

Charity number: 1149930
Company number: 08303946

The HMS Caroline Preservation Company
(A company limited by guarantee)

Incorporating the HMS Caroline Preservation Trust

Trustees' report and financial statements

for the period ended 31 March 2019



The HMS Caroline Preservation Company
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Legal and administrative information

Charity number	1149930
Company number	8303946
Registered office	H M Naval Base PP66 Portsmouth Hampshire PO1 3NH
Director General	Professor D Tweddle
Trustees	Mr John Armstrong Mr John McMillen Mr Tim Schadla-Hall Mr Charles Wilson Captain Martin Quinn RNR Doctor Amara Thornton
Company Secretary	Captain John Rees OBE
Accountants	Compass Accountants Limited Venture House, The Tanneries, East Street, Titchfield, Hampshire, PO14 4AR
Auditors	PKF Littlejohn LLP 1 Westferry Circus, Canary Wharf, London, E14 4HD
Bankers	Lloyds TSB Bank Plc 16A High Street Cosham Portsmouth Hampshire PO6 3BY

The HMS Caroline Preservation Company
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Trustees' annual report (incorporating the directors' report)

Foreword

The charitable objectives of the HMS Caroline Preservation Company [the company], as defined in the Articles of Association are

For the benefit of the public:

- a) to preserve, restore and maintain HMS Caroline;
- b) to educate the Naval Service and Auxiliaries and other members of the public about the history of HMS Caroline and the history of the Royal Navy and other matters relating to the defence of the realm;
- c) to promote the efficiency of the armed forces by assisting recruitment and retention and fostering the esprit de corps of the men and women who are serving in the Naval Service or Auxiliaries; and
- d) commemorate and remember those members of the Naval Service and Auxiliaries who have died while on active service and to encourage public recognition of the sacrifice made by such persons.

The charitable objectives and activities of the HMS Caroline Preservation Trust [the Trust] are that

The Trustee shall hold:

- a) HMS Caroline the light cruiser which was commissioned by the Royal Navy from 1914 until 2011 (the "Ship");
- b) all chattels which the Trustee owns that belong or have belonged to the Ship (the "Ship's Fittings"); and
- c) all intellectual property in the Ship owned by the Trustee (the "Ship IP"),

in perpetuity but for the avoidance of doubt:

the Trustee may repair, replace or renew any part of the fabric of the ship in order to preserve her as a whole in as historically authentic condition as possible and after taking advice on good conservation practice and references to "the Ship" are references to HMS Caroline in her condition at the time in question which may reflect such repairs, replacements and renewals;

the Trustee is not required to hold in perpetuity and part of the Ship or the Ships Fittings which are removed in the course of a programme of preservation and restoration and in the opinion of an appropriately qualified expert have no remaining historical value.

- d) all materials acquired by the Trust for the purposes of application in preserving, restoring or maintaining the Ship; and

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e) the remainder of the Trust Fund and all accretions thereto as expendable endowment,

upon trust to apply them for the benefit of the public:

- i. to preserve, restore and maintain the Ship;
- ii. to educate the public about the history of the Ship and the history of the Royal Navy and other matters relating to the defence of the realm;
- iii. to promote the efficiency of the armed forces by assisting recruitment and retention and fostering the esprit de corps of the men and women who are serving in the Naval Service or Auxiliaries;
- iv. to commemorate and remember those members of the Naval Service and Auxiliaries who have died while on active service: and to encourage public recognition of the sacrifice made by such persons.

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Performance Report

Overview

The charity was established in November 2012 and is a wholly owned subsidiary of the National Museum of the Royal Navy [the National Museum].

The National Museum also includes: the Royal Navy Submarine Museum with HMS Alliance; Explosion, the Museum of Naval Firepower; the Fleet Air Arm Museum; the Royal Marines Museum; HMS Victory; HMS Warrior 1860; HMS M33; and the National Museum of the Royal Navy Hartlepool with HMS Trincomalee.

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. The National Museum is one of the few 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.

The charity exists solely to act as the corporate Trustee of the HMS Caroline Preservation Trust, whose only activity is that of the ownership of HMS Caroline. Operational activity is undertaken under an operator agreement by a separate group company, NMRN Operations.

