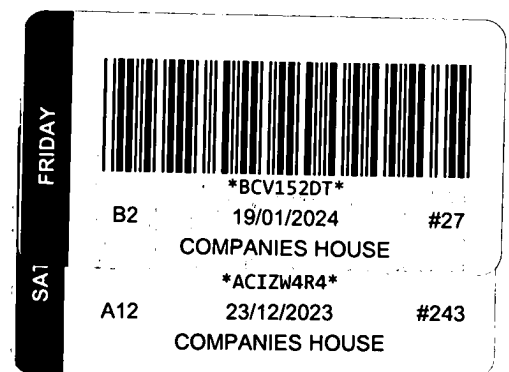


Charity number: 1146376
Company number: 07935358

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 2023



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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	Matthew Sheldon (appointed 1 December 2023) Dominic Tweddle (resigned 30 November 2023)
Trustees	Vice Admiral Sir Charles Montgomery Ms Rosemary Banyard Commodore Jeremy Bailey (appointed 7 February 2023) Ms Joanna Baldwin (appointed 30 May 2023) Mr Mark Caroe (resigned 17 May 2023) Mr William Ferris (resigned 29 September 2022) Mrs Barbara Halliday Rear Admiral James Higham (resigned 7 January 2023) Rear Admiral Amjad Hussain Mr Andrew Impey Ms Helen Jackson Mr Jamie Matheson Mrs Mary Montagu-Scott Rear Admiral Richard Stokes Dr Matthew Tanner Mrs Julie Taylor (appointed 31 May 2023)
Company Secretary	Nichola Tregear
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).

Statement from the Chair of Trustees

I am pleased to render the Annual Report of HMS VICTORY Preservation Company, which holds the ship on Trust.

In my introduction last year, I described a period in which the Company and its operational delivery partner, NMRN Operations, were carefully preparing for one of the most fundamental periods of restoration and conservation in the ship's long and distinguished service as a commissioned warship.

During this year, that work has continued with the very clear aim of commencing the practical restoration next year. A very large scaffolding structure was erected to provide a tented area over much of the ship, protecting the hull from the weather and especially water ingress. The conservation and shipwright teams have progressed with material trials to ensure the restoration is completed aligned to the original materials used. A large and dedicated workshop, well equipped with the special facilities required for future work, has been created. This will enable the project to manage the very significant re-planking work; and to receive and prepare the large volumes of timber procured. Ground breaking scientific work has continued to understand how the ship has been gradually decaying; and how the degradation might be arrested in future. This has been captured through 3D modelling, drone surveys and 3D high resolution images of the planks.

As this report sets out, the Company has continued to meet its charitable objects notwithstanding the disruptive effect of the work in progress. Indeed it has sort to make a virtue of it. Visitors are able to witness the work at all deck levels - internal and external, through a route under cover of the tented structure, benefitting from new interpretation displays, and witnessing the shipwrights, conservators, archaeologists and historians in action.

The project remains well funded, though the onset of high inflationary costs and reduced return on investments have required work to reprofile the ten year forecasts. Thus far, capital costs have largely been met through grants to NMRN Operations provided by an independent charity - HMS Victory Preservation Endowment Fund - with whom we work very closely. The Company has met the associated operating costs and, on current forecasts, expects to meet operating and capital costs in 2026-27, when the Endowment fund will be depleted.

A project of this nature brings very obvious and specific risks. The Company's Board reviews these risks at Board meetings - working alongside our operating partners - and is confident that they remain well managed. As a consequence of those reviews the project's governance is being further strengthened by NMRN Operations.

In sum, after a year of careful preparation, the Board is reassured that all is well set for the restoration to commence next year; charitable objects have been met; and the project remains well funded and governed.



Vice Admiral Sir Charles Montgomery KBE

Performance Report

Overview

The company was established in February 2012 as a wholly owned subsidiary of the National Museum of the Royal Navy ("the National 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 Royal Navy's Flagship. At the same time, The Gosling Foundation made an exceptionally generous gift of £25,000,000 to the company. The company, by formal declaration, holds the Foundation's donation as an endowment fund 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 £41,755,240 on the 31 March 2023.

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 charitable entity, NMRN Operations (charity number: 1169061), also a wholly owned subsidiary of the National Museum, that it will both maintain the Ship and present it as a visitor attraction to the public as part of its charitable activities.

The Trustees have complied with the duty in section 17 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission in defining the strategic direction and activities outlined below relating to HMS Victory.

