading material, including items such as: the Articles of Association; committees' terms of reference; minutes of recent meetings; the Charity Commission publication "The Essential Trustee: what you need to know"; the National Museum's strategy and corporate plan; and the Museum Association publication "Code of Ethics for Trustees". New Trustees and committee members are encouraged to visit the National Museum's sites to meet key members of staff, see the collection and to discuss current issues and projects. Tailored training may also 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 is invited to attend the main Board of Trustees and to report 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 Directors, 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 Corporate Priorities of the National Museum in terms of its scale, scope and reach and to coordinate 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:	4	3	3	4	4
Chairman:					
Admiral Sir Jonathon Band GCB DL	1/1	-	-	-	-
Dr Caroline Williams	2/3	-	-	-	-
Trustees:					
Mr Michael Bedingfield	4/4	-	3/3	-	4/4
Professor John S Davidson	2/2	1/1	-	-	-
Mr Mike Gambazzi	4/4	2/3	2/2	-	-
Ms Helen Jackson	4/4	-	-	-	4/4
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	2/4	-	-	-	-
Councillor Donna Jones	2/4	-	3/3	-	-
Admiral Sir Philip Jones GCB ADC DL	2/2	-	3/3	-	-
Major General Jeffrey Mason	3/4	-	-	-	-
Mrs Mary Montagu-Scott	4/4	-	1/1	-	1/1
Mr Tim Schadla-Hall	4/4	-	-	3/4	-
Professor Sara Selwood	3/4	-	-	3/3	-
Rear Admiral Rob Stevens	3/3	-	-	-	-
Mr Gavin Whitter	4/4	3/3	-	-	-
Dr Caroline Williams	1/1	-	-	-	-
Mr Charles Wilson	4/4	-	-	-	3/3
Non- Trustees:					
Mr Stephen Bradley	-	-	-	-	4/4
Ms Emily Clarke	-	-	-	1/1	-
Vice Admiral Sir Anthony Dymock KBE CB FRSA	-	-	-	-	2/4
Ms Sarah Humphrey	-	3/3	-	-	-
Ms Jackie Keily	-	-	-	1/1	-
Professor Andrew Lambert	-	-	-	2/4	-
Ms Tiva Montalbano	-	-	-	2/3	-
Mr Mark Pemberton	-	-	-	3/4	-
Dr Amara Thornton	-	-	-	2/2	-
Mr Roy Stephenson	-	-	-	2/3	-

Personal data loss

The company has not identified any personal data related incidents that required reporting to the Information Commissioners Office during 2019-20. An incident is defined as a loss, unauthorised disclosure or insecure disposal of personal data. 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,

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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 RSM Risk Assurance Services LLP (appointed in November 2019), 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.

RSM Risk Assurance Services LLP were appointed following a joint tender exercise with our sister Service Museums, the National Army Museum and the Royal Airforce Museum, to support the sharing of best practice and economies of scale, including an agreed annual thematic review across each of the museums.

In their annual report to the Audit and Governance Committee for the year ended 31 March 2020, the internal auditor's opinion was that they were able to provide moderate assurance on the governance, risk management and control framework and the mitigating controls over the risk to delivery of objectives. In the auditor's opinion, some improvements were required to enhance the adequacy and effectiveness of governance, risk management and control. There were no issues resulting from their work that the auditor considered should be referenced in the annual governance statement. They recognised, however, the Covid-19 pandemic and its impact on the operations of the National Museum of the Royal Navy. A proportion of the internal audit work for 2019-20 was completed subsequent to the substantial operational disruptions caused by the Covid-19 pandemic, leading to delays and changes in the programme of work. Specifically, they were unable to complete their planned review of governance and therefore their opinion regarding governance was limited.

External Audit

The external auditor for the National Museum of the Royal Navy is the Comptroller and Auditor General, with the audit conducted by Grant Thornton UK 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 2020, 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 Audit and Governance Committee oversees the development and implementation of the National Museum's risk management strategy and framework.

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 most significant risk faced by the National Museum centres around its self-generated income streams, with income from admissions, commercial activities and donations representing 81% of the National Museum's income need for 2019-20. The government's response to control the Covid-19 pandemic resulted in an extended period of full site closure to visitors and reduced operating capacity upon reopening, significantly affecting these income streams and placing the National Museum under immense financial pressure and threatening its very existence. Additional grant in aid funding from the Royal Navy has been essential to ensure the National Museum's survival throughout 2020-21 and

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beyond, until a stable trading and operating base can be resumed. The National Museum has not been complacent during this period, seeking to minimise costs and develop strategies to strengthen brand loyalty and ensure appropriate pricing to balance visitor attraction with revenue generation and to develop the commercial offering. Funding shortfalls impact the ability of the National Museum to adequately fund the conservation and maintenance of its historic ships and collections and prioritised conservation management plans are being put in place to understand and manage this risk. The National Museum continues to review and consolidate its governance and operating structure to ensure it remains 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 and 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.

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 2020 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

Date 25 November 2020



Professor Dominic Tweddle
Director General and Accounting Officer

Date 25 November 2020

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

for the year ended 31 March 2020

The Board of Trustees (who are also directors of the National Museum of the Royal Navy) and the Accounting Officer are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance the requirements of Accounting and Reporting by Charities: the 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), 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, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the method and principles of the Charities SORP 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards 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 charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that 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. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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.



Admiral Sir Philip Jones
Chair on behalf of the Board of Trustees

Date 25 November 2020



Professor Dominic Tweddle
Director General and Accounting Officer

Date 25 November 2020

Remuneration and Staff Report

for the year ended 31 March 2020

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, based on performance objectives set by the Committee annually 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 based on the previous financial year's performance and may also be awarded to the Executive Directors based on exceptional performance against objectives set.

Staff salaries, including salaries for Directors and Deputy Executive Directors, are set within a new "Salary Grading Structure and Pay Progression Scheme" that was introduced on 29 February 2020 and backdated to 1 April 2019, with a cost of living pay award backdated to 1 April 2018 (recognising that a pay award, other than statutory awards, had not been made since 1 April 2017). The new scheme and pay awards received Ministerial approval on 15 January 2020. The Structure introduced a single pay scale consisting of 50 pay points across 10 pay grades. The new pay scale was set with the lowest pay point at £9.00 per hour (£17,550 FTE per annum) for all staff regardless of their age. A "cost of living" review will be undertaken in November each year which will consider affordability of UK Living Wage minimum pay recommendations, with any recommendations arising from the review subject to Board and Ministerial approval before implementation. Any pay progression awards will be effective from 1 November each year, with the first approved awards to be effective from 1 November 2020 (subject to Board and Ministerial approval before implementation).

Jobs were matched, under the National Museum's job grading scheme, to a pay grade according to a range of factors, including: professional knowledge and experience; management of resources (finance, people, physical assets); responsibility for information systems; problem solving and decision making; planning and organising; policy and service development; freedom to act; communication and influence; and, teamwork. Staff have been paid at the closest appropriate pay point within this pay grade. The new Pay Progression Scheme enables staff to move up through the pay points within their pay grade as they demonstrate that they meet agreed performance criteria.

None of the directors received any non-cash benefits (benefits in kind). Pension benefits are provided through a defined contribution group pension scheme at the rate of 10% or 6% 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. The Deputy Executive Directors and Directors have permanent contracts of employment with 3 months' notice.

