

Charity number: 1169061
Company number: 09988314

NMRN Operations
(A company limited by guarantee)

Trustees' report and Consolidated financial statements

for the year ended 31 March 2021

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Legal and administrative information

Charity number	1169061
Company registration number	09988314
Registered office	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH
Business address	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH
Director General and Accounting Officer	Professor Dominic Tweddle
Trustees	Mr Richard Hatfield Mrs Emma Allen Mr Michael Bedingfield Mrs Jane Dean Ms Carol Marlow Mr Mark Pemberton Professor Dominic Tweddle
Accountants	Compass Accountants Limited Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR
Auditors	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
Bankers	Natwest Bank Plc 130 Commercial Road, Portsmouth, Hampshire PO1 1ES

Trustees' annual report (incorporating the directors' report) and Strategic report

Foreword

The charitable objectives of NMRN Operations (the company), as defined in the Articles of Association (as amended by Special Resolution 9 August 2016), are:

The promotion of the efficiency and effectiveness of charities for the benefit of the public, in particular by supporting and assisting the charitable work of the National Museum of the Royal Navy.

Performance Report

Overview

The company was formed as the operating company for the National Museum of the Royal Navy Group and operates the Fleet Air Arm Museum, the Royal Marines Museum, Explosion! Museum of Naval Firepower, NMRN Portsmouth (the Royal Naval Museum), HMS Caroline, NMRN Hartlepool, the Royal Navy Submarine Museum, HMS Victory, HMS M33, HMS Warrior, Portsmouth Historic Dockyard and Action Stations.

The National Museum of the Royal Navy (the National Museum) is the sole corporate member of the company.

The formation of NMRN Operations represented the final stage of integration within the National Museum, simplifying the governance structure and consolidating all operations and undertakings of the National Museum Group. The company is the main employer for the National Museum. This new structure realises the benefits of operation of the museums through a large organisation, improving visitor experience, enhancing access to the collections and providing greater cohesion in the delivery of the charitable objectives.

The National Museum's strategy sets out to increase the scale, scope, reach and resilience of the museum with a vision to become the world's most inspiring Naval Museum. It is one of the few national museums headquartered outside London, acquiring key sites also outside the capital, enabling people to learn, enjoy and engage with the story of the Royal Navy, and its impact in shaping the modern world.

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.

The National Museum took urgent steps to engage with HM Treasury and its sponsor, the Ministry of Defence, to secure additional grant in aid funding to replace lost trading income and to provide financial stability during the period. A bid by the National Museum to effectively underwrite financial performance for 2020-21, was successful and confirmation of a grant in aid uplift of up to £5.24 million 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 £4.69 million in the reporting period to support cash flows.

The company made 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. The scheme has been used in response to the various lockdowns throughout the reporting period.

The company undertook quick actions to put arrangements in place to reopen the National Museum's 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

Visitor Services

In the period 2020-21, NMRN Operations delivered the visitor services for the National Museum and received 100,237 visits to museums and attractions across the group based on scanned ticket data. This represents a very significant reduction in visits on previous years, 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 including 26,825 visits to HMS Victory, 6,907 visits to HMS Warrior, 9,596 visits to the NMRN Portsmouth Galleries, 14,592 visits to the Fleet Air Arm Museum and 3,219 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.

Learning and Access

The learning offer was severely impacted by Covid-19 throughout the period, with 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 resources, which were downloaded 8,328 times.

A well-received programme of digital content around Black History Month, was delivered in October 2020, which looked at different connections between the Royal Navy and black history through conversation between the National Museum's staff and external experts.

Resources for schools were created and published on the Times Educational Supplement Website and a programme of bedtime stories was created to build a family audience during the third lockdown period.

The Access and Inclusion Coordinator has developed a new equality impact assessment process and has been working with colleagues to assess the visitor journey at each of our sites. This foundational work will support future access improvements.

Crucially, the learning offer has been refocussed on wider public programming, with development of the schools learning programme in line with this approach to be delivered in the next reporting period. This change will expand the reach of the learning programme to many more students as school visits begin to return.

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 company has delivered three principal new exhibitions on behalf of the National Museum 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, HMS Victory Preservation Company awarded a grant of £700,000 to the company, supported by £400,000 from the Society for Nautical Research's "Save the Victory Fund", 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 re-opening of the Museum. The exhibition offers visitors a much better understanding of 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 with Victory's story told by individuals key to different parts of her life, a complete reinterpretation of WL Wyllie's monumental painting 'Panorama of the Battle of Trafalgar', significant artefacts from her life and the ship's last figurehead displayed for the first time alongside. 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 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.

Collections

- **Royal Marines Museum Collection Move**

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.

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 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.

Plans for Future Periods

Responding to the Covid-19 Pandemic

The company will continue 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 key focus for the company will be on financial stability through cost reduction and replacement of the income lost as a result of the pandemic and this work will be ongoing throughout 2021-22.

It is anticipated that the company's self-generated income streams and visitor markets will be severely impacted by any future Covid restrictions, and in particular, foreign and education visitor markets cannot be expected to fully recover before 2022-23. Meanwhile, the National Museum will continue to engage with Navy Command to ensure it has sufficient funds to continue to operate into 2022-23. It will also continue its dialogue with the NI Department for the Economy (DfE) to seek to develop an appropriate agreement to enable HMS Caroline to reopen as a museum and visitor attraction.

The company will continue to make appropriate use of the Coronavirus Job Retention Scheme in 2021-22 until the scheme ends on 30 September 2021.

Any deficit in free reserves will be offset by means of grant funding from the parent company, the National Museum, to the charity. In the event that no further Grant in Aid funding was made available to the National Museum Group beyond 31 March 2022 and the charity was unable to achieve its self-generated income targets, the charity would seek to 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.

Volunteers

Volunteers are very keen to resume their duties and will be brought back in limited ways as Covid restrictions lift, delivering specific activities around the delivery of public programming and returning in greater numbers from early July 2021.

Work is underway to develop a new volunteer strategy. The aims of the strategy will be to increase digital volunteering opportunities, to give greater recognition to the value of volunteers to the National Museum and to broaden the volunteer demographic.

Interpretation Strategy

A major piece of planning work has been set under way through the commissioning of the National Museum's first 'Interpretation Strategy, 2021-2026'. This was completed in draft during the reporting period and following review and approval by Trustees will form the cornerstone of future improvements of the telling of the National Museum's 'Master Narrative' across all of its sites.

Major Projects

The following major projects, at different stages of delivery, will continue to be the focus of significant work for the company going forward:

- **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 fit out, with the National Museum's conserved boats MTB 71 and CMB 331 *in situ*, was completed in October 2021. An additional generous donation has allowed final additional audio-visual content to be commissioned and the exhibition named as 'The Robert Hitchens Memorial Exhibition'. The exhibition was opened to the public on 9 October 2021.

- **HMS Victory Conservation project**

The company has supported the HMS Victory Preservation Company's conservation project in the period, providing the project resources to work on the ship's stabilisation and developing the conservation approach.

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.

Joint Venture with the Mary Rose Trust

The joint venture vehicle, Portsmouth Historic Dockyard Operations Ltd (company number: 127998360), was incorporated 7 August 2020. This new company acts as agent for the sale of tickets with the distribution of sales revenue and share of costs on an agreed split. The rolling 3-year agreement was in place for the site's reopening to the public on 24 August 2020, providing stability and a shared stake in improvement and development of the business. The joint venture company has had a promising first 8 months.