Activities and Achievements

Preserving, restoring and maintaining HMS Victory

The HMS Victory Preservation Company has resolved the conservation of the Ship will be approached in accordance with those principles set out in the National Historic Ships UK publication "Conserving Historic Vessels". In May 2015, the company approved the Conservation Programme Plan (CPP) for the Ship. Developed by NMRN Operations 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.

To support the CPP, a revised Conservation Management Plan (CMP) is being developed by NMRN Operations, with support and challenge from the Victory Technical Committee, to ensure it is future proofed and supports the planned programme.

Efforts in the year have concentrated on preparing the ship for hull planking removal. A programme of surveys and testing mandated by legislation, along with preservation of weather deck areas was completed. Work was undertaken by NMRN Operations, under the guidance of structural support specialists, to prevent movement of the Ship in its current structure during this process. Repairs to the electrical system, including rolling replacement of lanthorn components and elements of the ships broadcast system were also completed within the reporting period.

Significant achievements that were made include:

Materials Trials – testing continued by the NMRN Operations Conservation Team to establish the impact of UV, water permeability and various materials for fastenings on the ship. This extensive programme of work, undertaken in partnership with Southampton University's nc² consultancy, is enabling the project to better understand the likely degradation of materials over time, and make informed decisions as to the best choices of fixings, glues, paints and timber to be used on the project, and the levels of maintenance likely to be required going forward. The ship-side mock-up surveys progressed on a monthly basis and the results showed patterns of deterioration. This information, combined with the laboratory results from materials trials was used when selecting the materials for re-planking the ship.

Workshop Upgrades – to support the delivery of the 12-year conservation plan, upgrades to the workshops progressed and a new space was designed. The new space allows for critical quality control procedures for the production of laminating oak and for the smooth supply chain flow from the timber supplier.

Scaffolding Structure - an impressive scaffolding structure was erected over the ship which allows the conservation teams to undertake the programme of works. Scaffolding interpretation work was also introduced to improve the visitor experience; the experience, named 'Victory Live: The Big Repair', is a festival-inspired experience that captures the essence of the ever changing nature of the conservation projects and conveys the 'behind the scenes' nature of the visitor experience. The structure includes a welcome foyer, branded signage, family trail that shares some of the key messages of the project and directional signage to support the visitors moving around the structure.

Timber Procurement – to ensure a successful re-planking process, it was essential that the right suppliers were procured to deliver the quality and quantity of oak timber required. A timber framework agreement was completed during the year and materials received to date have met the required specification.

Digital Content – The NMRN Operations conservation team captured digital footage of the project during the year, including:

- 3D drone surveys
- 3D Modelling
- 3D High resolution footage of planks

All of the content was used to highlight these exciting new pictures to support our visitor's research and experiences across websites, social media and within the Victory Live experience and can be found on the National Museum's website. A specific HMS Victory Hub is to be created that will showcase the conservation project, digital footage, stories from those working on the project and will be used to further promote the conservation with external broadcasters and production teams.

Educating about the history of HMS Victory and the Royal Navy and the defence of the realm

NMRN Operations has welcomed 204,859 visitors (2021-22: 143,144 visitors) to HMS Victory during the period and the Ship continues to be one of the most visited attractions at the Portsmouth Historic Dockyard. The improved NMRN Operations schools offer has seen the return of educational visits to the ship, with the 'Discovery Visits' and 'Discover More' visits, which include a self-directed activity using a Discovery Chest in either the Victory Gallery or Nelson Gallery, seeing a positive increase in users.

The National Museum has continued to regularly meet with the Royal Navy Communications and Engagement Teams to plan priority events, including those supporting joint working, with examples including the display of the Peregrine Trophy winners for the year.

Media coverage highlights included mention of the HMS Victory Conservation project and plans to open the scaffolding to the public across the Daily Telegraph, BBC South News and Portsmouth news. Conservation footage is also available on the National Museum's Facebook page, Twitter feed and Instagram.

The 'Nelson In his Own Words: Treasures from the Aikaterini Laskaridis Foundation of Greece' display launched within the Nelson Gallery in October 2022 just ahead of Trafalgar Day. This was co-promoted alongside the Victory Live project for Trafalgar Day and achieved 193 media mentions and a reach of 209,052 across online, broadcast and print.

A joint initiative between Portsmouth City Council and PHD Operations Limited to offer free tickets to all families within the city who are entitled to Pupil Premium proved a success during the year and opened up HMS Victory to those who may not have been able to visit the ship previously.

The National Museum opened its online collections service in September 2022 and a number of items relating to HMS Victory are available to view. Work continues to upload further collections to support with research and education for our digital visitors.

