

**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 2018**

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31/12/2018  
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**Legal and administrative information**

<b>Charity number</b>	1169061	
<b>Company registration number</b>	09988314	
<b>Registered office</b>	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH	
<b>Business address</b>	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH	
<b>Director General and Accounting Officer</b>	Professor Dominic Tweddle	
<b>Chairman</b>	Mr Richard Hatfield	
<b>Trustees</b>	Mr Michael Bedingfield Dr Bob Bewley Mr John Brookes Professor John Craven Mrs Jane Dean Ms Carol Marlow Professor Dominic Tweddle	(Appointed 15 <sup>th</sup> December 2017) (Resigned 25 <sup>th</sup> April 2018) (Resigned 15 <sup>th</sup> December 2017)
<b>Accountants</b>	Compass Accountants Limited Venture House, The Tanneries, East Street, Titchfield, Hampshire PO14 4AR	
<b>Auditors</b>	PKF Littlejohn LLP 1 Westferry Circus, Canary Wharf, London, E14 4HD	
<b>Bankers</b>	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 ("the National Museum") 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, Portsmouth Historic Dockyard and from 1 July 2017, HMS Warrior 1860. The National Museum of the Royal Navy 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. This was the first full year of operation under this new structure.

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.

## Strategic Report

### Activities and Achievements

#### *Visitor Services*

From 1 April 2017 to 31 March 2018, NMRN Operations delivered the visitor services for the National Museum and received 1,334,540 visits to museum sites across the group. In terms of digital reach, NMRN Operation's Facebook accounts achieved a total reach of 15,281,540, with Twitter making 3,439,980 impressions. Unique website visits were a total of 1,472,991. The ticketing system continues to generate reliable and usable data on which to base decisions to improve the visitor experience and continue to grow footfall across sites. Press, PR and media coverage realised over £12million in Advertising Value Equivalent.

#### *Learning and Access*

In the period, NMRN Operations supported visits by 120,860 pupils from the UK and a further 79,894 students from abroad through formal learning visits via 1,052 school workshops. In addition, we delivered outreach activities to 7,036 participants and delivered informal learning activities to 26,390 participants.

#### *Exhibitions*

The National Museum has opened the following exhibitions and interpretative projects in 2017-2018:

##### **'Making of a Royal Marines Commando'.**

The long-standing exhibition 'Making of a Royal Marines Commando' describes the process of recruiting and training Marines, through film, interactive displays and artefacts. The exhibition was refurbished and relocated from the Royal Marines Museum into Portsmouth Historic Dockyard where it was rebuilt on the ground floor of Action Stations and opened in July 2017, establishing the story inside Boathouse 6 for the first time and acting as a strong visual signpost for the New Royal Marines Museum. This will remain a permanent exhibit until the development of the new Museum through the 'SeaMore' project.

### **HMS Queen Elizabeth**

To coincide with the arrival of HMS Queen Elizabeth in Portsmouth, an exhibition drawing on six large models of aircraft-carriers from 1918 to the present day was opened in Storehouse 9, opening on 16 September 2017, the day before the ship's arrival. It remained open to the end of October 2017. This was accompanied by a small display in the Visitor Centre on the archaeology associated with the dredging operations which prepared the harbour for the carrier, which included two recovered artefacts: a large piece of a German 250kg bomb and a rare Type 134 Asdic (sonar) dome.

### **'Shipyard': exhibition of contemporary works by Lachlan Goudie.**

This exhibition opened in the special exhibition gallery at NMRN Portsmouth on 17 March 2018. It featured more than 40 works by the artist Lachlan Goudie who worked with privileged access in shipyards at Rosyth and Govan between 2013 and 2017. The works in pastel, watercolour, pen and ink and clay offer a unique perspective from the inside of these ships. The exhibition closed 10 June 2018.

### **X24**

The midget submarine X24 within the John Fieldhouse Building was re-interpreted in 2017 with funds generously provided by the Friends of the Royal Navy Submarine Museum. Projection on to the boat's hull and an associated display have brought the story of the submarine to life and dramatically enhanced the museum's entrance area. A completion of the project by June 2018 will introduce both Tomahawk Land Attack Missile (TLAM) and Polaris Submarine Launched Ballistic Missile (SLBM) into the displays, alongside the new 'Secret and Silent' exhibition which focuses on nuclear deterrence.

### **Improvements at the Fleet Air Arm Museum**

Significant improvements and new interpretation were added to the Fleet Air Arm Museum for the summer of 2017 to coincide with the opening of the new Queen Elizabeth themed playground. These included creation of a lively and exciting orientation space, introducing visitors to the museum and to the concept of the 'Fleet Air Arm', using film and strong visual imagery and a small number of key objects – the aim being to create a welcome with a short dwell time. In addition, the permanent display 'From Cold War to Kabul and Beyond' was constructed around three key aircraft, considering the various roles the Fleet Air Arm has performed around the world since 1989. At the heart of the display is one of the museum's most recent acquisitions, the BAE *Harrier* GR.9A ZD433 nicknamed 'Dirty Harry' as the museum acquired it fresh from operations in Afghanistan with mission markings on the nose and sand on the cockpit floor. The museum has also been able to display the newly-acquired medals and log books of Eric 'Winkle' Brown, the legendary Royal Navy test pilot, purchased in late 2016. It involved the relocation of Brown's Vampire aircraft from the Flight Deck of the Carrier Experience to Hall 2, and the creation of some additional interpretative material highlighting his career as a Test Pilot.

### **Volunteers**

This year has seen an increase in opportunities and diversity for the volunteering community of the National Museum of the Royal Navy following the introduction of the web-based DIVE (Discover. Inspire. Volunteer. Everywhere.) platform. We have introduced our first remote digital volunteers through 'challenges' focused on identifying digital images and interacting with the interactive Jutland Map, and our first volunteers in the HR and Fundraising teams. With nearly 300 volunteers dedicating 37,226 hours in the last financial year, the volunteering community has provided support in a range of projects including: outreach talks; learning and engagement workshops; front of house guiding and demonstrations; cataloguing; shelf auditing archives; moving collections; researching; responding to enquiries; conservation of historic ships; deep cleans; and, assisting at community events. Most notably, our volunteers have also taken part in a Tours and Talks season; presenting and attending talks and tours led by volunteers for other volunteers and staff to help utilise the volunteers' skills, knowledge and interests. They have also widened their skills by attending training sessions such as World Host, to deliver excellent customer care, and also in Dementia Awareness. There was also a successful trip to HMS Belfast (November 2017) attended by 40 volunteers.

