

Trustees' Report and Consolidated
Financial Statements of the National
Museum of the Royal Navy
2020-21

HC 1075

The National Museum of the Royal Navy

Annual report and accounts 2020-2021

For the period 1 April 2020 to 31 March 2021

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

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Charity number: 1126283
Company Number: 06699696

The National Museum of the Royal Navy

A company limited by guarantee

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

for the year ended 31 March 2021

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The National Museum of the Royal Navy

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Company number: 06699696

Charity number: 1126283

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 (Resigned as Chair 29 May 2020)
Trustee directors of NMRN	Rear Admiral Mark Anderson CB (Appointed 1 September 2020) Mr Michael J Bedingfield Ms Katherine Biggs (Appointed 1 September 2020) Dr Andrew Burnett CBE FBA (Appointed 25 October 2020) Mr Philip G Dolling (Appointed 1 September 2020) Mr Mike Gambazzi (Resigned 2 December 2021) Ms Helen Jackson Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC (Resigned 20 October 2020) Councillor Donna Jones 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) Mrs Alison Start (Appointed 1 September 2020) Mr Gavin Whitter Dr Caroline Williams (Resigned 13 July 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

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Foreword

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

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

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

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

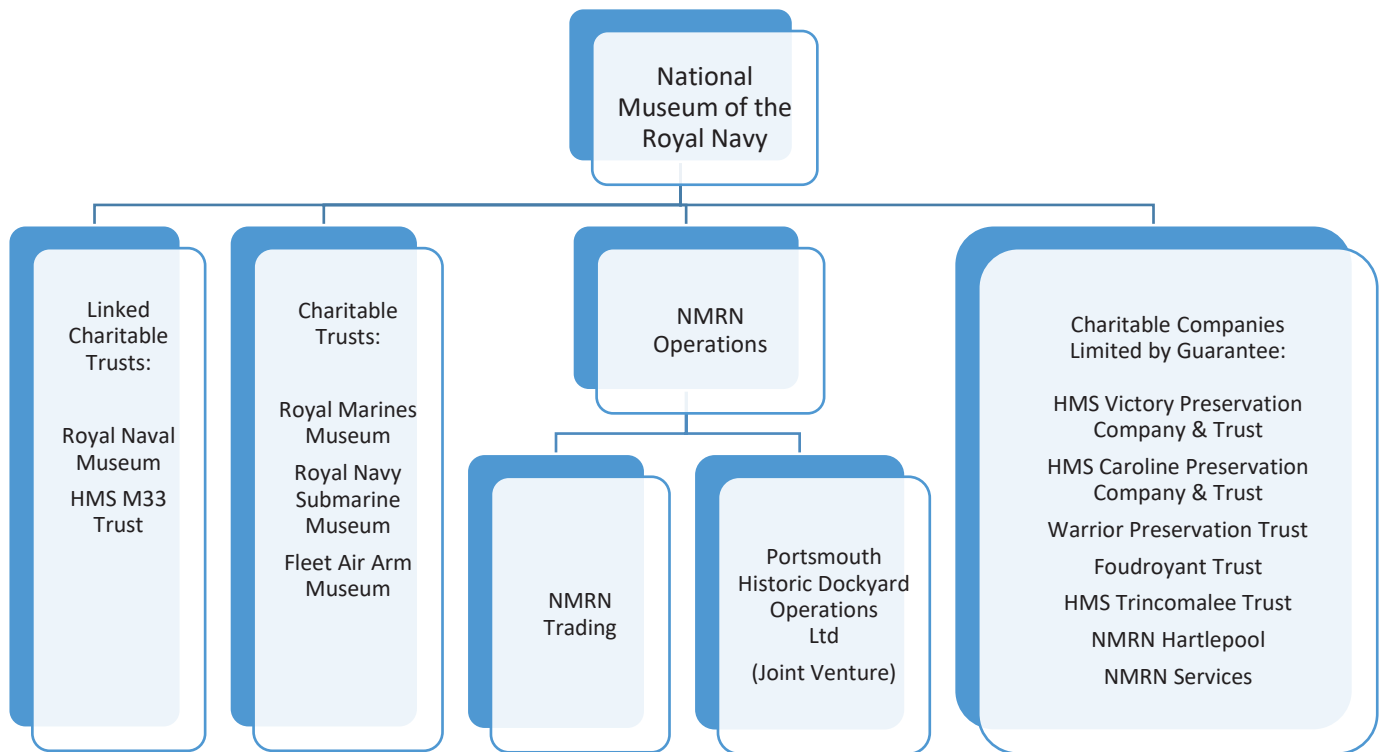
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Group structure chart



Inactive charitable companies awaiting strike off and dissolution:

- 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.

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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 allowing 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

During the reporting period, each of the National Museum's sites has been subject to various enforced closures, according to location, in response to the government's regional advice regarding the Covid-19 pandemic. All major projects were stalled and trading activity ceased for the three major lockdown periods, losing over 80% of trading days and significantly impacting upon the National Museum's self-generated income (a loss of £9,993,000 compared to the previous period).

Under the terms of its Financial Framework for the receipt of Grant in Aid, the National Museum has not been permitted to build or carry forward a significant unrestricted "free" reserve. Although it holds restricted reserves, special trusts and endowments within charitable trusts within the group, the significant majority (91%) of this relates to investments designed to generate income specifically for the conservation and preservation of HMS Victory, with a further 2% held in relation to the group's other historic ships. The trustees have considered seeking the derestriction of other funds held (£3,394,000), however, the majority of these funds have significant restrictions on their use put in place by the donors. Whilst in theory, the trustees could apply to the donors (where they still exist) or the Charity Commission to repurpose the funds, they considered that this would be highly inappropriate where the purpose of the funds was for the long-term safeguarding of historic assets.

The National Museum took urgent steps to engage with HM Treasury and its sponsor, the Ministry of Defence (MOD), to secure additional grant in aid funding to replace lost trading income and to provide financial stability during the period. A funding bid by the National Museum to effectively underwrite financial performance and support cashflows for 2020-21 was successful and confirmation of a grant in aid uplift of up to £5,240,000 for the National Museum Group was received from Navy Command on 27 July 2020. In reality, as a result of effective costs management and stronger than anticipated performance during the open periods, the National Museum was able to drawdown significantly less than this, claiming £4,690,000 in the reporting period to support cash flows, of which £1,004,000 will be repayable to the MOD as cash flows permit.

The National Museum undertook a thorough review of its cost base, enabling it to reduce expenditure by £4,893,000 against the previous reporting period, through cessation of non-contractual spend, negotiating reductions in property rents and service charges, suspension or reduction of contractual services and reduction in staff costs. The latter included the National Museum's operating company, NMRN Operations, making use of the Coronavirus Job Retention (Furlough) Scheme, placing the majority of its eligible staff on "furlough leave" from 1 April 2020, leaving just 30% of its staff working on revenue activities from that date, falling to 11% by 31 May 2020. Furloughed staff voluntarily took a pay reduction during this period, receiving 80% of their previous contractual salaries. The scheme has been used in response to the various lockdowns throughout the reporting period.

The National Museum undertook quick actions to put arrangements in place to reopen its sites safely in accordance with the government's guidance, returning staff to the business under the flexible furlough scheme. Some attractions, such as Action Stations and the Horrible Histories® Pirates exhibition, were unable to reopen in accordance with Covid-19 secure requirements to manage the risk of transmission. It was not possible to reopen HMS Caroline in Belfast, owing to inability to reach an appropriate operating and funding agreement with the NI Department for the Economy (DfE), with the original agreement expiring 30 June 2020.

Activities and Achievements

Conservation and Collections

During 2020-21, over 350 offers of groups of material were reviewed by the Museum's Acquisitions Panel. There were 149 formal acquisitions to our collections from donation, transfer and purchase.

The single most important addition, of international significance, was 'The Armada Maps' which are a wonderful, rather beautiful, set of ten ink and watercolour drawings of the progress and defeat of the Spanish Armada, likely to have been made in 1589. They are an exceptional primary source for understanding both the event and its contemporary

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representation. The Maps were offered for public sale for £600,000, but the Waverley Committee blocked their export until October 2020; following a 'serious expression of interest' by the National Museum, this block was extended until 9 January 2021. The Museum's Director of Fundraising led a successful campaign to raise funds which included: public donations of just under £100k; £212k from the National Heritage Memorial Fund (NHMF); and £200k from the Art Fund; with the balance provided through the Museum's Purchase of Exhibits Fund. Exhibition and other programming by the National Museum as part of these applications is under discussion.

Other important additions to the collections in the period include:

- Photographs taken by ships photographer of life on board submarine HMS *Andrew* during its final commission in the 1970s
- Map of Cologne from an RNAS raid, dated 1917. Notes on reverse read: '*1st raid on Cologne, 12 started, 3 killed, 8 lost, 1 reached Cologne and returned*'
- Uniform of a Swordfish pilot as worn at Taranto
- Transfer via HM Receiver of Wrecks of items from wrecks of HM Submarine *D5* 1914, HMS *Audacious* 1914, HMS *Brazen* 1940, HMT *Star of Freedom* 1917, HMS *Loyalty* 1944
- Bronze ship's bell from HMS *Ark Royal*, 1914, the first ship procured by the Royal Navy for carrying aircraft.

The significant move of collections from the former Royal Marines Museum site was completed in March 2020. Through 2020-21, there has been a major effort by the team to complete this work and decant collections from temporary cages into their permanent storage locations in the new collections centre in Storehouse 12. This now stores key artefacts, medals, archives and photograph collections; a new research room, conservation and photographic studios have been fitted out. This project is now complete.

Visitor Services

In the period 2020-21, NMRN Operations delivered the visitor services for the National Museum. In this heavily disrupted year, the National Museum sold 58,205 tickets to its sites, many of which offer visitors the opportunity to return at no extra cost. We have slightly amended the methodology for the reporting of visits to reflect the new joint ticket offer with Mary Rose Museum and ensure data reflects true engagement with the National Museum's attractions. Ticket sales generated 73,586 visits (2019-20: 1,725,428 visits) to museums and attractions across the group based on scanned ticket data. This represents a significant reduction in sales and visits in line with the enforced closures of sites in accordance with the Covid-19 restrictions.

The scanning data also provides detailed data on the number of visits to each of the individual attractions which showed that 36% of visits were made to HMS Victory, 20% to the Fleet Air Arm Museum, 13% to the NMRN Portsmouth Galleries, 9% to HMS Warrior, and 4% visits to the National Museum of the Royal Navy Hartlepool (despite only being able to open for a matter of weeks).

A combination of scanned ticket data, issued ticket data collection and monitoring and evaluation surveys and data dives, continue to inform the marketing strategy and admissions targets. External sector intelligence from the Association of Leading Visitor Attractions and Visit Britain has also provided valuable insight in the wake of the Covid-19 pandemic.