At reopening, Portsmouth Historic Dockyard was able to provide a revised and simplified ticket offer, new pricing, single point of entry for visitors and refreshed branding. Through the limited 15 weeks of opening which were

possible, the initial evidence was that this was delivering an improved visitor offer with approximately 80% of paying visitors purchasing tickets which give access to attractions provided by both partners. The ticket and pricing strategy has also delivered increases in yield which has been vital in a period when capacities have been limited by government restrictions and when many visitor markets were not operating. This success has come through the efforts of senior management, marketing and visitor operations teams from the Mary Rose Trust and NMRN Operations working in close partnership.

Key marketing campaigns for 2021-22 for the joint venture are based on investments made by each charitable company: the permanent new gallery 'HMS Victory: the Nation's Flagship' and a dramatic new immersive experience '1545: When Their World Ended'.

Principal Risks and Uncertainty

The principal risk faced by the company centres around the ongoing impact of the Covid-19 pandemic on future income streams with diluted visitor markets, social distancing measures, volatility of admissions numbers and limitations to commercial activity impacting on revenue. NMRN Operations will seek to mitigate this risk by continuing to support the National Museum in development of group strategies to diversify income streams, grow revenue and seek support through fundraising activities.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2021

Total incoming resources for NMRN Operations in 2020-21 amounted to £16,507,557 (2019-20: £22,715,854). This included operating grants and project grants, admissions income (including gift aid), voluntary donations and some limited trading activity through the subsidiary National Museum of the Royal Navy Trading.

Total resources expended for 2020-21 amounted to £13,323,304 (2019-20: £17,575,217), representing operating and project costs and trading activity. After losses of £267,484 (2019-20: gains of £197,753) on the revaluation of fixed assets, the net movement in funds for the year was an increase of £2,916,769.

Balance sheet

The net assets as at 31 March 2021 amounted to £25,290,729 (2019-20: £22,373,960).

Reserves

The Trustees regularly monitor the levels of the company's reserves. The company's policy, in accordance with Group policy, is to build a 'free reserve', which is defined as the amounts shown as Net Current Assets (before long term liabilities) in the accounts of the company, and which are attributable to Unrestricted Funds.

The charity needs to be able to continue to operate as a going concern and it needs to ensure that it holds sufficient free reserves, in particular cash, to support its cash flow. The Group policy is that sufficient free reserves are accumulated within NMRN Operations to provide three months' operating expenditure for the greatest potential area of exposure (Portsmouth Historic Dockyard, including the Gosport sites). Under the terms of the pandemic agreement with Navy Command for additional Grant in Aid funding, however, it is not possible to build free reserves, with any operating surplus reducing the drawdown of Grant in Aid funding by the parent company.

As at 31 March 2021, the level of the company's free reserves (defined as net current assets attributable to unrestricted reserves) stood at £1,671,823, excluding designated unrestricted funds. A further free reserve of

£120,251 sits within the trading company giving a consolidated free reserve of £1,792,074. The designated unrestricted funds total £81,006.

The extraordinary nature of the ongoing Covid-19 pandemic means that the free reserves held at 31 March 2021 will be required to support operations in 2021-22, and additionally the company will need to continue to draw grant funding from the parent company to support its operations. As such, the company's free reserves are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands, particularly in relation to the impact of the Covid-19 pandemic. The Trustees are content that both expenditure and the cash flow position are carefully monitored to mitigate these risks. Moreover, post-pandemic, the Trustees will seek to improve the reserve position in accordance with the reserves policy through consolidation and reduction of costs in future periods and the delivery of a budget each year that will deliver a modest surplus to grow reserves.

In addition to its free reserves, the company holds a number of restricted funds with a total net current asset value of £1,037,616 as at 31 March 2021. These restricted funds relate primarily to the major capital projects, investments and exhibitions that are being delivered by NMRN Operations on behalf of the Group.

Auditors

The accounts have been audited by PKF Littlejohn LLP. A resolution to reappoint the auditor will be put to the members at the Annual General Meeting.

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

Approved by the Board and signed on its behalf by



Mr Richard Hatfield
Chairman on Behalf of the Board of Trustees

Date: 17 December 2021



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 17 December 2021

Accountability Report

Trustees Report and Governance Statement

This report sets out the arrangements for the governance of the NMRN Operations, including the Board structure for Trustees. The Trustees, who are also the directors of NMRN Operations (the company) 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.

The Trustees have due regard to guidance issued by the Charity Commission on public benefit and in its charitable objects, the charity seeks to promote the efficiency and effectiveness of other charities for the public benefit. The charitable company operates fee paying attractions and endeavours to ensure that ticket prices are set at an accessible level, which includes the availability of several types of concessions. The charitable company 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. NMRN Operations' activities are supported by a team of volunteers numbering 380 who deliver a variety of tasks across the museum.

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

The Governance Framework

NMRN Operations is a charity registered with the Charity Commission (registration number 1169061). It is governed by its Memorandum and Articles of Association dated 9 August 2016, which incorporate its charitable objects, the powers of the company and provides for the appointment and re-appointment of directors. Trustees are appointed in accordance with the 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 Trustees ensure the distinct legal responsibilities and charitable objectives of NMRN Operations are fulfilled while acting within an overall policy and strategy framework developed by the National Museum of the Royal Navy. The day to day operation of the charitable company within that framework is delegated to the National Museum's Director General and Executive Directors.

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

Register of Interests

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

Disabled Employees

NMRN Operations is committed to fair employment practices and welcomes applications from all prospective employees irrespective of sex, race, colour, disability or marital status and is committed to complying with equalities legislation and best practice. Employees are given opportunities to disclose disabilities in a safe environment to the HR team to allow reasonable adjustments to be made for attending interviews or as part of day to day employment. Regular meetings are held with line managers to monitor and ensure the adjustments are appropriate for both the employee and NMRN. If staff become disabled appropriate measures will be implemented to ensure employment may continue or an alternative role undertake with the appropriate retraining.

Personal data related incidents

There have been no incidents of data loss involving personal information during the period which required formal reporting to the Information Commissioner's Office.

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 charity'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 National Museum of the Royal Navy's Audit and Governance Committee. This Committee is chaired by a Trustee of the National Museum's Board of Trustees and draws expertise from other Trustees and committee members, with the executive in attendance as required. The Committee also has access to the independent accountants and external auditors engaged for all companies within the Group, providing review and oversight of the financial control systems and the creation of company and consolidated group accounts. The Chairman of the company produces a short report for each of the meetings of the Audit and Governance Committee.

Risk Management

The company's risk register and the responses to risk are managed by the Executive team and overseen by the National Museum's Audit and Governance Committee as well as the company's board. In addition, the company has a system of internal review and checks which link to plans and risks.



Mr Richard Hatfield
Chairman on Behalf of the Board of Trustees

Date: 17 December 2021



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 17 December 2021

**Statement of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 2021**

The Board of Trustees (who are also directors of NMRN Operations for the purposes of company law) and the Accounting Officer are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- observe the method and principles of the Charities SORP 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



Mr Richard Hatfield
Chairman on Behalf of the Board of Trustees

Date: 17 December 2021



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 17 December 2021

Independent auditors' report to the members of NMRN Operations

Opinion

We have audited the financial statements of NMRN Operations (the 'parent charitable company') and its subsidiary (the 'group') for the year ended 31 March 2021 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Parent Charitable Company Balance Sheets, the Consolidated Cash Flow Statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2021, and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to note 1.2 of the financial statements, which describes the Trustees' assessment of the Covid-19 impact on the group's ability to continue as a going concern. The Trustees have explained that the events arising from the Covid-19 outbreak do not impact the use of the going concern basis of preparation nor do they cast significant doubt about the charitable company or group's ability to continue as a going concern for a period of at least 12 months from the date when the financial statements are authorised for issue.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the strategic report and the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and parent charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report included within the trustees' annual report.

