

Charity number: 1146376
Company number: 07935358

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

Incorporating the HMS Victory Preservation Trust

Trustees' report and financial statements

for the year ended 31 March 2021

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Legal and administrative information

Charity number	1146376
Company registration number	07935358
Registered office	HM Naval Base (PP66) Portsmouth Hampshire PO1 3NH
Director General and Accounting Officer	Professor Dominic Tweddle
Trustees	Admiral of the Fleet The Lord Boyce KG GCB OBE DL (Resigned 25 May 2021) Vice Admiral Sir Charles Montgomery KBE Vice Admiral Sir Tim Laurence KCVO OBE ADC(P) Ms Rosemary Banyard Mr Mark Caroe Mrs Barbara Halliday Rear Admiral James Higham Rear Admiral Amjad Hussain Ms Helen Jackson (Appointed 24 February 2021) Mr Jamie Matheson Mrs Mary Montagu-Scott Rear Admiral Richard Stokes Mr Clive Thorne (Resigned 15 July 2020)
Company Secretary	Mrs Nichola Tregear ACCA (Appointed 11 November 2021) Captain John Rees OBE (Resigned 11 November 2021)
Accountants	Compass Accountants Venture House, The Tanneries, East Street, Titchfield Hampshire PO14 4AR
Auditors	PKF Littlejohn LLP 15 Westferry Circus, Canary Wharf, London, E14 4HD
Bankers	Lloyds TSB Bank Plc 16A High Street, Cosham, Portsmouth Hampshire PO6 3DY

Trustees' annual report (incorporating the directors' report)

Foreword

The charitable objectives of the HMS Victory Preservation Company (the company), as defined in the Articles of Association, are:

- a) To preserve, restore and maintain HMS Victory;
- b) To educate the Naval Service and Auxiliaries and members of the public about the history of HMS Victory 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) 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.

The charitable objectives of the **HMS Victory Preservation Trust** are that the Trust shall hold:

- a) HMS Victory the flagship of Lord Nelson at the Battle of Trafalgar (incorporating all subsequent and future repairs and changes in constituent parts) (the Ship);
- b) All chattels which the Trust owns that belong or have belonged to the Ship including the Ship's cradle and supports (the Ship's Fittings); and
- c) All intellectual property in the Ship

in perpetuity, but for the avoidance of doubt:

- i. The Trust 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 reference to "the Ship" are references to HMS Victory in her condition at the time in question which may reflect such repairs, replacements and renewals
 - ii. The Trust is not required to hold in perpetuity any parts of the Ship or the Ship's 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 material acquired by the Trust for the purposes of application in preserving, restoring or maintaining the Ship; and
- 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;

Provided that the Trust shall have regard to the need not to act in detriment of objects (iii) and (iv) when acting in furtherance of objects (i) or (ii).

Performance Report

Overview

The company was established in February 2012 as a wholly owned subsidiary of the National Museum of the Royal Navy (the Museum), which is the sole corporate member of the company.

On 29 March 2012, the ownership of HMS Victory transferred to the HMS Victory Preservation Trust, an unincorporated registered charitable trust of the company. An agreement was signed which allows the use of the Ship by the Royal Navy for the foreseeable future. HMS Victory thus remains a commissioned warship and the First Sea Lord's Flagship. At the same time, The Gosling Foundation made an exceptionally generous gift of £25,000,000 to the trust. The company, by formal declaration, holds the Foundation's donation as Trustee of the Trust. This was also supported by a donation of £5,000,000 from the Heritage Lottery Fund Catalyst Endowment fund, a non-expendable endowment from which the Company may only use the income for a period of 25 years. The value of these endowment funds stood at £39,887,574 on the 31 March 2021.

In order to help care for the ship, the Ministry of Defence transferred £25,000,000 into a completely independent charitable trust (the HMS Victory Preservation Endowment Fund) for this purpose. The objects of the HMS Victory Preservation Endowment Fund are to support the work of the company and the care and maintenance of HMS Victory through grant funding. Its total funds as at 31 March 2021 stood at £21,318,567.

Activities and Achievements

The Trustees of the company have concluded that they do not have the expertise or infrastructure to preserve, restore and maintain the Ship or to present it to the public as a visitor attraction. Accordingly, the company has come to an agreement with the National Museum of the Royal Navy, a museum established for charitable purposes including educating the public about the history of the Royal Navy and with the expertise to preserve and restore naval artefacts, to both maintain the Ship and present it as a visitor attraction to the public as part of its charitable activities. From 1 December 2016, this activity has been delivered on behalf of the National Museum of the Royal Navy by its charitable subsidiary, NMRN Operations.

HMS Victory was closed to the public from: 23 March to 23 August 2020; from 5 November to 1 December 2020; and again, from 18 December 2020 to 16 May 2021, in response to government advice regarding the Covid-19 pandemic. Maintenance and conservation of the ship was, however, able to continue during the close down period, albeit with some delays.

Preservation: The Conservation Project Plan

The HMS Victory Preservation Company has resolved to approach the conservation of the Ship in accordance with those principles set out in the National Historic Ships UK publication *Conserving Historic Vessels*. In May 2015, the company adopted the Conservation Programme Plan (CPP) for the Ship. Developed in association with subject matter experts, the purpose of the CPP is to define what conservation work is required to deliver a fully conserved HMS Victory, in an open environment and in a condition to survive for 50 years without major work beyond a programme of planned maintenance.