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. The National Museum sought to maintain a strong digital presence through the period, with its Facebook accounts reaching 4.1 million (2020: 1.3 million) users and had 824.6k engagements, and there were 2 million (2020 1.4 million) Twitter interactions through tweets and had 5.5k engagements. Press, PR and media coverage realised nearly £10,500,000 in Advertising Value Equivalent.

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Learning and Access

The learning offer was severely impacted by Covid-19 throughout the period, with the museum sites closure requiring different ways of working and at a significantly reduced capacity. Despite these limitations, 18 formal learning sessions were still delivered to 416 students and 595 participants took part in 33 informal learning sessions. The National Museum also responded by developing online learning resources, which were downloaded 8,328 times.

Volunteers

The National Museum's team of Volunteers was stood down as sites closed in March 2020, with the exception of virtual volunteering related to the Diving Deep project. A small number of volunteers returned to assist with access to Concorde at the Fleet Air Arm Museum in the Autumn, prior to the second lockdown period. Nevertheless, a total 1,545 hours of volunteer time was generously given to support the museum's activities.

Exhibitions

Despite the Covid challenges, the National Museum has delivered three principal new exhibitions in 2020-21:

- **Diving Deep: HMS *Invincible***

In June 2018, the National Lottery Heritage Fund 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 the exhibition, retro-fitted with social distancing measures, and with a new website and online learning resources launched alongside it, opened in Portsmouth at the start of October half-term 2020, receiving a visit from HRH Princess Anne, 29 October 2020. The exhibition will run in Portsmouth through the summer of 2021 before moving to Chatham Historic Dockyard.

- **HMS *Victory*: The Nation's Flagship**

In July 2019, a grant from HMS *Victory* Preservation Company of £700,000, supported by £400,000 from the Society for Nautical Research's "Save the *Victory* Fund", was used to redevelop the Sir Donald Gosling *Victory* Gallery with the permanent exhibition 'HMS *Victory*: the Nation's Flagship'. This project, delayed in opening by the COVID-19 pandemic in 2020, was deliberately held over until 17 May 2021 to provide maximum exposure and impact at the reopening of the National Museum. The exhibition offers visitors a much better understanding of HMS *Victory*'s long story, and places both the Battle of Trafalgar and the major conservation works underway within the wider context of the ship's 260-year history. It includes a major new immersive show told by individuals key to different parts of the ship's life, a complete reinterpretation of WL Wyllie's monumental painting 'Panorama of the Battle of Trafalgar', significant artefacts and the ship's last figurehead, displayed for the first time. Stakeholder and visitor reaction has been overwhelmingly positive with many people providing memories of and connections to the ship as feedback within the Gallery.

- **Walk Under *Victory***

On 24 August 2020, the National Museum opened 'Walk Under *Victory*' – a dramatic extension of the public visitor route which provides access for the first time under the HMS *Victory* hull. This was made possible by the new support system of 134 props which has removed the old cradles. A new public walkway takes visitors from the hold, along the altar of the dock, under the bow and down along the full port side of the ship to the rudder. Interpretation of both ship and dock is provided by an extension of the audio tour and by graphics and greatly improves understanding of both the long history of the ship, and the conservation efforts to support her in dock. Public reaction to these new views of the ship has been very positive.

Publications and Scholarship

This has been another difficult period for publications and scholarship, with the team furloughed for a significant period and still occupied with project delivery when on site. Very significant research has, however, been carried out by the

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Conservation Team relating to several aspects of the HMS *Victory* project, and research continues to take place in support of LCT 7074, The Night Hunters (formerly Spitfires of the Seas): The Story of the RN's Coastal Forces, Diving Deep: HMS *Invincible* 1744, and the new Victory Gallery. A new Research Policy and Research Strategy will be delivered in the next reporting period.

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 fundraising promise, 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 National Museum's fundraising 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 in-house 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 2020-21, the National 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. It has delivered very limited trading during the period as a result of the Covid-19 pandemic. In 2020-21, the company turned over £183,000 (2019-20: £2,920,000) generating a loss after tax of £161,000 (2019-20: loss £53,000).

Post balance sheet events

Post balance sheet events are disclosed in note 30 to the accounts. There are no post balance sheet events.

Plans for Future Periods

Responding to the Covid-19 Pandemic

The National Museum continues to respond to government advice, adopting appropriate working practices to ensure that it remains able to operate its sites safely, whilst also regenerating income potential. The National Museum's operating company, NMRN Operations, continued to make appropriate use of the Coronavirus Job Retention Scheme in 2021-22 until the scheme ended on 30 September 2021. Closed attractions, such as Action Stations and the Horrible Histories® Pirates exhibition have reopened as and when it was safe operationally and commercially viable to do so.

The key focus for the National Museum group throughout 2021-22 and into 2022-23 will be on financial stability through cost management and replacement of the income lost as a result of the pandemic. It is anticipated that the National Museum's self-generated income streams and visitor markets will continue to be severely impacted by ongoing and

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future Covid restrictions, and in particular, overseas and education visitor markets cannot be expected to fully recover before 2023-24.

Meanwhile, the National Museum continues to engage with Navy Command to ensure it has sufficient funds to maintain its operations into 2022-23, and has shared its budget projections based on its market recovery assumptions, and although there remains uncertainty over the level of funding to be provided (as is the case for all government bodies at this stage in the funding cycle), the Trustees and Directors take comfort from the legislative foundation within the National Heritage Act 1983 that underpins the group's operations and the Navy Command's reassurances that it will work with the National Museum of the Royal Navy to ensure that the Museum remains a going concern and can deliver its strategy. The National Museum also continues its dialogue with the NI Department for the Economy (DfE) to ensure that the debts outstanding in respect of the operating and maintenance costs of HMS *Caroline* can be recovered and to develop an appropriate agreement to secure the ship's future as a museum and visitor attraction in Belfast.

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 2022, 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 £4,513,500 (80% of total cost) to restore the last Landing Craft (Tank) to take part in Operation Neptune, the naval element of the great invasion of Nazi-occupied Europe which has gone down in history simply as 'D-Day'. LCT 7074 is a unique time capsule and of enormous importance to the history of the Second World War, the Royal Navy, and British shipbuilding. The project, developed in partnership with Portsmouth City Council, was halted following the onset of the Covid-19 pandemic. At this stage the ship had been largely conserved, a process which included several rounds of high-pressure water blasting, dewatering and drying, precision grit blasting, fabrication of new steel components, and priming. The support structure and canopy built to house the ship was largely complete. 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. Landscaping, exhibition fit-out and interpretation were completed to tell the story of her D-Day journey, and the men and women who built, serviced and maintained her, and took her into action. The ship was briefly opened to the public in December 2020 before lockdown, reopening from 17 May 2021. The ship has become a major new landmark within the city. In July 2021 the project was joint winner of the 'Best Restoration and Conservation' project in the prestigious 'Museum + Heritage' awards. An uplift grant from NLHF will ensure that the remaining activity elements of the project will be completed in 2021-22.
- **Night Hunters: the Royal Navy's Coastal Forces at War** - 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 this project (previously reported under its working name as Spitfires of the Seas) included a major permanent exhibition with a budget of £500,000 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 the exhibition at Explosion Museum, Gosport. The completion of the project was delayed by a combination of Covid, the base build programme and the time required to agree a lease. The exhibition design is in place, with the National Museum's boats MTB 71 and CMB 331 *in situ* and conservation works well advanced, with the exhibition fit out to be completed in 2021-22. An additional

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generous donation has allowed final additional audio-visual content to be commissioned and the exhibition named as 'The Robert Hichens Memorial Exhibition'.

- **HMS *Victory* Conservation project** - Installation of the ship's new support system continued throughout the reporting period and the last cradle was removed from the dock on 5 May 2021. Project acceptance marks a significant point in the ship's conservation, as the project transitions from the stabilisation phase to one of more active conservation. Elsewhere, maintenance of weather deck caulking and paintwork has been undertaken, with the aim of preventing water ingress. The Museum's team of in-house riggers has progressed survey work to the lower masts and rigging and undertaken essential maintenance to ensure the continued safety of the remaining rig.
- **New Royal Marines Museum** - An options appraisal has recommitted the National Museum to establishing the new Royal Marines Museum in Boathouse 6 within Portsmouth Historic Dockyard. The company is in the early development stages of a new project and is consulting on the following intent for a new Royal Marines Commando Experience:

To create a world class new attraction revealing the story of Commandos from their origins in Britain's darkest days of 1940 to the Future Commando Force. Within Boathouse 6, our dynamic experience will take visitors into the physical, mental and technical reality of Commando selection and training. It will reveal the drama of the Royal Marines Commandos and Combined Operations and Royal Navy Special Warfare in the past, present and future. Through cutting edge design which gets people hands-on and showcases military innovation and creativity we will provide an inspirational, unforgettable experience.

- **Fleet Air Arm Museum redevelopment** - As an interim development at the Fleet Air Arm Museum, a major redevelopment of the 'Carrier Experience' is planned for the summer of 2022. This will be funded by a generous legacy to the Fleet Air Arm Museum Trust left by Sir Donald Gosling and aims:

To deliver a full upgrade of the Aircraft Carrier Experience at the Fleet Air Arm Museum. The new experience will immerse our visitors in the sights, sounds and smells of carrier flight and in the complexity of carrier operations. It will connect the heyday of jet aviation to the operations and deployment of the Queen Elizabeth Class carriers and F35 aircraft which will be the heart of the Royal Navy from 2021 onwards. The upgrade will create a new immersive experience which blends the best of digital technology with the scale of a carrier flight deck and our incredible aircraft. It will showcase the Fleet Air Arm's 'Air Power from the Sea' in past, present and future. It will provide an inspirational, unforgettable visitor experience.

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Financial Review

Statement of Financial Activities for the Year Ended 31 March 2021

Total incoming resources for the National Museum in 2020-21 amounted to £16,985,000 (2019-20 restated: £23,231,000) and relates largely to Grant in Aid, payments under the Coronavirus Job Retention Scheme and donations, with a significant reduction in admissions income and trading income. The decrease in incoming resources from the previous reporting period resulted directly from the impact of Covid-19 on the National Museum's ability to trade. This included a decrease in restricted grants funds, donations and legacies to NMRN Operations, with £5,121,000 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 (2019-20 restated: £8,008,000).

The National Museum received £7,198,000 revenue grant in aid for the year (2019-20: £3,375,000), plus £128,000 capital grant in aid (2019-20: £126,000) for the purchase of exhibits. This uplift reflected the generous support from the Royal Navy to offset the impact of Covid-19 on the National Museum's ability to trade.

Legacy donations totalling £16,000 (2019-20: restated £1,414,000) were received by NMRN Operations, the Fleet Air Arm Museum and the Royal Marines Museum.