A PhD graduate was appointed by NMRN Operations in collaboration with the Mary Rose Trust during the year to support with chemical analysis to characterise oak from HMS Victory and the Mary Rose that had been subject to different conditions and conservation treatments. Looking at the various states of degradation, this information will be used to assess the effectiveness and sustainability of the conservation strategies for HMS Victory and the Mary Rose to share learning.

Supporting the Royal Navy

As the First Sea Lord's Flagship, HMS Victory continues to be used by the Royal Navy in supporting recruitment, retention and morale, welcoming cadets and serving personnel for tours and visits, hosting overseas and British naval guests and other important stakeholders, and also playing an important role in ceremonial events. During the reporting period, the Royal Navy was able to host 171 tours of the Ship, 6 ceremonial events including the Trafalgar Day Ceremony, 1 Carol Service, 13 Valedictory/Medal presentations, 6 Great Cabin Dinners/Drink Receptions and 3 Christening Services.

In June 2022, Armed Forces Day was celebrated at the Portsmouth Historic Dockyard and all serving personnel were given free access to the attractions including HMS Victory.

Commemoration and remembrance

HMS Victory is a key focus for remembrance of those members of the Royal Navy who have died while on active service. The Victory Gallery marks remembrance activities on the Ship by telling the story of Queen Victoria placing a wreath on the spot where Nelson fell on Trafalgar Day, 21 October. The laying of a wreath to mark Trafalgar Day as an act of remembrance continues to be an exceptionally important day in HMS Victory's calendar.

Plans for Future Periods

2023-24 will see further progress in the physical conservation work to the ship. With hull planking now removed over the first ship's midsection, an extensive rebaselining of the project is underway to validate the planning assumptions in order to provide a new, accurate, programme and budget for the project. On conclusion of that work, physical works to the ship will progress, including:

Hull Planking – following the material trials I, significant hull re-planking will begin. Timber specialists have been procured to support the supply of oak. The oak timber will be cut to required specification within the onsite workshop.

Work will continue with NMRN Operations to develop a comprehensive, innovative and ambitious programme of public engagement and communication to reach a diverse audience onsite, offsite and online, and that creates an impactful, meaningful and measurable legacy. The development of the HMS Victory Hub website page will also be progressed.

Expenditure for the coming period will be grant funding to NMRN Operations to deliver the Ship's operation for the public benefit, governance costs and investment management costs. Grants to NMRN Operations will be funded from investment income, but also through grant funding received from the separate and independent charitable trust, HMS Victory Preservation Endowment Fund (charity number: 1147573).

The Company holds substantial endowments, and with the support of the HMS Victory Preservation Endowment Fund, the work will be funded for many years to come. The Trustee and Directors are therefore content that the going concern basis continues to apply.

Financial Review

Statement of Financial Activities for the Year Ended 31 March 2023

Total incoming resources for the HMS Victory Preservation Company in 2022-23 amounted to £683,216 (2021-22: £597,317). This inflow related to investment income and interest and to voluntary donations.

Total resources expended for 2022-23 amounted to £317,764 (2021-22: £1,047,304). This outflow related to grants awarded to NMRN Operations for delivery of the conservation project, and investment management and governance costs.

After net losses on investments of £1,690,445 (2021-22: £2,595,264 gain) on the investment portfolio as a result of market volatility, and other recognised gains on revaluation of fixed assets totalling £15,684 (2021-22: £5,043), the net movement in funds for the year was a decrease of £1,309,129 (2021-22: £2,150,320 increase).

Balance sheet

The net assets as at 31 March 2023 amounted to £67,497,231 (31 March 2022: £68,806,360). Of this total, unrestricted funds were in a deficit of £419,860 (2021-22: £113,262 surplus), £41,755,240 related to endowment funds (2021-22: £42,537,195), and £26,161,851 are the assets (the ship itself, the stock and the revaluation reserve) of the HMS Victory Preservation Trust (2021-22: £26,155,903).

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

Free 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 2023, the level of the company's free reserves stood at a deficit of £419,860. This deficit arose from an adjustment to the timing of grant funding payments to NMRN Operations for the 2021-22 financial year (£809,358) that, going forward, will be paid from the investment income earned in the prior year.

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

Endowment Funds

The endowment funds include the Gosling Foundation gift (£25,000,000) and the Heritage Lottery Fund Catalyst Endowment (£5,000,000 non-expendable endowment for a period of 25 years). The value of these endowment funds stood at £41,755,240 on the 31 March 2023. These funds may be used to support the charitable objects of the company.

Investment Policy

The Trustees have developed a formal Investment Policy that operates alongside the Reserves Policy. The company seeks to produce the best possible financial return on its investments within an acceptable level of risk.