Work to further refine the CPP has been progressed following the Museum's appointment of a Project Manager in July 2019, working to the Project Director. The Victory Technical Committee agreed a programme of further tests and experimentation relating to the materials to be used for conservation works; this programme was delayed in 2020, but will progress through 2021, contributing to a revised iteration of the CPP and associated budget.

Installation of the new support system continued throughout the reporting period. The last remaining cradle was removed from the dock on 5 May 2020, with the last prop in location and taken to the design load on 15 July 2020. Following practical completion, adjustments to the prop system were required across autumn, before the project was formally handed over on 18 December 2020. Project acceptance marks a significant point in the ship's conservation, as the project transitions from the stabilisation phase to one of more active conservation.

Elsewhere, maintenance of weather deck caulking and paintwork has been undertaken, with the aim of preventing water ingress.

The Museum's team of inhouse riggers has progressed survey work to the lower masts and rigging and undertaken essential maintenance to ensure the continued safety of the remaining rig. In order to install weather protection and scaffolding necessary to deliver the conservation programme plan, in July 2020 the Board agreed to the removal of the main lower mast – the first time the mast was to be removed from the ship since its installation in 1894. The project team was engaged in the extensive planning of this work, preparatory to a lift completed in May 2021.

Education

Despite the ship's closure to visitors for much of the reporting period, work has progressed on two projects to develop education provision on the history of HMS Victory and understanding of her story. In August 2020, a new walkway through Victory's dry dock was opened to the public. This brings visitors closer than ever before to some of the oldest and most historically significant parts of the ship's structure, giving access to extraordinary views of HMS Victory's hull and making accessible one of the world's oldest dry docks and a scheduled ancient monument.

Work to develop a new Victory Gallery was delayed 12 months due to lockdown, but the new gallery opened to visitors on 17 May 2021. The redevelopment of the gallery, at a cost of £1.2 million, has created a new immersive experience that complements a visit to the ship and tells HMS Victory's wider story, from her origins in the 1750s, to the conservation project that is intended to take her to 2100.

Engagement with the Royal Navy

The Museum continues to work closely with the Royal Navy to assist in the recruitment, retention and morale of members of the Royal Navy, welcoming serving personnel for tours and visits, along with providing support to the Royal Navy crew on board to host and deliver foreign and British naval guests.

Commemoration

The anniversary of the Battle of Trafalgar on 21 October continues to be an exceptionally important day in HMS Victory's calendar. As in every year, HMS Victory hosted a ceremony led by the Second Sea Lord. This 2020 ceremony was broadcast online via the Facebook Live platform.

Plans for Future Periods

In accordance with the guidelines issued by National Historic Ships UK, the company's first task has been to stabilise the ship's condition. The largest and most complex part of this phase has been to understand the causes of the ship's structural movement and develop proposals to arrest any further change in the ship's structure. Extensive structural modelling and analysis revealed that this movement was due to the way in which HMS Victory's hull was supported in the dock. A new support system, delivered at a cost of £3 million, has

addressed this long-standing issue, and will allow large-scale conservation work to begin. The overall cost of the stabilisation work of the past 9 years, including work to reduce water ingress, provide appropriate fire detection and suppression systems, improve our understanding of the ship as an historic artefact, undertake structural analysis and modelling, and provide day-to-day care and maintenance, has been £13.2 million.

The Conservation Programme Plan (CPP) (that work necessary to deliver a fully conserved HMS Victory, in an open environment and in a condition to survive for 50 years without major work beyond a programme of planned maintenance) was first developed with the assistance of a number of contractors across 2014-15. The CPP estimated that the work necessary would take 12 years at an estimated cost of £35 million. Since the CPP was delivered, much of the work caring for the ship has been brought inhouse, and some key assumptions around the scope of work and mechanism for delivery have changed. Over the past 12 months, the company has funded the development of revised proposals, which now anticipate that the work will be undertaken in two stages across 8 to 10 years. The 2019-20 Coronavirus Pandemic has impacted the development of the work programme, and this is expected to result in a delay to the commencement of major works to 2022. Overall costs for the project are presently being assessed; it is anticipated that changes to the scope of work may offset much of the savings generated by bringing the work inhouse, although the project budget is expected to remain in the order of approximately £30 million.

Over the next 12 months, the company will continue to develop and refine the CPP, with a view to starting Stage 1 Conservation in 2022. The early stages of this planning work will put in place the contracts for the team of professional consultants in support of the inhouse team. In parallel, both laboratory and large-scale testing of the materials to be employed in the ship's conservation will be taken forward to provide assurance to support decisions, relating in particular to the procurement of suitable timber for the ship, as well as the glues, fixings, and paint systems most likely to deliver the conservation objective.

The company also plans to upgrade the workshop used to deliver the shipwright and rigging work necessary to deliver a fully conserved HMS Victory.

The installation of a scaffold structure, designed to provide access for Stage 1 conservation work to both staff and members of the visiting public, will be progressed as a priority. In the short-term, this will provide protection from rainwater ingress and allow the ship to start drying.