Activities and achievements

The HMS Caroline Project

HMS Caroline, the Pumphouse and the completed hard landscaping reopened to the public on 17 April 2018. The Capital project is now complete with the final reconciliation and project close down ongoing.

Visitor Attraction Performance

In the period 2018-19, 41,202 visits were made to the ship. HMS Caroline's improved its ranking to 3rd place within TripAdvisor's "Things to do" in Belfast, while in the "Museums" section ranking has remained at 2nd place after Titanic Belfast. Visitor ratings on TripAdvisor continue to exceed closest neighbours.

Learning Access and Participation

A learning resource "The HMS Caroline Graphic Novel" has been produced telling the story of two people (a Sailor and a Wren) who were involved with HMS Caroline during either the First World War or the Second World War, with numerous links to the National Curriculum. The novel was launched in December 2018 to positive feedback and supports a variety of Key Stage Three Workshops.

Outreach has continued with the target audiences and has included working with access audiences (in particular delivering Dementia Friendly Outreach sessions) and outreach in more rural areas (linking with Libraries NI).

Volunteering

HMS Caroline has benefited from over 2,000 hours of volunteer time during the period undertaking activities such as transcribing curatorial documents, assisting with learning events and project work on creating digital content for HMS Caroline.

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Plans for Future Periods

The National Museum will continue to work with the NI Government in developing its strategic plan for the Titanic Quarter to drive visitor numbers to the site.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2019

Total incoming resources for the HMS Caroline Preservation Company in 2018-19 amounted to £Nil (2017-18: £Nil).

Total resources expended for 2018-19 amounted to £105 (2017-18: £104). The net movement in funds for the year was a decrease of £105.

Balance sheet

The net assets as at 31 March 2019 amounted to £12,560,103 (31 March 2018: £12,560,208).

Policy on Unrestricted Reserves

The Trustees continually monitor the levels of the charity's reserves. The charity retains a 'free reserve' in accordance with Group policy and are defined as the amounts shown as Net Current Assets in the accounts and which are attributable to Unrestricted Funds. The Group policy is that there is no requirement to accumulate free reserves within the subsidiary charities and trusts and that any reserves held will be appropriately used, as approved by the Board, for the furtherance of the charitable objects.

As at 31 March 2019, the level of the charity's free reserves stood at £103 (31 March 2018: £208). The charity exists solely to act as the corporate Trustee of the HMS Caroline Preservation Trust, whose only activity is that of the ownership of HMS Caroline. The operation of the site is undertaken by NMRN Operations under an operator agreement, therefore the Trustees are content that the going concern basis continues to apply and that the nominal free reserves are sufficient. Additionally, the operation of HMS Caroline in Northern Ireland is underwritten by the Northern Ireland Government, who entered into a legal agreement with the National Museum of the Royal Navy in October 2012.

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Auditors

The accounts have been audited by PKF Littlejohn LLP. 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.

Small company provisions

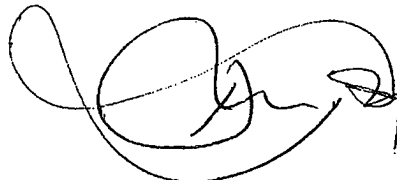
This report has been prepared in accordance with the small companies' regime under the Companies Act 2006.

Approved by the Board and signed on its behalf by



Mr Tim Schadla-Hall
Chairman on behalf of the Board of Trustees

Date 28/11/19



Professor D Tweddle
Director General and Accounting Officer

Date 28/11/19

The HMS Caroline Preservation Company
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Accountability Report

Trustees Report and Governance Statement

This report sets out the arrangements for the governance of the HMS Caroline Preservation Company, including the Board structure for Trustees. The Trustees, who are also the directors of HMS Caroline Preservation Company [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 1.

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 education of the general public about the history, deeds and traditions of the Naval Service and encourage the public to commemorate, honour and preserve the memory of those members of the Naval Service who have died on active service.

This report demonstrates how the system of governance and internal control is maintained within the HMS Caroline Preservation Company 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

The HMS Caroline Preservation Company is a company limited by guarantee (company number: 8303946) and a charity registered with the Charity Commission (registration number: 1149930). It is governed by its Memorandum and Articles of Association dated 21 November 2012, which incorporates its charitable objects, the powers of the company and provides for the appointment and reappointment of Directors. Trustees are appointed in accordance with the guidelines issued by the Officer of the Commissioner for Public Appointments (OCPA).