The Trustees have delegated decision making on investment matters to its Investment Committee, who have appointed two professional investment management firms to manage the assets on a discretionary basis in line with the Investment Policy. The investment managers provide custody of assets. Each manager is required to meet with the Investment Committee twice a year and to provide a quarterly written report on investment performance.

The Investment Committee has responsibility for delivering the investment strategy and monitoring the investment assets. It is charged with agreeing a suitable asset allocation framework with the investment managers, which is set with the overall company objective in mind. The committee reviews investment performance, including the asset allocation strategy, risk profile and consistency with the long-term objective. Performance is monitored against agreed benchmarks and against the long-term investment objective.

Returns from the investment funds are required to maintain HMS Victory for future generations and it is therefore essential to invest with a long-term perspective.

The company adopts a total return approach to investment, generating the investment return from income and capital gains or losses. Both investment income and capital gains may be expended within set parameters.

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.

The Investment Policy was reviewed and updated during the period to outline the Trustees' expectations of the investment managers to make socially responsible investments decisions and to demonstrate a rigorous process which seeks improvements in corporate social responsibility over time.

Auditors

The HMS Victory Preservation Company
(A company limited by guarantee)
Company number: 07935358

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

A handwritten signature in black ink, appearing to read 'Sir Charles Montgomery', with a horizontal line underneath.

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

Date: 19th December 2023

A handwritten signature in black ink, appearing to read 'Matthew Sheldon'.

Matthew Sheldon
Director General and Accounting Officer

Date: 19th December 2023

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 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 Director General and Accounting Officer and to the Executive Directors of the National Museum of the Royal Navy.

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 meets 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.

Jamie Matheson's terms of office was due to expire during 2022-23, however, the Gosling Foundation appointed him as their Board representative. This will therefore result in his term exceeding 10 years. The Board of Trustees confirmed their acceptance of this change in Jamie's membership on the 23 February 2023.

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 and discussed the issue and made their recommendations.

The subcommittees of the Board include:

Victory Investment Committee

This committee aims to meet at least two times a year and in addition, reviews the investment managers' quarterly reports and valuations. The committee develops and recommends to the Board the investment strategy and policy of the Company, having regard to capital and income requirements. Also, to consider and recommend benchmarks for the measurement of investment performance and to monitor, encourage and challenge the investment managers regarding the investments.

Victory Technical Committee

This committee meets as required, to periodically review NMRN Operation's strategic plan that integrates the Conservation Plan and the interpretation plan for the repair, refurbishment, and conservation of HMS Victory so that she may be enjoyed by current and future beneficiaries. NMRN Operations constructs a detailed plan of work, derived from the strategic plan, and the Victory Technical Committee oversees the construction and implementation of the conservation management strategy and plan. The Victory Technical Committee is required to have the necessary competences, independent technical advice and professional expertise in the conservation of 18th Century wooden ships, and to establish a process that records and documents (with photographic evidence) the entirety of the project to repair, refurbish and conserve HMS Victory.

Victory Audit, Risk and Assurance Committee

The committee meets as business requires to consider extraordinary items or items specific to the Company. Members are invited to observe the National Museum's Audit and Governance Committee, which is responsible for the effectiveness of audit controls across the National Museum group. The Victory Audit, Risk and Assurance Committee liaises with the National Museum's Audit and Governance Committee to confirm audit compliance with statutory and regulatory requirements. It also reviews the risks on a periodic basis to provide assurance that the system of internal control with regard to these risks is appropriately established and maintained by the National Museum.

Victory Appointment and Nomination Committee

The committee meets as required to provide assurance and advise on the process for making appointments to the HMS Victory Preservation Company Board and its constituent committees. It advises on an annual training calendar for the trustees and reviews the skills and experience of trustees to ensure the composition of the committees are adequate and robust.

Victory Communication and Engagement Committee

The committee meets as required and to support NMRN Operation's strategic plan for the communication and engagement of HMS Victory so that she may be enjoyed by current and future beneficiaries on site, off site and digitally, ensuring that the plan of activity compliments the conservation plan.

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 2022-23. 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 control is exercised through the National Museum'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 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 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 around decisions made by NMRN Operations in the understanding and conservation of the Ship and the impact of those decisions on the Ship's long-term future. To mitigate this risk, the Board has established a Technical Committee whose remit is to provide due diligence over NMRN Operation's strategic plan for the repair, refurbishment and conservation of HMS Victory providing best international practice, technical advice and professional expertise in the conservation of 18th Century wooden ships.