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Total remuneration table (subject to audit):

Employee	Salary £'000		Non-consolidated payments £'000		Pension benefits £'000		Total £'000	
	2019-20	2018-19	2019-20	2018-19 ⁴	2019-20	2018-19	2019-20	2018-19
D Tweddle, Director General	125-130	110-115	Nil	10-15	13	11	135-140	120-125
S Dennis, Executive Director of Resources	90-95	85-90	Nil	0-5	9	9	100-105	95-100
J Rawlinson, Executive Director of Visitor Experience	50-55 ¹	80-85	Nil	0-5	5	8	55-60	90-95
M Sheldon, Executive Director of Heritage	75-80	70-75	Nil	0-5	8	7	85-90	85-90
V Turner, Deputy Executive Director of Resources	65-70	60-65	Nil	Nil	4	4	65-70	60-65
Andrew Baines, Deputy Executive Director of Heritage	65-70	55-60	0-5	5-10	4	4	75-80	65-70
H McKenna-Aspell, Director of Fundraising	15-20 ²	N/A	Nil	N/A	1	N/A	15-20	N/A
B Hubbard, Director of Marketing	5-10 ³	N/A	Nil	N/A	1	N/A	10-15	N/A
T Ash, Partnerships Director	55-60	60-65	Nil	Nil	3	3	60-65	60-65

¹ J Rawlinson to 30 November 2019 – full year equivalent £80-85K

² H McKenna-Aspell from 6 January 2020 – full year equivalent £70-75K

³ B Hubbard from 10 February 2020 – full year equivalent £65-70K

⁴ Non-consolidated payments for 2018-19 restated to reflect payments made retrospectively in respect of 2017-18 performance

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 5.49:1 (2019 5.56:1). 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 £22,785 (2019: £20,000). The variation of median pay on the previous year arises from the implementation of the new Salary Grading Structure.

In 2019-20, no employees (2018-19: Nil) received remuneration in excess of the highest paid executive director.

Staff costs for the National Museum Group year total £7,392,000 (2018-20: £7,060,000). Further details on employee costs can be found in note 11 to the financial statements.

Sickness absence

Periods of sickness absence are recorded in full days. The average number of days of sickness absence was 2.3 per employee (2018-19: 3.9 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	2	Nil	2
£10,000-£25,000	2	Nil	2
Total number of exit packages	4	Nil	4
Total resource cost/ £	49,633	Nil	49,633

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.

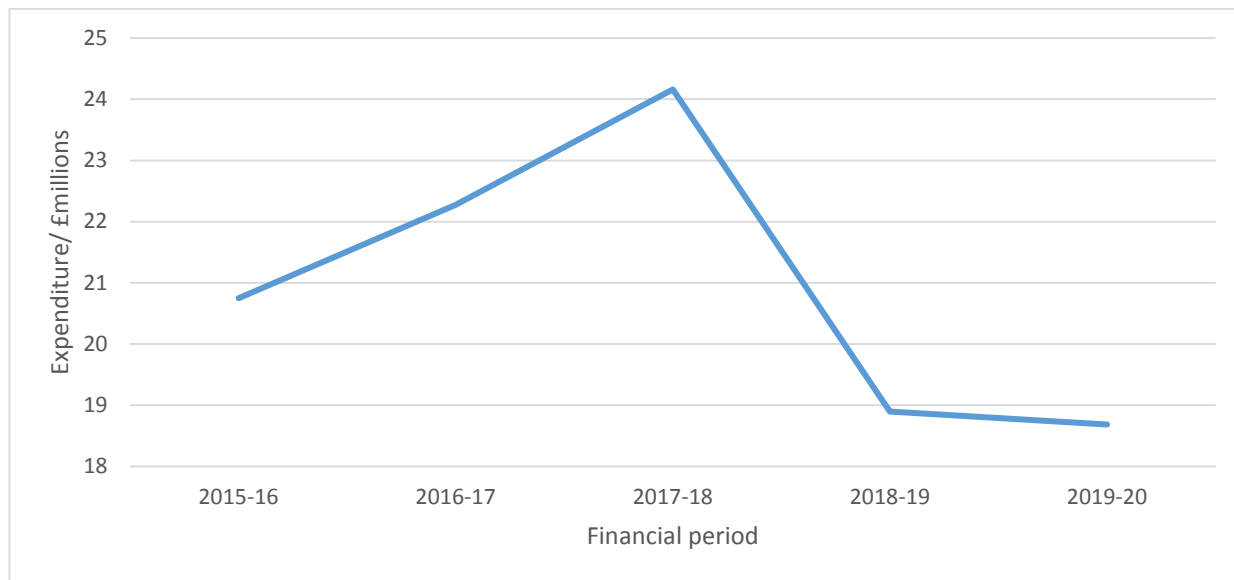
Consultation and involvement with staff is also maintained through various forums including the Safety, Health, Environment and Quality Committee, regular directorate and team meetings, the National Museum’s intranet “Ahoy! Workplace”, and the performance appraisal and “check in” system.

<i>Trade Union facility time report</i>	2019-20	2018-19
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 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, reaching a peak of 1.87 million visits in 2018-19, dropping back to 1.73 million in 2019-20 as the Covid-19 pandemic took hold. The Grant in Aid received from the sponsor body has remained broadly static in cash terms across the period at £3,501,000 (including purchase of exhibits grant) and the National Museum’s growth has been funded through self-generated income, grants and donations.

Admiral Sir Philip Jones
Chair on behalf of the Board of Trustees

Date: 25 November 2020

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 25 November 2020

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 2020 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 National Museum of the Royal Navy's affairs as at 31 March 2020 and of its net income 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the National Museum of the Royal Navy's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the National Museum of the Royal Navy have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Museum's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Trustees and Accounting Officer 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

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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.
- conclude on the appropriateness of the National Museum of the Royal Navy'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 National Museum of the Royal Navy (or where relevant, the group's) ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my 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 report. However, future events or conditions may cause National Museum of the Royal Navy (or where relevant, the group) to cease to continue as a going concern.

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.

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

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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

The National Museum of the Royal Navy
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Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2020

	Notes	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2019 Total £'000
Income from:											
Donations and legacies											
Grant in Aid (revenue)	2	3,375	-	-	-	3,375	3,330	-	-	-	3,330
Grant in Aid (capital)	2	126	-	-	-	126	124	-	-	-	124
Donations	2	891	8,008	-	-	8,899	1,137	3,807	-	-	4,944
Legacies	3	414	-	-	-	414	63	-	-	-	63
Charitable activities											
Admissions	4	5,584	-	-	-	5,584	5,553	-	-	-	5,553
Memberships		46	-	-	-	46	75	-	-	-	75
Other trading activities											
Trading subsidiary	5	2,920	-	-	-	2,920	3,170	-	-	-	3,170
Investments	6	518	-	-	157	675	498	-	-	190	688
Other		192	-	-	-	192	120	-	-	-	120
Total income		14,066	8,008	-	157	22,231	14,070	3,807	-	190	18,067
Expenditure on:											
Raising funds											
Fundraising and publicity	7	935	-	-	-	935	883	-	-	-	883
Investment management costs		-	-	-	243	243	-	-	-	243	243
Trading subsidiary	5	2,973	-	-	-	2,973	2,965	-	-	-	2,965
Charitable activities	8	9,720	4,814	-	-	14,534	10,100	4,707	-	-	14,807
Total expenditure		13,628	4,814	-	243	18,685	13,948	4,707	-	243	18,898

The notes on pages 35 to 62 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 Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2020

	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2019 Total £'000
Net gains/(losses) on investments	-	-	-	(1,292)	(1,292)	-	-	-	95	95
Net income/(expenditure)	438	3,194	-	(1,378)	2,254	122	(900)	-	42	(736)
Transfer between funds	1,322	(1,292)	83	(113)	-	(31)	(88)	119	-	-
Other recognised gains/(losses):										
Gains on revaluations of fixed assets	133	172	-	-	305	121	158	-	-	279
Net movement in funds	1,893	2,074	83	(1,491)	2,559	212	(830)	119	42	(457)
Reconciliation of funds:										
Total funds brought forward	19,379	120,262	3,307	36,023	178,971	19,167	121,092	3,188	35,981	179,428
Total funds carried forward	21,272	122,336	3,390	34,532	181,530	19,379	120,262	3,307	36,023	178,971

The notes on pages 35 to 62 form an integral part of these financial statements.