### **Post balance sheet events**

Subsequent to the year end, the following post balance sheet event has occurred:

On 1 October 2018, the business, assets and operations of Action Stations transferred from the Portsmouth Naval Base Property Trust to NMRN Operations. The business will continue to operate as Action Stations until such time as it is closed to develop the site as the new Royal Marines Museum.

### **Plans for Future Periods**

Our major capital project 'SeaMore: sharing the newest national collection' was unfortunately unsuccessful at Round Two of its Heritage Lottery Funding bid. Alternative funding options for this ambitious project to transform access to our collection and to create a New Royal Marines Museum within Portsmouth Historic Dockyard will be developed over the coming period.

We will continue to work with our affiliate MAST (the Maritime Archaeology Sea Trust) on a project based on the 1758 wreck of HMS Invincible, called 'Diving Deep: the HMS Invincible 1744 Project'. This project will provide £567,122 (£425,900 from HLF) to deliver a programme of activity supporting three dive seasons, leading to exhibition and publication, across 2017-2021.

We have developed a funding application with Portsmouth City Council based on the only Landing Craft Tank to survive from D-Day, called 'LCT 7074: Resurrecting a D-Day Hero'. The project will see the conserved vessel interpreted outside the D-Day Museum in Southsea, opening in June 2019. If the application is successful this will provide £5,962,665 (£4,770,132 from HLF) across 2018-2019.

We have worked with Hartlepool Borough Council and NMRN Hartlepool to bring capital development and the Coastal Forces Craft RML 497 to the town, securing Tees Valley Combined Authority grant funding of £499,250 in June 2018 for phase one of our regional development plan to support wider regeneration plans and development of the waterfront.

An options study for the future location and presentation of the Fleet Air Arm Museum has begun to determine a long-term future of the museum.

### **Principle Risks and Uncertainty**

The principle risks faced by the charitable company centred around future income streams with volatility of admissions numbers and commercial activity impacting on revenue. The completion of integration with NMRN will continue to mitigate this risk by developing group strategies to ensure pricing balanced to drive visitor numbers and grow revenue.

### **Financial Review**

This was the first full year for NMRN Operations as the National Museum's operating company, responsible for all operational activities and project delivery. As such, there are some considerable variances in financial activity compared to the previous year's performance.

### ***Statement of Financial Activities for the Year Ended 31 March 2018***

Total incoming resources for NMRN Operations in 2017-18 amounted to £22,646,231 (2016-17: £22,477,516). This included a full year's operating grants and project grants, admissions income (including gift aid) and voluntary donations. It should be noted that 2016-17 included £16,235,128 arising from the movement of reserves from predecessor charities.

Total resources expended for 2017-18 amounted to £21,701,705 (2016-17: £6,326,617), representing operating and project costs. This increased expenditure represents a full year of operational and project activity. After gains of £612,653 (2016-17: £225,324) on the revaluation of fixed assets, the net movement in funds for the year was an increase of £1,557,179 (2016-17: £16,376,233).

### ***Balance sheet***

The net assets as at 31 March 2018 amounted to £18,140,289 (2016-17: 16,541,638).

### ***Reserves***

The Trustees regularly monitor the levels of the company's reserves. The company is building a 'free reserve' in accordance with Group policy 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 Group policy is that sufficient free reserves are held to cover operating costs for a three-month period should any part of the group be unable to operate, covering liabilities and deficits; providing income; and, to provide working capital. The Trustees have calculated a free reserve requirement of £1.54m (based on 2018-19 operating budget) for NMRN Operations.

As at 31 March 2018, the level of the company's free reserves (defined as net current assets attributable to unrestricted reserves) stood at £246,590, excluding designated unrestricted funds. A further free reserve of £163,517 sits within the trading company giving a consolidated free reserve of £410,107. The designated unrestricted funds total £97,885.

The company's free reserves are insufficient to meet long-term development needs and there are risks associated with unanticipated short-term demands; however, the Trustees are content that both expenditure and the cash flow position are carefully monitored to minimise these risks. Moreover, 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 surplus to grow reserves.

In addition to its free reserves, the company holds a number of restricted funds with a total value of £12,737,633 as at 31 March 2018. 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.



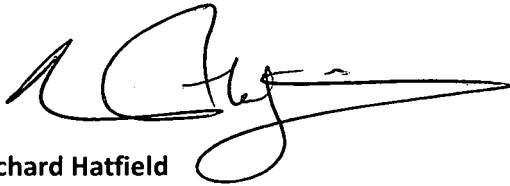
NMRN Operations  
(A company limited by guarantee)  
Company number: 09988314

## 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: 10/12/2018



Professor Dominic Tweddle  
Director General and Accounting Officer

Date: 10/12/2018

## 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 providing 37,226 hours of work in 2017-18, assisting in a range of tasks including collections management, restoration of objects, conservation, guiding, visitor experience, tours and gardening services.

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 guidelines issued by the Office of the Commissioner for Public Appointments (OCPA). The governing body is the Board of Trustees (more properly known as Directors).

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.

There was a potential conflict of interest identified with Professor Bob Bewley being a director of NMRNO and the Mary Rose Trust between which there were ongoing negotiations around a new joint ticket and commercial relationship within PHD. To this end Professor Bewley recused himself from meetings until his eventual resignation.

### ***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.

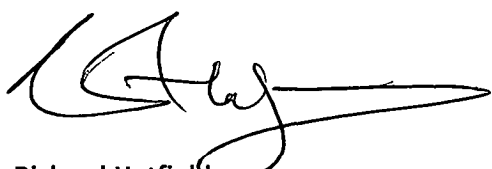
### ***System of internal control***

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 A&GC committee.