A further risk centres around returns from the investment funds required to maintain and operate the Ship to meet the charitable objects. The key risk to the achievement of the investment objective is inflation and the Trustees will address this by predominantly investing in equities, where dividends can be expected to grow, although capital value will fluctuate.

**Statement of Trustees' and Accounting Officer's responsibilities
for the year ended 31 March 2023**

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
On Behalf of the Board of Trustees**

Date: 19th December 2023



**Matthew Sheldon
Director General and Accounting Officer**

Date: 19th December 2023

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 2023 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 2023 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 twelve 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.
 - the depreciation rate applied to tangible fixed assets, and we addressed this by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated method.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

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

Use of our report

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



Alastair Duke (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

Date: 20 December 2023

PKF Littlejohn LLP is eligible for appointment as auditor of the charity by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006

The HMS Victory Preservation Company
(A company limited by guarantee)
Company number: 07935358

**Statement of financial activities (incorporating the income and expenditure account)
for the year ended 31 March 2023**

		HMS Victory			2023		HMS Victory			2022
	Notes	Unrestricted funds £	Preservation Trust £	Endowment funds £	Total £		Unrestricted funds £	Preservation Trust £	Endowment funds £	Total £
Income and endowments from:										
Donations	2	2,670	-	-	2,670		45,860	-	-	45,860
Investments	3	446,138	-	234,408	680,546		292,631	-	258,826	551,457
Total income and endowments		448,808	-	234,408	683,216		338,491	-	258,826	597,317
Expenditure on:										
Investment management costs	4	-	-	193,997	193,997		-	-	204,469	204,469
Charitable activities:										
HMS Victory Preservation	5 / 6	113,851	9,916	-	123,767		832,084	10,751	-	842,835
Total expenditure		113,851	9,916	193,997	317,764		832,084	10,751	204,469	1,047,304
Net (losses)/gains on investments		-	-	(1,690,445)	(1,690,445)		-	-	2,595,264	2,595,264
Net (expenditure)/income		334,957	(9,916)	(1,650,034)	(1,324,993)		(493,593)	(10,751)	2,649,621	2,145,277
Transfers between funds		(868,079)	-	868,079	-		-	-	-	-
Other recognised gains/(losses)										
Gains/(losses) on revaluation of fixed assets	11	-	15,864	-	15,864		-	5,043	-	5,043
Net movement in funds		(533,122)	5,948	(781,955)	(1,309,129)		(493,593)	(5,708)	2,649,621	2,150,320
Reconciliation of funds:										
Total funds brought forward		113,262	26,155,903	42,537,195	68,806,360		606,855	26,161,611	39,887,574	66,656,040
Total funds carried forward		(419,860)	26,161,851	41,755,240	67,497,231		113,262	26,155,903	42,537,195	68,806,360

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

The notes on pages 22 to 32 form an integral part of these financial statements.

Balance sheet
as at 31 March 2023

		2023		2022	
	Notes	£	£	£	£
Fixed assets					
Tangible assets	11	6,831,271		6,825,323	
Heritage assets	12	19,375,000		19,375,000	
Investments	13	41,805,454		42,586,667	
Total fixed assets		68,011,725		68,786,990	
Current assets					
Debtors	14	23,887		5,302	
Cash at bank and in hand		435,396		884,241	
Total current assets		459,283		889,543	
Creditors: amounts falling due within one year	15	(973,777)		(870,173)	
Net current assets			(514,494)		19,370
Net assets			67,497,231		68,806,360
Funds					
Unrestricted funds			(419,860)		113,262
HMS Victory Preservation Trust:					
HMS Victory Preservation Trust funds		26,109,260		26,119,176	
Revaluation reserve		52,591		36,727	
Total HMS Victory Preservation Trust funds	17		26,161,851		26,155,903
Endowment funds	18		41,755,240		42,537,195
Total funds			67,497,231		66,806,360

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
Director, on behalf of the Board of Trustees

Date: 19th December 2023

The notes on pages 22 to 32 form an integral part of these financial statements.