The charity is the sole corporate Trustee of the linked trust, the HMS Caroline Preservation Trust [the Trust], charity number 1149930-1. The Trust is governed by the Deed of Trust dated 22 November 2012. The charities were linked on 7 July 2014.

The charity has established its board with a spread of skills appropriate to the delivery of its aspirations, the HMS Caroline Preservation Company is established specifically to act as the corporate Trustee of the special Trust which holds the title of HMS Caroline on its Deeds of Trust. Representatives from DfE, TNI and HLF are "in attendance" at Board meetings.

The Trustees have further decided that they do not wish to run HMS Caroline as a heritage visitor attraction and have therefore entered into an agreement with NMRN Operations the operational arm of the National Museum of the Royal Navy to undertake this role. The Trustees ensure the distinct legal responsibilities and charitable objectives of the charity are fulfilled within an overall policy and strategy framework. The day-to-day operation of the charity within that framework is delegated to the Director General and Accounting Officer and to the Executive Directors.

A formal induction process for Trustees is in place which combines all the necessary background reading material including items such as the 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, the charity's corporate plan and a copy of the Museum Association publication, "Code of Ethics for Trustees" with a day visit to the ship to meet key members of staff and to discuss current issues. Recent appointees continue to confirm their satisfaction with this process.

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The Board of Trustees meets periodically through the year to set the long-term strategic objectives of the charity, agree the priorities and review performance against previous objectives set. The Board undertakes a periodic review of its membership and skills set and new appointments made on the basis of what skills Trustees believe the Board is lacking or believe are needed to tackle specific issues.

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.

Personal data loss

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

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.

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.

The principal risks faced by the charity centre around identification of and ability to secure future investment streams to support the development of the site.

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Statement of Trustees' and Accounting Officer's Responsibilities
for the year ended 31 March 2019

The Trustees (who are also directors of The HMS Caroline Preservation Company for the purpose of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted 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 methods and principles in the Charities SORP 2015 (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 the 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 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.

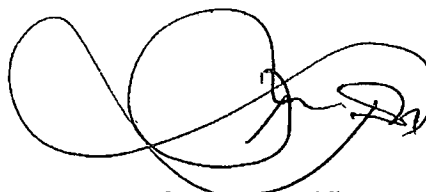
In so far as the Trustees are aware:

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



Mr Tim Schadla-Hall
Chair

Date 28/11/2019



Professor D Tweddle
Director General

Date 28/11/19

The HMS Caroline Preservation Company
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Independent auditor's report to the Trustees of The HMS Caroline Preservation Company

Opinion

We have audited the financial statements of The HMS Caroline Preservation Company (the 'charitable company') for the year ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the 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).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2019, and of its 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 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 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.

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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 directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has 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 charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in 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 accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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; or
- the Trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 11, 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 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 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

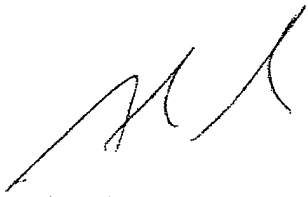
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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. This description forms part of our auditor's report.

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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
1 Westferry Circus, Canary Wharf
London, E14 4HD

Date:



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

The HMS Caroline Preservation Company
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Statement of financial activities (incorporating the income and expenditure account)
For the year ended 31 March 2019

	HMS Caroline Unrestricted Preservation funds Trust £ £ £			HMS Caroline Unrestricted Preservation funds Trust £ £ £			2018 Total £
Income and endowments from:							
Donations and legacies							
Donations	-	-	-	-	-	-	-
Total income and endowments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditure on:							
Charitable activities	105	-	105	104	-	104	104
Total expenditure	<u>105</u>	<u>-</u>	<u>105</u>	<u>104</u>	<u>-</u>	<u>104</u>	<u>104</u>
Net expenditure	<u>(105)</u>	<u>-</u>	<u>(105)</u>	<u>(104)</u>	<u>-</u>	<u>(104)</u>	<u>(104)</u>
Net movement in funds	<u>(105)</u>	<u>-</u>	<u>(105)</u>	<u>(104)</u>	<u>-</u>	<u>(104)</u>	<u>(104)</u>
Reconciliation of funds:							
Total funds brought forward	208	12,560,000	12,560,208	312	12,560,000	12,560,312	12,560,312
Total funds carried forward	<u>103</u>	<u>12,560,000</u>	<u>12,560,103</u>	<u>208</u>	<u>12,560,000</u>	<u>12,560,208</u>	<u>12,560,208</u>

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

All of the above amounts relate to continuing activities.