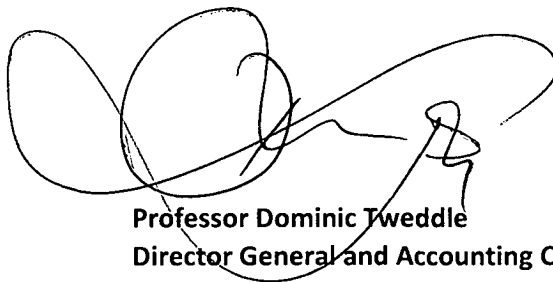
### ***Risk Management***

The charity's risk register and the responses to risk are managed by the Director General and overseen by the National Museum's Audit and Governance Committee as well as the charity's Board. In addition, the charity 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: 10/12/2018



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

Date: 10/12/2018

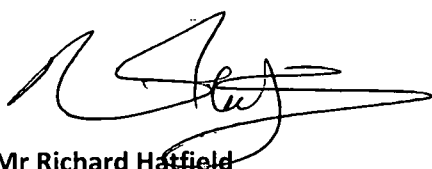
**Statement of Trustees' and Accounting Officer's responsibilities  
for the year ended 31 March 2018**

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 the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (Charities SORP FRS102) (effective 1 January 2015), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

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 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:

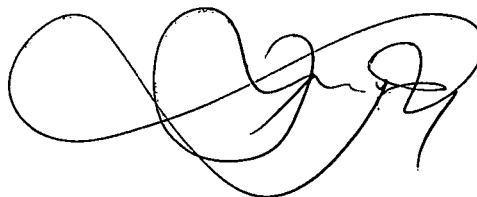
- Select suitable accounting policies and then apply them consistently;
- Observe the method and principles of the Charities SORP;
- make judgements and estimates on a reasonable and prudent basis;
- state whether applicable UK Accounting Standards and statements of recommended practice have been followed,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

The Trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and which enable them to ensure that the financial statements comply with the Companies Act 2006 and the Statement of Recommended Practice on Accounting and Reporting by Charities (SORP). They are also responsible for safeguarding the assets of the 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: 10/12/2018



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

Date: 10/12/2018

## 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 2018 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

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

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 31 March 2018, 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.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

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

### Other information

The trustees are responsible for the 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. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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 (incorporating the strategic report and the directors' report) 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 have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' 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 and sufficient 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 directors' 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 set out on page 12, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

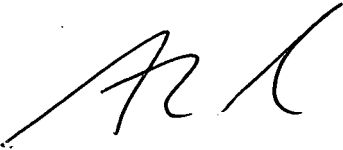
In preparing the financial statements, the trustees are responsible for assessing the group's and parent charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

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**Auditor's responsibilities for the audit of the financial statements**

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.

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



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

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

Date: 19 March 2018

*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 2018**

	Notes	Unrestricted funds £	Restricted funds £	2018 Total £	Unrestricted funds £	Restricted funds £	2017 Total £
<b>Income from:</b>							
Donations and legacies							
Grant (operating)	2	3,005,809	-	3,005,809	1,162,267	-	1,162,267
Grant (projects)	2	-	5,037,178	5,037,178	-	819,916	819,916
Grant (capital)	2	121,828	-	121,828	165,000	-	165,000
Other grants and donations	2	1,657,731	3,855,197	5,512,928	435,170	1,518,790	1,953,960
Gift from predecessor charities	3	53,239	-	53,239	4,093,763	12,141,365	16,235,128
Legacies	4	2,458	-	2,458	27,961	-	27,961
Charitable activities							
Admissions	5	4,639,017	-	4,639,017	678,385	-	678,385
Portsmouth Historic Dockyard Levy		910,593	-	910,593	318,343	-	318,343
Memberships		30,639	-	30,639	-	-	-
Other trading activities							
Trading company	6	3,208,691	-	3,208,691	1,057,032	-	1,057,032
Investments	8	3,284	-	3,284	762	-	762
Other	9	118,443	2,124	120,567	58,762	-	58,762
<b>Total income</b>		<b>13,751,732</b>	<b>8,894,499</b>	<b>22,646,231</b>	<b>7,997,445</b>	<b>14,480,071</b>	<b>22,477,516</b>
<b>Expenditure on:</b>							
Raising funds							
Fundraising and publicity	10	1,558,543	-	1,558,543	361,082	-	361,082
Trading company	6	3,139,441	-	3,139,441	563,882	-	563,882
Charitable activities:							
Museum & visitor operations	11	8,338,411	8,528,403	16,866,814	2,253,309	2,898,380	5,151,689
Grants	13	136,907	-	136,907	249,964	-	249,964
<b>Total expenditure</b>		<b>13,173,302</b>	<b>8,528,403</b>	<b>21,701,705</b>	<b>3,428,237</b>	<b>2,898,380</b>	<b>6,326,617</b>
<b>Net income/(expenditure)</b>		<b>578,430</b>	<b>366,096</b>	<b>944,526</b>	<b>4,569,208</b>	<b>11,581,691</b>	<b>16,150,899</b>
<b>Transfers between funds</b>		<b>(98,461)</b>	<b>98,461</b>	<b>-</b>	<b>47,710</b>	<b>(47,710)</b>	<b>-</b>
<b>Other recognised gains/(losses):</b>							
Gains/(losses) on revaluation of fixed assets		187,148	425,505	612,653	(88,266)	313,590	225,324
<b>Net movement in funds</b>		<b>667,117</b>	<b>890,062</b>	<b>1,557,179</b>	<b>4,528,652</b>	<b>11,847,571</b>	<b>16,376,223</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		4,735,539	11,847,571	16,583,110	-	-	-
Reserves on acquisition		-	-	-	206,887	-	206,887
<b>Total funds carried forward</b>		<b>5,402,656</b>	<b>12,737,633</b>	<b>18,140,289</b>	<b>4,735,539</b>	<b>11,847,571</b>	<b>16,583,110</b>

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

The notes on pages 20 to 40 form an integral part of these financial statements.