Expenditure for the period of 12 months from the date of signing the accounts will be grant funding for preservation project and operating costs, governance costs and investment management costs. These costs will be met through investment income and through grant funding received from the completely independent charitable trust, HMS Victory Preservation Endowment Fund. The charity holds substantial reserves and endowments and also has access to those of the HMS Victory Preservation Endowment Fund, and this will support its work for many years to come. The Trustees and Directors are therefore content that the going concern basis continues to apply and the impact of the COVID-19 pandemic does not create a material uncertainty around going concern to the charity.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2021

Total incoming resources for the HMS Victory Preservation Company in 2020-21 amounted to £380,131 (2019-20: £674,211). This inflow related to investment income and interest and to voluntary donations.

Total resources expended for 2020-21 amounted to £392,661 (2019-20: £1,396,598). This outflow related to grants awarded to NMRN Operations for delivery of the stabilisation project, and investment management and governance costs.

After net gains on investments of £6,412,822 on the investment portfolio as a result of market volatility in response to the Covid-19 pandemic, and other recognised gains on revaluation of fixed assets totalling £1,138, the net movement in funds for the year was an increase of £6,401,430.

Balance sheet

The net assets as at 31 March 2021 amounted to £66,656,040 (31 March 2020: £60,254,610). Of this total, £606,855 related to unrestricted funds, £39,887,574 related to endowment funds, and £26,161,611 are the assets (the ship itself and stock less current liabilities) of the HMS Victory Preservation Trust.

Movements in fixed assets are shown in notes 11 – 13.

Reserves

The Trustees regularly monitor the levels of the company's free reserves (defined for the purposes of this policy as the amounts shown as "Net Current Assets" in the accounts of the company, and which are attributable to Unrestricted Funds). As at 31 March 2021, the level of the company's free reserves stood at £606,855.

The Trustees have considered the Reserves Policy and have decided not to set a minimum figure for the reserve because of the continually changing circumstances of the company and group.

Investment Policy

The Trustees have developed a formal Investment Policy that operates alongside the Reserves Policy. The Trustees have delegated decision making on investment matters to its Investment Committee, but reports are regularly received by the Trustees, and the appointed Fund Managers report formally to the Board once a year.

The company seeks to produce the best possible financial return within an acceptable level of risk. The investment objective for the period, reviewed in January 2020, was to generate a total return of CPI plus 4% per annum over the long term.

Returns from these funds are required to maintain HMS Victory in perpetuity and it is therefore essential to invest with a long-term perspective. If achieved, the company should be able to maintain the real value of its investment portfolio while funding annual expenditure for maintenance and repair estimated in the region of 3% of capital per annum.

The company adopts a total return approach to investment, generating the investment return from income and capital gains or losses. It is expected that if in any one year the total return is insufficient to fund the ongoing expenditure, in the long term the value of the portfolio will still be maintained in accordance with the investment objective above. Capital gains may be used to provide cash for the objective provided that the original investment has been preserved.

The key risk to the long-term achievement of the investment objective is inflation, and the assets are invested accordingly. The Trustees understand that this will mean that investments are likely to be predominantly invested in equities, where dividends can be expected to grow, and that capital value will fluctuate. The company's attitude to risk is therefore described as progressive.

The company's assets can be invested widely and are expected to be diversified by asset class, by manager and by security. Asset classes can include cash, bonds, equities, property funds, hedge funds, structured products, private equity, commodities, and any other asset class that is deemed suitable for the company. The Trustees do not wish to invest in direct property.

No specific ethical investment restriction is placed on the Investment Managers' remit. The trustees are content that the corporate socially responsible investment policies of the current Investment Managers meet their needs.

The Investment Committee is charged with agreeing a suitable asset allocation framework with the Fund Managers, which is set with the overall company objective in mind.

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



Vice Admiral Sir Charles Montgomery KBE ADC
On Behalf of the Board of Trustees

Date: 24th November 2021



Professor Dominic Tweddle
Director General and Accounting Officer

Date: 24th November 2021

Accountability Report

Trustees Report and Governance Statement

This report sets out the arrangements for the governance of the HMS Victory Preservation Company, including the Board structure for Trustees. The Trustees, who are also directors of the HMS Victory Preservation 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 National Museum of the Royal Navy is the sole corporate member of the company.

The Trustees have due regard to guidance issued by the Charity Commission on public benefit and, in its charitable objects, the company seeks to conserve HMS Victory for future generations, to promote the education of the general public about the history, deeds and traditions of the Naval Service and to 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 Victory Preservation Company and how the major risks to which the company is exposed, as identified by Trustees, have been reviewed and systems have been established to mitigate those risks.

The Governance Framework

HMS Victory Preservation Company is a company limited by guarantee (company number: 07935358) and a charity registered with the Charity Commission (registration number: 1146376). It is governed by its Articles of Association dated February 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 Charity Commission's guidance 'Finding new trustees: what charities need to know' and appointments are guided by the principles of the Cabinet Office guidelines 'Governance Code on Public Appointments'.

The Trustees ensure the distinct legal responsibilities and charitable objectives of the company are fulfilled within an overall policy and strategy framework. The day-to-day operation of the company within that framework is delegated to the National Museum of the Royal Navy's Director General and Accounting Officer and to its 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 company's corporate plan and a copy of the Museum Association publication, "Code of Ethics for Trustees", the Conservation Maintenance Plan for the Ship, with a day visit to the National Museum to meet key members of staff and to discuss current issues. Recent appointees continue to confirm their satisfaction with this process.

The Board of Trustees meet periodically through the year to set the long-term strategic objectives of the company, 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 are made on the basis of what skills Trustees believe the Board is lacking or believe are needed to tackle specific issues.