The National Museum of the Royal Navy
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Consolidated Balance Sheet
as at 31 March 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Fixed assets					
Tangible assets	14	32,059	28,302	-	1
Heritage assets	15	104,096	104,013	3,366	3,283
Investments	16	33,602	34,978	-	-
		<u>169,757</u>	<u>167,293</u>	<u>3,366</u>	<u>3,284</u>
Current assets					
Stocks	17	7,357	7,351	-	-
Debtors	18	4,244	3,190	1,903	2,397
Cash at bank and in hand		3,696	5,198	361	1,019
		<u>15,297</u>	<u>15,739</u>	<u>2,264</u>	<u>3,416</u>
Creditors falling due within one year	20	<u>(4,367)</u>	<u>(4,181)</u>	<u>(1,071)</u>	<u>(1,549)</u>
Net current assets/(liabilities)		<u>10,930</u>	<u>11,558</u>	<u>1,193</u>	<u>1,867</u>
Debtors falling due after one year	19	939	320	-	-
Total assets less current liabilities		<u>181,626</u>	<u>179,171</u>	<u>4,559</u>	<u>5,151</u>
Creditors falling due after more than one year	21	<u>(96)</u>	<u>(200)</u>	<u>-</u>	<u>(130)</u>
Net assets		<u><u>181,530</u></u>	<u><u>178,971</u></u>	<u><u>4,559</u></u>	<u><u>5,021</u></u>
Funds					
Unrestricted funds		20,619	18,859	10	(120)
Designated funds		72	72	-	-
Revaluation reserve		581	448	1	1
Total unrestricted funds		<u>21,272</u>	<u>19,379</u>	<u>11</u>	<u>(119)</u>
Restricted funds		77,086	75,184	1,158	1,833
Revaluation reserve		45,250	45,078	-	-
Linked charities		3,390	3,307	3,390	3,307
Total restricted funds		<u>125,726</u>	<u>123,569</u>	<u>4,548</u>	<u>5,140</u>
Total endowment funds		<u>34,532</u>	<u>36,023</u>	<u>-</u>	<u>-</u>
Total funds	22	<u><u>181,530</u></u>	<u><u>178,971</u></u>	<u><u>4,559</u></u>	<u><u>5,021</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



Admiral Sir Philip Jones
Chair of the Board of Trustees
Date: 25 November 2020



Professor Dominic Tweddle
Director General and Accounting Officer
Date: 25 November 2020

The notes on pages 35 to 62 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 2020

	Notes	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash flows from operating activities:					
Net cash provided by (used in) operating activities		3,002	(87)	(445)	579
Cash flows from investing activities:					
Dividends and interest from investments		675	688	-	-
Purchase of property, plant and equipment		(4,895)	(852)	(83)	(114)
Sale of property, plant and equipment		4	-	-	-
Purchase of investments		(158)	(190)	-	-
Net cash provided by (used in) investing activities		<u>(4,374)</u>	<u>(354)</u>	<u>(83)</u>	<u>(114)</u>
Cash flows from financing activities:					
Repayment of borrowing		(130)	(130)	(130)	(130)
Net cash provided by (used in) financing activities		<u>(130)</u>	<u>(130)</u>	<u>(130)</u>	<u>(130)</u>
Change in cash and cash equivalents in the reporting period		<u>(1,502)</u>	<u>(571)</u>	<u>(658)</u>	<u>335</u>
Cash and cash equivalents at 1 April 2019		<u>5,198</u>	<u>5,769</u>	<u>1,019</u>	<u>684</u>
Total cash and cash equivalents at 31 March 2020	30	<u><u>3,696</u></u>	<u><u>5,198</u></u>	<u><u>361</u></u>	<u><u>1,019</u></u>
Net income/(expenditure) for the year		2,254	(736)	(462)	421
Depreciation		1,337	1331	1	1
Loss on disposal of fixed assets		20	-	-	-
(Gains)/losses on investments		1,292	(95)	-	-
Adjustment for non-cash fees from gains/losses		241	244	-	-
Dividends and interest from investments		(675)	(688)	-	-
Donated heritage assets		-	(4)	-	(4)
(Increase)/decrease in stocks		(6)	155	-	-
(Increase)/decrease in debtors		(1,673)	534	494	628
Increase/(decrease) in creditors		186	(805)	(478)	(467)
Increase/(decrease) in long term liabilities		26	(23)	-	-
Net cash provided by (used in) operating activities		<u><u>3,002</u></u>	<u><u>(87)</u></u>	<u><u>(445)</u></u>	<u><u>579</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 2020

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 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 they are a member, or within one year after they cease to be a member.

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) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006, UK Generally Accepted Accounting Practice, and guidance issued by HM Treasury. The results of the company include the results of the two linked charities of the National Museum: Royal Naval Museum and HMS M33 Trust.

In addition to the revenue it generates, the company receives grant funding from the Ministry of Defence under a Financial Framework Agreement in respect of its operation of the group’s museums. Additional grant in aid funding was awarded to the National Museum by Her Majesty’s Treasury in response to the impact of the Covid-19 pandemic, effectively underwriting the Group’s financial performance for 2020-21. Furthermore, the National Museum has received commitment from Navy Command that the ongoing impact of the pandemic on its finances will be reviewed in January 2021, with the assurance that the National Museum will not be allowed to fail. As such, the financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

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 £’000.

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 (company 9988314, charity 1169061) inc. the National Museum of the Royal Navy Trading (company 1261270)
Royal Navy Submarine Museum (company 07637385, charity 1142123) and Trust (charity 1169371)
Royal Marines Museum (company 07635447, charity 1142186) and Trust (charity 259422)
Fleet Air Arm Museum (company 07570620, charity 1143023) and Trust (charity 250079)
NMRN Hartlepool (company 00123456, charity 165917)
HMS Trincomalee Trust (company 02678419, charity 1007784) inc. the Foudroyant Trust (company 00628111, charity 306082)
Warrior Preservation Trust (company 00936870, charity 256756)
HMS Victory Preservation Company (company 07935358, charity 1146376) incorporating HMS Victory Preservation Trust
HMS Caroline Preservation Company (company 08303946, charity 1149930) incorporating HMS Caroline Preservation Trust

The Consolidated Statement of Financial Activities and the Consolidated Balance Sheet include the results and assets of each charity on a line by line basis. The 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.

The National Museum of the Royal Navy

(A company limited by guarantee)

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Notes to the financial statements for the year ended 31 March 2020

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

1.5. Incoming resources

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

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. Where gifts in kind are services, these are measured at the price that would ordinarily be paid for that service, which is not always equivalent to market value.

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 restricted 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.

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.

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At 31 March 2020, as a result of the potential market impact of COVID-19 on the indices used to revalue land and buildings, a material valuation uncertainty clause was included within the professional valuer's report contracted by MoD to provide the indices. Consequently, less certainty and a higher degree of caution should be attached to the valuation than would normally be the case. In September 2020, the professional valuers undertook a further review, concluding that there is little or no empirical evidence available to suggest that COVID-19 has had a significant impact on the indices used to revalue NMRN property assets. The findings of this review led to the professional valuers lifting the material valuation uncertainty clause from that date. It is the view of the trustees that while uncertainty does exist in the indices used at 31 March 2020, there is no evidence to show that there is a material impact on the valuation applied, and in their opinion they remain the most appropriate indices to employ.