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

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the group and parent charitable company financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the group and parent charitable company financial statements, the trustees are responsible for assessing the group and parent charitable company'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 trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act, and relevant regulations made or having effect thereunder.

Our 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 an auditor's report that includes our 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the group and parent charitable company and the sector in which they operate to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the group and parent charitable company in this regard to be those arising from the Companies Act 2006, Charities Act 2011, Financial Reporting Standard 102, the Charities SORP and relevant employee legislation.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the group and parent charitable company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the timing of recognition of income from grants. We addressed this through review of all material grant agreements to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which income should be recognised.
- We also identified potential for management bias in respect of the timing of recognition of income from legacies. We addressed this through review of all legacy correspondence and receipts up to the date of approval of the financial statements, to ensure correct treatment under the Charities SORP, including consideration of the accounting period in which income should be recognised.
- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.
- We also identified potential for management bias in the allocation of support costs against charitable activity categories. We addressed this through reviewing the method used for reasonableness, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- We also identified potential for management bias in the valuation of the land and buildings. We reviewed the latest available valuation report, considered qualifications and experience of the management's expert, and challenged inputs and assumptions applied. We also challenged management's assertion that there has been no material movement in valuation since the last external revaluation was performed.
- We also identified potential for management bias in the recording of stock at the lower of cost and net realisable value, and we addressed this through testing of post year-end sales of a sample of stock lines, and reviewing photographic evidence for a sample to confirm existence and no evidence of impairment.
- We also identified potential for management bias in the depreciation rate applied to tangible fixed assets, and we addressed this by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

NMRN Operations
(A company limited by guarantee)
Company number: 09988314

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our 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 our auditor's report.

Use of our report

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



Alastair Duke BA (Hons) FCA (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP, Statutory Auditor

PKF Littlejohn LLP
15 Westferry Circus, Canary Wharf
London, E14 4HD

Date: 21 December 2021

PKF Littlejohn LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

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

	Notes	Unrestricted funds £	Restricted funds £	2021 Total £	Unrestricted funds £	Restricted funds £	2020 Total £
Income from:							
Donations and legacies							
Grant (operating)	2	6,683,063	-	6,683,063	2,680,011	-	2,680,011
Grant (projects)	2	-	217,779	217,779	-	1,150,643	1,150,643
Grant (capital)	2	127,895	-	127,895	125,756	-	125,756
Other grants and donations	2	1,183,771	6,662,393	7,846,164	902,569	8,780,833	9,683,402
Legacies	3	14,016	-	14,016	339,958	-	339,958
Charitable activities							
Admissions	4	1,132,490	-	1,132,490	5,549,289	-	5,549,289
Portsmouth Historic Dockyard Levy		37,492	-	37,492	34,531	-	34,531
Memberships		29,507	-	29,507	46,155	-	46,155
Other trading activities							
Trading company	5	182,949	-	182,949	2,920,329	-	2,920,329
Investments		-	-	-	-	-	-
Other	7	236,202	-	236,202	185,780	-	185,780
Total income		9,627,385	6,880,172	16,507,557	12,784,378	9,931,476	22,715,854
Expenditure on:							
Raising funds							
Fundraising and publicity	8	804,613	-	804,613	935,114	-	935,114
Trading company	5	343,878	-	343,878	2,973,186	-	2,973,186
Charitable activities:							
Museum and visitor operations	9	6,771,186	4,738,591	11,509,777	8,863,707	4,720,200	13,583,907
Grants	11	139,225	525,811	665,036	83,010	-	83,010
Total expenditure		8,058,902	5,264,402	13,323,304	12,855,017	4,720,200	17,575,217
Net income/(expenditure)		1,568,483	1,615,770	3,184,253	(70,639)	5,211,276	5,140,637
Transfers between funds		1,100,967	(1,100,967)	-	2,528,880	(2,528,880)	-
Other recognised gains/(losses):							
Gains on revaluation of fixed assets		(102,083)	(165,401)	(267,484)	61,280	136,473	197,753
Net movement in funds		2,567,367	349,402	2,916,769	2,519,521	2,818,869	5,338,390
Reconciliation of funds:							
Total funds brought forward		7,758,496	14,615,464	22,373,960	5,238,975	11,796,595	17,035,570
Total funds carried forward		10,325,863	14,964,866	25,290,729	7,758,496	14,615,464	22,373,960

All recognised gains and losses are included in the statement of financial activities

The notes on pages 23 to 43 form an integral part of these financial statements.

Consolidated Balance sheet
as at 31 March 2021

	Notes	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Fixed assets					
Tangible assets	15	22,380,033	21,376,162	22,169,526	21,049,840
		<u>22,380,033</u>	<u>21,376,162</u>	<u>22,169,526</u>	<u>21,049,840</u>
Current assets					
Stocks	16	673,145	706,757	214,605	214,656
Debtors: amounts due after one year	18	500,000	500,000	500,000	500,000
Debtors	17	4,452,431	4,318,551	4,580,106	4,334,335
Cash at bank and in hand		1,308,035	1,565,993	1,273,548	1,279,081
		<u>6,933,611</u>	<u>7,091,301</u>	<u>6,568,259</u>	<u>6,328,072</u>
Liabilities					
Creditors falling due within one year	19	(4,022,915)	(6,093,503)	(3,777,814)	(5,454,269)
Net current assets/(liabilities)		<u>2,910,696</u>	<u>997,798</u>	<u>2,790,445</u>	<u>873,803</u>
Net assets		<u>25,290,729</u>	<u>22,373,960</u>	<u>24,959,971</u>	<u>21,923,643</u>
Funds					
	20				
Unrestricted funds		9,721,224	6,899,887	9,721,224	6,941,257
Revaluation reserve		192,875	294,958	192,875	294,958
Designated funds		81,006	71,964	81,006	71,964
Total unrestricted funds	21	<u>9,995,105</u>	<u>7,266,809</u>	<u>9,995,105</u>	<u>7,308,179</u>
Restricted funds		14,131,974	13,617,171	14,131,974	13,617,171
Restricted revaluation reserve		832,892	998,293	832,892	998,293
Total restricted funds	22	<u>14,964,866</u>	<u>14,615,464</u>	<u>14,964,866</u>	<u>14,615,464</u>
Non charitable trading funds		330,758	491,687	-	-
Total funds		<u>25,290,729</u>	<u>22,373,960</u>	<u>24,959,971</u>	<u>21,923,643</u>

The financial statements were approved by the Trustees and signed on their behalf by



Mr R Hatfield
Chairman

Date: 17 December 2021

The notes on pages 23 to 43 form an integral part of these financial statements.