Admissions income for 2020-21 at £1,170,000 (2019-20: £5,584,000) showed a 79% decrease, reflecting the loss of over 80% of trading days in the period.

Income generated by the trading company on non-charitable activities was £183,000 (2019-20: £2,920,000), which after expenditure of £344,000 (2019-20: £2,973,000) resulted in an operating deficit of £161,000 for the year arising from the impact of the pandemic on all trading activities.

Total resources expended for 2020-21 amounted to £13,792,000 (2019-20: £18,685,000) with the reduction in costs reflecting the cost-savings measures taken in response to the pandemic. The majority of costs related to core charitable activities and included expenditure of £3,685,000 on projects (2019-20 £4,814,000). Expenditure on fundraising and publicity decreased to £805,000 (2019-20: £935,000).

A total of £735,000, made up from £709,000 from restricted funds (including linked charities) and £26,000 from endowment funds, was transferred to unrestricted funds as assets capitalised and where there were no restrictions on the use of those assets.

After adjustment for net gains on investments totalling £6,413,000 and losses on revaluation of fixed assets of £3,602,000, the net movement in funds for the year was an increase of £6,004,000 (2019-20 restated: an increase of £3,559,000). The total funds carried forward at 31 March 2021 was £188,534,000 (31 March 2020 restated: £182,530,000).

Balance Sheet

The net assets as at 31 March 2021 amounted to £188,534,000 (31 March 2020 restated: £182,530,000).

The value of heritage assets (over the capitalisation threshold and accessioned since 1 April 2000) represents 55% of the National Museum's net assets at £104,743,000. Movements in fixed assets are shown in notes 15-16 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 1.9. 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 1.10.

The National Museum held £6,632,000 cash in bank and in hand at 31 March 2021 (2020: £3,696,000).

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Reserves

The Trustees regularly monitor the levels of the Group's reserves and seek to take correction action as necessary. As at 31 March 2021, the company's unrestricted funds (excluding the revaluation reserve) stood at £nil (31 March 2020: £11,000).

As at 31 March 2021, the level of the company's free reserves (defined as net current assets attributable to unrestricted reserves) stood at £1,000 (31 March 2020: £11,000). 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 £7,198,000 the maximum carry forward is £143,960. Under the terms of the agreement with Navy Command for additional Grant in Aid funding, however, it is not possible to build free reserves, with any surplus reducing the drawdown of Grant in Aid funding.

The Group's free reserves (including designated funds) stood at £5,258,000 (31 March 2020 restated: £2,209,000). 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 (including within its trading subsidiary, National Museum of the Royal Navy Trading) stood at £1,792,000, of which £1,266,000 was cash in the bank, and are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term cash demands; the impact of the Covid-19 pandemic clearly exposed this.

The additional Grant In Aid received for 2021-22 will support NMRN Operation's cash position, but the nature of the funding agreement, based on need, will not permit the free reserves to be built up and maintained to eliminate the requirement for further financial support in 2022-23. As such, the Trustees will continue to work with Navy Command to bid for additional funding to support the Group's financial performance in 2022-23. 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 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 2020: £1,182,000). These restricted funds relate to the linked charity, Royal Naval Museum, and to major capital projects (HMS Caroline and the new Royal Marines Museum).

The net current assets in the Group's restricted funds stood at £12,908,000 (31 March 2020 restated: £11,930,000). The restricted funds will reduce in future years with 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. 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

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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 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 2021, income from investments totalled £383,000 with management fees of £147,000 and unrealised gains of £6,413,000, resulting from market volatility in response to the Covid-19 pandemic, representing growth of 10.6% (against 12-month CPI of 1%).

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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:	5	4	1	3	4
<u>Chairman:</u>					
Admiral Sir Phillip Jones GCB ADC DL	5/5	-	-	-	-
<u>Trustees:</u>					
Mrs Emma Allen	-	2/4	-	-	-
Mr Michael Bedingfield	5/5	-	1/1	-	4/4
Rear Admiral Mark Anderson	2/2	-	-	-	-
Miss Katherine Biggs	2/2	-	-	1/1	-
Andrew Burnett	2/2	2/2	-	2/2	-
Mr Phillip Dolling	2/2	-	-	-	2/2
Mr Mike Gambazzi	3/5	4/4	1/1	-	-
Ms Helen Jackson	5/5	-	-	-	4/4
Vice Admiral Sir Adrian Johns KCB CBE KStJ ADC	1/1	-	-	-	-
Councillor Donna Jones	5/5	-	1/1	-	-
Major General Jeffrey Mason	4/5	-	-	-	-
Mrs Mary Montagu-Scott	5/5	-	1/1	-	4/4
Rear Admiral Jon Pentreath	2/2	-	-	-	-
Mr Mike Scott	2/2	-	1/1	-	-
Mrs Alison Start	2/2	-	-	-	2/2
Mr Tim Schadla-Hall	5/5	-	-	1/1	-
Mr Gavin Whitter	5/5	4/4	-	-	-
Dr Caroline Williams	2/3	-	-	-	-
Mr Charles Wilson	1/1	-	-	-	-
<u>Non- Trustees:</u>					
Mr Stephen Bradley	-	-	-	-	4/4
Ms Emily Clarke	-	-	-	3/3	-
Vice Admiral Sir Anthony Dymock KBE CB FRSA	-	-	-	-	4/4
Mrs Sarah Dhanjal	-	-	-	2/3	-
Ms Sarah Humphrey	-	4/4	-	-	-
Ms Jackie Keily	-	-	-	3/3	-
Professor Andrew Lambert	-	-	-	3/3	-
Ms Tiva Montalbano	-	-	-	3/3	-
Mr Alex Patterson				2/3	
Dr Amara Thornton	-	-	-	3/3	-
Mr Roy Stephenson	-	-	-	2/3	-

Personal data loss

The National Museum identified one personal data related incident that required reporting to the Information Commissioners Office (ICO) during 2020-21. The matter was also reported as a Serious Incident to the Charity Commission. 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. The incident involved a ransomware attack against Blackbaud, a previous software supplier, where the museum's database has been copied and encrypted. The data was released back to Blackbaud and assurances were given that no copies had been retained. The Museum's relationship with this supplier ended in 2014. No action was taken against the National Museum by the ICO.

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System of internal control

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

The review of the effectiveness of the system of internal controls is exercised through the Audit and Governance Committee. This Committee is chaired by a Trustee of the Board and draws expertise from other Trustees and committee members, with the Director General and the Executive Director of Resources in attendance, and other members of the executive attending as required. The Committee also has access to the independent accountants, internal and external auditors engaged for all companies within the Group, providing review and oversight of the financial control systems and the creation of the companies' and trusts' 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 2021, 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. The internal audit work for 2020-21 had been undertaken through the substantial operational disruptions caused by the Covid-19 pandemic. In undertaking the audit work, they recognised that there had been a significant impact on both the operations of the organisation and its risk profile, and advised the annual opinion should be read in this context. Planned internal audit work for 2020-21 had been subject to some delay and cancellation. The auditor was, however, of the view that sufficient internal audit coverage has been performed to allow the provision of the annual Head of Internal Audit Opinion.

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 2021, 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.

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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. 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 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 2021 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: 20th January 2022



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 20th January 2022

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

The Board of Trustees of the National Museum of the Royal Navy is required to prepare financial statements for each financial year in accordance with the Companies Act 2006, which give a true and fair view of the statement of affairs of the parent and the group and of the net expenditure of the group for that year.

The Secretary of State for the Ministry of Defence (with the consent of HM Treasury) has also directed the Accounting Officer to prepare for each financial year a statement of accounts in the form, and on the basis, set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the National Museum of the Royal Navy and of its income and expenditure, Balance Sheet and cash flows for the financial year.

In preparing the accounts, the Trustees and Accounting Officer are required to comply with the requirements of FRS 102 and the Accounting and Reporting by Charities: Statement of Recommended Practice (FRS 102) and in particular to:

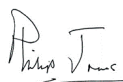
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards have been followed, comprising FRS 102, and disclose and explain any material departures in the financial statements;
- select suitable accounting policies and apply them consistently;
- prepare the financial statements on a going concern basis;
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable; and
- have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the National Museum of the Royal Navy's auditors are aware of that information. So far as they are aware, there is no relevant audit information of which the auditors are unaware.

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

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

- observe the Accounts Direction issued by the Secretary of State for the Ministry of Defence, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the accounts.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent and group and enable them to ensure that the financial statements comply with applicable law and the provision of the National Museum of the Royal Navy's constitution. They are also responsible for safeguarding the assets of the parent and group and hence for taking reasonable steps for the prevention and detection of fraud and other non-compliance with laws and regulations. The Trustees are also responsible for the maintenance and integrity of the corporate and financial information included on the National Museum of the Royal Navy's website.



Admiral Sir Philip Jones
Chair on behalf of the Board of Trustees
Date: 20th January 2022



Professor Dominic Tweddle
Director General and Accounting Officer
Date: 20th January 2022

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Remuneration and Staff Report

for the year ended 31 March 2021

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. 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. The annual "cost of living" review to 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, was delayed as a result of the pandemic and the numbers of staff on furlough. Any pay progression awards will be effective from 1 November each year, with the first approved awards to be effective from 1 November 2021 (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 1.17). 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	
	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20	2020-21	2019-20
D Tweddle, Director General	125-130	125-130	Nil	Nil	13	13	135-140	135-140
S Dennis, Executive Director of Resources	90-95	90-95	Nil	Nil	9	9	100-105	100-105
J Rawlinson, Executive Director of Visitor Experience	Nil	50-55 ¹	Nil	Nil	Nil	5	Nil	55-60
M Sheldon, Executive Director of Heritage	75-80	75-80	Nil	Nil	8	8	85-90	85-90
V Turner, Deputy Executive Director of Resources	60-65	65-70	Nil	Nil	4	4	65-70	65-70
Andrew Baines, Deputy Executive Director of Heritage	60-65	65-70	0-5	0-5	4	4	70-75	75-80
H McKenna-Aspell, Director of Fundraising	70-75	15-20 ²	Nil	Nil	4	1	75-80	15-20
B Hubbard, Director of Marketing	60-65	5-10 ³	Nil	Nil	4	1	60-65	10-15
T Ash, Partnerships Director	40-45 ⁴	55-60 ⁴	Nil	Nil	3	3	40-45	60-65

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

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

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

⁴T Ash 0.8FTE from 1 November 2019 to 31 March 2020 (FTE £60-65k). Furlough, including flexible furlough from 1 April 2020 to 31 October 2020, resulted in pay below 0.8 FTE full year salary (FTE £60-65k). Employed to 31 March 2021.