In addition to the Board of Trustees, there are several subcommittees covering the key areas of operations. Relevant Board decisions are only taken after the appropriate subcommittee has met, discussed the issue and made its recommendations.

The subcommittees of the Board include:

Investment and Finance Committee

This committee usually meets at least three times a year and is responsible for:

- liaising with the investment managers and advising the Board on the investment strategy of the company in relation to those assets for which the Board has direct responsibility;
- receiving reports from the investment managers regarding the valuation and performance of the investment portfolio and recommendations concerning investment strategy and reports, with related external accountant's opinions, on the appropriateness, completeness, and operation of the investment manager's control systems;
- monitoring and reviewing the implementation of the Board approved strategy and performance of the investment managers and the management of cash balances;
- considering the appointment, resignation, or dismissal of the investment managers, approving their remuneration and advising the Board on the frequency and process of tendering for investment managers;
- reviewing the business plan and annual budget and recommending their approval to the Board;
- reviewing the company's Reserves policy on behalf of the Board and make recommendations regarding the Reserves policy and the level of Reserves required to enable the company to fulfil its charitable objectives; and
- as the need arises, considering any other matters of importance to the company, particularly where a financial implication may arise.

Technical Committee

This committee meets as required and is responsible for:

- constructing and periodically reviewing a strategic plan for the repair, refurbishment, and conservation of HMS Victory;
- constructing and delivering a detailed plan of work, derived from the strategic plan, within the available resources supplied by the HMS Victory Preservation Company;
- overseeing the construction and implementation of the conservation management strategy and subsequently a conservation management plan for HMS Victory to support the repair and conservation work;
- overseeing the construction and implementation of an interpretation strategy and subsequently an interpretation plan for HMS Victory;
- creating, implementing, and maintaining a Technical Committee organisation that is completely coherent, transparent and has at its core the necessary competences, independent technical advice and professional expertise in the conservation of 18th Century wooden ships;
- establishing a process that records and documents (with photographic evidence) the entirety of the project to repair, refurbish and conserve HMS Victory;
- making, inter alia, recommendations to the Board on the strategic approach required to align future work on HMS Victory with available resources; and
- receiving periodic reports from the Project Director on the progress of work.

Audit Committee

The committee meets as business requires to consider extraordinary items or items specific to the Company. Members are invited to observe the NMRN Audit and Governance Committee, which is responsible for the effectiveness of audit controls across the group.

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 company has not identified any personal data related incidents during 2020-21. 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 company.

System of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the company'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 and internal 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 company's risk register is reviewed at each Board meeting. 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 company's Board. In addition, the company has a system of internal review and checks which link to plans and risks.

The principal risks to the delivery of the company's objectives focus on fire damage to or structural failure of the Ship. To mitigate these risks, a very high standard of mitigation practices is engaged, including robust fire risk assessments, detection systems and response plans and close monitoring of structural and load data, with timely response to advice from a structural engineer.

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

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

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

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

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



**Vice Admiral Sir Charles Montgomery KBE ADC
On Behalf of the Board of Trustees**

Date: 24th November 2021



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

Date: 24th November 2021

Independent Auditor's report to the Trustees of The HMS Victory Preservation Company

Opinion

We have audited the financial statements of The HMS Victory Preservation Company (the 'charitable company') for the year ended 31 March 2021 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 FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2021 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- We obtained an understanding of the charitable company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience.
- We determined the principal laws and regulations relevant to the charitable company in this regard to be those arising from the Companies Act 2006, Charities Act 2011, Charities (Accounts and Reports) Regulations 2008, Financial Reporting Standard 102 and the Charities SORP.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the charity with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was a potential for management bias in the allocation of support costs against charitable activity categories.

We addressed this through reviewing the method used for reasonableness and re-performing the calculation to ensure it had been performed accurately in line with the stated method.

- We also identified potential for management bias in the valuation of donated heritage assets on the Balance Sheet. We challenged the valuation methodology, including inputs and considering whether assumptions are reasonable and appropriate. We also challenged management's annual review for impairment.
- We also identified potential for management bias in the depreciation rate applied to tangible fixed assets, and we addressed this by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- We also identified potential for management bias in the judgements made around recoverability of debtors. We addressed this through examination of post year end cash received, review of correspondence with debtors and discussion of recoverability with management.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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



Nicky Whitehead FCA (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP, Statutory Auditor