Consolidated Cash Flow Statement
for the year ended 31 March 2021

	Notes	Group 2021 £	Group 2020 £
Cash flows from operating activities:			
Net cash provided by (used in) operating activities		2,323,783	4,941,285
Cash flows from investing activities:			
Purchase of fixed assets		(2,581,741)	(4,811,996)
Proceeds from sale of fixed assets		-	3,366
Net cash provided by (used in) investing activities		(2,581,741)	(4,808,630)
(Decrease)/Increase in cash and cash equivalents in the year		(257,958)	132,655
Cash and cash equivalents at 1 April 2020		1,565,993	1,433,338
Cash and cash equivalents at 31 March 2021	28	<u>1,308,035</u>	<u>1,565,993</u>
Net income/(expenditure) for the reporting period		3,184,253	5,140,637
Depreciation and impairment		1,224,888	1,022,673
Loss on disposal of fixed assets		85,498	20,039
Decrease/(Increase) in stocks		33,612	(5,899)
(Increase)/Decrease in debtors		(133,880)	(2,443,223)
(Decrease)/Increase in creditors		(2,07,0588)	1,207,058
Net cash provided by (used in) operating activities		<u>2,323,783</u>	<u>4,941,285</u>

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

1. Accounting policies

1.1. Company information

NMRN Operations 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.

NMRN Operations and its group meet 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 accounting

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

In addition to the revenue it generates, the company receives grant funding from the National Museum of the Royal Navy in respect of its operation of the Group's museums. Additional Grant In Aid funding was awarded to the National Museum by Navy Command in response to the impact of the Covid-19 pandemic, and will flow through to the company under its operator agreements with the National Museum, effectively underwriting the company's financial performance for 2020-21. This arrangement extended to 2021-22. Furthermore, the National Museum has received commitment from Navy Command that the ongoing impact of the pandemic on its finances will be reviewed for 2022-23, with the assurance that the National Museum will not be allowed to fail. As such, the financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

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

Consolidated financial statements have been prepared in respect of the charitable company, its wholly owned subsidiary, the National Museum of the Royal Navy (NMRN) Trading, and its Joint Venture, Portsmouth Historic Dockyard (PHD) Operations Limited. The Consolidated Statement of Financial Activities includes the results of NMRN Trading and the company's share of the results of PHD Operations Limited as single line items. The consolidated balance sheet includes the net assets of NMRN Trading on a line by line basis and the company's share of the net assets of PHD Operations Limited as an item within Fixed Asset Investments.

1.3. Income

Income is recognised when the charity has entitlement to the funds, any performance conditions attached to the items of income have been met, it is probable that the income will be received and the amount can be measured reliably.

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

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

1.4. Grants receivable

Revenue grants are credited to incoming resources on the earlier date of when they are received or when they are receivable. If a grant of donation is subject to conditions that require a level of performance before the charity is entitled to the funds, the income is deferred and not recognised until either those conditions are fully met, or the fulfilment of those conditions is wholly within the charity's control and it is probable those conditions will be met in the accounting period.

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

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

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

1.5. Expenditure

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.

1.6. Basis of allocation

Cost of generating funds comprises costs incurred in encouraging people and organisations to contribute financially to the charity's work and to promote the Naval Service Museums as visitor attractions.

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

Charitable expenditure includes expenditure associated with Operations, Collections & Research, and Learning, and include 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 in proportion to staff costs incurred in the following percentages:

	2021	2020
	%	%
Operations	75	75
Collections & research	16	17
Learning	9	8
	<u>100</u>	<u>100</u>

Support costs include central functions and have been allocated to cost categories on a basis consistent with the use of resources.

1.7. Foreign currency transactions

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate ruling at the end of the month preceding the transaction. Exchange differences are taken into account in arriving at the net incoming/(outgoing) resources.

1.8. Restricted funds

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.

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

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 derived indices.

Land and buildings are stated at a valuation of depreciated replacement cost and depreciated over the lease term. A professional valuation is obtained at least every 5 years and indices are used to reflect the change in value in the intervening years.

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

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

Leasehold buildings	- over the lease term
Property improvements	- over the lease term
Computer and office equipment	- 3 - 10 years
Fixtures and fittings	- 3 - 20 years
Plant and machinery	- 3 - 30 years
Exhibitions	- 3 - 10 years
Assets under construction are not depreciated.	

Significant Historic Ships

Significant ships are held by separate charitable Trusts within the National Museum group.

Accounting policy for recognition of subsequent expenditure on significant ships

As the National Museum's operating company, NMRN Operations is responsible for the restoration, preservation, and maintenance of each ship under the terms of the operator agreement. Expenditure incurred by the operating company is recognised 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.

1.10 Assets held by the National Museum of the Royal Navy Trading

The tangible fixed assets of the National Museum of the Royal Navy Trading are stated in the group accounts at historic cost less accumulated depreciation. Depreciation has been provided at rates calculated to spread the cost of each asset over its expected useful life as follows:

Property Improvements	- over the lease term
Fixtures and Fittings	- 5 years
Plant and machinery	- 5 years
Office Equipment	- 5 years
Exhibitions	- 4 years

1.11 Leased assets

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

1.12 Stock

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

1.13 Basic financial Instruments

The charity's financial assets and liabilities consist of cash and cash equivalents, trade and other debtors, and trade and other creditors. 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.

Term deposits of less than one year are classified as investments within current assets.

1.14 Pensions

The majority of staff of NMRN Operations and its subsidiary 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 NMRN Operations under the Transfer of Undertakings (Protection of Employment) Regulations 1981 have retained membership of their former employers' pension schemes, which provide benefits based on final pensionable pay and include the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

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

Group Pension Plan

The National Museum operates a Group Pension Plan with employer's contributions being payable at 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.

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.

Total contributions (charitable company only)

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 scheme	315,458	371,171
PCSPS	16,938	22,176
LGPS	11,143	15,718
	<u>343,539</u>	<u>409,065</u>

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

1.15 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.

2. Grants and donations received

During the year the following grants and donations were received:

	Unrestricted funds £	Restricted funds £	Total 2021 £	Unrestricted funds £	Restricted funds £	Total 2020 £
National Museum of the Royal Navy						
Operations	6,683,063	-	6,683,063	2,680,011	-	2,680,011
Projects	-	217,779	217,779	-	1,150,643	1,150,643
Purchase of exhibits	127,895	-	127,895	125,756	-	125,756
	<u>6,810,958</u>	<u>217,779</u>	<u>7,028,737</u>	<u>2,805,767</u>	<u>1,150,643</u>	<u>3,956,410</u>
Other grants and donations						
Heritage Lottery Fund Grants						
LCT 7074	-	1,758,160	1,758,160	-	2,498,220	2,498,220
HMS Warrior 1860	-	-	-	-	147,716	147,716
Coronavirus Job Retention Scheme	-	1,569,567	1,569,567	-	-	-
Art Fund	-	200,000	200,000	-	-	-
Coastal Forces Heritage Trust	-	60,000	60,000	-	-	-
Department of Enterprise, Trade and Investment	407,926	-	407,926	317,181	-	317,181
Fleet Air Arm Museum Trust	180,190	-	180,190	56,000	6,800	62,800
Friends of the RN Museum	-	-	-	-	107,379	107,379
National Heritage Memorial Fund	-	212,800	212,800	-	779,293	779,293
Hartlepool Borough Council	409,220	-	409,220	459,220	-	459,220
HMS Victory Preservation Endowment Fund	-	834,592	834,592	-	2,275,821	2,275,821
HMS Victory Preservation Company	-	228,000	228,000	-	1,124,179	1,124,179
Maritime Archaeology Sea Trust	-	72,471	72,471	-	125,473	125,473
Portsmouth City Council	35,000	231,274	266,274	-	-	-
RMA The Royal Marines Charity	-	-	-	-	1,000,000	1,000,000
Royal Marines Museum	-	1,124,521	1,124,521	-	-	-
Royal Navy Submarine Museum Trust	92,491	-	92,491	8,600	3,982	12,582
Sands Foundation	-	-	-	-	200,000	200,000
Society of Nautical Research	-	100,000	100,000	-	200,000	200,000
Warrior Preservation Trust	-	26,346	26,346	-	113,702	113,702
Miscellaneous donations and grants	58,944	244,662	303,606	61,568	198,268	259,836
	<u>1,183,771</u>	<u>6,662,393</u>	<u>7,846,164</u>	<u>902,569</u>	<u>8,780,833</u>	<u>9,683,402</u>

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

3. Legacies

	Unrestricted funds	Total 2021	Unrestricted funds	Total 2020
	£	£	£	£
Hyslop	14,016	14,016	334,958	334,958
Other legacies	-	-	5,000	5,000
	<u>14,016</u>	<u>14,016</u>	<u>339,958</u>	<u>339,958</u>

The generous legacy bequeathed by Mr Roger D. Hyslop, a dedicated volunteer with the National Museum, has been used in support of the LCT7074 project.