The notes on pages 16 to 21 form an integral part of these financial statements.

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Balance sheet
as at 31 March 2019

		2019		2018	
	Notes	£	£	£	£
Fixed assets					
Heritage assets	5	12,560,000		12,560,000	
Current assets					
Debtors	6	900		-	
Cash at bank and in hand		603		608	
Total current assets		1,503		608	
Creditors: amounts falling due within one year	7	(1,400)		(400)	
Net current assets			103		208
Net assets			12,560,103		12,560,208
Funds					
HMS Caroline Preservation Trust	8	7,556,000		7,556,000	
Revaluation reserve		5,004,000		5,004,000	
Unrestricted income funds		103		208	
Total funds	8	12,560,103		12,560,208	

The financial statements are prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

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



Mr T Scahdla-Hall
Chairman, on behalf of the Board of Trustees

Date: 28/11/19

The notes on pages 16 to 21 form an integral part of these financial statements.

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Cash flow statement
For the year ended 31 March 2019

	2019	2018
	£	£
Cash flows from operating activities:		
Net cash provided by/(used in) operating activities	(5)	302
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents in the year	(5)	302
	<hr/>	<hr/>
Cash and cash equivalents at the beginning of the year	608	306
	<hr/>	<hr/>
Total cash and cash equivalents at the end of the year	603	608
	<hr/> <hr/>	<hr/> <hr/>
Net (expenditure)/income for the reporting period	(105)	(104)
Decrease/(increase) in debtors	(900)	6
Increase/(decrease) in creditors	1,000	400
	<hr/>	<hr/>
Net cash provided by/(used in) operating activities	(5)	302
	<hr/> <hr/>	<hr/> <hr/>

The HMS Caroline Preservation Company
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Notes to the financial statements
For the year ended 31 March 2019

1. Accounting policies

1.1. Charity information

The HMS Caroline Preservation Company is a private company limited by guarantee and incorporated in England and Wales. The registered office is the National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH. The company is the sole corporate Trustee of the HMS Caroline Preservation Trust. As a linked charity the results of the Trust are shown within these accounts.

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

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

1.2. Basis of preparation of financial statements

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) 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 company. Monetary amounts in these financial statements are rounded to the nearest £.

1.3. Fund accounting

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

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

The financial statements include the HMS Caroline Preservation Trust as a separately identifiable restricted fund. The Trust is a special trust, charity number 1149930-1, which is a linked charity of the HMS Caroline Preservation Company. The Statement of Financial Activities and the Balance Sheet include the results and net assets of the Trust on a line by line basis.

1.4. Endowment funds

Endowment funds are funds which the donor has stated are to be held as capital and expendable over the long term. It is the intention that the capital value of the donation will be maintained.

1.5. Incoming resources

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

Voluntary income is received by way of grants, donations and gifts and is included in full in the statement of financial activities when receivable. Grants, where entitlement is not conditional on the delivery of a specific performance by the company, are recognised when the company becomes unconditionally entitled to the grant.

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

Gifts in kind are included in the accounts at their current market value where this is readily identifiable. Where current market value is unavailable then gifts in kind are included in the accounts on the basis of internal valuations estimated by relevant staff and determined by their experience and judgement, unless this is not possible without incurring a cost disproportionate to the benefit of the information reported to the readers of the accounts.

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

1.6. Grants receivable

Revenue grants are credited to incoming resources on the earlier 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.

1.7. Resources expended

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

Charitable expenditure comprises those costs incurred by the Company in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those costs of an indirect nature necessary to support them.

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

1.8. Tangible fixed assets and depreciation

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.