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

Date: 13th December 2021

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

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

		HMS Victory				HMS Victory			
		Unrestricted	Preservation	Endowment	2021	Unrestricted	Preservation	Endowment	2020
		funds	Trust	funds	Total	funds	Trust	funds	Total
	Notes	£	£	£	£	£	£	£	£
Income and endowments from:									
Donations	2	1,475	-	-	1,475	5,142	-	-	5,142
Investments	3	298,819	-	79,837	378,656	511,115	-	157,954	669,069
Total income and endowments		<u>300,294</u>	<u>-</u>	<u>79,837</u>	<u>380,131</u>	<u>516,257</u>	<u>-</u>	<u>157,954</u>	<u>674,211</u>
Expenditure on:									
Investment management costs	4	-	-	147,120	147,120	-	-	242,517	242,517
Charitable activities:									
HMS Victory Preservation	5 / 6	233,245	12,296	-	245,541	1,143,724	10,357	-	1,154,081
Total expenditure		<u>233,245</u>	<u>12,296</u>	<u>147,120</u>	<u>392,661</u>	<u>1,143,724</u>	<u>10,357</u>	<u>242,517</u>	<u>1,396,598</u>
Net gains/(losses) on investments		<u>-</u>	<u>-</u>	<u>6,412,822</u>	<u>6,412,822</u>	<u>-</u>	<u>-</u>	<u>(1,292,412)</u>	<u>(1,292,412)</u>
Net income/(expenditure)		<u>67,049</u>	<u>(12,296)</u>	<u>6,345,539</u>	<u>6,400,292</u>	<u>(627,467)</u>	<u>(10,357)</u>	<u>(1,376,975)</u>	<u>(2,014,799)</u>
Transfers between funds		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other recognised gains/(losses)									
Gains/(losses) on revaluation of fixed assets	11	-	1,138	-	1,138	-	2,500	-	2,500
Net movement in funds		<u>67,049</u>	<u>(11,158)</u>	<u>6,345,539</u>	<u>6,401,430</u>	<u>(627,467)</u>	<u>(7,857)</u>	<u>(1,376,975)</u>	<u>(2,012,299)</u>
Reconciliation of funds:									
Total funds brought forward		<u>539,806</u>	<u>26,172,769</u>	<u>33,542,035</u>	<u>60,254,610</u>	<u>1,167,273</u>	<u>26,180,626</u>	<u>34,919,010</u>	<u>62,266,909</u>
Total funds carried forward		<u><u>606,855</u></u>	<u><u>26,161,611</u></u>	<u><u>39,887,574</u></u>	<u><u>66,656,040</u></u>	<u><u>539,806</u></u>	<u><u>26,172,769</u></u>	<u><u>33,542,035</u></u>	<u><u>60,254,610</u></u>

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

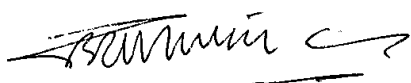
The notes on pages 20 to 31 form an integral part of these financial statements.

Balance sheet
as at 31 March 2021

	Notes	2021	2020
		£	£
Fixed assets			
Tangible assets	11	138,592	147,890
Heritage assets	12	19,375,000	19,375,000
Investments	13	39,930,481	33,601,870
Total fixed assets		59,444,073	53,124,760
Current assets			
Stocks	14	6,648,019	6,650,539
Debtors	15	10,361	25,810
Cash at bank and in hand		601,962	521,085
Total current assets		7,260,342	7,197,434
Creditors: amounts falling due within one year	16	(48,375)	(67,584)
Net current assets		7,211,967	7,129,850
Net assets		66,656,040	60,254,610
Funds			
Unrestricted funds		606,855	539,806
HMS Victory Preservation Trust:			
HMS Victory Preservation Trust funds		26,129,926	26,142,222
Revaluation reserve		31,685	30,547
Total HMS Victory Preservation Trust funds	18	26,161,611	26,172,769
Endowment funds	19	39,887,574	33,542,035
Total funds		66,656,040	60,254,610

The financial statements have been 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:



Vice Admiral Sir Charles Montgomery KBE ADC
Director, on behalf of the Board of Trustees

Date: 24th November 2021

The notes on pages 20 to 31 form an integral part of these financial statements.

**Cash flow statement
for the year ended 31 March 2021**

	Notes	2021 £	2020 £
Cash flows from operating activities:			
Net cash used in operating activities		(381,990)	(1,408,435)
Cash flows from investing activities			
Dividend and interest income		378,656	669,069
Purchase of investments		(79,837)	(157,954)
Disposal of investments		-	-
Adjustment for non-cash fees deducted from gains/losses		164,048	241,427
Cash used in investing activities		<u>462,867</u>	<u>752,542</u>
Increase/(decrease) in cash and cash equivalents in the year	21	<u>80,877</u>	<u>(655,893)</u>
Cash and cash equivalents at the beginning of the year		521,085	1,176,978
Cash and cash equivalents at the end of the year		<u><u>601,962</u></u>	<u><u>521,085</u></u>
Net income/(expenditure) for the reporting period (as per the statement of financial activities)		6,400,292	(2,014,799)
Depreciation		10,436	10,357
(Gains)/losses on investments		(6,412,822)	1,292,412
Dividends and interest from investments		(378,656)	(669,069)
Decrease in stocks		2,520	-
Decrease/(increase) in debtors		15,449	(24,430)
(Decrease) in creditors		(19,209)	(2,906)
Net cash used in operating activities		<u><u>(381,990)</u></u>	<u><u>(1,408,435)</u></u>

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

1. Accounting policies

1.1. Company information

The HMS Victory 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 Victory Preservation Trust. As a linked charity the results of the Trust are shown within these accounts.

The HMS Victory 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 company 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 (Charities SORP FRS 102) issued in October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, and UK Generally Accepted Practice as it applies from 1 January 2019.

The role of the Trust is to hold HMS Victory and its reserves, which it will grant to NMRN Operations as and when required in accordance with the delivery of the charitable objects, for the preservation and operation of the ship, until such a time as the reserves are expended or a nominal sum remains. The Trustees are content that the going concern basis continues to apply and the impact of the COVID-19 pandemic does not create a material uncertainty around going concern in the Trust.

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

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 this criteria is identified to the fund, together with a fair allocation of overheads and support costs.