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

Subsequent to the year end, the Royal Marines Museum charity exchanged contracts for the sale of its land and buildings on 28 October 2020. The sale completed on 25 November 2020. (see note 29)

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.

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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.

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 activities of the company fall within the exemptions afforded by the provisions of the Corporation Tax Act 2010. Accordingly there is no tax charge in these accounts. The company's trading subsidiary is subject to corporation tax.

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.

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1.13. Stock

Stocks are usually 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.

The valuation of the timber stock is an exception, based on an estimate of the open market value could be achieved in the event of a sale (please see note 1.15). Oak and elm donated by four Scottish Estates is excluded and will be valued at market value once the final seasoned quantity is known (please see note 17).

1.14. Basic 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

The estimation techniques that have been used in the consolidated financial statements are set out below.

Estimate	Assumption
Valuation of Historic Ships	The valuations of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown. This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).
Valuation of HMS Victory Preservation Company timber stock	The valuations of the timber stock has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale. Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price (please see note 17).
Valuation of Heritage Assets (not Historic Ships)	The valuations of heritage assets donated to the group after 1 April 2000 with a value in excess of £2,500 are based on internal estimates of market value 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.
Valuation of Land and Buildings	The valuations of land and buildings are based on professional market valuations at least every five years and indices are used to reflect the change in value in the intervening years.

1.16. Pensions

During the year contributions for the Director General only, totalling £12,722 (excluding salary exchange amounts) (2018-19 £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 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 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.

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Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi-employer defined benefit scheme but the National Museum 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.civilservicepensionscheme.org.uk/about-us/scheme-valuations/. For 2019-20, employer contributions were payable to the PCSPS at one of four rates in the range 26.6% to 30.3% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2019-20 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 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 2019 with revised rates of contributions being payable from 1 April 2020. Details can be found in the Hampshire Pension Fund annual report and accounts: www.lgpsboard.org/index.php/schemedata/scheme-annual-report. The next valuation date is 31 March 2022, with revised contributions being payable from 1 April 2023.

The National Museum 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 2019 with revised rates of contributions being payable from

1 April 2020. Details can be found in the Teesside Pension Fund annual report and accounts: www.lgpsboard.org/index.php/scheme-annual-report. The next valuation date is 31 March 2022, with revised contributions being payable from 1 April 2023.

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.

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.

Notes to the financial statements
for the year ended 31 March 2020

2. Voluntary income (Company and Group)

	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2019 Total £'000
Grant (operating)	3,375	-	-	3,375	3,330	-	-	3,330
Grant (capital)	126	-	-	126	124	-	-	124
Total Grant in Aid	<u>3,501</u>	<u>-</u>	<u>-</u>	<u>3,501</u>	<u>3,454</u>	<u>-</u>	<u>-</u>	<u>3,454</u>
Other donations and grants								
Heritage Lottery Fund								
HMS Caroline	-	-	-	-	-	723	-	723
Northern Ireland Tourist Board	-	-	-	-	-	542	-	542
Coastal Forces Heritage Trust	-	140	-	140	-	275	-	275
Ministry of Defence	-	328	-	328	172	-	-	172
Miscellaneous donations and grants	2	-	-	2	1	-	-	1
	<u>2</u>	<u>468</u>	<u>-</u>	<u>470</u>	<u>173</u>	<u>1,540</u>	<u>-</u>	<u>1,713</u>
Gifts in kind:								
Transferred from NMRN Operations	-	-	83	83	-	-	115	115
Captain Phillips Medal Collection	-	-	-	-	4	-	-	4
	<u>-</u>	<u>-</u>	<u>83</u>	<u>83</u>	<u>4</u>	<u>-</u>	<u>115</u>	<u>119</u>
Received by company	<u>2</u>	<u>468</u>	<u>83</u>	<u>553</u>	<u>177</u>	<u>1,540</u>	<u>115</u>	<u>1,832</u>
Received by:								
NMRN Operations	838	7,540	-	8,378	932	2,267	-	3,199
Royal Navy Submarine Museum	1	-	-	1	3	-	-	3
Royal Marines Museum	44	-	-	44	6	-	-	6
HMS Victory Preservation Co	5	-	-	5	18	-	-	18
Warrior Preservation Trust	1	-	-	1	1	-	-	1
Consolidation adjustments:								
NMRN Operations (1)	-	-	(83)	(83)	-	-	(115)	(115)
	<u>889</u>	<u>7,540</u>	<u>(83)</u>	<u>8,346</u>	<u>960</u>	<u>2,267</u>	<u>(115)</u>	<u>3,112</u>
Received by group	<u>891</u>	<u>8,008</u>	<u>-</u>	<u>8,899</u>	<u>1,137</u>	<u>3,807</u>	<u>-</u>	<u>4,944</u>

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

Notes to the financial statements
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3. Legacies (Group)

	Unrestricted funds £'000	2020 Total £'000	Unrestricted funds £'000	2019 Total £'000
Received by:				
NMRN Operations	341	341	63	63
Royal Navy Submarine Museum	71	71	-	-
Royal Marines Museum	2	2	-	-
	<u>414</u>	<u>414</u>	<u>63</u>	<u>63</u>

There are no equivalent balances for the company.

4. Admissions (Group)

	Unrestricted funds £'000	2020 Total £'000	Unrestricted funds £'000	2019 Total £'000
Museum admissions				
Portsmouth Historic Dockyard	4,333	4,333	4,084	4,084
Fleet Air Arm Museum	776	776	787	787
Hartlepool	250	250	262	262
HMS Caroline	190	190	231	231
	<u>5,549</u>	<u>5,549</u>	<u>5,364</u>	<u>5,364</u>
Other site income				
Portsmouth Historic Dockyard	35	35	189	189
	<u>5,584</u>	<u>5,584</u>	<u>5,553</u>	<u>5,553</u>

There are no equivalent balances for the company.

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

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

Notes to the financial statements
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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), the HMS Victory Preservation Company (HMSVPC), the HMS Caroline Preservation Company (HMSCPC), 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 also has a non-charitable trading subsidiary. Dormant subsidiaries awaiting strike off are not included below (these have £Nil balances).

Note: the results for FAAM Trust and WPT include consolidation adjustments of £2,222,000 and £250,265 respectively, to increase reserves brought forward and heritage assets.

5.1 Statement of Financial Activities
(Subsidiaries)

	NMRNO	NMRNH	HMSVPC	HMSCPC	HMSTT	WPT	RMM	RNSM	FAAM	2020	2019
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from:											
Donations and legacies	13,979	-	5	-	-	1	46	73	-	14,104	7,666
Charitable activities	5,630	-	-	-	-	-	-	-	-	5,630	5,627
Other trading activities											
Trading subsidiary	2,920	-	-	-	-	-	-	-	-	2,920	3,170
Investments	-	-	669	-	6	-	-	-	-	675	688
Other	186	-	-	-	-	6	-	-	-	192	119
Total income	22,715	-	674	-	6	7	46	73	-	23,521	17,270
Expenditure on:											
Raising funds	935	-	-	-	-	-	-	-	-	935	883
Trading subsidiary	2,973	-	-	-	-	-	-	-	-	2,973	2,965
Investment management	-	-	243	-	-	-	-	-	-	243	243
Charitable activities	13,668	1	1,154	-	24	137	157	15	208	15,364	14,433
Total expenditure	17,576	1	1,397	-	24	137	157	15	208	19,515	18,524