**Consolidated Balance sheet  
as at 31 March 2018**

	Notes	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
<b>Fixed assets</b>					
Tangible assets	17	17,526,143	16,297,688	17,416,173	16,269,760
		<u>17,526,143</u>	<u>16,297,688</u>	<u>17,416,173</u>	<u>16,269,760</u>
<b>Current assets</b>					
Stocks	18	843,916	762,824	214,707	216,637
Debtors	19	3,156,288	1,761,137	3,082,575	2,888,155
Cash at bank and in hand		1,415,952	4,311,090	1,223,644	3,147,241
		<u>5,416,156</u>	<u>6,835,051</u>	<u>4,520,926</u>	<u>6,252,033</u>
<b>Liabilities</b>					
Creditors falling due within one year	20	(4,802,010)	(6,549,629)	(4,070,297)	(6,142,920)
<b>Net current assets/(liabilities)</b>		<u>614,146</u>	<u>285,422</u>	<u>450,629</u>	<u>109,113</u>
<b>Net assets</b>		<u>18,140,289</u>	<u>16,583,110</u>	<u>17,866,802</u>	<u>16,378,873</u>
<b>Funds</b>	21				
Unrestricted funds	22	4,844,135	4,531,302	4,844,135	4,531,302
Revaluation Reserve		187,149	-	187,149	-
Designated funds		97,885	-	97,885	-
Total unrestricted funds		<u>5,129,169</u>	<u>4,531,302</u>	<u>5,129,169</u>	<u>4,531,302</u>
Restricted funds	23	11,998,539	11,533,981	11,998,539	11,533,981
Restricted revaluation reserve		739,094	313,590	739,094	313,590
Total restricted funds		<u>12,737,633</u>	<u>11,847,571</u>	<u>12,737,633</u>	<u>11,847,571</u>
Non charitable trading funds		<u>273,487</u>	<u>204,237</u>	-	-
<b>Total funds</b>		<u>18,140,289</u>	<u>16,583,110</u>	<u>17,866,802</u>	<u>16,378,873</u>

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



Mr R Hatfield  
Chairman

Date: 10/12/2018

The notes on pages 20 to 40 form an integral part of these financial statements.

**Consolidated Cash Flow Statement  
for the year ended 31 March 2018**

	Group 2018 £	Group 2017 £
<b>Cash flows from operating activities:</b>		
<b>Net cash provided by (used in) operating activities</b>	(1,269,412 )	4,594,517
<b>Cash flows from investing activities:</b>		
Interest income	3,284	762
Purchase of fixed assets	(1,629,010)	(284,189)
<b>Net cash provided by (used in) investing activities</b>	(1,625,726)	(283,427)
Increase/(decrease) in cash and cash equivalents in the year	(2,895,138)	4,311,090
Cash and cash equivalents at 1 April 2017	4,311,090	-
<b>Cash and cash equivalents at 31 March 2018</b>	<b>1,415,952</b>	<b>4,311,090</b>
Net income/(expenditure) for the reporting period	944,526	16,150,899
Depreciation and impairment	1,064,684	445,498
Fixed assets gifted from predecessor charities	(51,476)	(16,233,673)
Income from investments	(3,284)	(762)
Other (gains)/losses	-	206,887
(Increase)/Decrease in stocks	(81,092)	(762,824)
(Increase)/Decrease in debtors	(1,395,151)	(1,761,137)
Increase/(Decrease) in creditors	(1,747,619)	6,549,629
<b>Net cash provided by (used in) operating activities</b>	<b>(1,269,412)</b>	<b>4,594,517</b>

**Notes to the financial statements  
for the year ended 31 March 2018**

**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) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The financial statements have been prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value.

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, and its wholly owned subsidiary, the National Museum of the Royal Navy Trading. The ownership of the subsidiary transferred from a separate NMRN Group charity, The Royal Naval Museum, on 30 November 2016. The Consolidated Statement of Financial Activities includes the results of the National Museum of the Royal Navy Trading for the period of ownership as single line items. The consolidated balance sheet includes the net assets of the National Museum of the Royal Navy Trading on a line by line basis.

**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.

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.

Notes to the financial statements  
for the year ended 31 March 2018

**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:

	2018	2017
	%	%
Operations	76	62
Collections & research	17	29
Learning	7	9
	<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.

**Notes to the financial statements  
for the year ended 31 March 2018**

**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.

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.

**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

**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.

**Notes to the financial statements  
for the year ended 31 March 2018**

**1.13 Financial Instruments**

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

**1.14 Pensions**

The majority of staff of the National Museum of the Royal Navy and its subsidiaries are covered by the provisions of a defined contributions group pension plan, the assets of which are held in an independently administered fund and which provides benefits based on the value of the fund.

A small number of staff who have transferred into the National Museum of the Royal Navy group under the Transfer of Undertakings (Protection of Employment) Regulations 1981 have retained membership of their former employers' pension schemes, which provides benefits based on final pensionable pay and include the Principal Civil Service Pension Scheme (PCSPS) and the Local Government Pension Scheme (LGPS).

**Group Pension Plan**

The NMRN 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 NMRN 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 valuation was carried out at 31 March 2017. Details can be found in the resource accounts of the Cabinet Office; Civil Superannuation ([www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)).

For 2017-18, employer contributions were payable to the PCSPS at one of four rates in the range 20.0% to 24.5% of pensionable earnings, based on salary bands. The scheme actuary reviews employer contributions every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017-18 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

**Notes to the financial statements  
for the year ended 31 March 2018**

**Local Government Pension Scheme (LGPS)**

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

The 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% 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:

	31/03/18	31/03/17
	£	£
Group scheme	311,643	84,655
PCSPS	26,185	12,236
LGPS	(3,142)	11,508
	<u>334,686</u>	<u>108,399</u>

**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.

Notes to the financial statements  
for the year ended 31 March 2018

2. Grants and donations received

During the year the following grants and donations were received:

	Unrestricted funds £	Restricted funds £	Total 2018 £	Unrestricted funds £	Restricted funds £	Total 2017 £
<b>National Museum of the Royal Navy</b>						
Operations	3,005,809	-	3,005,809	1,162,267	-	1,162,267
Projects	-	5,037,178	5,037,178	-	819,916	819,916
Purchase of exhibits	121,828	-	121,828	165,000	-	165,000
	<u>3,127,637</u>	<u>5,037,178</u>	<u>8,164,815</u>	<u>1,327,267</u>	<u>819,916</u>	<u>2,147,183</u>
<b>Other grants and donations</b>						
<b>Heritage Lottery Fund Grants</b>						
C20th Galleries	-	-	-	-	21,263	21,263
HMS M33	-	100,569	100,569	-	22,839	22,839
HMS Caroline	-	-	-	-	65,866	65,866
HMS Warrior 1860	-	814,312	814,312	-	-	-
LCT 7074	-	51,734	51,734	-	-	-
SeaMore	-	375,958	375,958	-	14,192	14,192
Department of Enterprise, Trade and Investment	465,927	-	465,927	-	250,236	250,236
HMS Trincomalee Trust	-	-	-	34,533	-	34,533
Fleet Air Arm Museum Trust	141,788	-	141,788	-	-	-
Royal Navy Submarine Museum Trust	-	16,555	16,555	-	-	-
Warrior Preservation Trust	432,426	216,103	648,529	-	-	-
HMS Victory Preservation Company	-	-	-	-	1,000,000	1,000,000
HMS Victory Preservation Endowment Fund	-	2,000,000	2,000,000	-	-	-
Hampshire County Council - HMS M33	-	-	-	190,704	-	190,704
Hartlepool Borough Council	537,742	-	537,742	167,206	-	167,206
Friends of the Fleet Air Arm Museum	-	-	-	-	8,000	8,000
Friends of the Royal Navy Submarine Museum	-	-	-	-	40,000	40,000
Friends of the Royal Marines Museum	-	28,437	28,437	-	-	-
Rolls Royce	-	25,000	25,000	-	-	-
Viridor Credits	-	-	-	-	74,350	74,350
Miscellaneous donations and grants	79,848	226,529	306,377	42,727	22,044	64,771
	<u>1,657,731</u>	<u>3,855,197</u>	<u>5,512,928</u>	<u>435,170</u>	<u>1,518,790</u>	<u>1,953,960</u>



Notes to the financial statements  
for the year ended 31 March 2018

3. Balances transferred on 30 June 2017

As part of the continuing plan to consolidate the functions and operations of all of the museums in the wider NMRN group, the trustees of the Warrior Preservation Trust transferred the operations of that entity to NMRN Operations at 30 June 2017. The balances transferred were as follows:

	Warrior Preservation Trust £	Total £
<b>Fixed assets</b>		
Tangible fixed assets	51,476	51,476
	<u>51,476</u>	<u>51,476</u>
<b>Current assets</b>		
Debtors	286,695	286,695
Bank and cash	601,218	601,218
	<u>887,913</u>	<u>887,913</u>
<b>Creditors: amounts falling due within one year</b>	(886,150)	(886,150)
	<u>1,763</u>	<u>1,763</u>
<b>Net current (liabilities)/assets</b>		
	<u>53,239</u>	<u>53,239</u>
<b>Net assets</b>		
	<u>53,239</u>	<u>53,239</u>
<b>Funds</b>		
Unrestricted funds	53,239	53,239
Restricted funds	-	-
	<u>53,239</u>	<u>53,239</u>
<b>Total funds</b>		
	<u>53,239</u>	<u>53,239</u>

4. Legacies

	Unrestricted funds £	Total 2018 £	Unrestricted funds £	2017 £
Miss Moira McGregor	-	-	27,961	27,961
Other legacies	2,458	2,458	-	-
	<u>2,458</u>	<u>2,458</u>	<u>27,961</u>	<u>27,961</u>

Notes to the financial statements  
for the year ended 31 March 2018

5. Admissions

	Unrestricted funds £	Total 2018 £	Unrestricted funds £	Total 2017 £
Portsmouth Historic Dockyard	2,772,190	2,772,190	491,685	491,685
Royal Marines Museum	112	112	9,663	9,663
Fleet Air Arm Museum	699,004	699,004	142,537	142,537
NMRN Hartlepool	229,486	229,486	34,128	34,128
HMS Caroline	103,489	103,489	372	372
HMS Warrior 1860	834,736	834,736	-	-
	<u>4,639,017</u>	<u>4,639,017</u>	<u>678,385</u>	<u>678,385</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 2018

6. 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) or the National Museum of the Royal Navy (the ultimate parent).

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

	2018 £	2017 £
Turnover	3,208,691	3,171,097
Cost of sales	1,400,824	1,156,104
Gross Profit	1,807,867	2,014,993
Administration	1,366,945	1,526,854
Net profit / (loss)	440,922	488,139
Tax on ordinary activities	(14,102)	(288)
Available for distribution	426,820	487,851
Amount gifted to the National Museum of the Royal Navy	(357,570)	(495,800)
	69,250	(7,949)
Reserves b/f	204,237	212,186
Reserves c/f	273,487	204,237

On 30 November 2016 the ownership of the National Museum of the Royal Navy Trading transferred to NMRN Operations from the Royal Naval Museum, a linked charity of the National Museum of the Royal Navy.

The results above for the prior year (ended 31 March 2017) have been apportioned for the period of ownership from 30 November 2016 and included in the Statement of Financial Activities on a line by line basis.

Notes to the financial statements  
for the year ended 31 March 2018

7. Agency funds

NMRN Operations is responsible for the collection and distribution of ticketing income for the four members (Mary Rose Trust, Warrior Preservation Trust, Portsmouth Naval Base Property Trust, and the Royal Naval Museum) of the former joint venture - Portsmouth Historic Dockyard. A summary of the agency fund activity for the period is shown below.