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. The banded remuneration of the highest paid director in 2020-21 (the Director General) was £125-130k (2020: £125-130k). This was 6.33 times (2020: 5.60) the median remuneration of the workforce, which was £20,140 (2020: £22,785). In 2020-21, no employees (2019-20: Nil) received remuneration in excess of the highest paid executive director. Excluding the highest paid director, remuneration ranged from £14,040 to £90,000 (2020: £17,550 to £90,000).

The variation of both the remuneration ratio and median pay on the previous year arises from the significant number of staff (66 post holders) furloughed or flexibly furloughed under the Coronavirus Job Retention Scheme on the reference

date and who had voluntarily accepted a change in terms and conditions to reduce pay by 20% during the furlough period.

Staff costs for the National Museum Group year total £5,823,000 (2019-20: £7,392,000). 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 for 2020-21 was 0.89 per employee (2019-20: 2.3 per employee) excluding days lost due to long-term sickness absence. This is due to fewer staff working as a result of the impact of the Coronavirus pandemic with up to 80% of staff being placed on furlough during periods of the year.

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	18	Nil	18
£10,000-£25,000	4	Nil	4
Total number of exit packages	22	Nil	22
Total resource cost/ £	129,692	Nil	129,692

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.

The National Museum of the Royal Navy

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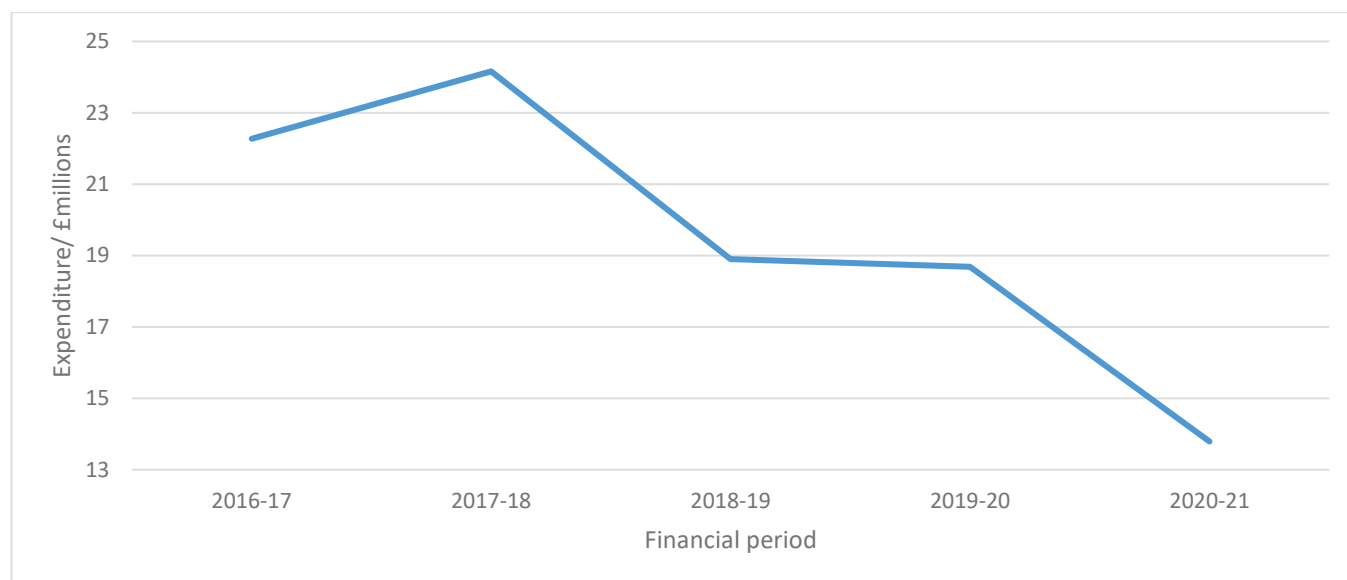
Charity number: 1126283

<i>Trade Union facility time report</i>	2020-21	2019-20
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 was a result of the growth and expansion of the National Museum of the Royal Navy 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 capital projects, enabling it to increase its visitor numbers, reaching a peak of 1.87 million visits in 2018-19, dropping back to just 74 thousand visits in 2020-21 as the Covid-19 pandemic took hold.

Grant in Aid received from the sponsor body had remained broadly static in cash terms up to 2019-20 at £3,501,000 (including purchase of exhibits grant) and the National Museum's growth had been funded through self-generated income, grants and donations. Additional Grant in Aid of £3,825,000 was awarded in 2020-21 to replace income lost as a direct result of the pandemic. At the same time, the National Museum undertook a rapid cost reduction exercise to ensure it remained a going concern.

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

Date: 20th January 2022

Professor Dominic Tweddle
Director General and Accounting Officer

Date: 20th January 2022

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 2021 which comprise the group and parent charity Statement of Financial Activities, Balance Sheet, Cash Flow Statement and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In my opinion the financial statements:

- give a true and fair view of the state of the group's and of the National Museum of the Royal Navy's affairs as at 31 March 2021 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of 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 for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law 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 report.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the National Museum of the Royal Navy in accordance with the ethical requirements that are relevant to my audit of 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

In auditing the financial statements, I have concluded that the National Museum of the Royal Navy's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the National Museum of the Royal Navy's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Trustees and the Accounting Officer with respect to going concern are described in the relevant sections of this report.

Other Information

The other information comprises information included in the annual report, but does not include the parts of the of the Remuneration Report and Staff Report and the Parliamentary accountability and audit report described in that report as having been audited, the financial statements and my auditor's report thereon. The Trustees and the Accounting Officer are responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my report, I do not express any form of assurance conclusion thereon. In connection with my audit

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Charity number: 1126283

of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 prescribed by the Companies Act 2006

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the National Museum of the Royal Navy and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance Report or the Accountability Report.

I have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires me to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Remuneration and Staff Report and the Parliamentary accountability and audit report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of director's remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit;

Responsibilities of the trustees for the financial statements

As explained more fully in the Statement of Board of Trustees' and Accounting Officer's responsibilities, the Trustees are responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls as management determine is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the group and parent entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity 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 applicable law.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes my opinion. 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.

The National Museum of the Royal Navy

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I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- inquiring of management, the National Museum of the Royal Navy's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the National Museum of the Royal Navy's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the group's controls relating to the National Heritage Act 1983, the Charities Act 2011, the Companies Act 2006 and Managing Public Money;
- discussing among the engagement team including significant component audit teams and involving relevant internal and or external specialists, including taxation and property valuation, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals, bias in management judgements and estimation, and the application of the Coronavirus Job Retention Scheme;
- obtaining an understanding of the National Museum of the Royal Navy's framework of authority as well as other legal and regulatory frameworks that the National Museum of the Royal Navy and group operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the National Museum of the Royal Navy and group. The key laws and regulations I considered in this context included the National Heritage Act 1983, Managing Public Money, Employment Law, Tax Legislation, Pension Legislation, the Charities Act 2011, the Companies Act 2006 and the Coronavirus Act 2020.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- in addressing the risk of fraud in revenue recognition, assessing the recognition of income in line with the accounting framework and undertaking procedures to test the completeness of income;
- in addressing the risk of fraud in the Coronavirus Job Retention Scheme, undertaking procedures to test that claims made were in line with the scheme rules; and
- in addressing the risk in the sale of the Royal Marines Museum, undertaking procedures to ensure that the sale was within relevant guidance and legislation and that the sale is appropriately reflected in the financial statements.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my report.

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.

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.

Gareth Davies **21 January 2022**

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

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

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2021

		Unrestricted	Restricted	Linked	Endowment	2021	Unrestricted	Restricted	Linked	Endowment	<i>Restated</i>
	Notes	funds	funds	Charities	funds	Total	funds	funds	Charities	funds	2020
		£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	Total
											£'000
Income from:											
Donations and legacies											
Grant in Aid (revenue)	2	7,198	-	-	-	7,198	3,375	-	-	-	3,375
Grant in Aid (capital)	2	128	-	-	-	128	126	-	-	-	126
Donations	2	2,516	5,121	-	-	7,637	891	8,008	-	-	8,899
Legacies	3	16	-	-	-	16	414	1,000	-	-	1,414
Charitable activities											
Admissions	4	1,170	-	-	-	1,170	5,584	-	-	-	5,584
Memberships		30	-	-	-	30	46	-	-	-	46
Other trading activities											
Trading subsidiary	5	183	-	-	-	183	2,920	-	-	-	2,920
Investments	6	303	-	-	80	383	518	-	-	157	675
Other		240	-	-	-	240	192	-	-	-	192
Total income		11,784	5,121	-	80	16,985	14,066	9,008	-	157	23,231
Expenditure on:											
Raising funds											
Fundraising and publicity	7	805	-	-	-	805	935	-	-	-	935
Investment management costs		-	-	-	147	147	-	-	-	243	243
Trading subsidiary	5	344	-	-	-	344	2,973	-	-	-	2,973
Charitable activities	8	8,811	3,685	-	-	12,496	9,720	4,814	-	-	14,534
Total expenditure		9,960	3,685	-	147	13,792	13,628	4,814	-	243	18,685

The notes on pages 35 to 64 form an integral part of these financial statements.

Consolidated Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2021

	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	<i>Restated</i> 2020 Total £'000
Net gains/(losses) on investments	-	-	-	6,413	6,413	-	-	-	(1,292)	(1,292)
Net income/(expenditure)	1,824	1,436	-	6,346	9,606	438	4,194	-	(1,378)	3,254
Transfer between funds	735	(1,356)	647	(26)	-	1,322	(1,292)	83	(113)	-
Other recognised gains/(losses): (Losses)/gains on revaluations of fixed assets	(3,358)	(244)	-	-	(3,602)	133	172	-	-	305
Net movement in funds	(799)	(164)	647	6,320	6,004	1,893	3,074	83	(1,491)	3,559
Reconciliation of funds: Total funds brought forward	21,272	123,336	3,390	34,532	182,530	19,379	120,262	3,307	36,023	178,971
Total funds carried forward	20,473	123,172	4,037	40,852	188,534	21,272	123,336	3,390	34,532	182,530

The notes on pages 35 to 64 form an integral part of these financial statements.