**Cash flow statement
for the year ended 31 March 2023**

	Notes	2023 £	2022 £
Cash flows from operating activities:			
Net cash used in operating activities		(220,159)	(208,256)
Cash flows from investing activities			
Dividend and interest income		680,546	551,457
Purchase of investments		(1,102,487)	(258,826)
Adjustment for non-cash fees deducted from gains/losses		193,255	197,904
Cash used in investing activities		<u>(228,686)</u>	<u>490,535</u>
 (Decrease)/Increase in cash and cash equivalents in the year	20	<u>(448,845)</u>	<u>282,279</u>
 Cash and cash equivalents at the beginning of the year		<u>884,241</u>	<u>601,962</u>
Cash and cash equivalents at the end of the year		<u><u>435,396</u></u>	<u><u>884,241</u></u>
Net (expenditure)/income for the reporting period (as per the statement of financial activities)		(1,324,993)	2,145,277
Depreciation and loss on disposal of assets		9,916	10,751
Losses/(Gains) on investments		1,690,445	(2,595,264)
Dividends and interest from investments		(680,546)	(551,457)
Donations of tangible fixed assets		-	(44,420)
(Increase)/Decrease in debtors		(18,585)	5,059
Increase/(Decrease) in creditors		103,604	821,798
Net cash used in operating activities		<u><u>(220,159)</u></u>	<u><u>(208,256)</u></u>

The notes on pages 22 to 32 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2023

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 Company and 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 to 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 twenty-five 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 2023

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

Timber

In March 2012, along with the gift of HMS Victory, the HMS Victory Preservation Trust received approximately 527m³ of teak, plus some smaller quantities of iroko and Brazilian mahogany, that had originally been procured by MoD for use in the conservation and maintenance of the Ship and that had been valued by Timbmet.

In 2016, 93 tonnes (~39m³) of unseasoned oak and elm were donated by four Scottish Estates for potential use towards the conservation of the Ship. The logs were surveyed over winter 2016-17 and sawn into rough-hewn planks. The timber is being stored and has been seasoned by a timber specialist (W L West) with the seasoning period completing in July 2021. The timber now needs to be converted into boards appropriate for use on the Ship.

The seasoned timber, that may be held as logs, bulks, knees or boards, and that will probably be used in the conservation of this Ship is capitalised at the deemed cost provided at the time the asset was received. The timber is not depreciated as it is deemed to have an indefinite life. An annual review for impairment is carried out in accordance with the Charities SORP, with any impairment recognised in the Statement of Financial Activities.

Notes to the financial statements for the year ended 31 March 2023

The unseasoned or green timber held and that requires further processing (logging, rough sawing and seasoning) before its suitability for use in the conservation project may be approved, is considered to have a modest market value, and the costs of obtaining a reliable valuation would not be commensurate with its value or with the benefit obtained by including the additional value on the balance sheet. This relates to the following donated timber:

- In 2022, 370 hoppus feet (~13m³) of unseasoned oak was donated by Portsmouth Water. This is presently at W L West's yard awaiting conversion and seasoning. It is anticipated that the seasoning will take 4-5 years to complete (not before 2026).
- Also in 2022, 3000 hoppus feet (~108m³) of unseasoned oak was donated by HS2. This timber is being stored at a yard in the Midlands awaiting conversion and seasoning. Again, it anticipated that the seasoning will take 4-5 years to complete (not before 2026).

Other Tangible fixed assets

Other 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.

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.

Notes to the financial statements for the year ended 31 March 2023

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 £50million.

HMS Victory today is far from 'new build' condition and during the next 10-20 years, it is projected that a sum in the region of £30,625,000 (at current costs) will be expended in bringing the Ship to (something close to) new condition. Whilst HMS Victory will not then be literally 'as good as new', any lower value would be offset by it being, at least in perception, the original ship.

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

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 five years, with the next scheduled for 2022. The progress of the project will be reviewed annually with any material change being reflected by an interim valuation.

1.10. 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.

**Notes to the financial statements
for the year ended 31 March 2023**

Valuation, being the deemed cost, of seasoned timber	<p>The valuation of the seasoned timber received in 2012 has been carried out by a professional valuer based on the assumption that the open market value could be achieved in the event of a sale.</p> <p>The valuation of the seasoned timber received in 2016 has been carried out by a professional valuer and uses the estimated replacement cost as the deemed cost based on their estimation of the useable quantities and grades of the seasoned timber.</p> <p>Although the seasoned 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>
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2. Donations

	Unrestricted funds	2023 Total	Unrestricted funds	2022 Total
	£	£	£	£
Other donations	2,670	2,670	1,440	1,440
Gift of timber	-	-	44,420	44,420
	<u>2,670</u>	<u>2,670</u>	<u>45,860</u>	<u>45,860</u>

3. Investments

	Unrestricted funds	Endowment funds	2023 Total	Unrestricted funds	Endowment funds	2022 Total
	£	£	£	£	£	£
Income from listed investments	446,138	234,408	680,546	292,631	258,826	551,457
	<u>446,138</u>	<u>234,408</u>	<u>680,546</u>	<u>292,631</u>	<u>258,826</u>	<u>551,457</u>