	Total 2018 £	Total 2017 £
Income received	8,036,768	1,534,607
Distributions	(8,036,768)	(1,534,607)
Net incoming/(outgoing) resources	-	-
<b>Balance Sheet</b>	<b>£</b>	<b>£</b>
Current assets	701,689	520,893
Current liabilities	(701,689)	(520,893)
Net assets	-	-

8. Investments

	Unrestricted funds £	Total 2018 £	Unrestricted funds £	Total 2017 £
Deposit account interest	3,284	3,284	762	762
	3,284	3,284	762	762

Notes to the financial statements  
for the year ended 31 March 2018

9. Other income

	Unrestricted funds £	Restricted funds £	Total 2018 £	Unrestricted funds £	Restricted funds £	Total 2017 £
Education workshops	59,787	-	59,787	22,540	-	22,540
Car parks	2,157	-	2,157	1,916	-	1,916
Collections	5,308	-	5,308	1,573	-	1,573
CLRA Learning events	24,037	-	24,037	3,340	-	3,340
Hires	18,395	-	18,395	3,512	-	3,512
Sundry income	8,759	2,124	10,883	25,881	-	25,881
	<u>118,443</u>	<u>2,124</u>	<u>120,567</u>	<u>58,762</u>	<u>-</u>	<u>58,762</u>

10. Cost of generating funds

	Unrestricted funds £	Total 2018 £	Unrestricted funds £	Total 2017 £
Staff costs	516,113	516,113	156,041	156,041
Premises expenses	117,988	117,988	31,021	31,021
Fundraising operating costs	128,285	128,285	24,446	24,446
Printing, postage and stationery	9,784	9,784	3,564	3,564
Telephone	7,940	7,940	2,628	2,628
Events and functions	88,324	88,324	24,444	24,444
Membership scheme	31,922	31,922	18,581	18,581
Marketing	658,187	658,187	100,357	100,357
	<u>1,558,543</u>	<u>1,558,543</u>	<u>361,082</u>	<u>361,082</u>

Notes to the financial statements  
for the year ended 31 March 2018

11. Museum and visitor operations

	Operations	Collections & Research	Learning	Total 2018	2017
	£	£	£	£	£
Staff costs	2,835,149	852,769	370,518	4,058,436	1,332,127
Other staff costs	70,963	15,579	6,769	93,311	10,079
Site costs	169,900	-	-	169,900	32,754
Computer costs	202,163	-	-	202,163	49,588
Curatorial	-	685,747	-	685,747	9,390
Purchase of exhibits	-	17,285	-	17,285	22,983
Exhibition costs	-	90,725	-	90,725	44,584
Waterbus operating costs	127,615	-	-	127,615	15,006
Harbour tour subsidy	29,284	-	-	29,284	28,300
Depreciation	794,301	174,383	75,768	1,044,452	442,424
Governance and support costs	1,785,494	399,387	164,453	2,349,334	524,247
	<u>6,014,869</u>	<u>2,235,875</u>	<u>617,508</u>	<u>8,868,252</u>	<u>2,511,482</u>
<b>Project costs</b>					
HMS Caroline	4,778,834	-	-	4,778,834	2,032,194
HMS M33	49,990	-	-	49,990	1,260
HMS Victory Preservation	901,145	-	-	901,145	506,671
HMS Warrior 1860 Preservation	1,001,319	-	-	1,001,319	-
Landing Craft (Tank) LCT7074	128,423	-	-	128,423	51,240
SeaMore	735,895	-	-	735,895	39,984
QEC Playground	145,060	-	-	145,060	8,858
Fleet Air Arm Museum project costs	96,394	-	-	96,394	-
British Mercantile Marine Memorial Collection	48,905	-	-	48,905	-
Other project costs	112,597	-	-	112,597	-
	<u>7,998,562</u>	<u>-</u>	<u>-</u>	<u>7,998,562</u>	<u>2,640,207</u>
	<u>14,013,431</u>	<u>2,235,875</u>	<u>617,508</u>	<u>16,866,814</u>	<u>5,151,689</u>

Notes to the financial statements  
for the year ended 31 March 2018

12. Governance and support costs

	Museum & visitor operations £	Total 2018 £	2017 £
Legal and professional	182,351	182,351	33,757
Consultancy	-	-	2,514
Accountancy	53,205	53,205	12,594
Auditors' remuneration	15,336	15,336	5,000
Internal auditors' remuneration	23,631	23,631	19,647
Repairs and maintenance	384,965	384,965	72,492
Premises costs	1,243,033	1,243,033	241,926
Education	13,548	13,548	5,189
Printing, postage and stationery	85,874	85,874	29,130
Telephone	69,723	69,723	21,479
Travelling	127,009	127,009	39,619
Bank charges and interest	130,664	130,664	26,265
Health and safety	4,146	4,146	13,144
Sundry expenses	4,456	4,456	1,062
Subscriptions	11,393	11,393	429
	<u>2,349,334</u>	<u>2,349,334</u>	<u>524,247</u>

13. Grants payable

	Unrestricted funds £	Total 2018 £	Unrestricted funds £	Total 2017 £
Royal Naval Museum	136,907	136,907	249,964	249,964
	<u>136,907</u>	<u>736,907</u>	<u>249,964</u>	<u>249,964</u>

Notes to the financial statements  
for the year ended 31 March 2018

14. Employee costs

	Group 2018	Group 2017	Company 2018	Company 2017
	£	£	£	£
<b>Employment costs</b>				
Wages and salaries	5,439,370	1,706,244	5,261,614	1,365,754
Social security costs	363,015	111,958	345,964	93,970
Pension costs	351,354	128,670	341,019	109,796
Recharges	(21,786)	(109,341)	(867,043)	(109,341)
	<u>6,131,953</u>	<u>1,837,531</u>	<u>5,081,554</u>	<u>1,460,179</u>

**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:

	2018	2017
£60,001 to £70,000	<u>1</u>	<u>-</u>

The number of higher paid employees accruing pension benefit during the year was as follows:

	2018	2017
Defined benefits scheme	-	-
Defined contributions scheme	<u>1</u>	<u>-</u>

The total contributions paid into the defined benefits scheme for higher paid employees was £Nil.

The total contributions paid into the defined contributions scheme for higher paid employees was £8,368.

**Number of employees**

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

	2018	2017
Charitable activities	369	236
Cost of generating funds	4	-
Governance	<u>1</u>	<u>-</u>
	<u>374</u>	<u>236</u>



**Notes to the financial statements  
for the year ended 31 March 2018**

During this financial year 18 (2017: 17) redundancies were identified and contractual/redundancy costs of £177,411 were paid with £3,617 (2017: £29,424) being accrued at 31 March 2018.

**Trustees' emoluments**

No trustees received remuneration during the period. One trustee was reimbursed for travel expenses totalling £62 (2017: £Nil).