Notes to the financial statements
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5.1 Statement of Financial Activities
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSCPC £'000	HMSTT £'000	WPT £'000	RMM £'000	RNSM £'000	FAAM £'000	2020 £'000	2019 £'000
Net (loss)/ gain on investments	-	-	(1,292)	-	-	-	-	-	-	(1,292)	96
Net income/(expenditure)	5,139	(1)	(2,015)	-	(18)	(130)	(111)	58	(208)	2,714	(1,158)
Other recognised gains/(losses)											
Revaluation of fixed assets	198	-	3	-	-	-	48	-	57	306	280
Net movement in funds	5,337	(1)	(2,012)	-	(18)	(130)	(63)	58	(151)	3,020	(878)
Reconciliation of funds											
Fund balances brought forward	17,036	5	62,267	12,560	21,402	26,550	6,205	18,958	8,967	173,950	174,828
Fund balances carried forward	22,373	4	60,255	12,560	21,384	26,420	6,142	19,016	8,816	176,970	173,950

5.2 Balance Sheet
(Subsidiaries)

	NMRNO £'000	NMRNH £'000	HMSVPC £'000	HMSCPC £'000	HMSTT £'000	WPT £'000	RMM £'000	RNSM £'000	FAAM £'000	2020 £'000	2019 £'000
Fixed assets											
Tangible fixed assets	21,376	-	148	-	1	-	5,148	-	5,385	32,058	28,299
Heritage assets	-	-	19,375	12,560	21,008	25,290	734	18,651	3,111	100,729	100,729
Investments	-	-	33,602	-	-	-	-	-	-	33,602	34,978
	21,376	-	53,125	12,560	21,009	25,290	5,882	18,651	8,496	166,389	164,006
Current assets	7,091	4	7,198	1	482	1,134	270	384	390	16,954	15,110
Current liabilities	(6,094)	-	(68)	(1)	(11)	(4)	(10)	(19)	(70)	(6,277)	(5,097)
Long term liabilities	-	-	-	-	(96)	-	-	-	-	(96)	(69)
Total Funds	22,373	4	60,255	12,560	21,384	26,420	6,142	19,016	8,816	176,970	173,950

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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:

	2020	2019
	£'000	£'000
Turnover	2,901	3,151
Cost of sales	(1,242)	(1,528)
Gross Profit	1,659	1,623
Administration	(1,753)	(1,374)
Commissioning fee from NMRN Operations	-	101
Other income	19	19
Net (loss) / profit	(75)	369
Tax on ordinary activities	22	(63)
(Loss) / Profit for the Financial Year	(53)	306
Amount gifted to NMRN Operations	(41)	(35)
Retained (loss)/profit for the period	(94)	271
Retained profit brought forward	544	273
Retained profit carried forward	450	544

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 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.

	2020	2019
	Total	Total
	£'000	£'000
<u>Statement of financial activities</u>		
Income received	5,107	5,794
Distributions	(5,107)	(5,794)
Net incoming resources	-	-
<u>Balance Sheet</u>		
Current assets	702	817
Current liabilities	(702)	(817)
Net assets	-	-

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6. Investment income (Group)

	Unrestricted funds £'000	Endowment funds £'000	2020 Total £'000	Unrestricted funds £'000	Endowment funds £'000	2019 Total £'000
Interest income	3	14	17	3	50	53
Dividend income	515	143	658	495	140	635
	<u>518</u>	<u>157</u>	<u>675</u>	<u>498</u>	<u>190</u>	<u>688</u>

7. Fundraising costs (Group)

	Unrestricted funds £'000	2020 Total £'000	Unrestricted funds £'000	2019 Total £'000
Staff costs	530	530	512	512
Fundraising and publicity	405	405	371	371
	<u>935</u>	<u>935</u>	<u>883</u>	<u>883</u>

There were no fundraising costs to the company during the period, with all fundraising activities undertaken elsewhere with the Group.

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

	Unrestricted funds £'000	Restricted funds £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2019 Total £'000
Operations	420	-	420	431	-	431
Collections & research	107	-	107	96	-	96
Learning	40	-	40	40	-	40
Grant funding	2,806	1,143	3,949	2,938	1,360	4,298
	<u>3,373</u>	<u>1,143</u>	<u>4,516</u>	<u>3,505</u>	<u>1,360</u>	<u>4,865</u>

Costs of charitable activities - by fund type (Group)

	Unrestricted funds £'000	Restricted funds £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2019 Total £'000
Operations	7,249	4,626	11,875	7,331	4,491	11,822
Collections & research	1,883	152	2,035	2,246	178	2,424
Learning	588	36	624	523	38	561
	<u>9,720</u>	<u>4,814</u>	<u>14,534</u>	<u>10,100</u>	<u>4,707</u>	<u>14,807</u>

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

	Operations	Collections & research	Learning	Grant funding	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	324	83	30	-	437	452
Governance and support costs	96	25	9	-	130	115
	<u>420</u>	<u>108</u>	<u>39</u>	<u>-</u>	<u>567</u>	<u>567</u>
Grant funding:						
NMRN Operations	-	-	-	3,949	3,949	4,298
	<u>420</u>	<u>108</u>	<u>39</u>	<u>3,949</u>	<u>4,516</u>	<u>4,865</u>

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

	Operations	Collections & research	Learning	Grant funding	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	3,476	795	346	-	4,617	4,884
Operating costs	459	-	-	-	459	493
Marketing	758	-	-	-	758	747
Curatorial	-	302	-	-	302	553
Purchase of exhibits	-	35	-	-	35	21
Depreciation	684	451	72	-	1,207	1,291
Loss on disposal of fixed assets	15	3	2	-	20	-
Governance and support costs	1,966	449	204	-	2,619	2,739
	<u>7,358</u>	<u>2,035</u>	<u>624</u>	<u>-</u>	<u>10,017</u>	<u>10,728</u>
Project costs:						
HMS Caroline	265	-	-	-	265	567
HMS Victory	1,036	-	-	-	1,036	948
HMS Warrior	296	-	-	-	296	794
HMS Invincible	210	-	-	-	210	-
Landing Craft (Tank) - LCT7074	1,762	-	-	-	1,762	554
RML497	-	-	-	-	-	736
Royal Marines Museum relocation	316	-	-	-	316	225
Fleet Air Arm Museum	199	-	-	-	199	68
Royal Navy Submarine Museum	42	-	-	-	42	43
NMRN Hartlepool	58	-	-	-	58	-
Other project costs	333	-	-	-	333	144
	<u>4,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,517</u>	<u>4,079</u>
	<u>11,875</u>	<u>2,035</u>	<u>624</u>	<u>-</u>	<u>14,534</u>	<u>14,807</u>

Notes to the financial statements
for the year ended 31 March 2020

10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	15	4	1	20	27
Auditor remuneration	2	-	-	2	-
Auditor remuneration - NAO	38	8	3	49	35
Legal and professional	13	4	1	18	-
Travelling expenses	14	4	2	20	21
Bank charges & interest	9	2	1	12	19
Depreciation	1	-	-	1	1
Sundry expenses	5	2	1	8	12
	<u>97</u>	<u>24</u>	<u>9</u>	<u>130</u>	<u>115</u>

Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2020 Total	2019 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	62	16	6	84	96
Auditor remuneration	35	10	3	48	62
Auditor remuneration - NAO	38	8	3	49	35
Legal and professional	82	13	6	101	195
Repairs and maintenance	288	65	31	384	319
Insurance	161	37	17	215	212
Premises expenses	998	230	108	1,336	1,337
Travelling expenses	95	22	10	127	167
Communication and IT	46	11	5	62	64
Printing, postage and stationery	43	10	5	58	79
Bank charges & interest	80	19	8	107	126
Depreciation	11	-	-	11	11
Sundry expenses	27	8	2	37	36
	<u>1,966</u>	<u>449</u>	<u>204</u>	<u>2,619</u>	<u>2,739</u>

11. Employees

	Group 2020	Group 2019	Company 2020	Company 2019
	£'000	£'000	£'000	£'000
Employment costs				
Wages and salaries	6,445	6,168	306	334
Social security costs	437	438	35	39
Pension costs	494	441	76	61
Employee benefits	16	13	16	19
	<u>7,392</u>	<u>7,060</u>	<u>433</u>	<u>453</u>

Key management personnel

Employee benefits received by key management personnel total £349,403 for the year to 31 March 2020 (31 March 2019: £377,000).