4. Admissions

	Unrestricted funds	Total 2021	Unrestricted funds	Total 2020
	£	£	£	£
Portsmouth Historic Dockyard	895,209	895,209	4,332,705	4,332,705
Fleet Air Arm Museum	215,094	215,094	775,813	775,813
Hartlepool	20,159	20,159	250,521	250,521
HMS Caroline	2,028	2,028	190,250	190,250
	<u>1,132,490</u>	<u>1,132,490</u>	<u>5,549,289</u>	<u>5,549,289</u>

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

National Museum of the Royal Navy Trading

The company controls the National Museum of the Royal Navy Trading (NMRNT), a company limited by guarantee incorporated in England and Wales. NMRNT operates a number of souvenir shops 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
	£	£
Turnover	166,832	2,901,829
Commissioning fee from NMRN Operations	-	-
Cost of sales	(122,686)	(1,242,275)
Gross Profit	44,146	1,659,554
Administration expenses	(234,731)	(1,753,014)
Other income	16,117	18,500
Net profit / (loss)	(174,468)	(74,960)
Tax on ordinary activities	54,909	22,103
Available for distribution	(119,559)	(52,857)
Amount gifted to NMRN Operations	-	(41,370)
	(119,559)	(94,227)
Reserves brought forward	450,317	544,544
Reserves carried forward	330,758	450,317

6. Agency funds

NMRN Operations 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 NMRN Operations 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 NMRN Operations is included in admissions income on the SOFA.

	Total	Total
	2021	2020
	£	£
Income received	16,596	5,107,413
Distributions	(16,596)	(5,107,413)
Net incoming/(outgoing) resources	-	-
Balance Sheet	£	£
Current assets	-	702,408
Current liabilities	-	(702,408)
Net assets	-	-

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

7. Other income

	Unrestricted funds £	Total 2021 £	Unrestricted funds £	Total 2020 £
Education workshops	-	-	27,526	27,526
CLRA events	-	-	15,884	15,884
Hires	1,668	1,668	13,261	13,261
Collections	789	789	258	258
Promoted events	-	-	4,343	4,343
Sponsorship	-	-	8,700	8,700
PHD and Portsmouth Pass fees	2	2	4,456	4,456
Museum & Galleries Exhibition Tax Relief	204,257	204,257	106,289	106,289
Sundry income	29,486	29,486	5,063	5,063
	<u>236,202</u>	<u>236,202</u>	<u>185,780</u>	<u>185,780</u>

8. Cost of generating funds

	Unrestricted funds £	Total 2021 £	Unrestricted funds £	Total 2020 £
Staff costs	604,934	604,934	530,448	530,448
Premises expenses	124,804	124,804	197,590	197,590
Fundraising operating costs	52,944	52,944	85,707	85,707
Printing, postage and stationery	4,724	4,724	8,674	8,674
Telephone	9,687	9,687	9,126	9,126
Events and functions	1,085	1,085	87,404	87,404
Membership scheme	6,435	6,435	16,165	16,165
	<u>804,613</u>	<u>804,613</u>	<u>935,114</u>	<u>935,114</u>

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

9. Museum and visitor operations

	Operations	Collections & Research	Learning	Total 2021	Total 2020
	£	£	£	£	£
Staff costs	3,121,508	645,049	369,865	4,136,422	4,110,998
Other staff costs	40,321	8,602	4,839	53,762	69,613
Marketing	275,638	-	-	275,638	758,039
Site costs	81,491	-	-	81,491	34,742
Computer costs	337,947	-	-	337,947	289,564
Curatorial	-	363,748	-	363,748	254,893
Purchase of exhibits	-	9,658	-	9,658	34,607
Exhibition costs	-	-	-	-	47,509
Waterbus operating costs	8,401	-	-	8,401	119,485
Depreciation	831,834	177,458	99,820	1,109,112	905,461
Loss on disposal of fixed assets	64,095	13,673	7,691	85,459	20,039
Governance and support costs	1,767,467	378,488	214,236	2,360,191	2,427,808
	<u>6,528,702</u>	<u>1,596,676</u>	<u>696,451</u>	<u>8,821,829</u>	<u>9,072,758</u>
Project costs					
HMS Caroline	8,908	-	-	8,908	264,531
HMS Invincible	85,181	-	-	85,181	209,988
HMS Victory Preservation	1,091,330	-	-	1,091,330	1,029,885
HMS Warrior 1860 Preservation	43,277	-	-	43,277	295,552
Landing Craft (Tank) LCT7074	1,000,072	-	-	1,000,072	1,762,119
Royal Marines Museum relocation	277,062	-	-	277,062	315,360
Hartlepool project costs	131,423	-	-	131,423	56,871
Fleet Air Arm Museum project costs	10,000	-	-	10,000	198,786
Royal Navy Submarine Museum project costs	-	-	-	-	42,189
Coastal Forces Gallery	10,957	-	-	10,957	19,891
British Mercantile Marine Memorial Collection	3,605	-	-	3,605	7,369
Other project costs	26,133	-	-	26,133	308,608
	<u>2,687,948</u>			<u>2,687,948</u>	<u>4,511,149</u>
	<u>9,216,650</u>	<u>1,596,676</u>	<u>696,451</u>	<u>11,509,777</u>	<u>13,583,907</u>

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

10. Governance and support costs

	Operations	Collections & Research	Learning	Total 2021	Total 2020
	£	£	£	£	£
Governance costs					
Legal and professional	80,572	17,189	9,669	107,430	57,108
Consultancy	15,624	3,333	1,875	20,832	-
Accountancy & payroll	31,249	6,666	3,750	41,665	54,007
Auditors' remuneration	18,195	3,881	2,183	24,259	19,548
Internal auditors' remuneration	35,737	7,624	4,288	47,649	15,342
Support costs					
Repairs and maintenance	689,213	147,032	82,705	918,950	384,406
Insurance	116,091	24,766	13,931	154,788	215,150
Premises costs	624,018	134,404	76,802	835,224	1,322,331
Education	402	86	48	536	1,286
Printing, postage and stationery	23,621	5,088	2,907	31,616	58,050
Telephone	48,437	10,433	5,961	64,831	61,073
Travelling	16,453	3,510	1,974	21,937	106,026
Bank charges and interest	30,879	6,588	3,706	41,173	94,710
Health and safety	14,946	3,188	1,794	19,928	13,357
Sundry expenses	4,410	941	529	5,880	9,131
Subscriptions	17,620	3,759	2,114	23,493	16,283
	<u>1,767,467</u>	<u>378,488</u>	<u>214,236</u>	<u>2,360,191</u>	<u>2,427,808</u>