4. Investment management costs

	Endowment funds	2023 Total	Endowment funds	2022 Total
	£	£	£	£
Investment management fees	193,997	193,997	204,469	204,469
	<u>193,997</u>	<u>193,997</u>	<u>204,469</u>	<u>204,469</u>

**Notes to the financial statements
for the year ended 31 March 2023**

5. Costs of charitable activities - by fund type

	Unrestricted funds	HMS Victory Preservation Trust	2023 Total	Unrestricted funds	HMS Victory Preservation Trust	2022 Total
	£	£	£	£	£	£
HMS Victory Preservation	113,851	9,916	123,767	832,084	10,751	842,835
	<u>113,851</u>	<u>9,916</u>	<u>123,767</u>	<u>832,084</u>	<u>10,751</u>	<u>842,835</u>

6. Costs of charitable activities - by activity

	Activities undertaken directly	Governance and support costs	2023 Total	2022 Total
	£	£	£	£
HMS Victory Preservation	7,510	19,178	26,688	33,477
Grant to NMRN Operations (Charity 1169061)	97,079	-	97,079	809,358
	<u>104,589</u>	<u>19,178</u>	<u>123,767</u>	<u>842,835</u>

7. Analysis of governance and support costs

	2023 Total	2022 Total
	£	£
Depreciation and impairment	9,916	8,859
Loss on disposal of fixed assets	-	1,892
Accountancy fees	2,430	2,430
Auditor remuneration	5,677	3,723
Trustee recruitment	1,155	2,115
	<u>19,178</u>	<u>19,019</u>

8. Net incoming resources for the year

	2023	2022
	£	£
Net incoming resources is stated after charging:		
Depreciation and other amounts written off tangible fixed assets	9,916	10,751
Auditors' remuneration	<u>5,677</u>	<u>3,723</u>

9. Employees

No salaries or wages have been paid to employees, including the trustees, during the year. Trustees travel expenses for five Trustees totalled £934 (2022: Four Trustees £968).

Notes to the financial statements for the year ended 31 March 2023

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 £	Timber £	Total £
Cost or valuation				
At 1 April 2022	6,302	221,475	6,692,439	6,920,216
Additions	-	-	-	-
Revaluation	-	26,440	-	26,440
Disposals	(6,302)	-	-	(6,302)
At 31 March 2023	-	247,915	6,692,439	6,940,354
Depreciation				
At 1 April 2022	6,302	88,591	-	94,893
Charge for the year	-	9,916	-	9,916
Revaluation	-	10,576	-	10,576
Disposals	(6,302)	-	-	(6,302)
At 31 March 2023	-	109,083	-	109,083
Net book values				
At 31 March 2023	-	138,832	6,692,439	6,831,271
At 31 March 2022	-	132,884	6,692,439	6,825,323

12. Fixed assets - Heritage assets

	HMS Victory £	Total £
Valuation		
At 1 April 2022 and At 31 March 2023	19,375,000	19,375,000
Net book values		
At 31 March 2023	19,375,000	19,375,000
At 31 March 2022	19,375,000	19,375,000
	At cost £	At valuation £
Carrying amount at 1 April 2022 and 31 March 2023	-	19,375,000

Notes to the financial statements for the year ended 31 March 2023

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

Cost or valuation	2023	2022	2021	2020	2019
	£	£	£	£	£
<u>Additions</u>					
Purchases	-	-	-	-	-
Donations	-	-	-	-	-
<u>Disposals</u>	-	-	-	-	-

13. Fixed assets - Investments

	Listed investments	Total
	£	£
Valuation		
At 1 April 2022	42,586,667	42,586,667
Additions	1,102,487	1,102,487
Gains and losses before management fees	(1,690,445)	
Less management fees deducted	(193,255)	
Net increase in investment market value	(1,883,700)	(1,883,700)
At 31 March 2023	41,805,454	41,805,454
Historical cost as at 31 March 2023	32,772,332	32,772,332
Historical cost as at 31 March 2022	31,669,845	31,669,845

The HMS Victory Preservation Company holds two portfolios of investments, one managed by Cazenove Capital Management and the other by James Hambro and Partners. The investment objective for the period was to generate a total return of inflation plus 4% per annum over the long term. The market valuation at the year end is provided by the Investment Managers, the results of which are summarised as follows:

		2023	2022
		£	£
<u>UK</u>	UK government and fixed interest securities	797,682	803,539
	UK bonds	1,189,375	-
	UK equities	3,314,395	4,498,341
	Others	5,369,431	3,819,084
	Capital account	952,351	1,032,103
		<u>11,632,234</u>	<u>10,153,067</u>
<u>Overseas</u>	Fixed interest	1,791,342	978,888
	International bonds	1,389,775	1,814,316
	International equities	23,267,196	24,584,689
	Others	3,733,907	5,055,707
		<u>30,182,220</u>	<u>32,433,600</u>
		<u>41,805,454</u>	<u>42,586,667</u>