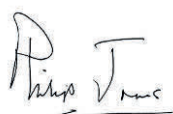
The National Museum of the Royal Navy
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Consolidated and Parent Balance Sheet
as at 31 March 2021

		Group	<i>Restated</i> Group	Company	Company
		2021	2020	2021	2020
	Notes	£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	15	27,606	32,059	-	-
Heritage assets	15/16	104,743	104,096	4,013	3,366
Investments	17	39,930	33,602	-	-
		<u>172,279</u>	<u>169,757</u>	<u>4,013</u>	<u>3,366</u>
Current assets					
Stocks	18	7,321	7,357	-	-
Debtors	19	3,371	5,244	630	1,903
Cash at bank and in hand		6,632	3,696	1,447	361
		<u>17,324</u>	<u>16,297</u>	<u>2,077</u>	<u>2,264</u>
Creditors falling due within one year	21	<u>(4,416)</u>	<u>(4,367)</u>	<u>(894)</u>	<u>(1,071)</u>
Net current assets		<u>12,908</u>	<u>11,930</u>	<u>1,183</u>	<u>1,193</u>
Debtors falling due after one year	20	<u>3,443</u>	<u>939</u>	-	-
Total assets less current liabilities		<u>188,630</u>	<u>182,626</u>	<u>5,196</u>	<u>4,559</u>
Creditors falling due after more than one year	22	<u>(96)</u>	<u>(96)</u>	-	-
Net assets		<u><u>188,534</u></u>	<u><u>182,530</u></u>	<u><u>5,196</u></u>	<u><u>4,559</u></u>
Funds					
Unrestricted funds		20,083	20,619	-	10
Designated funds		81	72	-	-
Revaluation reserve		309	581	1	1
Total unrestricted funds		<u>20,473</u>	<u>21,272</u>	<u>1</u>	<u>11</u>
Restricted funds		78,191	78,086	1,158	1,158
Revaluation reserve		44,981	45,250	-	-
Linked charities		4,037	3,390	4,037	3,390
Total restricted funds		<u>127,209</u>	<u>126,726</u>	<u>5,195</u>	<u>4,548</u>
Total endowment funds		<u>40,852</u>	<u>34,532</u>	<u>-</u>	<u>-</u>
Total funds	23	<u><u>188,534</u></u>	<u><u>182,530</u></u>	<u><u>5,196</u></u>	<u><u>4,559</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: 20th January 2022



Professor Dominic Tweddle
Director General and Accounting Officer
Date: 20th January 2022

The notes on pages 35 to 64 form an integral part of these financial statements.

Consolidated and Parent Cash flow statement
for the year ended 31 March 2021

		Group	<i>Restated</i> Group	Company	Company
	Notes	2021	2020	2021	2020
		£'000	£'000	£'000	£'000
Cash flows from operating activities:					
Net cash provided by (used in) operating activities		4,273	3,002	1,863	(445)
Cash flows from investing activities:					
Dividends and interest from investments		383	675	-	-
Purchase of property, plant and equipment		(3,228)	(4,895)	(647)	(83)
Sale of property, plant and equipment		1,717	4	-	-
Purchase of investments		(79)	(158)	-	-
Net cash (used in) investing activities		<u>(1,207)</u>	<u>(4,374)</u>	<u>(647)</u>	<u>(83)</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	31	<u>2,936</u>	<u>(1,502)</u>	<u>1,086</u>	<u>(658)</u>
Cash and cash equivalents at 1 April 2020		<u>3,696</u>	<u>5,198</u>	<u>361</u>	<u>1,019</u>
Total cash and cash equivalents at 31 March 2021	31	<u><u>6,632</u></u>	<u><u>3,696</u></u>	<u><u>1,447</u></u>	<u><u>361</u></u>
Net income/(expenditure) for the year		9,606	3,254	637	(462)
Depreciation		1,375	1,337	-	1
Loss on disposal of fixed assets		341	20	-	-
(Gains)/losses on investments		(6,413)	1,292	-	-
Adjustment for non-cash fees from gains/losses		164	241	-	-
Dividends and interest from investments		(383)	(675)	-	-
Decrease/(increase) in stocks		36	(6)	-	-
Decrease/(increase) in debtors		(632)	(2,673)	1,273	494
Increase/(decrease) in creditors		179	186	(47)	(478)
Increase/(decrease) in long term liabilities		-	26	-	-
Net cash provided by (used in) operating activities		<u><u>4,273</u></u>	<u><u>3,002</u></u>	<u><u>1,863</u></u>	<u><u>(445)</u></u>

The notes on pages 35 to 64 form an integral part of these financial statements.

The National Museum of the Royal Navy

(A company limited by guarantee)

Company number: 06699696

Notes to the financial statements for the year ended 31 March 2021

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 3. 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 (SORP) 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, 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.

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.

1.3. Going concern

In addition to the revenue it generates, the company receives grant in aid funding from the Ministry of Defence under a Financial Framework Agreement in respect of its operation of the group’s museums. Additional grant funding was awarded by the Royal Navy in response to the National Museum’s assessment of the impact of the Covid-19 pandemic on its financial position. The funding was based what would be necessary to ensure the National Museum remained a going concern, with forecasts reflecting a range of possible operating scenarios that included: full museums closure; a low opening scenario with very limited ability to generate revenue; and a high opening scenario with a strong recovery from enforced closures. Neither “opening” scenario considered that the National Museum would be in a position to return to pre-pandemic levels of operations or self-generated revenue within 2020-21 or 2021-22. The additional funding from the Royal Navy has effectively underwritten the Group’s financial performance and supported cashflows for 2020-21 and 2021-22. Although performance during periods of opening has been strong, it remains the Trustees’ view that the National Museum’s self-generated income streams and visitor markets will continue to be adversely impacted by any continuing or new Covid restrictions, and that its markets cannot be expected to fully recover before 2023-24. The level of cash available within free reserves to support operating activity is insufficient to meet long-term development needs and there are risks associated with unanticipated short-term cash demands; the immediate impact of the Covid-19 pandemic clearly exposed this. Whilst the additional grant funding supports the operating cash position, the nature of the funding agreement, based on need, will not permit the free reserves to be built up and maintained to eliminate the requirement for further cash support in 2022-23. The National Museum therefore continues to engage with Navy Command to ensure it has sufficient funds to continue to operate through 2022-23 and has shared its budget projections based on a full year’s operation across all sites, with slowly improving market recovery, cost pressures arising outside the National Museum’s direct control (including increasing costs of staff pay, rents, utilities and insurance), together with the need to address a range of essential site maintenance and IT investment requirements that were stalled during the closure periods. Although there remains uncertainty over the level of funding to be provided (as is the case for all government bodies at this stage in the funding cycle), the Trustees and Directors take comfort from the legislative foundation within the National Heritage Act 1983 that underpins the NMRN group’s operations and the Navy Command’s reassurances that it will work with the National Museum of the Royal Navy to ensure that the Museum remains a going concern and can deliver its strategy. The National Museum also continues to engage with the Department for the Economy (NI) to ensure that the debts outstanding in respect of the operating and maintenance costs of HMS Caroline can be recovered and that a new agreement can be shaped to ensure the ship’s future as a key visitor attraction in Belfast. The Trustees and Directors are therefore content that, based on the assurances provided to the National Museum by its sponsor, the Royal Navy, grant 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. 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. With additional grant support, the budgeted income and expenditure is sufficient for the charity to be able to continue as a going concern.

The National Museum of the Royal Navy
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Notes to the financial statements
for the year ended 31 March 2021

1.4. 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) and the Joint Venture, Portsmouth Historic Dockyard Operations Limited (company 12799836)
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 09997836, charity 1165917)
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 33).

1.5. Fund accounting

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

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

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

1.6. Incoming resources

All incoming resources are included in the statement of financial activities when the company is legally entitled to the income, any performance conditions attached to the items of income have been met, 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.

1.7. 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.

Government grants for the Coronavirus Job Retention Scheme are credited to the restricted incoming resources when receivable.

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Notes to the financial statements for the year ended 31 March 2021

1.8. 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.

1.9. 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.

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

1.10. 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 Charities SORP will be made.

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

In October 2015, a single set of Collections Management policies for the NMRN Group 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 at different museum sites and will be subject to regular review as directed by the Collections, Research, Learning and Access Committee (CRLA).

Notes to the financial statements
for the year ended 31 March 2021

Acquisitions to the museums are now guided by a single Collections Development Policy (2015) and Strategy (2019); 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 'Themes and Priorities for Future Collecting'. Offers of donations are passed to an Acquisitions Panel, chaired by the Registrar. This Committee sits on a monthly basis to assess offers. Decisions are reviewed by the Head of Collections and Research.

Acquisition by purchase - Collections and other staff can recommend and where appropriate make purchases of material from any source up to their authorisation levels in accordance with the NMRN scheme of delegation. Purchases of up to £25,000 are reviewed by the Head of Collections & Research and/or the Deputy Executive Director of Museum Operations. Any purchases of a value above £50,000 go to the Director General for assessment.

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

Subject to the approval of the Trustees, the Museum may dispose of items from the collection, although this will only happen in exceptional circumstances, for example:

- When items fall outside the Museum's Collecting Policy or Charitable Objectives
- When an item contains a serious hazard which cannot be remediated.
- When an item is one of a significant number of duplicates
- When an item is in exceptionally poor condition which cannot be reversed and it cannot be repurposed to alternate use.

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.

1.11. 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.

1.12. 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.

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for the year ended 31 March 2021

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.

1.13. 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.

1.14. 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 that could be achieved in the event of a sale (please see note 1.16). 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 18).

1.15. 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.

1.16. Judgements and key sources of estimation uncertainty

In applying the above accounting policies the following judgements (apart from those involving estimates) have been made that have had the most significant effect on amounts recognised in the financial statements:

- The useful lives of tangible fixed assets

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

- Valuation of historic ships
- Valuation of other heritage assets
- Valuation of land and buildings
- Valuation of HMS Victory timber stock

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

Notes to the financial statements
for the year ended 31 March 2021

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 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.
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 18).

1.17. Pensions

During the year, contributions for the Director General only, totalling £13,000 (excluding salary exchange amounts) (2019-20 £13,000), 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.

Principal Civil Service Pension Scheme (PCSPS)

The PCSPS is an unfunded multi employer defined benefit scheme but the National Museum of the Royal Navy is unable to identify its share of the underlying assets and liabilities. A full actuarial 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 2020-21, 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 2020-21 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Local Government Pension Scheme (LGPS)

The LGPS is a multi-employer defined benefit scheme. The National Museum of the Royal Navy is an admitted member of the Hampshire Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 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: (<https://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.

Notes to the financial statements
for the year ended 31 March 2021

The National Museum of the Royal Navy is also an admitted member of the Teesside Pension Fund but is unable to identify its share of the underlying assets and liabilities. An actuarial valuation was carried out at 31 March 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: (<https://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 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.

1.18. 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.

1.19. Restatement of comparative information

Comparative information for 2020 has been restated to reflect the changes described below:

The Fleet Air Arm Museum was awarded a legacy from Sir Donald Gosling, through The Gosling Foundation in February 2020, the legacy being received in July 2020. Comparative information has been restated to accrue the income as at 31 March 2020.