Notes to the financial statements
for the year ended 31 March 2020

Higher paid employees

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

	Group 2020	Group 2019	Company 2020	Company 2019
£60,001 to £70,000	2	3	-	-
£70,001 to £80,000	1	1	1	1
£80,001 to £90,000	-	1	-	1
£90,001 to £100,000	1	1	1	1
£120,001 to £130,000	1	1	1	1
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Number of employees

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

	Group 2020	Group 2019	Company 2020	Company 2019
Charitable expenditure	401	401	-	-
Cost of generating funds	4	4	-	-
Governance costs	7	6	4	4
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>412</u>	<u>411</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 226 (2019: 244).

Staff costs for the charity for the year include an accrual of £3,383 (2019: £682), and for the group include £41,213 (2019: £19,481), for short-term compensated absences arising from employee entitlement to annual leave.

During the financial year 4 redundancies (2019: 6) were identified within the group and contractual/redundancy costs of £49,633 were paid (2019: £49,568). No further amounts were accrued at 31 March 2020 (2019: £Nil).

Pensions 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:

	2020			2019		
	Group Schemes £'000	PCSPS £'000	LGPS £'000	Group Schemes £'000	PCSPS £'000	LGPS £'000
National Museum of the Royal Navy	76	-	-	81	-	-
NMRN Operations	371	22	16	331	20	21
NMRN Trading (reported within trading expenditure)	9	-	-	8	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>456</u>	<u>22</u>	<u>16</u>	<u>420</u>	<u>20</u>	<u>21</u>

11.1. Trustees' emoluments

No trustees received remuneration during the year (2019: Nil). Nine trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £3,577 (2019: Twelve trustees - £4,715).

12. Net outgoing resources for the year

	2020 £'000	2019 £'000
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,360	1,322
Auditors' remuneration - National Audit Office	49	35
Auditors' remuneration - Subsidiary Auditors	48	63
	<u> </u>	<u> </u>

The National Audit Office fee for the year ended 31 March 2020 is £48,505 (2019: £35,500) as a result of a late fee increase arising from the impact of the Covid-19 pandemic. There is no remuneration for non-audit work.

Notes to the financial statements
for the year ended 31 March 2020

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' wholly owned, non-charitable subsidiary, trading company is subject to Corporation Tax.

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 2019	4	9	3,283	3,296
Additions	-	-	83	83
At 31 March 2020	4	9	3,366	3,379
Depreciation				
At 1 April 2019	4	8	-	12
Charge for the year	-	1	-	1
At 31 March 2020	4	9	-	13
Net book values				
At 31 March 2020	-	-	3,366	3,366
At 31 March 2019	-	1	3,283	3,284

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 2019	1,780	16,879	9,938	2,853	2,366	7,463	803	104,013	146,095
Additions	2,374	-	1,280	4	98	273	783	83	4,895
Disposals	-	-	-	(193)	-	(44)	-	-	(237)
Revaluation	-	150	116	(9)	29	58	16	-	360
At 31 March 2020	4,154	17,029	11,334	2,655	2,493	7,750	1,602	104,096	151,113
Depreciation									
At 1 April 2019	-	2,813	1,787	2,595	1,018	5,248	319	-	13,780
Charge for the year	-	384	352	59	99	253	190	-	1,337
Disposals	-	-	-	(184)	-	(30)	-	-	(214)
On revaluation	-	14	18	(5)	6	20	2	-	55
At 31 March 2020	-	3,211	2,157	2,465	1,123	5,491	511	-	14,958
Net book values									
At 31 March 2020	4,154	13,818	9,177	190	1,370	2,259	1,091	104,096	136,155
At 31 March 2019	1,780	14,066	8,151	258	1,348	2,215	484	104,013	132,315

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 2020

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.

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 collections are subject to an ongoing programme of audit, review and documentation as they are integrated into the National Museum's collection management systems, and the numbers of artefacts held within the Explosion! and Royal Marines Museum collections have been amended within this reporting period. The number of artefacts held by each trust is summarised below, by category:

Category	Royal Naval Museum	Explosion!	Royal Navy Submarine Museum	Royal Marines Museum	Fleet Air Arm Museum	HMS Trincomalee Trust	Warrior Preservation Trust	HMS M33 Trust	HMS Caroline Pres. Trust	HMS Victory Pres. Trust	Total
Large Items	86	13	8	17	181	1	1	1	1	1	310
Works of Art/Models	5,312	260	957	10,824	1,310	8	155	-	-	-	18,826
Documentary Archive	35,290	4,109	22,000	36,000	1,034,148	4	1,427	-	-	-	1,132,978
Uniforms/Badges & Insignia	7,530	-	848	15,817	4,403	-	45	-	-	-	28,643
Orders & Decorations	5,405	-	235	2,564	1,556	19	12	-	-	-	9,791
Weapons/Armaments	297	1,251	64	1,694	194	-	20	-	-	-	3,520
Photograph/Microfilm/Fiche	165,006	2,978	60,793	2,000,000	881,452	-	315	-	-	-	3,110,544
Film and Sound Recordings	697	22	825	1,382	164	-	1	-	-	-	3,091
Other	4,364	5,057	3,600	3,347	17,265	2	1,154	-	-	-	34,789
Total	223,987	13,690	89,330	2,071,645	1,940,673	34	3,130	1	1	1	4,342,492

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.

Notes to the financial statements
for the year ended 31 March 2020

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.

On 13 March 2020, the National Museum received a gift of 12 figureheads from the Ministry of Defence. This was the first tranche of a gift for charitable purposes of The Devonport Collection. The charity considers that the cost of obtaining a valuation for this gift is significant, as such items rarely come on the market, and is not commensurate with the benefit obtained by including the capitalised value in the financial statements.

Five-year summary of transactions	2020 £'000	2019 £'000	2018 £'000	2017 £'000	2016 £'000
Purchased additions					
Royal Naval Museum	83	114	137	5	155
Royal Navy Submarine Museum	-	-	-	-	4
Fleet Air Arm Museum	-	-	-	3	-
	<u>-</u>	<u>114</u>	<u>137</u>	<u>8</u>	<u>159</u>
Donated additions					
Royal Naval Museum	-	4	3	264	167
Fleet Air Arm Museum	-	-	-	-	150
HMS Trincomalee Trust	-	-	-	8	-
	<u>-</u>	<u>4</u>	<u>3</u>	<u>272</u>	<u>317</u>
Total additions	<u>83</u>	<u>118</u>	<u>140</u>	<u>280</u>	<u>476</u>

Significant historic ships

Ship (for reporting entity please see below)	Donor	Date of gift	Uplifted original build cost apportioned for value on completion £'000	Estimated cost of repair at time of gifting £'000	Value of gift £'000	Value at 1 April 2019 £'000	Increase in year £'000	Value at 31 March 2020 £'000
HMS <i>Alliance</i>	Ministry of Defence	1979	£18,480	N/A	N/A	£18,480	-	£18,480
HMS <i>Caroline</i>	Ministry of Defence	2013	£12,560	£5,004	£7,556	£12,560	-	£12,560
HMS <i>M33</i>	Hampshire County	2014	£1,775	£683	£1,092	£1,775	-	£1,775
HMS <i>Trincomalee</i>	Purchased for £1	N/A	£21,000	N/A	N/A	£21,000	-	£21,000
HMS <i>Victory</i>	Ministry of Defence	2012	£50,000	£30,625	£19,375	£19,375	-	£19,375
HMS <i>Warrior 1860</i>	Purchased for £1	N/A	£25,040	N/A	N/A	£25,040	-	£25,040

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 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.