Notes to the financial statements for the year ended 31 March 2023

14. Debtors

	2023	2022
	£	£
Accrued income	23,887	5,302

15. Creditors: amounts falling due within one year

	2023	2022
	£	£
Amounts owed to group companies	819,029	818,233
Other creditors	106	-
Accruals and deferred income	154,642	51,940
	<u>973,777</u>	<u>870,173</u>

16. Analysis of net assets between funds

	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2023 Total funds
	£	£	£	£
Fund balances at 31 March 2023 as represented by:				
Tangible fixed assets	44,420	6,786,851	-	6,831,271
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	41,805,454	41,805,454
Current assets	459,283	-	-	459,283
Current liabilities	(923,563)	-	(50,214)	(973,777)
	<u>(419,860)</u>	<u>26,161,851</u>	<u>41,755,240</u>	<u>67,497,231</u>
Unrealised gains included in tangible fixed assets	-	52,591	-	52,591

Analysis of net assets between funds

	Unrestricted funds	HMS Victory Preservation Trust	Endowment funds	2022 Total funds
	£	£	£	£
Fund balances at 31 March 2022 as represented by:				
Tangible fixed assets	44,420	6,780,903	-	6,825,323
Heritage assets	-	19,375,000	-	19,375,000
Investment assets	-	-	42,586,667	42,586,667
Current assets	889,543	-	-	889,543
Current liabilities	(820,701)	-	(49,472)	(870,173)
	<u>113,262</u>	<u>26,155,903</u>	<u>42,537,195</u>	<u>68,806,360</u>
Unrealised gains included in tangible fixed assets	-	36,727	-	36,798

**Notes to the financial statements
for the year ended 31 March 2023**

17. Restricted funds

	At 1 April 2022 £	Outgoing resources £	Gains and losses £	At 31 March 2023 £
HMS Victory Preservation Trust	26,155,903	(9,916)	15,864	26,161,851
	<u>26,155,903</u>	<u>(9,916)</u>	<u>15,864</u>	<u>26,161,851</u>
	At 1 April 2021 £	Outgoing resources £	Gains and losses £	At 31 March 2022 £
HMS Victory Preservation Trust	26,161,611	(10,751)	5,043	26,155,903
	<u>26,161,611</u>	<u>(10,751)</u>	<u>5,043</u>	<u>26,155,903</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.

18. Endowment funds

	At 1 April 2022 £	Incoming resources £	Outgoing resources £	Transfers £	Gains and losses £	At 31 March 2023 £
Endowment Fund	35,748,427	196,903	(162,957)	729,186	(1,419,974)	35,091,585
Catalyst Endowment Fund	6,788,768	37,505	(31,040)	138,893	(270,471)	6,663,655
	<u>42,537,195</u>	<u>234,408</u>	<u>(193,997)</u>	<u>868,079</u>	<u>(1,690,445)</u>	<u>41,755,240</u>

Endowment funds

	At 1 April 2021 £	Incoming resources £	Outgoing resources £	Gains and losses £	At 31 March 2022 £
Endowment Fund	33,522,746	217,414	(171,754)	2,180,021	35,748,427
Catalyst Endowment Fund	6,364,828	41,412	(32,715)	415,243	6,788,768
	<u>39,887,574</u>	<u>258,826</u>	<u>(204,469)</u>	<u>2,595,264</u>	<u>42,537,195</u>

Transfers from unrestricted funds to endowment funds represent investment income reinvested during the period.

Notes to the financial statements for the year ended 31 March 2023

19. Ultimate parent undertaking

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

Control is exercised by the National Museum being the corporate member of the HMS Victory Preservation Company.

The National Museum was established in 2008 as a holding company of the NMRN Group which operates a number of naval service museums, including HMS Victory. The National Museum'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 National Museum's registered office: National Museum of the Royal Navy, HM Naval Base PP66, Portsmouth, Hampshire, PO1 3NH.

20. Analysis of changes in net funds

	Opening balance £	Cash flows £	Closing balance £
Cash at bank and in hand	884,241	(448,845)	435,396
Net funds	884,241	(448,845)	435,396

21. Related party transactions

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

22. Revaluation reserve

	2023 £	2022 £
At 1 April 2022	36,727	31,684
Movement in reserves	15,864	5,043
At 31 March 2023	<u>52,591</u>	<u>36,727</u>