11. Grants payable

	Unrestricted funds	Restricted funds	Total 2021	Unrestricted funds	Restricted funds	Total 2020
	£	£	£	£	£	£
Royal Naval Museum	137,779	509,521	647,300	83,010	-	83,010
HMS Caroline Preservation Company	16	-	16	-	-	-
HMS Trincomalee Trust	1,430	-	1,430	-	-	-
National Museum of the Royal Navy	-	16,290	16,290	-	-	-
	<u>139,225</u>	<u>525,811</u>	<u>665,036</u>	<u>83,010</u>	<u>-</u>	<u>83,010</u>

12. Employee costs

	Group 2021	Group 2020	Charity 2021	Charity 2020
	£	£	£	£
Employment costs				
Wages and salaries	4,805,598	6,139,259	4,805,598	6,002,306
Social security costs	302,302	401,150	302,302	394,783
Pension costs	343,539	417,826	343,539	409,065
Recharges	(1,879)	(9,629)	(1,879)	(1,208,574)
	<u>5,449,560</u>	<u>6,948,606</u>	<u>5,449,560</u>	<u>5,597,580</u>

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

Key management personnel

Key management personnel are employed by the parent charity.

Higher paid employees

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

	2021	2020 <i>Restated</i>
£60,001 to £70,000	3	2
£70,001 to £80,000	1	-
	<u>4</u>	<u>2</u>

Number of employees

The average monthly number of employees during the period was as follows:

	2021	2020
Fundraising	3	4
Charitable activities	318	401
Governance	3	3
	<u>324</u>	<u>408</u>

During this financial year 22 (2020: 4) redundancies were identified and contractual/redundancy costs of £146,904 (2020: £49,633) were paid in the year with £Nil (2020: £Nil) being accrued at 31 March 2021.

Trustees' emoluments

No trustees received remuneration during the period. One trustee was reimbursed for travel expenses totalling £90 (2020: £574).

13. Net outgoing resources for the year

	2021 £	2020 £
Net outgoing resources for the year is stated after charging:		
Depreciation and other amounts written off tangible assets	1,194,571	925,500
Auditors' remuneration	24,259	19,548
	<u>1,218,830</u>	<u>945,048</u>

14. 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.

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

15. Tangible fixed assets

Group	Short leasehold land & buildings £	Assets under construction £	Improvements to property £	Computer & office equipment £	Fixtures & fittings £	Plant & machinery £	Exhibition costs £	Total £
Cost or valuation								
At 1 April 2020	3,939,795	4,154,389	10,341,912	317,218	3,264,371	1,659,267	1,390,689	25,067,641
Additions	-	1,707,456	71,789	108,258	-	280,083	414,155	2,581,741
Transfers	-	(5,678,554)	-	-	-	5,678,554	-	-
Revaluation	(105,942)	-	(322,370)	199,649	76,582	53,014	29,727	(69,340)
Disposals	-	-	-	(96,547)	(132,754)	-	(30,537)	(259,838)
At 31 March 2021	3,833,853	183,291	10,091,331	528,578	3,208,199	7,670,918	1,804,034	27,320,204
Depreciation								
At 1 April 2020	656,074	-	1,166,573	125,709	1,147,712	295,882	299,529	3,691,479
Charge for the year	84,086	-	333,382	77,121	215,597	286,409	228,293	1,224,888
Revaluation	(17,498)	-	(50,496)	187,917	61,292	(3,230)	20,159	198,144
On disposals	-	-	-	(92,736)	(51,067)	-	(30,537)	(174,340)
At 31 March 2021	722,662	-	1,449,459	298,011	1,373,534	579,061	517,444	4,940,171
Net book values								
At 31 March 2021	3,111,191	183,291	8,641,872	230,567	1,834,665	7,091,857	1,286,590	22,380,033
At 31 March 2020	3,283,721	4,154,389	9,175,339	191,509	2,116,659	1,363,385	1,091,160	21,376,162

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

Charity

	Short leasehold land & buildings £	Assets under construction £	Improvements to property £	Computer & office equipment £	Fixtures & fittings £	Plant & machinery £	Exhibition costs £	Total £
Cost or valuation								
At 1 April 2020	3,939,795	4,154,389	10,341,912	317,218	3,139,447	1,635,762	1,042,879	24,571,402
Additions	-	1,707,456	71,789	108,258	-	280,083	414,155	2,581,741
Transfers	-	(5,678,554)	-	-	-	5,678,554	-	-
Revaluation	(105,942)	-	(322,370)	199,649	76,582	53,014	29,727	(69,340)
Disposals	-	-	-	(96,547)	(132,754)	-	(30,537)	(259,838)
At 31 March 2021	3,833,853	183,291	10,091,331	528,578	3,083,275	7,647,413	1,456,224	26,823,965
Depreciation								
At 1 April 2020	656,074	-	1,166,573	125,699	1,076,177	284,462	212,577	3,521,562
Charge for the year	84,086	-	333,382	77,121	191,475	281,707	141,341	1,109,112
Revaluation	(17,498)	-	(50,496)	187,917	61,292	(3,230)	20,159	198,144
On disposals	-	-	-	(92,736)	(51,106)	-	(30,537)	(174,379)
At 31 March 2021	722,662	-	1,449,459	298,001	1,277,838	562,939	343,540	4,654,439
Net book values								
At 31 March 2021	3,111,191	183,291	8,641,872	230,577	1,805,437	7,084,474	1,112,684	22,169,526
At 31 March 2020	3,283,721	4,154,389	9,175,339	191,519	2,063,270	1,351,300	830,302	21,049,840

Land and buildings owned by the Royal Navy Submarine Museum were revalued in 2017 by Hellier Langston in accordance with the stated accounting policy. The revaluation was conducted by a qualified surveyor on a depreciated replacement cost basis and in accordance with the RICS Appraisal and Valuation manual (5th Edition).

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

16. Stocks

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
The amounts attributable to the different categories are as follows:				
Goods for resale	482,540	516,101	24,000	24,000
HMS Victory arisings	190,605	190,656	190,605	190,656
	<u>673,145</u>	<u>706,757</u>	<u>214,605</u>	<u>214,656</u>

17. Debtors

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Amounts falling due within one year:				
Trade debtors	707,397	489,581	681,460	444,297
Other debtors	29,063	594,562	28,875	393,358
Prepayments and accrued income	2,226,413	2,830,933	2,214,332	2,823,152
VAT	271,943	306,179	242,414	306,179
Amount due from associated companies	1,217,615	97,296	1,413,025	367,349
	<u>4,452,431</u>	<u>4,318,551</u>	<u>4,580,106</u>	<u>4,334,335</u>

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

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Accrued income	500,000	500,000	500,000	500,000
	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>

19. Creditors: amounts falling due within one year

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Trade creditors	955,058	1,678,478	900,471	1,328,268
Other taxes and social security	88,594	108,466	88,594	106,795
Other creditors	65,880	159,130	54,941	77,284
Ministry of Defence	908,088	-	908,088	-
Deferred income	6,891	61,784	6,891	61,784
Amounts due to associated companies	563,893	2,882,361	563,893	2,883,952
Accruals	1,434,511	1,203,284	1,254,936	996,186
	<u>4,022,915</u>	<u>6,093,503</u>	<u>3,777,814</u>	<u>5,454,269</u>