The financial statements include the HMS Victory Preservation Trust as a separately identifiable restricted fund. The Trust is a special trust, charity number 1146376-1, which is a linked charity of the HMS Victory 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 donors have stated are to be held as capital and could be expendable over the long term. It is the intention that the capital value of the donation will be maintained although the company is free to expend the donation from the Gosling Foundation if it wishes. The Heritage Lottery Fund Catalyst Endowment donation is required to be retained for 25 years before it may be expended or an application be made to expend it before the twenty five year limit is reached.

1.5. Incoming resources

All incoming resources are included in the statement of financial activities when the company 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:

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

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

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

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

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

1.6. Grants receivable

Revenue grants are credited to incoming resources on the earlier 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 company 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 company'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 accrual 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.

Support costs are those costs incurred directly in support of expenditure on the objects of the company and include project management.

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.

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Plant and machinery	- 3 - 25 years
Fixtures, fittings and equipment	- 3 - 25 years

1.9. Heritage assets

The heritage assets are owned by the HMS Victory Preservation Trust and have been included in the financial statements as set out below:

Additions to the collection with a cost in excess of £2,500 are capitalised. In accordance with section 34 of FRS 102 these assets are not depreciated as they are deemed to have indefinite lives.

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

On 29 March 2012 the title to, and beneficial ownership of, the collection on board HMS Victory passed to the Trust. Information regarding cost or value of this collection is not readily available and the Trust considers that the cost of obtaining such valuation for the collection of assets held is significant, and is not commensurate with the benefit obtained by including the additional capitalised value in the financial statements.

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. An annual review for impairment is carried out in accordance with the Charities SORP, with any impairment recognised in the Statement of Financial Activities.

The 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 Victory, was floated out of the Old Single Dock in Chatham's Royal Dockyard in 1765. In 1805 she achieved lasting fame as the flagship of Vice-Admiral Nelson in Britain's greatest naval victory, the defeat of the French and Spanish at the Battle of Trafalgar. She is the oldest commissioned warship in the world and remains a commissioned warship of the Royal Navy and the Flag Ship of the First Sea Lord. The Ship was gifted to the Trust on 29 March 2012 by the Ministry of Defence.

HMS Victory has been included in the accounts at a value of £19,375,000 calculated on a total rebuild basis discounted to take account of the Ship's current state of repair. This value was calculated by staff of the National Museum by reference to the costs incurred by the Association Hermione-La Fayette in their construction of the replica frigate, Hermione, on a pro-rata basis on respective tonnage displacement of the two ships.

The value of HMS Victory, on the basis of full renewal cost of rebuild, has been calculated as £50,000,000. The calculation is based on the comparable cost of the frigate 'Hermione' project, completed in 2012. This cost was pro-rated for the relative displacement tonnages. L'Hermione's displacement tonnage was 1,166 tonnes and the rebuild cost was £16,700,000 in 2012. HMS Victory's displacement tonnage is 3,500 tonnes therefore the rebuild cost is approximately £50 million.

HMS Victory today is far from 'new build' condition and during the next 15-20 years, it is projected that a sum in the region of £30,625,000 (at current costs) will be expended in bringing the Ship to (something close to) new condition. Whilst HMS Victory will not then be literally 'as good as new', any lower value would be offset by it being, at least in perception, the original ship.

Based on the above, the Ship has been recognised in the accounts at a valuation of £19,375,000 reflecting an 'as new' value, discounted back for the expenditure anticipated to be required to achieve that outcome. An increasing value, over time, as renovations are carried out, will reflect the improving condition of the Ship.

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.

During the restoration project the Ship will be subject to a formal revaluation at least every 5 years, with the next scheduled for 2022. The progress of the project will be reviewed annually with any material change being reflected by an interim valuation.

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

1.10. Investments

Investments held as fixed assets are revalued at mid-market value at the balance sheet date and the gain or loss taken to the statement of financial activities.

1.11. Basic financial instruments

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

1.12. Estimation techniques

Estimate	Assumption
Valuation of HMS Victory	The valuation of HMS Victory has been based on the cost of building a similar vessel. This assumes that the same materials and methods of construction would be utilised with the same cost profile as the Hermione-La Fayette.
Valuation of timber stock	<p>The valuation of the timber stock has been carried out by a professional valuer in 2012 based on the assumption that the open market value could be achieved in the event of a sale.</p> <p>Although the stock of timber has been professionally valued, this can only be considered an estimate because, due to the nature and quantity of timber held, if it were ever to be sold on the open market, there would likely be a negative impact on the market price.</p>

1.13. Stock

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

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Trust received approximately 500m³ of teak, procured by MoD and valued by Timbmet, in order to undertake repairs to the Ship's planking. At the HMS Victory Preservation Company Board meeting of 13 November 2014, the Board endorsed the Technical Committee's recommendation that, for planning purposes, oak be used as the candidate timber for the conservation of the Ship. Samples of oak are presently being subject to material trials to assess their durability in the Ship's structure. Completion of the Phase 1 Trials (static accelerated weathering and UV trials of paint schemes, fixings and caulking) and Phase 2 Trials (dynamic trials of caulking), which will confirm the use of the oak, were delayed as a result of the pandemic. A contract is now in place with Southampton University's nc² Engineering Consultancy to complete the materials testing in 2021.