Notes to the financial statements

for the year ended 31 March 2020

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.

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 £50,000,000.

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.

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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.

16. Investment assets

	Group	
	Listed	Unlisted
	2020	2020
	£'000	£'000
Valuation		
At 1 April 2019	34,978	-
Additions	158	-
Gains and losses before management fees	(1,292)	
Less management fees deducted	(242)	
Realised and unrealised gains and losses	(1,534)	-
At 31 March 2020	<u>33,602</u>	<u>-</u>
Historical cost as at 31 March 2020	<u>31,311</u>	<u>-</u>
Historical cost as at 31 March 2019	<u>31,173</u>	<u>-</u>
Investments By fund:		
Endowment funds	<u>33,602</u>	<u>-</u>

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:

	2020	2019
	£'000	£'000
UK		
UK government and fixed interest securities	2,338	2,167
UK bonds	1,183	1,562
UK equities	5,586	7,680
Portfolio funds	524	1,458
Others	8,555	5,807
Capital account	864	1,488
	<u>19,050</u>	<u>20,162</u>
Overseas		
Fixed interest	3,817	4,190
International bonds	737	719
International equities	9,998	9,828
Others	-	79
	<u>14,552</u>	<u>14,816</u>
	<u>33,602</u>	<u>34,978</u>

Notes to the financial statements
for the year ended 31 March 2020

17. Stocks

	Group	Group
	2020	2019
	£'000	£'000
Held by:		
HMS Victory Preservation Company	6,650	6,650
NMRN Operations	215	215
Trading subsidiaries	492	486
	<u>7,357</u>	<u>7,351</u>

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

In March 2012, along with the gift of HMS *Victory*, the HMS Victory Preservation Trust received approximately 500m³ of teak, procured by MoD and valued by Timbmet (September 2012), in order to undertake repairs to the Ship's planking. At the HMS Victory Preservation Company Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of the Ship. Samples of oak are presently being subject to material trials to assess their durability in the Ship's structure. It is anticipated that the Phase 1 Trials (static accelerated weathering and UV trials of paint schemes, fixings and caulking) and Phase 2 Trials (dynamic trials of caulking) will be complete by 8 January 2021, at which point the use of oak will be confirmed.

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. Should oak prove unsuitable for the conservation project, 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.

Although the stock of timber has been professionally valued, this can only be considered an estimate because due to the nature and quantity of the timber held, if it were ever to be sold in its entirety on the open market, there would likely be a negative impact on the market price. In 2021, the Board will set out an appropriate disposal policy for the surplus stock, which may include open market disposal in small quantities so as not to saturate the market.

In addition to the timber gifted by the MoD, a further amount of timber is also held for use in the preservation of the Ship. This timber remains the property of the Crown. Although the Trust has day to day use of this timber, ultimate control remains with the Crown. Accordingly, 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
for the year ended 31 March 2020

18. Debtors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Trade debtors	490	75	-	-
Amounts owed by group undertakings	-	-	1,902	1,597
Other debtors	595	1,090	1	628
Prepayments & accrued income	2,853	1,916	-	172
VAT	306	109	-	-
	<u>4,244</u>	<u>3,190</u>	<u>1,903</u>	<u>2,397</u>

19. Debtors: amounts falling due after more than one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Other debtors	439	320	-	-
Accrued income	500	-	-	-
	<u>939</u>	<u>320</u>	<u>-</u>	<u>-</u>

The accrued income relates to a grant to NMRN Operations from RMA The Royal Marines Charity and payable in four annual instalments.

20. Creditors: amounts falling due within one year

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Other loans	128	142	128	142
Trade creditors	1,732	933	53	-
Other creditors	876	1,818	716	1,328
Amounts owed to participating interests	-	-	-	2
Other taxes and social security	126	122	17	12
Accruals and deferred income	1,505	1,166	157	65
	<u>4,367</u>	<u>4,181</u>	<u>1,071</u>	<u>1,549</u>

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Other loans	96	200	-	130
	<u>96</u>	<u>200</u>	<u>-</u>	<u>130</u>

Notes to the financial statements
for the year ended 31 March 2020

22. Analysis of net assets between funds

	Tangible Fixed Assets £'000	Investments £'000	Net current assets £'000	Long term liabilities £'000	Total 2020 £'000
Restricted funds:					
Restricted funds	-	-	1,158	-	1,158
Royal Naval Museum	1,591	-	24	-	1,615
HMS M33 Trust	1,775	-	-	-	1,775
	<u>3,366</u>	<u>-</u>	<u>1,182</u>	<u>-</u>	<u>4,548</u>
Unrestricted funds	-	-	11	-	11
Total Company funds at 31 March 2020	3,366	-	1,193	-	4,559
Funds held by:					
NMRN Operations	21,376	-	998	-	22,374
NMRN Hartlepool	-	-	4	-	4
HMS Victory Preservation Company	19,525	33,602	7,128	-	60,255
HMS Caroline Preservation Company	12,560	-	-	-	12,560
HMS Trincomalee Trust	21,009	-	471	(96)	21,384
Warrior Preservation Trust Limited	25,290	-	1,130	-	26,420
Royal Navy Submarine Museum Trust	18,651	-	365	-	19,016
Royal Marines Museum Charitable Trust	5,882	-	260	-	6,142
Fleet Air Arm Museum	8,496	-	320	-	8,816
Total Group funds at 31 March 2020	136,155	33,602	11,869	(96)	181,530

	Tangible Fixed Assets £'000	Investments £'000	Net current assets £'000	Long term liabilities £'000	Total 2019 £'000
Net assets between funds (comparatives)					
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

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 2020

23. Restricted and endowment funds

Restricted funds:	At 1 April 2019 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2020 £'000
HMS Caroline fund	104	-	-	-	-	104
LIBOR Royal Marines Museum relocation fund	1,729	-	(675)	-	-	1,054
Ministry of Defence Projects	-	328	(328)	-	-	-
Coastal Forces Heritage Trust	-	140	(140)	-	-	-
Linked charities:						
Royal Naval Museum	1,532	83	-	-	-	1,615
HMS M33 Trust	1,775	-	-	-	-	1,775
Total company restricted funds	5,140	551	(1,143)	-	-	4,548
NMRN Operations	11,797	9,932	(4,720)	(2,530)	136	14,615
HMS Victory Preservation Company	26,180	-	(10)	-	3	26,173
HMS Caroline Preservation Company	12,560	-	-	-	-	12,560
HMS Trincomalee Trust	21,036	-	(8)	-	-	21,028
Warrior Preservation Trust	25,060	-	-	-	-	25,060
Royal Navy Submarine Museum	18,594	-	(4)	-	-	18,590
Royal Marines Museum	460	-	(5)	-	4	459
Fleet Air Arm Museum	2,742	-	(78)	-	29	2,693
Consolidation adjustments	-	(2,475)	1,154	1,321	-	-
Total group restricted funds	123,569	8,008	(4,814)	(1,209)	172	125,726
Restricted funds (comparatives):	At 1 April 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2019 £'000
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
Total company restricted funds	4,841	1,659	(1,360)	-	-	5,140
NMRN Operations	12,738	3,876	(4,617)	(322)	122	11,797
HMS Victory Preservation Company	26,201	-	(23)	-	2	26,180
HMS Caroline Preservation Company	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	-	-
Total group restricted funds	124,280	3,807	(4,707)	31	158	123,569

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

Notes to the financial statements
for the year ended 31 March 2020

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 Ministry of Defence Project fund represents funding received for five projects: D-Day 75th Anniversary Commemoration; Securing the Small Arms Collection; Improving the use of the Art Collection; Pirates and Anti-Piracy Exhibitions; and Digital Transformation.