Notes to the financial statements
for the year ended 31 March 2021

2. Voluntary income (Company and Group)

	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2020 Total £'000
Grant (operating)	7,198	-	-	7,198	3,375	-	-	3,375
Grant (capital)	128	-	-	128	126	-	-	126
Total Grant in Aid	<u>7,326</u>	<u>-</u>	<u>-</u>	<u>7,326</u>	<u>3,501</u>	<u>-</u>	<u>-</u>	<u>3,501</u>
Other donations and grants								
Coastal Forces Heritage Trust	-	-	-	-	-	140	-	140
Ministry of Defence	-	135	-	135	-	328	-	328
Miscellaneous donations and grants	1	-	-	1	2	-	-	2
	<u>1</u>	<u>135</u>	<u>-</u>	<u>136</u>	<u>2</u>	<u>468</u>	<u>-</u>	<u>470</u>
Gifts in kind:								
Transferred from NMRN Operations	-	-	647	647	-	-	83	83
	<u>-</u>	<u>-</u>	<u>647</u>	<u>647</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>83</u>
Received by company	<u>1</u>	<u>135</u>	<u>647</u>	<u>783</u>	<u>2</u>	<u>468</u>	<u>83</u>	<u>553</u>
Received by:								
NMRN Operations	2,481	3,790	-	6,271	838	7,540	-	8,378
Royal Navy Submarine Museum	16	-	-	16	1	-	-	1
Royal Marines Museum	15	1,189	-	1,204	44	-	-	44
HMS Victory Preservation Co	1	-	-	1	5	-	-	5
HMS Trincomalee Trust	1	7	-	8	-	-	-	-
Warrior Preservation Trust	1	-	-	1	1	-	-	1
Consolidation adjustments:								
NMRN Operations (1)	-	-	(647)	(647)	-	-	(83)	(83)
	<u>2,515</u>	<u>4,986</u>	<u>(647)</u>	<u>6,854</u>	<u>889</u>	<u>7,540</u>	<u>(83)</u>	<u>8,346</u>
Received by group	<u>2,516</u>	<u>5,121</u>	<u>-</u>	<u>7,637</u>	<u>891</u>	<u>8,008</u>	<u>-</u>	<u>8,899</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	Restricted Funds £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	<i>Restated</i> 2020 Total £'000
Received by:						
NMRN Operations	14	-	14	341	-	341
Fleet Air Arm Museum	1	-	1	-	1,000	1,000
Royal Marines Museum	1	-	1	2	-	2
Royal Navy Submarine Museum	-	-	-	71	-	71
	<u>16</u>	<u>-</u>	<u>16</u>	<u>414</u>	<u>1,000</u>	<u>1,414</u>

There are no equivalent balances for the company.

4. Admissions (Group)

	Unrestricted funds £'000	2021 Total £'000	Unrestricted funds £'000	2020 Total £'000
Museum admissions				
Portsmouth Historic Dockyard	895	895	4,333	4,333
Fleet Air Arm Museum	215	215	776	776
Hartlepool	20	20	250	250
HMS Caroline	2	2	190	190
	<u>1,132</u>	<u>1,132</u>	<u>5,549</u>	<u>5,549</u>
Other site income				
Portsmouth Historic Dockyard	38	38	35	35
	<u>1,170</u>	<u>1,170</u>	<u>5,584</u>	<u>5,584</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
for the year ended 31 March 2021

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 £250,000 respectively, to increase reserves brought forward and heritage assets.

5.1 Statement of Financial Activities
(Subsidiaries)

Restated

	NMRNO	NMRNH	HMSVPC	HMSCPC	HMSTT	WPT	RMM	RNSM	FAAM	2021	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income from:											
Donations and legacies	14,889	-	1	-	9	1	1,205	16	1	16,122	15,104
Charitable activities	1,200	-	-	-	-	-	-	-	-	1,200	5,630
Other trading activities											
Trading subsidiary	183	-	-	-	-	-	-	-	-	183	2,920
Investments	-	-	379	-	4	-	-	-	-	383	675
Other	236	-	-	-	-	-	-	1	-	237	192
Total income	16,508	-	380	-	13	1	1,205	17	1	18,125	24,521
Expenditure on:											
Raising funds	805	-	-	-	-	-	-	-	-	805	935
Trading subsidiary	344	-	-	-	-	-	-	-	-	344	2,973
Investment management	-	-	147	-	-	-	-	-	-	147	243
Charitable activities	12,175	-	246	-	11	45	1,382	95	321	14,275	15,364
Total expenditure	13,324	-	393	-	11	45	1,382	95	321	15,571	19,515

Notes to the financial statements
for the year ended 31 March 2021

5.1 Statement of Financial Activities (continued) (Subsidiaries)	NMRNO	NMRNH	HMSVPC	HMSCPC	HMSTT	WPT	RMM	RNSM	FAAM	2021	<i>Restated</i> 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net (loss)/ gain on investments	-	-	6,413	-	-	-	-	-	-	6,413	(1,292)
Net income/(expenditure)	3,184	-	6,400	-	2	(44)	(177)	(78)	(320)	8,967	3,714
Other recognised gains/(losses)											
Revaluation of fixed assets	(267)	-	1	-	-	-	(3,176)	-	(160)	(3,602)	306
Net movement in funds	2,917	-	6,401	-	2	(44)	(3,353)	(78)	(480)	5,365	4,020
Reconciliation of funds											
Fund balances brought forward	22,373	4	60,255	12,560	21,384	26,420	6,142	19,016	9,816	177,970	173,950
Fund balances carried forward	25,290	4	66,656	12,560	21,386	26,376	2,789	18,938	9,336	183,335	177,970

5.2 Balance Sheet (Subsidiaries)	NMRNO	NMRNH	HMSVPC	HMSCPC	HMSTT	WPT	RMM	RNSM	FAAM	2021	<i>Restated</i> 2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fixed assets											
Tangible fixed assets	22,380	-	139	-	-	-	-	-	5,086	27,605	32,058
Heritage assets	-	-	19,375	12,560	21,008	25,290	734	18,651	3,111	100,729	100,729
Investments	-	-	39,930	-	-	-	-	-	-	39,930	33,602
	22,380	-	59,444	12,560	21,008	25,290	734	18,651	8,197	168,264	166,389
Current assets	7,011	4	7,260	1	486	1,089	3,182	375	1,141	20,549	17,954
Current liabilities	(4,101)	-	(48)	(1)	(12)	(3)	(1,127)	(88)	(2)	(5,382)	(6,277)
Long term liabilities	-	-	-	-	(96)	-	-	-	-	(96)	(96)
Total Funds	25,290	4	66,656	12,560	21,386	26,376	2,789	18,938	9,336	183,335	177,970

Notes to the financial statements
for the year ended 31 March 2021

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:

	2021	2020
	£'000	£'000
Turnover	167	2,902
Cost of sales	(122)	(1,243)
Gross Profit	<u>45</u>	<u>1,659</u>
Administration	(235)	(1,753)
Commissioning fee from NMRN Operations	-	-
Other income	16	19
Net (loss) / profit	<u>(174)</u>	<u>(75)</u>
Tax on ordinary activities	55	22
(Loss) / Profit for the Financial Year	<u>(119)</u>	<u>(53)</u>
Amount gifted to NMRN Operations	-	(41)
Retained (loss)/profit for the period	<u>(119)</u>	<u>(94)</u>
Retained profit brought forward	450	544
Retained profit carried forward	<u><u>331</u></u>	<u><u>450</u></u>

5.4 Agency funds

The National Museum group was 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 until August 2020. 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.

	2021	2020
	Total	Total
	£'000	£'000
<u>Statement of financial activities</u>		
Income received	17	5,107
Distributions	(17)	(5,107)
Net incoming resources	<u>-</u>	<u>-</u>
<u>Balance Sheet</u>		
Current assets	-	702
Current liabilities	-	(702)
Net assets	<u><u>-</u></u>	<u><u>-</u></u>

Notes to the financial statements
for the year ended 31 March 2021

6. Investment income (Group)

	Unrestricted funds £'000	Endowment funds £'000	2021 Total £'000	Unrestricted funds £'000	Endowment funds £'000	2020 Total £'000
Interest income	2	13	15	3	14	17
Dividend income	301	67	368	515	143	658
	<u>303</u>	<u>80</u>	<u>383</u>	<u>518</u>	<u>157</u>	<u>675</u>

7. Fundraising costs (Group)

	Unrestricted funds £'000	2021 Total £'000	Unrestricted funds £'000	2020 Total £'000
Staff costs	605	605	530	530
Fundraising and publicity	200	200	405	405
	<u>805</u>	<u>805</u>	<u>935</u>	<u>935</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	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2020 Total £'000
Operations	396	-	396	420	-	420
Collections & research	85	-	85	107	-	107
Learning	48	-	48	40	-	40
Grant funding	6,811	135	6,946	2,806	1,143	3,949
	<u>7,340</u>	<u>135</u>	<u>7,475</u>	<u>3,373</u>	<u>1,143</u>	<u>4,516</u>

Costs of charitable activities - by fund type (Group)

	Unrestricted funds £'000	Restricted funds £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	2020 Total £'000
Operations	6,617	3,053	9,670	7,249	4,626	11,875
Collections & research	1,502	580	2,082	1,883	152	2,035
Learning	692	52	744	588	36	624
	<u>8,811</u>	<u>3,685</u>	<u>12,496</u>	<u>9,720</u>	<u>4,814</u>	<u>14,534</u>

Notes to the financial statements
for the year ended 31 March 2021

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

	Operations	Collections & research	Learning	Grant funding	2021 Total	2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	277	59	34	-	370	437
Governance and support costs	119	26	14	-	159	130
	<u>396</u>	<u>85</u>	<u>48</u>	<u>-</u>	<u>529</u>	<u>567</u>
Grant funding:						
NMRN Operations	-	-	-	6,946	6,946	3,949
	<u>396</u>	<u>85</u>	<u>48</u>	<u>6,946</u>	<u>7,475</u>	<u>4,516</u>

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

	Operations	Collections & research	Learning	Grant funding	2021 Total	2020 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Staff costs	3,439	713	408	-	4,560	4,617
Operating costs	442	-	-	-	442	459
Marketing	276	-	-	-	276	758
Curatorial	-	364	-	-	364	302
Purchase of exhibits	-	10	-	-	10	35
Depreciation	833	316	100	-	1,249	1,207
Loss on disposal of fixed assets	64	269	8	-	341	20
Governance and support costs	1,910	410	228	-	2,548	2,619
	<u>6,964</u>	<u>2,082</u>	<u>744</u>	<u>-</u>	<u>9,790</u>	<u>10,017</u>
Project costs:						
HMS Caroline	9	-	-	-	9	265
HMS Victory	1,094	-	-	-	1,094	1,036
HMS Warrior	43	-	-	-	43	296
HMS Invincible	85	-	-	-	85	210
Landing Craft (Tank) - LCT7074	1,000	-	-	-	1,000	1,762
Royal Marines Museum relocation	277	-	-	-	277	316
Fleet Air Arm Museum	10	-	-	-	10	199
Royal Navy Submarine Museum	-	-	-	-	-	42
NMRN Hartlepool	131	-	-	-	131	58
Other project costs	57	-	-	-	57	333
	<u>2,706</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,706</u>	<u>4,517</u>
	<u>9,670</u>	<u>2,082</u>	<u>744</u>	<u>-</u>	<u>12,496</u>	<u>14,534</u>