The majority of teak timber stocks held are in laminated board form; that is, the boards have been manufactured from smaller pieces of timber. The University of Ljubljana and BMTRADA (formerly the Timber Research and Development Agency) were contracted to undertake testing of the quality of the laminates, both with a view to the use of teak in the Ship (should oak prove unable to meet the conservation objectives), and also to understand the timber's value should disposal be considered. The teak has been tested and found to have a durability test score of class one and a laminate strength of 'strength three' which is adequate for cladding but not necessarily marine usage. Should oak prove unsuitable for the conservation project, it is estimated that around 50% of the 500m³ of teak in stock will be required for use on the Ship over the next 20 years.

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

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

In addition to the timber gifted by the MoD, a further amount of timber is also held for use in the preservation of the Ship. This timber remains the property of the Crown. Although the Trust has day to day use of this timber, ultimate control remains with the Crown. Accordingly, movements of this stock are recorded to recognise the donation of timber by the Crown as it is used on the Ship.

In 2016, 93 tonnes of oak and elm were donated by four Scottish Estates towards the conservation of HMS Victory. The logs were surveyed over winter 2016/17 and sawn into planks. The timber is being stored and seasoned by a timber specialist with the anticipated seasoning period expected to be between 4-5 years for the oak, and 3-7 years for the elm. When the final seasoned quantity is known, the timber will be valued at market value and brought onto the balance sheet.

2. Donations

	Unrestricted funds £	2021 Total £	Unrestricted funds £	2020 Total £
Other donations	1,475	1,475	5,142	5,142
	<u>1,475</u>	<u>1,475</u>	<u>5,142</u>	<u>5,142</u>

3. Investments

	Unrestricted funds £	Endowment funds £	2021 Total £	Unrestricted funds £	Endowment funds £	2020 Total £
Income from listed investments	298,819	79,837	378,656	511,115	157,954	669,069
	<u>298,819</u>	<u>79,837</u>	<u>378,656</u>	<u>511,115</u>	<u>157,954</u>	<u>669,069</u>

4. Investment management costs

	Endowment funds £	2021 Total £	Endowment funds £	2020 Total £
Investment management fees	147,120	147,120	242,517	242,517
	<u>147,120</u>	<u>147,120</u>	<u>242,517</u>	<u>242,517</u>

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

5. Costs of charitable activities - by fund type

	Unrestricted funds	HMS Victory Preservation Trust	2021 Total	Unrestricted funds	HMS Victory Preservation Trust	2020 Total
	£	£	£	£	£	£
HMS Victory Preservation	233,245	12,296	245,541	1,143,724	10,357	1,154,081
	<u>233,245</u>	<u>12,296</u>	<u>245,541</u>	<u>1,143,724</u>	<u>10,357</u>	<u>1,154,081</u>

6. Costs of charitable activities - by activity

	Activities undertaken directly	Governance and support costs	2021 Total	2020 Total
	£	£	£	£
HMS Victory Preservation	3,112	14,429	17,541	29,902
Grant to NMRN Operations (Charity 1169061)	228,000	-	228,000	1,124,179
	<u>231,112</u>	<u>14,429</u>	<u>245,541</u>	<u>1,154,081</u>

7. Analysis of governance and support costs

	2021 Total	2020 Total
	£	£
Depreciation and impairment	10,436	10,357
Accountancy fees	2,430	2,784
Auditor remuneration	3,028	3,288
Legal & professional fees	(1,465)	7,218
	<u>14,429</u>	<u>23,647</u>

8. Net incoming resources for the year

	2021	2020
	£	£
Net incoming resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	10,436	10,357
Auditors' remuneration	<u>3,028</u>	<u>3,288</u>

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

9. Employees

No salaries or wages have been paid to employees, including the trustees, during the year. Trustees travel expenses for three Trustees totalled £592 (2020: £323).

10. Taxation

All of the company's income is applied for charitable purposes and therefore the company is exempt from Corporation Tax.

11. Fixed assets - Tangible assets

	Plant and machinery £	Fixtures, fittings and equipment £	Total £
Cost or valuation			
At 1 April 2020	31,706	211,964	243,670
Revaluation	144	1,631	1,775
At 31 March 2021	<u>31,850</u>	<u>213,595</u>	<u>245,445</u>
Depreciation			
At 1 April 2020	27,949	67,831	95,780
Charge for the year	1,892	8,544	10,436
Revaluation	115	522	637
At 31 March 2021	<u>29,956</u>	<u>76,897</u>	<u>106,853</u>
Net book values			
At 31 March 2021	<u>1,894</u>	<u>136,698</u>	<u>138,592</u>
At 31 March 2020	<u>3,757</u>	<u>144,133</u>	<u>147,890</u>

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

12. Fixed assets - Heritage assets

	HMS Victory £	Total £
Valuation		
At 1 April 2020 and At 31 March 2021	19,375,000	19,375,000
Net book values		
At 31 March 2021	19,375,000	19,375,000
At 31 March 2020	19,375,000	19,375,000
	At cost £	At valuation £
Carrying amount at 1 April 2020 and 31 March 2021	-	19,375,000

There were no additions made to the Collection in the year. There were no impairments during the year.