**15. Net outgoing resources for the year**

	2018	2017
	£	£
Net outgoing resources for the year is stated after charging:		
Depreciation and other amounts written off tangible assets	1,044,452	442,424
Auditors' remuneration		
PKF Littlejohn LLP	15,036	
Compass Accountants Limited	300	5,000
Auditors' remuneration from non-audit work	-	12,594
	<u>          </u>	<u>          </u>

**16. 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.

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

Notes to the financial statements  
for the year ended 31 March 2018

17. Tangible fixed assets

Group	Leasehold land and buildings £	Assets under construction £	Improvements to property £	Computer & office equipment £	Fixtures & fittings £	Plant & machinery £	Exhibition costs £	Total £
<b>Cost or valuation</b>								
At 1 April 2017	3,720,858	-	8,439,206	467,448	2,612,986	1,393,073	151,036	16,784,607
Transferred from predecessor charities	-	-	-	13,611	778	37,087	-	51,476
Additions	-	1,519,715	-	-	96,097	13,198	-	1,629,010
Revaluation	146,214	-	407,262	29,575	167,965	40,068	7,785	798,869
At 31 March 2018	<u>3,867,072</u>	<u>1,519,715</u>	<u>8,846,468</u>	<u>510,634</u>	<u>2,877,826</u>	<u>1,483,426</u>	<u>158,821</u>	<u>19,263,962</u>
<b>Depreciation</b>								
At 1 April 2017	179,437	-	79,277	69,030	119,563	26,387	13,225	486,919
Revaluation	6,979	-	46,276	16,809	106,791	5,003	4,358	186,216
Charge for the year	186,415	-	326,145	102,490	322,677	81,882	45,075	1,064,684
At 31 March 2018	<u>372,831</u>	<u>-</u>	<u>451,698</u>	<u>188,329</u>	<u>549,031</u>	<u>113,272</u>	<u>62,658</u>	<u>1,737,819</u>
<b>Net book values</b>								
At 31 March 2018	<u>3,494,241</u>	<u>1,519,715</u>	<u>8,394,770</u>	<u>322,305</u>	<u>2,328,795</u>	<u>1,370,154</u>	<u>96,163</u>	<u>17,526,143</u>
At 31 March 2017	<u>3,541,421</u>	<u>-</u>	<u>8,359,929</u>	<u>398,418</u>	<u>2,493,423</u>	<u>1,366,686</u>	<u>137,811</u>	<u>16,297,688</u>

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

Notes to the financial statements  
for the year ended 31 March 2018

Charity	Leasehold Land and buildings £	Assets under construction £	Improvements to property £	Computer & office equipment £	Fixtures & fittings £	Plant & machinery £	Exhibition costs £	Total £
<b>Cost or valuation</b>								
At 1 April 2017	3,720,858	-	8,439,206	467,448	2,581,986	1,393,073	151,036	16,753,607
Transferred from predecessor charities	-	-	-	13,611	778	37,087	-	51,476
Additions	-	1,519,715	-	-	7,023	-	-	1,526,738
Revaluation	146,214	-	407,262	29,575	167,965	40,067	7,785	798,868
At 31 March 2018	<u>3,867,072</u>	<u>1,519,715</u>	<u>8,846,468</u>	<u>510,634</u>	<u>2,757,752</u>	<u>1,470,227</u>	<u>158,821</u>	<u>19,130,689</u>
<b>Depreciation</b>								
At 1 April 2017	179,437	-	79,277	69,028	116,493	26,387	13,225	483,847
Revaluation	6,979	-	46,276	16,800	106,800	5,004	4,358	186,217
Charge for the year	186,415	-	326,145	102,490	305,085	79,242	45,075	1,044,452
At 31 March 2018	<u>372,831</u>	<u>-</u>	<u>451,698</u>	<u>188,318</u>	<u>528,378</u>	<u>110,633</u>	<u>62,658</u>	<u>1,714,516</u>
<b>Net book values</b>								
At 31 March 2018	<u>3,494,241</u>	<u>1,519,715</u>	<u>8,394,770</u>	<u>322,316</u>	<u>2,229,374</u>	<u>1,359,594</u>	<u>96,163</u>	<u>17,416,173</u>
At 31 March 2017	<u>3,541,421</u>	<u>-</u>	<u>8,359,929</u>	<u>398,420</u>	<u>2,465,493</u>	<u>1,366,686</u>	<u>137,811</u>	<u>16,269,760</u>

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 2018

18. Stocks

	Group 2018 £	Group 2017 £	Company 2018 £	Charity 2017 £
The amounts attributable to the different categories are as follows:				
Goods for resale	653,209	570,187	24,000	24,000
HMS Victory arisings	190,707	192,637	190,707	192,637
	<u>843,916</u>	<u>762,824</u>	<u>214,707</u>	<u>216,637</u>

19. Debtors

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
<b>Amounts falling due within one year:</b>				
Trade debtors	285,501	618,133	193,692	425,264
Other debtors	275,633	120,357	200,213	120,357
Prepayments and accrued income	1,704,490	841,138	1,704,490	841,138
VAT	226,445	161,453	218,541	161,453
Amount due from associated companies	664,219	20,056	765,639	1,339,943
	<u>3,156,288</u>	<u>1,761,137</u>	<u>3,082,575</u>	<u>2,888,155</u>

20. Creditors: amounts falling due  
within one year

	Group 2018 £	Group 2017 £	Charity 2018 £	Charity 2017 £
Trade creditors	1,608,587	848,936	1,509,133	789,425
Other taxes and social security	105,396	129,296	102,162	76,459
Other creditors	358,424	124,532	245,424	8,852
Deferred income	110,398	61,127	110,398	61,127
Amounts due to associated companies	1,927,644	4,105,760	1,569,215	4,099,613
Accruals	691,561	1,279,978	533,965	1,107,444
	<u>4,802,010</u>	<u>6,549,629</u>	<u>4,070,297</u>	<u>6,142,920</u>