The Coastal Forces Heritage Trust donation relates to a joint project to develop a major permanent exhibition on the Royal Navy's Coastal Forces and is granted by the Coastal Forces Heritage Trust.

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

Endowment funds:	At 1 April 2019 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2020 £'000
HMS Victory Preservation Co	34,919	157	(243)	-	(1,292)	33,541
HMS Trincomalee Trust	5	-	-	-	-	5
Warrior Preservation Trust Limited	1,099	-	-	(113)	-	986
Total group endowment funds	36,023	157	(243)	(113)	(1,292)	34,532

Endowment funds (comparatives):	At 1 April 2018 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2019 £'000
HMS Victory Preservation Co	34,877	190	(243)	-	95	34,919
HMS Trincomalee Trust	5	-	-	-	-	5
Warrior Preservation Trust Limited	1,099	-	-	-	-	1,099
Total group endowment funds	35,981	190	(243)	-	95	36,023

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

23.1 Linked charities of the National Museum

SORP 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:

<u>Royal Naval Museum</u>	At 1 April 2019 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	At 31 March 2020 £'000
Unrestricted funds	1,425	83	-	-	1,508
Restricted funds - RML 497 Fairmile (the ship)	83	-	-	-	83
Endowment funds - Johnstone Library fund	24	-	-	-	24
Total funds of the Royal Naval Museum	1,532	83	-	-	1,615

	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 (the ship)	83	-	-	-	83
Endowment funds - Johnstone Library fund	24	-	-	-	24
Total funds of the Royal Naval Museum	1,413	119	-	-	1,532

Notes to the financial statements
for the year ended 31 March 2020

Royal Naval Museum Balance Sheet summary	2020	2019
	£'000	£'000
Heritage assets	1,591	1,508
Current assets	24	24
Net assets	<u>1,615</u>	<u>1,532</u>
Funds		
Unrestricted funds	1,508	1,425
Restricted funds	83	83
Endowment funds	24	24
Total funds of the Royal Naval Museum	<u><u>1,615</u></u>	<u><u>1,532</u></u>

HMS M33 Trust

HMS M33 Trust Balance Sheet summary	2020	2019
	£'000	£'000
Heritage assets	<u>1,775</u>	<u>1,775</u>
Funds		
Unrestricted reserves	1,092	1,092
Revaluation reserve	683	683
Total funds of the HMS M33 Trust	<u><u>1,775</u></u>	<u><u>1,775</u></u>

24. Transfers between funds

NMRN Operations

A total of £2,530,000 (2019: £322,000) was transferred to unrestricted funds from restricted funds to compensate for project funds initially funded by unrestricted funds and to reflect the value of tangible fixed assets which were purchased using restricted funds, but are held for general purpose, in accordance with SORP FRS 102 section 2.26.

Warrior Preservation Trust

A total of £113,000 was transferred to unrestricted funds from the Ward legacy endowment fund. This fund was to be used for the furtherance of education and to be maintained as a permanent endowment fund. On 6 October 2019, the Trust received approval from the Charity Commission to amend the objects of the fund under section s275 of the Charities Act 2011 to include funding of capital works on board the ship, this being in the best interests of the charity and its beneficiaries, ensuring the proper safeguarding of the asset. The trustees are satisfied that the capital works constitute an educational purpose to allow the ship to remain open and educate visitors.

Consolidation adjustments

The consolidation adjustments eliminate grants made between group entities.

25. Financial commitments

At 31 March 2020 the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	Group
	2020	2019
	£'000	£'000
Within one year	175	192
Between one and five years	60	329
In over five years	864	879
	<u>1,099</u>	<u>1,400</u>
	<u><u>1,099</u></u>	<u><u>1,400</u></u>

The National Museum of the Royal Navy

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Notes to the financial statements for the year ended 31 March 2020

26. Capital commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £2,896,000 (2019: £1,081,000). There were no contingent liabilities at 31 March 2020 (2019: £Nil).

27. Losses and special payments

27.1 Losses statement

There were no cases of losses occurring during the financial year (2019: No cases).

27.2 Special payments

There were no cases of ex-gratia payments during the year (2019: No cases).

28. Related party transactions

The National Museum 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 is a related party of: NMRN Operations; NMRN Hartlepool; HMS Victory Preservation Company; HMS Caroline Preservation Company; HMS Trincomalee Trust; Warrior Preservation Trust; Royal Navy Submarine Museum; Royal Marines Museum; and 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, NMRN Hartlepool
Councillor Donna Jones	Warrior Preservation Trust
Mrs Mary-Montagu-Scott	HMS Victory Preservation Company (appointed 20 November 2019)
Dr Caroline Williams (to 13 July 2020)	HMS Victory Preservation Company (resigned 23 May 2019)
Mr Charles Wilson (to 30 January 2020)	HMS Caroline Preservation Company, NMRN Hartlepool (resigned 13 January 2020)

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

29. Events after the Balance Sheet date

Subsequent to the year end, the Royal Marines Museum charity exchanged contracts for the sale of its land and buildings on 28 October 2020 and the sales completed on 25 November 2020. The sale proceeds will be shared between the charity and the Secretary of State for Defence in recognition of its freehold interest in the property.

All of the National Museum's sites were closed to the public again from 5 November to 2 December 2020, in response to the second wave of the Covid-19 pandemic.

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

30. Analysis of cash and cash equivalents

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Cash at bank and in hand	3,696	5,198	361	1,019

Notes to the financial statements
for the year ended 31 March 2020

31. Analysis of changes in net debt

Company	At 1 April 2019 £'000	Cash flows £'000	At 31 March 2020 £'000
Long-term borrowings	(130)	130	-
Short-term borrowings	(130)	-	(130)
Total liabilities	(260)	130	(130)
Cash and cash equivalents	1,019	(658)	361
Total net debt	759	(528)	231

Group	At 1 April 2019 £'000	Cash flows £'000	At 31 March 2020 £'000
Long-term borrowings	(130)	130	-
Short-term borrowings	(130)	-	(130)
Total liabilities	(260)	130	(130)
Cash and cash equivalents	5,198	(1,502)	3,696
Total net debt	4,938	(1,372)	3,566

32. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2020

Note	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2020 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2019 Total £'000
Income from:								
Donations and legacies								
Grant in Aid (revenue) 2	3,375	-	-	3,375	3,330	-	-	3,330
Grant in Aid (capital) 2	126	-	-	126	124	-	-	124
Donations 2	2	468	83	553	177	1,540	115	1,832
Total income	3,503	468	83	4,054	3,631	1,540	115	5,286
Expenditure on:								
Charitable activities 8								
Charitable activities 8	567	-	-	567	567	-	-	567
Grant funding 8	2,806	1,143	-	3,949	2,938	1,360	-	4,298
Total expenditure	3,373	1,143	-	4,516	3,505	1,360	-	4,865
Net income/(expenditure)	130	(675)	83	(462)	126	180	115	421
Transfer between funds	-	-	-	-	(4)	-	4	-
Net movement in funds	130	(675)	83	(462)	122	180	119	421
Reconciliation of funds:								
Total funds brought forward	(119)	1,833	3,307	5,021	(241)	1,653	3,188	4,600
Total funds carried forward	11	1,158	3,390	4,559	(119)	1,833	3,307	5,021