Cost or valuation	2021 £	2020 £	2019 £	2018 £	2017 £
<u>Additions</u>					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
<u>Disposals</u>	-	-	-	-	-

13. Fixed assets - Investments

	Listed investments £	Total £
Valuation		
At 1 April 2020	33,601,870	33,601,870
Additions	79,837	79,837
Gains and losses before management fees	6,412,822	
Less management fees deducted	(164,048)	
Net increase in investment market value	6,248,774	6,248,774
At 31 March 2021	39,930,481	39,930,481
Historical cost as at 31 March 2021	31,411,019	31,411,019
Historical cost as at 31 March 2020	31,331,182	31,331,182

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

The HMS Victory Preservation Company holds two portfolios of investments, managed by Ruffer LLP and Cazenove Capital Management. The investment objective is to generate a total return of inflation plus 3% per annum over the long term. The market valuation at the year end is provided by the Fund Managers, the results of which are summarised as follows:

		2021 £	2020 £
<u>UK</u>	UK government and fixed interest securities	729,227	2,338,358
	UK bonds	657,358	1,182,819
	UK equities	4,549,642	5,585,351
	Portfolio funds	-	524,255
	Others	4,062,522	8,555,316
	Capital account	1,013,583	863,930
		<u>11,012,332</u>	<u>19,050,029</u>
<u>Overseas</u>	Fixed interest	1,388,326	3,817,378
	International bonds	1,333,439	737,168
	International equities	23,472,665	9,997,295
	Others	2,723,719	-
		<u>28,918,149</u>	<u>14,551,841</u>
		<u>39,930,481</u>	<u>33,601,870</u>

14. Stocks

	2021 £	2020 £
Stocks	<u>6,648,019</u>	<u>6,650,539</u>

15. Debtors

	2021 £	2020 £
Amounts owing from group companies	1,425	4,444
Accrued income	8,936	21,366
	<u>10,361</u>	<u>25,810</u>

16. Creditors: amounts falling due within one year

	2021 £	2020 £
Other creditors	-	45
Accruals and deferred income	48,375	67,539
	<u>48,375</u>	<u>67,584</u>

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

17. Analysis of net assets between funds

	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2021 Total funds
	£	£	£	£
Fund balances at 31 March 2021 as represented by:				
Tangible fixed assets	-	19,513,592	-	19,513,592
Investment assets	-	-	39,930,481	39,930,481
Current assets	612,323	6,648,019	-	7,260,342
Current liabilities	(5,468)	-	(42,907)	(48,375)
	<u>606,855</u>	<u>26,161,611</u>	<u>39,887,574</u>	<u>66,656,040</u>
Unrealised gains included in tangible fixed assets	-	31,684	-	31,684
	<u>-</u>	<u>31,684</u>	<u>-</u>	<u>31,684</u>
	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2020 Total funds
	£	£	£	£
Fund balances at 31 March 2020 as represented by:				
Tangible fixed assets	-	19,522,890	-	19,522,890
Investment assets	-	-	33,601,870	33,601,870
Current assets	546,935	6,650,539	-	7,197,434
Current liabilities	(7,089)	(660)	(59,835)	(67,584)
	<u>539,806</u>	<u>26,172,769</u>	<u>33,542,035</u>	<u>60,254,610</u>
Unrealised gains included in tangible fixed assets	-	30,546	-	30,546
	<u>-</u>	<u>30,546</u>	<u>-</u>	<u>30,546</u>

18. Restricted funds

	At 1 April 2020	Outgoing resources	Gains and losses	At 31 March 2021
	£	£	£	£
HMS Victory Preservation Trust	<u>26,172,769</u>	<u>(12,296)</u>	<u>1,138</u>	<u>26,161,611</u>
	At 1 April 2019	Outgoing resources	Gains and losses	At 31 March 2020
	£	£	£	£
HMS Victory Preservation Trust	<u>26,180,626</u>	<u>(10,357)</u>	<u>2,500</u>	<u>26,172,769</u>

Purposes of restricted funds

The HMS Victory Preservation Trust is a linked Charity (and Special Trust) of the HMS Victory Preservation Company and as such is shown as a separate restricted fund.

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

19. Endowment funds

	At 1 April 2020 £	Incoming resources £	Outgoing resources £	Gains and losses £	At 31 March 2021 £
Endowment Fund	28,192,493	67,063	(123,581)	5,386,770	33,522,746
Catalyst Endowment Fund	5,349,542	12,774	(23,539)	1,026,052	6,364,828
	<u>33,542,035</u>	<u>79,837</u>	<u>(147,120)</u>	<u>6,412,822</u>	<u>39,887,574</u>

	At 1 April 2019 £	Incoming resources £	Outgoing resources £	Gains and losses £	At 31 March 2020 £
Endowment Fund	29,349,152	132,681	(203,714)	(1,085,626)	28,192,493
Catalyst Endowment Fund	5,569,858	25,273	(38,803)	(206,786)	5,349,542
	<u>34,919,010</u>	<u>157,954</u>	<u>(242,517)</u>	<u>(1,292,412)</u>	<u>33,542,035</u>

20. Ultimate parent undertaking

The HMS Victory 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 Victory Preservation Company.

The NMRN was established in 2008 as a holding company of the NMRN Group which operates a number of naval service museums, including HMS Victory. 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.

21. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	521,085	80,877	601,962
Net funds	<u>521,085</u>	<u>80,877</u>	<u>601,962</u>

22. 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.

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

23. Revaluation reserve

	2021	2020
	£	£
At 1 April 2020	30,546	28,046
Movement in reserves	1,138	2,500
At 31 March 2021	<u>31,684</u>	<u>30,546</u>