Notes to the financial statements  
for the year ended 31 March 2018

21. Analysis of net assets between funds

	Tangible Fixed Assets £	Net Current Assets £	Total £
Restricted funds	12,631,479	106,154	12,737,633
Unrestricted funds	4,784,694	246,590	5,031,284
Designated funds	-	97,885	97,885
	<u>17,416,173</u>	<u>450,629</u>	<u>17,866,802</u>
Non charitable trading funds	109,970	163,517	273,487
	<u>17,526,143</u>	<u>614,146</u>	<u>18,140,289</u>
Included in the above figures is the revaluation reserve:			
Revaluation reserve	<u>926,243</u>	<u>-</u>	<u>926,243</u>

22. Unrestricted funds

	At 1 April 2017 £	Incoming Resources £	Outgoing Resources £	Transfers £	Gains and Losses £	At 31 March 2018 £
Unrestricted funds	4,531,302	10,503,041	(10,008,878)	(181,329)	187,148	5,031,284
Designated funds	-	40,000	(24,983)	82,868	-	97,885
	<u>4,531,302</u>	<u>10,543,041</u>	<u>(10,033,861)</u>	<u>(98,461)</u>	<u>187,148</u>	<u>5,129,169</u>

Designated funds represent funds designated for the PHD Masterplan.

Notes to the financial statements  
for the year ended 31 March 2018

23. Restricted funds

	At 1 April 2017	Incoming Resources	Outgoing Resources	Transfers	Gains and Losses	At 31 March 2018
	£	£	£	£	£	£
RNM Development fund	6,980,341	-	(297,922)	(78,320)	250,492	6,854,591
HMS Victory Preservation fund	1,977,940	2,004,183	(935,534)	-	23,697	3,070,286
HMS M33 fund	-	100,569	(49,990)	-	-	50,579
HMS Caroline fund	(1,147,254)	4,748,562	(4,778,834)	-	-	(1,177,526)
HMS Warrior 1860 fund	-	1,040,539	(940,448)	-	-	100,091
SeaMore fund	43,978	691,917	(735,895)	-	-	-
LCT 7074 fund	-	92,059	(128,423)	-	-	(36,364)
RNSM Exhibition fund	40,000	26,819	(15,309)	(7,655)	-	43,855
FAAM Projects fund	-	-	(95,148)	95,148	-	-
QEC playground fund	105,503	5,726	(145,060)	33,832	-	1
Hartlepool fund	10,000	23,575	-	-	-	33,575
Dommett Archive fund	-	10,000	-	-	-	10,000
Airships Collection fund	-	20,000	(854)	-	-	19,146
Barracuda Project fund	-	6,655	(1,246)	11,129	-	16,538
Other restricted funds (projects)	-	68,745	(63,244)	-	-	5,501
Making of a RM Commando	34,829	-	(116,636)	80,727	1,080	-
Medal Room refurbishment	15,938	-	(1,632)	-	398	14,704
Minstrel's Gallery	11,003	-	(1,027)	-	276	10,252
Centennial fund	11,773	-	(683)	-	514	11,604
Fieldhouse fund	3,763,520	11,346	(218,761)	(12,101)	148,867	3,692,871
HMS Alliance fund	-	15,648	(1,397)	(5,209)	5	9,047
Purchase of exhibits	-	28,156	(360)	(19,090)	176	8,882
	<u>11,847,571</u>	<u>8,894,499</u>	<u>(8,528,403)</u>	<u>98,461</u>	<u>425,505</u>	<u>12,737,633</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 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 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 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 NMRN. The fund was in deficit at the year end due to a delay in drawdown of NITB grants.

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

**Notes to the financial statements  
for the year ended 31 March 2018**

The SeaMore fund represents LIBOR and HLF funding received for the SeaMore project which will include the relocation of the Royal Marines Museum to Portsmouth Historic Dockyard, and the development of a central repository for historic artefacts and documents of the various museums within the NMRN group.

The RNSM Exhibition fund was donated by the Friends of the Royal Navy Submarine Museum and is being used to create a new entrance exhibition which will include the digital interpretation of the Second World War miniature submarine, HMS X24 and introduce both a Tomahawk Land Attack Missile (TLAM) and a Polaris Submarine Launched Ballistic Missile (SLBM) into the displays.

The FAAM Projects fund was funded by the Fleet Air Arm Museum and was used for engineering and building work, orientation and essential health & safety.

The QEC playground fund is for the creation of a new play park at the Fleet Air Arm Museum to celebrate the role of naval aviation and support the launch of the HMS Queen Elizabeth aircraft carrier. This development is supported by funding from Viridor Ltd, the Society of Friends of FAAM and a legacy donation.

Hartlepool fund includes funding for the creation children's play activities at NMRN Hartlepool received from the Catherine Cookson Charitable Trust and donations towards the Trincomalee 200 Appeal.

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

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.

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 Making of a Royal Marines Commando fund representing three large donations received by the Royal Marines Museum to create a permanent exhibition; 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; the HMS Alliance fund consisting of funding received for the ongoing maintenance of HMS Alliance.

Other purchases of exhibits include: funding received to purchase a case for the Winkle Brown Collection; and donations towards a Henry Harlow painting and the Coastal Motor Boat CMB331, assets which have been purchased and transferred to the Collection held by the Royal Naval Museum.

**24. Revaluation reserve**

	£
At 1 April 2017	313,590
Revaluation of fixed assets	612,653
At 31 March 2018	<u>926,243</u>

**25. Commitments and contingent liabilities**

The company had capital commitments contracted but not provided for in the financial statements amounting to £1,668,776 (2017: £2,570,677). There were no contingent liabilities at 31 March 2018 (2017: £Nil).

Notes to the financial statements  
for the year ended 31 March 2018

**26. Financial commitments**

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

	2018	2017
	£	£
Within one year	191,756	213,870
Between one and five years	445,353	637,109
	<u>637,109</u>	<u>850,979</u>

**27. 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

**Other related parties**

NMRN Operations received a grant of £2,000,000 from the HMS Victory Preservation Endowment Fund in pursuance of that charity's objects regarding the preservation of HMS Victory.

**28. Ultimate parent undertaking**

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

Exercise is controlled by the NMRN being the corporate member of the NMRN Operations.

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

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

**29. Post balance sheet events**

On 1 October 2018, the business, assets and operations of Action Stations transferred from the Portsmouth Naval Base Property Trust to NMRN Operations. The business will continue to operate as Action Stations until such time as it is closed to develop the site as the new Royal Marines Museum.