Notes to the financial statements
for the year ended 31 March 2021

10. Analysis of governance and support costs (Company)

	Operations	Collections & research	Learning	2021 Total	2020 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	13	3	2	18	20
Auditor remuneration	1	-	-	1	2
Auditor remuneration - NAO	45	10	5	60	49
Legal and professional	6	1	1	8	18
Insurance	35	7	4	46	-
Travelling expenses	3	1	-	4	20
Bank charges & interest	2	1	-	3	12
Depreciation	-	-	-	-	1
Sundry expenses	14	3	2	19	8
	<u>119</u>	<u>26</u>	<u>14</u>	<u>159</u>	<u>130</u>

Analysis of governance and support costs (Group)

	Operations	Collections & research	Learning	2021 Total	2020 Total
	£'000	£'000	£'000	£'000	£'000
Accountancy & payroll	50	12	5	67	84
Auditor remuneration	62	15	7	84	48
Auditor remuneration - NAO	45	10	5	60	49
Legal and professional	101	22	12	135	101
Repairs and maintenance	689	147	83	919	384
Insurance	151	32	18	201	215
Premises expenses	624	134	77	835	1,336
Travelling expenses	20	4	2	26	127
Communication and IT	48	10	6	64	62
Printing, postage and stationery	24	5	3	32	58
Bank charges & interest	33	7	4	44	107
Depreciation	11	-	-	11	11
Sundry expenses	52	12	6	70	37
	<u>1,910</u>	<u>410</u>	<u>228</u>	<u>2,548</u>	<u>2,619</u>

11. Employees

	Group 2021	Group 2020	Company 2021	Company 2020
	£'000	£'000	£'000	£'000
Employment costs				
Wages and salaries	5,065	6,445	260	306
Social security costs	335	437	33	35
Pension costs	412	494	68	76
Employee benefits	11	16	11	16
	<u>5,823</u>	<u>7,392</u>	<u>372</u>	<u>433</u>

Key management personnel

Employee benefits received by key management personnel total £288,000 for the year to 31 March 2021 (31 March 2020: £349,000).

The total received by the group from the Coronavirus Job Retention Scheme in the period was £1,570,000 (Company only - £Nil).

Notes to the financial statements
for the year ended 31 March 2021

Higher paid employees

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

	Group 2021	Group 2020	Company 2021	Company 2020
£60,001 to £70,000	3	2	-	-
£70,001 to £80,000	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>3</u>	<u>5</u>	<u>3</u>	<u>3</u>

Number of employees

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

	Group 2021	Group 2020	Company 2021	Company 2020
Charitable expenditure	312	401	-	-
Cost of generating funds	3	4	-	-
Governance costs	6	7	3	4
	<u>321</u>	<u>412</u>	<u>3</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 177 (2020: 226).

Staff costs for the charity for the year include an accrual of £8,000 (2020: £3,000), and for the group include £96,000 (2020: £41,000), for short-term compensated absences arising from employee entitlement to annual leave.

During the financial year 22 redundancies (2020: 4) were identified within the group and contractual/redundancy costs of £146,000 were paid (2020: £50,000). No further amounts were accrued at 31 March 2021 (2020: £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:

	2021			2020		
	Group Schemes £'000	PCSPS £'000	LGPS £'000	Group Schemes £'000	PCSPS £'000	LGPS £'000
National Museum of the Royal Navy	68	-	-	76	-	-
NMRN Operations	315	17	11	371	22	16
NMRN Trading (reported within trading expenditure)	-	-	-	9	-	-
	<u>383</u>	<u>17</u>	<u>11</u>	<u>456</u>	<u>22</u>	<u>16</u>

12. Trustees' emoluments

No trustees received remuneration during the year (2020: Nil). Four trustees from the National Museum of the Royal Navy were reimbursed for travel expenses totalling £1,000 (2020: Nine trustees - £4,000).

13. Net outgoing resources for the year

	2021 £'000	2020 £'000
Net outgoing resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	1,716	1,360
Auditors' remuneration - National Audit Office	60	49
Auditors' remuneration - Subsidiary Auditors	84	48
	<u>1,860</u>	<u>1,457</u>

The National Audit Office fee for the year ended 31 March 2021 is £59,500, including £6,000 additional costs relating to 2020 (2020: £49,000). There is no remuneration for non-audit work.

Notes to the financial statements
for the year ended 31 March 2021

14. Taxation

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

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

15. Tangible fixed assets (Company)

	Plant and machinery £'000	Fixtures, fittings and equipment £'000	Heritage assets £'000	Total £'000
Cost or valuation				
At 1 April 2020	4	9	3,366	3,379
Additions	-	-	647	647
At 31 March 2021	<u>4</u>	<u>9</u>	<u>4,013</u>	<u>4,026</u>
Depreciation				
At 1 April 2020	4	9	-	13
Charge for the year	-	-	-	-
At 31 March 2021	<u>4</u>	<u>9</u>	<u>-</u>	<u>13</u>
Net book values				
At 31 March 2021	<u>-</u>	<u>-</u>	<u>4,013</u>	<u>4,013</u>
At 31 March 2020	<u>-</u>	<u>-</u>	<u>3,366</u>	<u>3,366</u>

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 2020	4,154	17,029	11,334	2,655	2,493	7,750	1,602	104,096	151,113
Additions	1,707	-	72	108	280	-	414	647	3,228
Transfers	(5,678)	-	-	-	5,678	-	-	-	-
Disposals	-	(2,038)	-	(97)	-	(133)	(31)	-	(2,299)
Revaluation	-	(3,851)	(323)	201	53	78	31	-	(3,811)
At 31 March 2021	<u>183</u>	<u>11,140</u>	<u>11,083</u>	<u>2,867</u>	<u>8,504</u>	<u>7,695</u>	<u>2,016</u>	<u>104,743</u>	<u>148,231</u>
Depreciation									
At 1 April 2020	-	3,211	2,157	2,465	1,123	5,491	511	-	14,958
Charge for the year	-	223	333	77	290	224	228	-	1,375
Disposals	-	(66)	-	(93)	-	(51)	(31)	-	(241)
On revaluation	-	(425)	(50)	187	(3)	60	21	-	(210)
At 31 March 2021	<u>-</u>	<u>2,943</u>	<u>2,440</u>	<u>2,636</u>	<u>1,410</u>	<u>5,724</u>	<u>729</u>	<u>-</u>	<u>15,882</u>
Net book values									
At 31 March 2021	<u>183</u>	<u>8,197</u>	<u>8,643</u>	<u>231</u>	<u>7,094</u>	<u>1,971</u>	<u>1,287</u>	<u>104,743</u>	<u>132,349</u>
At 31 March 2020	<u>4,154</u>	<u>13,818</u>	<u>9,177</u>	<u>190</u>	<u>1,370</u>	<u>2,259</u>	<u>1,091</u>	<u>104,096</u>	<u>136,155</u>

The National Museum of the Royal Navy

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Notes to the financial statements for the year ended 31 March 2021

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 previously valued at depreciated replacement cost, with a professional valuation being obtained at least every five years. The Museum closed on 1 April 2017 and the land and buildings were revalued to market value on 18 May 2017, and subsequently sold on 25 November 2020.

16. 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	5,330	260	957	10,824	1,310	8	155	-	-	-	18,844
Documentary Archive	35,365	4,109	22,000	36,000	1,034,148	4	1,427	-	-	-	1,133,128
Uniforms/Badges & Insignia	7,543	-	848	15,817	4,403	-	45	-	-	-	28,656
Orders & Decorations	5,418	-	235	2,564	1,556	19	12	-	-	-	9,804
Weapons/Armaments	297	1,251	64	1,694	194	-	20	-	-	-	3,520
Photograph/Microfilm/Fiche	165,804	2,978	60,793	2,000,000	881,452	-	315	-	-	-	3,111,342
Film and Sound Recordings	700	22	825	1,382	164	-	1	-	-	-	3,094
Other	4,412	5,057	3,600	3,347	17,265	2	1,154	-	-	-	34,837
Total	224,955	13,690	89,330	2,071,645	1,940,673	34	3,130	1	1	1	4,343,460

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 2021

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	2021	2020	2019	2018	2017
	£'000	£'000	£'000	£'000	£'000
Purchased additions					
Royal Naval Museum	648	83	114	137	5
Royal Navy Submarine Museum	-	-	-	-	-
Fleet Air Arm Museum	-	-	-	-	3
	<u>648</u>	<u>83</u>	<u>114</u>	<u>137</u>	<u>8</u>
Donated additions					
Royal Naval Museum	-	-	4	3	264
Fleet Air Arm Museum	-	-	-	-	-
HMS Trincomalee Trust	-	-	-	-	8
	<u>-</u>	<u>-</u>	<u>4</u>	<u>3</u>	<u>272</u>
Total additions	<u>648</u>	<u>83</u>	<u>118</u>	<u>140</u>	<u>280</u>

Significant historic ships

Ship (for reporting entity please see below)	Donor	Date of gift	Uplifted original build cost apportioned for value on completion	Estimated cost of repair at time of gifting	Value of gift	Value at 1 April 2020	Increase in year	Value at 31 March 2021
			£'000	£'000	£'000	£'000	£'000	£'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.

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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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for the year ended 31 March 2021

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.

17. Investment assets

	Group	
	Listed	Unlisted
	2021	2021
	£'000	£'000
Valuation		
At 1 April 2020	33,602	-
Additions	79	-
Gains and losses before management fees	6,413	
Less management fees deducted	<u>(164)</u>	
Realised and unrealised gains and losses	6,249	-
At 31 March 2021	<u>39,930</u>	<u>-</u>
Historical cost as at 31 March 2021	<u>31,411</u>	<u>-</u>
Historical cost as at 31 March 2020	<u>31,331</u>	<u>-</u>
Investments By fund:		
Endowment funds	<u>39,930</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:

	2021	2020
	£'000	£'000
UK		
UK government and fixed interest securities	729	2,338
UK bonds	657	1,183
UK equities	4,550	5,586
Portfolio funds	-	524
Others	4,063	8,555
Capital account	1,013	864
	<u>11,012</u>	<u>19,050</u>
Overseas		
Fixed interest	1,388	3,817
International bonds	1,333	737
International equities	23,473	9,998
Others	2,724	-
	<u>28,918</u>	<u>14,552</u>
	<u>39,930</u>	<u>33,602</u>

Notes to the financial statements
for the year ended 31 March 2021

18. Stocks

	Group	Group
	2021	2020
	£'000	£'000
Held by:		
HMS Victory Preservation Company	6,648	6,650
NMRN Operations	215	215
Trading subsidiaries	458	492
	<u>7,321</u>	<u>7,357</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, 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. Completion of the Phase 1 Trials (static accelerated weathering and UV trials of paint schemes, fixings and caulking) and Phase 2 Trials (dynamic trials of caulking), which will confirm the use of the oak, were delayed as a result of the pandemic. A contract is now in place with Southampton University's nc2 Engineering Consultancy to complete the materials testing in 2021.