1.9. Heritage assets

The heritage assets are owned by the HMS Caroline Preservation Trust and are not depreciated due to infinite useful economic lives. An annual review for impairment is carried out in accordance with the Charities SORP, with any impairment recognised in the Statement of Financial Activities.

Significant Historic Ships

Accounting policy for initial recognition of the Heritage Asset

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

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

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

In 1914, the original build cost of HMS Caroline was £300,000. Uplifted for current value (2013), this cost was the equivalent of £25,120,000. The ship would be brought to sound and original condition, as far as possible, in the course of the refurbishment programme. However substantial elements of the original ship including the boilers, and armaments, would not be replaced. It was therefore the view of the project management team that 50% of the original value was a reasonable measure of the heritage asset value of the ship on completion of these works, the discounted value being £12,560,000.

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

Accounting policy for recognition of subsequent expenditure on significant ships

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

1.10. 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, and other short term 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.

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1.11. Estimation techniques

Estimate	Assumption
Valuation of HMS Caroline	<p>The valuation of historic ships acquired by the group has been based on an estimate of current costs of rebuilding the vessels, as the actual costs of doing so are unknown.</p> <p>This assumes that the same materials and methods of construction would be utilised with the same cost profile as the original, and, on the same basis, adjusted proportionately for those parts of the vessel that would not be replaced (for example, guns and engines).</p>

2. Governance costs

	Unrestricted funds £	2019 Total £	Unrestricted funds £	2018 Total £
Bank charges	105	105	104	104
	<u>105</u>	<u>105</u>	<u>104</u>	<u>104</u>

3. Trustees' emoluments

There were no employees during the year apart from the Trustees. Trustees are reimbursed for travel expenses through the parent company, the National museum of the Royal Navy.

4. Taxation

All of the charity's income is applied for charitable purposes and therefore the charity is exempt from corporation tax.

5. Fixed assets - Heritage assets

	HMS Caroline £	Total £
Cost		
At 1 April 2018 and At 31 March 2019	<u>12,560,000</u>	<u>12,560,000</u>
Net book values		
At 31 March 2019	<u>12,560,000</u>	<u>12,560,000</u>
At 31 March 2018	<u>12,560,000</u>	<u>12,560,000</u>

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6. Debtors

	2019	2018
	£	£
Amounts owed by connected companies	900	-
	<u>900</u>	<u>-</u>

7. Creditors: amounts falling due within one year

	2019	2018
	£	£
Amounts owed to connected companies	1,400	400
	<u>1,400</u>	<u>400</u>

8. Analysis of net assets between funds

	Unrestricted funds	HMS Caroline Preservation Trust	2019 Total funds
	£	£	£
Fund balances at 31 March 2019 as represented by:			
Tangible fixed assets	-	12,560,000	12,560,000
Current assets	1,503	-	1,503
Current liabilities	(1,400)	-	(1,400)
	<u>103</u>	<u>12,560,000</u>	<u>12,560,103</u>

Analysis of net assets between funds

	Unrestricted funds	HMS Caroline Preservation Trust	2018 Total funds
	£	£	£
Fund balances at 31 March 2018 as represented by:			
Tangible fixed assets	-	12,560,000	12,560,000
Current assets	608	-	608
Current liabilities	(400)	-	(400)
	<u>208</u>	<u>12,560,000</u>	<u>12,560,208</u>

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9. Restricted funds

	At 1 April 2018 £	At 31 March 2019 £
HMS Caroline Preservation Trust	12,560,000	12,560,000
	<u>12,560,000</u>	<u>12,560,000</u>

Purposes of restricted funds

The HMS Caroline Preservation Trust is a special trust, charity number 1149930-1, which is a linked charity of the HMS Caroline Preservation Company. This Trust is accounted for as a restricted fund of The HMS Caroline Preservation Company in accordance with SORP FRS 102 section 25.16.

10. Ultimate parent undertaking

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

Control is exercised by the NMRN being the corporate member of The HMS Caroline Preservation Company.

The NMRN was established in 2008 as a holding company of the NMRN Group which operates eight 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.

11. Related party transactions

The company has taken advantage of the exemption under FRS 102 33.1A regarding disclosure of transactions with other NMRN group entities. There were no other related party transactions.

12. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	608	(5)	603
Net funds	<u>608</u>	<u>(5)</u>	<u>603</u>