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

20. Analysis of net assets between funds

	Tangible Fixed Assets £	Net Current Assets £	Total 2021 £	Tangible Fixed Assets £	Net Current Assets £	Total 2020 £
Restricted funds	13,927,250	1,037,616	14,964,866	13,875,236	740,228	14,615,464
Unrestricted funds	8,242,276	1,671,823	9,914,099	7,174,604	61,611	7,236,215
Designated funds	-	81,006	81,006	-	71,964	71,964
	<u>22,169,526</u>	<u>2,790,445</u>	<u>24,959,971</u>	<u>21,049,840</u>	<u>873,803</u>	<u>21,923,643</u>
Non charitable trading funds	210,507	120,251	330,758	326,322	123,995	450,317
Total net assets	<u>22,380,033</u>	<u>2,910,696</u>	<u>25,290,729</u>	<u>21,376,162</u>	<u>997,798</u>	<u>22,373,960</u>

Included in the above figures is the revaluation reserve:

Revaluation reserve	<u>1,025,767</u>	<u>-</u>	<u>1,025,767</u>	<u>1,293,251</u>	<u>-</u>	<u>1,293,251</u>
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21. Unrestricted funds

	At 1 April 2020 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains and Losses £	At 31 March 2021 £
Unrestricted funds	7,236,215	9,403,066	(7,715,024)	1,091,925	(102,083)	9,914,099
Consolidation adjustments	(41,370)	41,370	-	-	-	-
Designated funds	71,964	-	-	9,042	-	81,006
	<u>7,266,809</u>	<u>9,444,436</u>	<u>(7,715,024)</u>	<u>1,100,967</u>	<u>(102,083)</u>	<u>9,995,105</u>
Non charitable trading funds	450,317	182,949	(302,508)	-	-	330,758
Consolidation adjustments	41,370	-	(41,370)	-	-	-
	<u>7,758,496</u>	<u>9,627,385</u>	<u>(8,058,902)</u>	<u>1,100,967</u>	<u>(102,083)</u>	<u>10,325,863</u>

	At 1 April 2019 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains and Losses £	At 31 March 2020 £
Unrestricted funds	4,622,467	9,905,419	(9,881,831)	2,528,880	61,280	7,236,215
Consolidation adjustments	(35,100)	(6,270)	-	-	-	(41,370)
Designated funds	71,964	-	-	-	-	71,964
	<u>4,659,331</u>	<u>9,899,149</u>	<u>(9,881,831)</u>	<u>2,528,880</u>	<u>61,280</u>	<u>7,266,809</u>
Non charitable trading funds	544,544	2,920,329	(3,014,556)	-	-	450,317
Consolidation adjustments	35,100	(35,100)	41,370	-	-	41,370
	<u>5,238,975</u>	<u>12,784,378</u>	<u>(12,855,017)</u>	<u>2,528,880</u>	<u>61,280</u>	<u>7,758,496</u>

Designated funds represent funds designated for the PHD Masterplan and Coastal Forces Boats.

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22. Restricted funds

	At 1 April 2020	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	At 31 March 2021
	£	£	£	£	£	£
RNM Development fund	6,351,089	-	(190,987)	(166,673)	(127,450)	5,865,979
HMS Alliance fund	46,317	200	(32)	-	5	46,490
HMS Caroline fund	70,099	-	(8,908)	-	-	61,191
HMS Invincible fund	38,991	72,471	(85,181)	46,354	-	72,635
HMS M33 fund	50,579	-	-	-	-	50,579
HMS Warrior 1860 fund	28,106	26,346	(43,279)	80,000	-	91,173
HMS Victory Preservation fund	4,595,559	1,162,768	(1,318,210)	80,018	37,236	4,557,371
RML497 fund	(240,644)	-	-	240,644	-	-
LCT 7074 fund	(307,104)	2,145,140	(1,000,072)	(1,306,790)	-	(468,826)
RMM relocation fund	(842,155)	1,119,217	(277,062)	-	-	-
RMM RMC fund	1,000,000	-	-	-	-	1,000,000
Hartlepool projects fund	43,127	46,181	(60,430)	-	-	28,878
Airships Collection fund	19,146	-	-	-	-	19,146
Armada Maps fund	-	502,121	(502,121)	-	-	-
Barracuda project fund	19,919	2,747	(633)	-	-	22,033
Coastal Forces Gallery fund	301,419	58,683	(10,957)	(72,267)	-	276,878
Dommett Archive fund	6,000	-	-	-	-	6,000
Kochan Collection fund	-	53,484	-	-	-	53,484
Coronavirus Job Retention Scheme	-	1,569,567	(1,569,567)	-	-	-
Other restricted funds (projects)	(13,384)	121,247	(37,448)	(2,253)	48	68,210
Centennial fund	10,863	-	(277)	-	(323)	10,263
Fieldhouse fund	3,418,331	-	(140,032)	-	(74,917)	3,203,382
Medal Room Refurbishment	10,749	-	(10,749)	-	-	-
Minstrel's Gallery	8,457	-	(8,457)	-	-	-
	<u>14,615,464</u>	<u>6,880,172</u>	<u>(5,264,402)</u>	<u>(1,100,967)</u>	<u>(165,401)</u>	<u>14,964,866</u>

In 2000 the Royal Naval Museum completed phase I of a major capital development programme to redesign and refit existing galleries and bring new display and office space into use. The movements on the Development fund shown represent the income raised by donations and grants from the National Heritage Memorial Fund and other organisations, less the revenue expenditure and depreciation incurred up to the balance sheet date.

The HMS Alliance fund consisting of funding received for the ongoing maintenance of HMS Alliance.

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 fund was in deficit at the year end due to a delay in drawdown of NITB grants.

The HMS Invincible 1744 fund relates to a National Heritage Lottery Funded joint project with the Maritime Archaeological Sea Trust (MAST) for activities and an exhibition based on a new dive and excavation of the wreck site.

The HMS M33 fund is for the conservation and presentation/interpretation of the ship, work which has been primarily funded by the Heritage Lottery Fund (HLF), and supported by funding from Hampshire County Council.

The HMS Warrior 1860 Preservation fund is for the conservation of the bulwarks, work which has been primarily funded by the HLF.

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The HMS Victory Preservation fund is for the conservation and ongoing maintenance of the ship, work which is funded by grants from the HMS Victory Preservation Company and the HMS Victory Preservation Endowment Fund.

The RML497 fund is for the ship's relocation in Hartlepool and its enclosure within a temporary structure for conservation. This has been primarily funded by the Tees Valley Combined Authority with match funding from other donors.

The LCT7074 fund relates to the restoration of the last Landing Craft (Tank) to take part in Operation Neptune and is primarily funded by the National Lottery Heritage Fund with match funding from other donors.

The RMM Relocation fund represents LIBOR and HLF funding received for the former SeaMore project which will include the relocation of the Royal Marines Museum to Portsmouth Historic Dockyard.

The Hartlepool Projects fund includes grant funding from the Tees Valley Combined Authority and other donors including the Catherine Cookson Charitable Trust for the creation of accessible children's play activities at NMRN Hartlepool.

The Airships Collection fund was received from the Mrs L D Rope Fourth Charitable Settlement towards supporting work on an airship heritage trust collection at Fleet Air Arm Museum.

The Barracuda Project Fund is made up of donations to restore a Barracuda and provides for expenses such as materials.

The Coastal Forces Gallery fund 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.