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 2021

19. Debtors: amounts falling due within one year

	Group 2021 £'000	<i>Restated</i> Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Trade debtors	707	490	-	-
Amounts owed by group undertakings	-	-	503	1,902
Other debtors	37	595	7	1
Prepayments & accrued income	2,355	3,853	120	-
VAT	272	306	-	-
	<u>3,371</u>	<u>5,244</u>	<u>630</u>	<u>1,903</u>

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Other debtors	443	439	-	-
Accrued income	3,000	500	-	-
	<u>3,443</u>	<u>939</u>	<u>-</u>	<u>-</u>

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

21. Creditors: amounts falling due within one year

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Other loans	-	128	-	128
Trade creditors	955	1,732	-	53
Other creditors	774	876	706	716
Ministry of Defence	1,004	-	96	-
Other taxes and social security	98	126	9	17
Accruals and deferred income	1,585	1,505	83	157
	<u>4,416</u>	<u>4,367</u>	<u>894</u>	<u>1,071</u>

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

	Group 2021 £'000	Group 2020 £'000	Company 2021 £'000	Company 2020 £'000
Other loans	96	96	-	-
	<u>96</u>	<u>96</u>	<u>-</u>	<u>-</u>

Notes to the financial statements
for the year ended 31 March 2021

23. Analysis of net assets between funds

	Tangible Fixed Assets £'000	Investments £'000	Net current assets £'000	Long term liabilities £'000	Total 2021 £'000
Restricted funds:					
Restricted funds	-	-	1,158	-	1,158
Royal Naval Museum	2,238	-	24	-	2,262
HMS M33 Trust	1,775	-	-	-	1,775
	<u>4,013</u>	<u>-</u>	<u>1,182</u>	<u>-</u>	<u>5,195</u>
Unrestricted funds	-	-	1	-	1
Total Company funds at 31 March 2021	4,013	-	1,183	-	5,196
Funds held by:					
NMRN Operations	22,380	-	2,911	-	25,291
NMRN Hartlepool	-	-	4	-	4
HMS Victory Preservation Company	19,514	39,930	7,212	-	66,656
HMS Caroline Preservation Company	12,560	-	-	-	12,560
HMS Trincomalee Trust	21,008	-	474	(96)	21,386
Warrior Preservation Trust Limited	25,290	-	1,086	-	26,376
Royal Navy Submarine Museum Trust	18,651	-	287	-	18,938
Royal Marines Museum Charitable Trust	735	-	2,055	-	2,790
Fleet Air Arm Museum	8,198	-	1,139	-	9,337
Total Group funds at 31 March 2021	132,349	39,930	16,351	(96)	188,534

	Tangible Fixed Assets £'000	Investments £'000	Net current assets £'000	Long term liabilities £'000	<i>Restated</i> 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	-	1,320	-	9,816
Total Group funds at 31 March 2020	136,155	33,602	12,869	(96)	182,530

Notes to the financial statements
for the year ended 31 March 2021

24. Restricted and endowment funds

Restricted funds:	At 1 April 2020 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2021 £'000
HMS Caroline fund	104	-	-	-	-	104
LIBOR Royal Marines Museum relocation fund	1,054	-	-	-	-	1,054
Ministry of Defence Projects	-	135	(135)	-	-	-
Linked charities:						
Royal Naval Museum	1,615	647	-	-	-	2,262
HMS M33 Trust	1,775	-	-	-	-	1,775
Total company restricted funds	4,548	782	(135)	-	-	5,195
NMRN Operations (excluding CJRS – see below)	14,615	3,741	(2,125)	(1,100)	(165)	14,966
Coronavirus Job Retention Scheme	-	1,570	(1,570)	-	-	-
HMS Victory Preservation Company	26,173	-	(13)	-	1	26,161
HMS Caroline Preservation Company	12,560	-	-	-	-	12,560
HMS Trincomalee Trust	21,028	7	(6)	-	-	21,029
Warrior Preservation Trust	25,060	-	-	-	-	25,060
Royal Navy Submarine Museum	18,590	-	-	-	-	18,590
Royal Marines Museum	459	1,189	(1,543)	-	-	105
Fleet Air Arm Museum	3,693	-	(70)	-	(80)	3,543
Consolidation adjustments	-	(2,168)	1,777	391	-	-
Total group restricted funds	126,726	5,121	(3,685)	(709)	(244)	127,209

Restricted funds (comparatives):	At 1 April 2019 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	<i>Restated</i> 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	1,000	(78)	-	29	3,693
Consolidation adjustments	-	(2,475)	1,154	1,321	-	-
Total group restricted funds	123,569	9,008	(4,814)	(1,209)	172	126,726

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

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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 2020 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	Gains and losses £'000	At 31 March 2021 £'000
HMS Victory Preservation Co	33,541	80	(147)	-	6,413	39,887
HMS Trincomalee Trust	5	-	-	-	-	5
Warrior Preservation Trust Limited	986	-	-	(26)	-	960
Total group endowment funds	34,532	80	(147)	(26)	6,413	40,852

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

24.1 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:

Royal Naval Museum	At 1 April 2020 £'000	Incoming resources £'000	Outgoing resources £'000	Transfers £'000	At 31 March 2021 £'000
Unrestricted funds	1,508	647	-	-	2,155
Restricted funds - RML 497 Fairmile (the ship)	83	-	-	-	83
Endowment funds - Johnstone Library fund	24	-	-	-	24
Total funds of the Royal Naval Museum	1,615	647	-	-	2,262

	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

Notes to the financial statements
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Royal Naval Museum Balance Sheet summary	2021	2020
	£'000	£'000
Heritage assets	2,238	1,591
Current assets	24	24
Net assets	2,262	1,615
Funds		
Unrestricted funds	2,155	1,508
Restricted funds	83	83
Endowment funds	24	24
Total funds of the Royal Naval Museum	2,262	1,615

HMS M33 Trust

HMS M33 Trust Balance Sheet summary	2021	2020
	£'000	£'000
Heritage assets	1,775	1,775
Funds		
Unrestricted reserves	1,092	1,092
Revaluation reserve	683	683
Total funds of the HMS M33 Trust	1,775	1,775

25. Transfers between funds

NMRN Operations

A total of £1,100,000 (2020: £2,530,000) 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 £26,000 (2020: £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.

26. Financial commitments

At 31 March 2021 the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group	Group
	2021	2020
	£'000	£'000
Within one year	427	175
Between one and five years	1,586	60
In over five years	23,076	864
	25,089	1,099

Notes to the financial statements
for the year ended 31 March 2021

27. Capital commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £424,000 (2020: £2,896,000). There were no contingent liabilities at 31 March 2021 (2020: £Nil).

28. Losses and special payments

28.1 Losses statement

There were no cases of losses occurring during the financial year (2020: No cases).

28.2 Special payments

There were no cases of special payments during the year (2020: No cases).

29. 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	NMRN Operations, Warrior Preservation Trust
Mr Mike Gambazzi	NMRN Hartlepool
Councillor Donna Jones	Warrior Preservation Trust
Ms Helen Jackson	HMS Victory Preservation Company (appointed 24 February 2021)
Mrs Mary-Montagu-Scott	HMS Victory Preservation Company
Rear Admiral Jonathan Pentreath	HMS Caroline Preservation Company

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

30. Events after the Balance Sheet date

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

31. Analysis of cash and cash equivalents

	Group	Group	Company	Company
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Cash at bank and in hand	6,632	3,696	1,447	361

Notes to the financial statements
for the year ended 31 March 2021

32. Analysis of changes in net debt

Company	At 1 April 2020 £'000	Cash flows £'000	At 31 March 2021 £'000
Short-term borrowings	(130)	130	-
Total liabilities	(130)	130	-
Cash and cash equivalents	361	1,086	1,447
Total net debt	231	1,216	1,447

Group	At 1 April 2020 £'000	Cash flows £'000	At 31 March 2021 £'000
Short-term borrowings	(130)	130	-
Total liabilities	(130)	130	-
Cash and cash equivalents	3,696	2,936	6,632
Total net debt	3,566	3,066	6,632

33. Statement of financial activities (Company only, including the Royal Naval Museum and HMS M33 Trust as linked charities) for the year ended 31 March 2021

Note	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked charities £'000	2020 Total £'000
Income from:								
Donations and legacies								
Grant in Aid (revenue) 2	7,198	-	-	7,198	3,375	-	-	3,375
Grant in Aid (capital) 2	128	-	-	128	126	-	-	126
Donations 2	1	135	647	783	2	468	83	553
Other income	3	-	-	3	-	-	-	-
Total income	7,330	135	647	8,112	3,503	468	83	4,054
Expenditure on:								
Charitable activities 8	529	-	-	529	567	-	-	567
Grant funding 8	6,811	135	-	6,946	2,806	1,143	-	3,949
Total expenditure	7,340	135	-	7,475	3,373	1,143	-	4,516
Net income/(expenditure)	(10)	-	647	637	130	(675)	83	(462)
Transfer between funds	-	-	-	-	-	-	-	-
Net movement in funds	(10)	-	647	637	130	(675)	83	(462)
Reconciliation of funds:								
Total funds brought forward	11	1,158	3,390	4,559	(119)	1,833	3,307	5,021
Total funds carried forward	1	1,158	4,037	5,196	11	1,158	3,390	4,559

Notes to the financial statements
for the year ended 31 March 2021

34. Prior period adjustment

The Fleet Air Arm Museum was awarded a legacy from Sir Donald Gosling, through The Gosling Foundation in February 2020, the legacy being received in July 2020. Comparative information has been restated to accrue the income as at 31 March 2020.

The effect of this change on reserves is as follows:

	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	2021 Total £'000	Unrestricted funds £'000	Restricted funds £'000	Linked Charities £'000	Endowment funds £'000	<i>Restated</i> 2020 Total £'000
Total funds brought forward as previously stated	21,272	122,336	3,390	34,532	181,530	19,379	120,262	3,307	36,023	178,971
Prior period adjustment	-	1,000	-	-	1,000	-	-	-	-	-
Total funds brought forward as restated	21,272	123,336	3,390	34,532	182,530	19,379	120,262	3,307	36,023	178,971
Net movement in funds	(799)	(164)	647	6,320	6,004	1,893	3,074	83	(1,491)	3,559
Total funds carried forward	20,473	123,172	4,037	40,852	188,534	21,272	123,336	3,390	34,532	182,530

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