The Dommett Archive fund was donated by the Dommett family towards the cost of archiving the papers of Roy Dommett CBE.

The Coronavirus Job Retention Scheme fund comprises funds received from the government under the Coronavirus Job Retention Scheme. All funds received through this grant are utilised to cover the salary costs of the furloughed employees. Salaries are paid at 80% of wages up to a maximum cap of £2,500 per month per furloughed employee.

Other restricted funds were received towards funding specific projects across the group's museums.

The following restricted funds related to the purchase of tangible fixed assets:

The Medal Room refurbishment fund representing a number of grants and donation to enable the Royal Marines Museum to upgrade and refurbish its medal room exhibition; the Minstrel's Gallery Refurbishment fund representing a number of grants and donations for the purpose of upgrading and refurbishing the Royal Marines Museum's Minstrel's Gallery; the Centennial Project fund, created to mark the anniversary of Holland I, and to be used for improving buildings on the Royal Navy Submarine Museum site; the Fieldhouse fund consisting of funding received for the improvement and construction of buildings housing exhibits in the Royal Navy Submarine Museum.

Transfers between funds

The transfers from restricted to unrestricted funds reflect the value of tangible fixed assets which have been purchased using restricted funds, but are held for general purpose, in accordance with SORP 2019 section 2.26.

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

Restricted funds (continued)

	At 1 April 2019	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	At 31 March 2020
	£	£	£	£	£	£
RNM Development fund	6,474,227	-	(191,735)	-	68,597	6,351,089
HMS Alliance fund	46,347	31,949	(31,981)	-	2	46,317
HMS Caroline fund	(454,690)	789,320	(264,531)	-	-	70,099
HMS Invincible fund	123,506	125,473	(209,988)	-	-	38,991
HMS M33 fund	50,579	-	-	-	-	50,579
HMS Warrior 1860 fund	33,956	279,417	(295,552)	-	-	17,821
HMS Victory Preservation fund	2,111,735	3,600,000	(1,143,709)	-	27,533	4,595,559
RML497 fund	(248,798)	9,060	(906)	-	-	(240,644)
LCT 7074 fund	(281,555)	2,781,277	(1,762,119)	(1,044,707)	-	(307,104)
RMM relocation fund	-	796,242	(315,360)	(1,323,037)	-	(842,155)
RMM RMC fund	-	1,000,000	-	-	-	1,000,000
Hartlepool projects fund	29,575	15,000	(1,448)	-	-	43,127
Airships Collection fund	19,146	-	-	-	-	19,146
Barracuda project fund	11,671	18,291	(10,043)	-	-	19,919
Coastal Forces Gallery fund	270,292	149,650	(19,891)	(98,632)	-	301,419
Dommett Archive fund	6,000	-	-	-	-	6,000
Other restricted funds (projects)	51,957	335,797	(328,454)	(62,504)	105	(3,099)
Centennial fund	11,034	-	(286)	-	115	10,863
Fieldhouse fund	3,519,027	-	(141,605)	-	40,909	3,418,331
Medal Room Refurbishment	13,242	-	(1,555)	-	(938)	10,749
Minstrel's Gallery	9,344	-	(1,037)	-	150	8,457
	<u>11,796,595</u>	<u>9,931,476</u>	<u>(4,720,200)</u>	<u>(2,528,880)</u>	<u>136,473</u>	<u>14,615,464</u>

23. Revaluation reserve

	£
At 1 April 2020	1,293,251
Revaluation of fixed assets	(267,484)
At 31 March 2021	<u>1,025,767</u>
	£
At 1 April 2019	1,095,498
Revaluation of fixed assets	197,753
At 31 March 2020	<u>1,293,251</u>

24. Commitments and contingent liabilities

The company had capital commitments contracted but not provided for in the financial statements amounting to £424,004 (2020: £2,896,077). There were no contingent liabilities at 31 March 2021 (2020: £Nil).

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

25. Financial commitments

The charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	2021	2020
	£	£
Within one year	411,908	159,852
Between one and five years	1,525,232	-
Greater than five years	22,227,172	-
	<u>24,164,312</u>	<u>159,852</u>

26. Related party transactions

Parent charitable company

NMRN Operations receives grant funding from the National Museum of the Royal Navy which is separately disclosed in the Statement of Financial Activities.

Subsidiary company

Company name	Company number	Percentage shareholding	Description
National Museum of the Royal Navy Trading	01261270	N/A	Souvenir shops & corporate events

Joint Venture

NMRN Operations is a related party of Portsmouth Historic Dockyard Operations Limited (PHD Operations Limited), a Joint Venture with the Mary Rose Trust. PHD Operations Limited is a company limited by shares, incorporated in England & Wales (company number 12799836). In the consolidated financial statements, PHD Operations Limited has been treated as a Joint Venture in which the company has a 50% interest.

A summary of the results for the year are as follows:

	2021	
	Company share	Total
	£	£
Deficit contribution	3,357	6,715
Expenditure	(3,357)	(6,715)
Net income	<u>-</u>	<u>-</u>
Balance Sheet		
Current assets	2,260	4,517
Current liabilities	(2,258)	(4,515)
Net assets	<u>2</u>	<u>2</u>

Notes to the financial statements
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PHD Operations Limited was responsible for the collection and distribution of ticketing income for the two members from August 2020. The total income distributed in the period is disclosed within the Statement of Financial Activities.

The company contributes towards the deficit. During the year this totalled £4,680 and is included within site costs shown in note 9.

27. Ultimate parent undertaking

NMRN Operations considers the National Museum of the Royal Navy (the “National Museum”), a charitable company (charity number 1126283, company number 06699696), to be its ultimate parent undertaking.

Control is exercised by the National Museum being the corporate member of NMRN Operations.

The National Museum was established in 2008 as a holding company of the National Museum Group which operates a number of naval service museums. Its vision is to become the world's most respected Naval Museum. The National Museum’s strategy sets out to increase the scale, scope and reach and resilience of the museum. The goal is to promote the public understanding of the Royal Navy past, present and future.

Consolidated accounts can be obtained from the National Museum’s registered office: National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

28. Analysis of cash and cash equivalents

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Cash and cash equivalents	1,308,035	1,565,993	1,273,548	1,279,081
	<u>1,308,035</u>	<u>1,565,993</u>	<u>1,273,548</u>	<u>1,279,081</u>

29. Analysis of changes in net debt

	Group 2021 £	Group 2020 £	Charity 2021 £	Charity 2020 £
Cash and cash equivalents	1,308,035	1,565,993	1,273,548	1,279,081
	<u>1,308,035</u>	<u>1,565,993</u>	<u>1,273,548</u>	<u>1,279,081</u>

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

30. Financial instruments

The carrying amounts of the charity's financial instruments are as follows:

	2021	2020
	£	£
Financial assets		
Debt instruments measured at amortised cost:		
- Trade debtors (note 17)	681,460	444,297
- Amounts owed by group undertakings (note 17)	1,413,025	367,349
- Other debtors (note 17)	28,875	393,358
- Accrued income (note 17)	2,027,410	2,773,660
- VAT (note 17)	242,414	306,179
	<u>4,393,184</u>	<u>4,284,843</u>
Financial liabilities		
Measured at amortised cost		
- Trade creditors (note 19)	900,471	1,328,268
- Amounts owed to group undertakings (note 19)	563,893	2,883,952
- Other creditors (note 19)	963,029	77,284
- Other taxes & social security (note 19)	88,594	106,795
	<u>2,515,987</u>	<u>4,396,299</u>